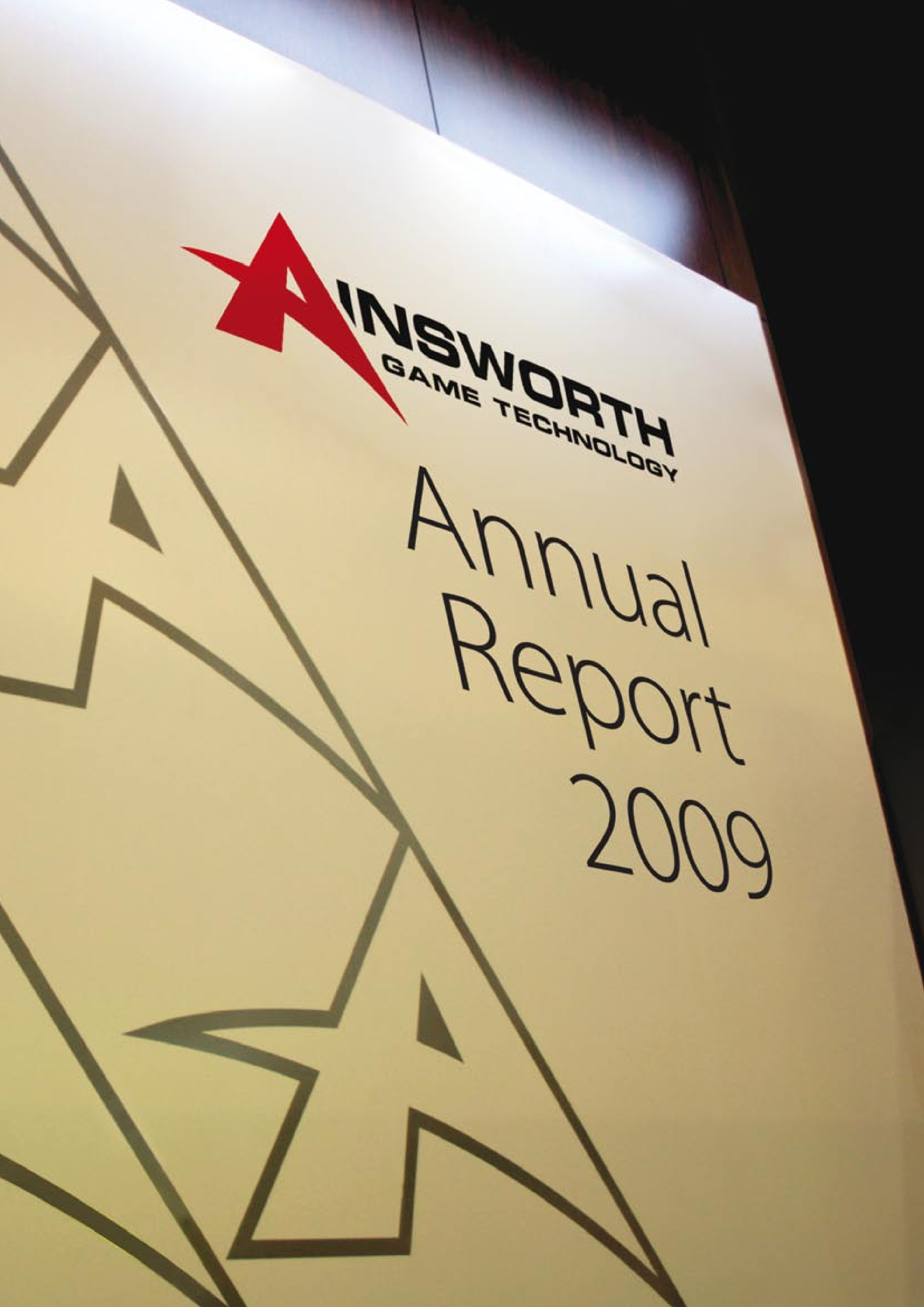

AINSWORTH
GAME TECHNOLOGY
Annual
Report
2009

Ainsworth Game Technology's continued product strategy now in its third year of development centred on the Ambassador® SL platform has created a formidable global product range, tailored to delivering unique, innovative and entertaining games producing sustainable high levels of performance.

Ainsworth Game Technology's GamePlus™ product range now approved in multiple jurisdictions is pivotal in the Company's emergence to be globally recognised in the design, development and sale of gaming technologies.

The GamePlus™ product range has been further expanded producing industry leading performance across multiple product categories headlined by "$"Mystery Progressives, Play40Lines™, Play50Lines™, Play100Lines™, Double Shot™ and Triple Shot™ standalone progressives, MutliPlay™ product and now the all new Players Paradise® 3 level link progressive game .

These quality product ranges further reinforce Ainsworth Game Technology's core aspirational values of quality, innovation and excellence.

Key Dates

Annual General Meeting:
Wednesday 25 November 2009

Results announcement for six months
ending 31 December 2009:
25 February 2010

Results announcement for
year ending 30th June 2010:
25 August 2010

Dates may be subject to change.

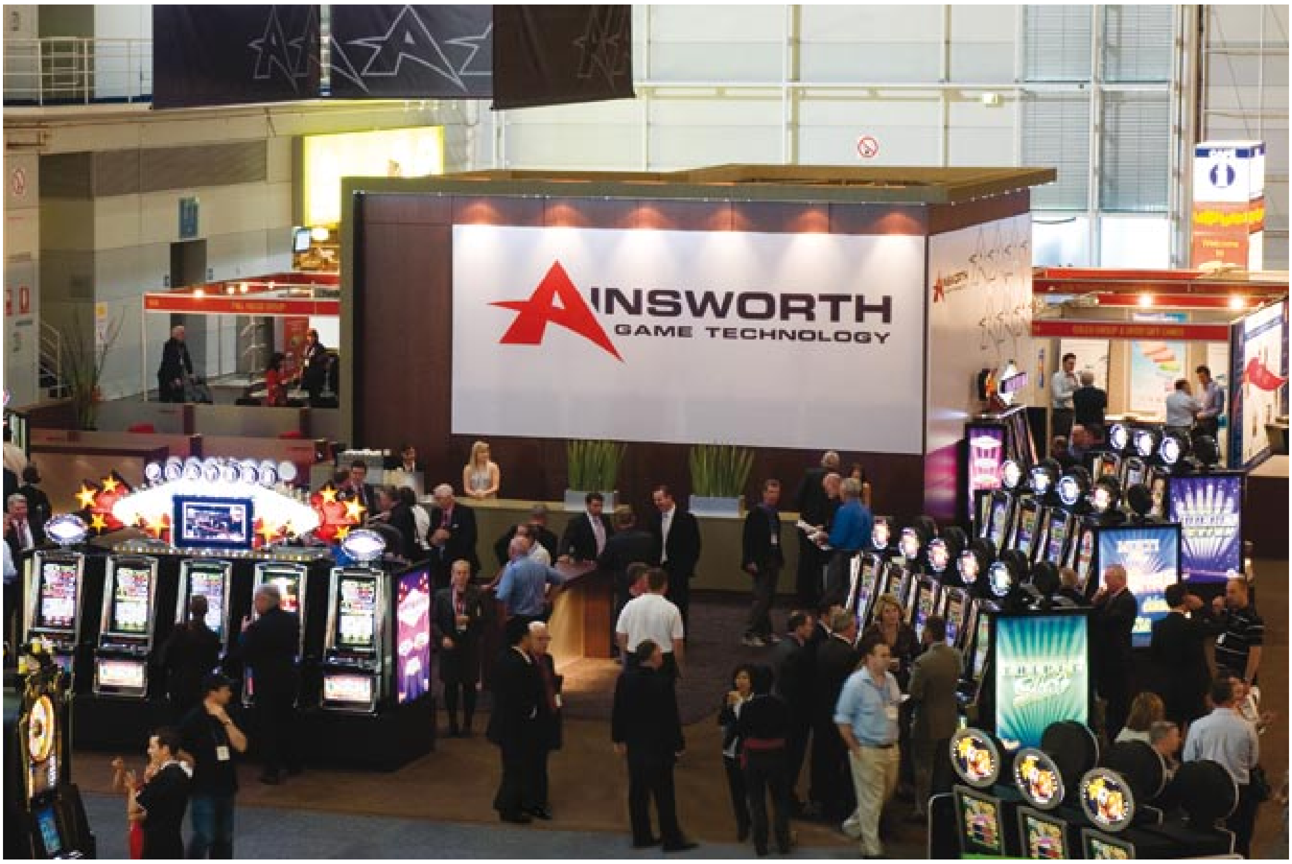
Notice of Annual General Meeting

Ainsworth Game Technology Limited
ABN 37 068 516 665

Notice is hereby given that the 2009 Annual General Meeting of the members of Ainsworth Game Technology Limited will be held at:

Bankstown Sports Club
"Georges River Room"
8 Greenfield Parade (Cnr Greenfield Parade and Mona Street)
BANKSTOWN NSW 2200

on Wednesday 25 November 2009
at 10.00am.



Australasian Gaming Expo, Sydney 2009

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EXECUTIVE CHAIRMAN'S REPORT

L to R: G Campbell (Independent Non-Executive Director), M Ludski (Chief Financial Officer/Company Secretary), D Gladstone (Chief Executive Officer), LH Ainsworth (Executive Chairman), SL Wallis AO (Independent Non-Executive Director)

Dear Shareholder,

I am pleased to report that despite tight financial times globally, Ainsworth Game Technology (AGT) has been performing strongly and we anticipate seeing a profit turnaround in the medium term.

The Company is now well positioned to capitalise on the positive results of the reform process introduced more than a year ago. The strategies previously identified and implemented continue to position AGT for growth, both at home and overseas.

These strategies have increased product performance in all global markets and resulted in significant sales growth within Australia. This improved performance is attributable to an enlarged range of game categories, providing greater variety and resulting in greater demand for the Company's products.

Difficult global economic conditions have reduced the number of products installed within overseas markets with a consequent reduction in international revenue. As global markets improve, the Company will be well positioned to leverage from its expanded game library and significantly increase revenue.

Although the global economic downturn has delayed the achievement of profitability, the Company has continued to invest in the development of innovative future generation products and securing gaming licenses necessary to grow sales, achieve profitability and build shareholder value.

Significant progress has been made following the application last year to the Nevada Gaming Commission and State Gaming Control Board for licensure. Other key North American states and provinces where licence applications have been submitted include: Illinois, Mississippi, New York, Alberta and Manitoba.

Progress continues to be made in all aspects of the Company's operations under the leadership of Mr Danny Gladstone, Chief Executive Officer.

I am confident that the Company's Executive team have the necessary skills and industry knowledge to achieve a turnaround in trading performance.

In my personal capacity I continue to provide financial support where required and guidance to the Company.

In addition to the operational funding, I provided the funds to complete a major extension to the Company's Sydney facility. All core departments are now situated at the one location, ensuring improved communication and efficiencies.

The Company's financial position was strengthened during the year by extending the maturity date of the convertible notes on issue. My wife and I have extended the maturity date on our personal holdings until 31 December 2014 assisting the Company to maintain investment for business growth in the years ahead.

I am confident AGT will establish itself as a successful global gaming products provider and wish to thank the Directors, management, all employees and shareholders for their continued support.

Len Ainsworth
Executive Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

L to R: P Black (National Sales Manager), P Teng (Group Compliance Manager), D Gladstone (Chief Executive Officer), M Ludski (Chief Financial Officer/Company Secretary), I Cooper (General Manager – Manufacturing), V Bruzzese (General Manager – Technical Services)

Dear Shareholder,

Further progress was made during 2009 in establishing the Company as a quality provider of innovative gaming equipment.

This strategy has resulted in a significant increase in revenue within Australia over the previous year and has been achieved largely through continued investment in product development.

Improved product performance has led to an increase in the AGT installed base in New South Wales, Queensland and Victoria. Demand for product in the ensuing 2010 financial year has continued and is expected to result in increased sales.

Product development strategies and the aggressive introduction of products into international markets have continued, although at a slower rate than anticipated due to global economic conditions. The key American markets have been more cautious in their replacement of gaming machines due to global economic concerns. It is envisaged that these conditions will ease during 2010 and beyond. The benchmark levels of product performance and a broader games library will translate into increased international revenue in the 2010 year.

With the current economic uncertainties, the Company has also taken action to minimise the associated risks and infrastructure required in key North American markets through a partnership with Bally Gaming to supply game content. This will provide AGT with access to their extensive sales channels and secure revenue without any increase in overheads associated with product development. It is expected that the commencement of this agreement will be in the second quarter of the current financial year, when the first game licensed under the agreement obtains the necessary regulatory approval. Continued revenue contributions are being received from an earlier agreement to supply game content for Class II gaming products within selected North American jurisdictions.

The revised distribution arrangements within other international markets including New Zealand, Asia and Europe have minimised the adverse impacts of legislative changes and global financial conditions. While these markets continued to present challenges, they are expected to improve and make a further positive contribution to the Company's financial results in the coming year.

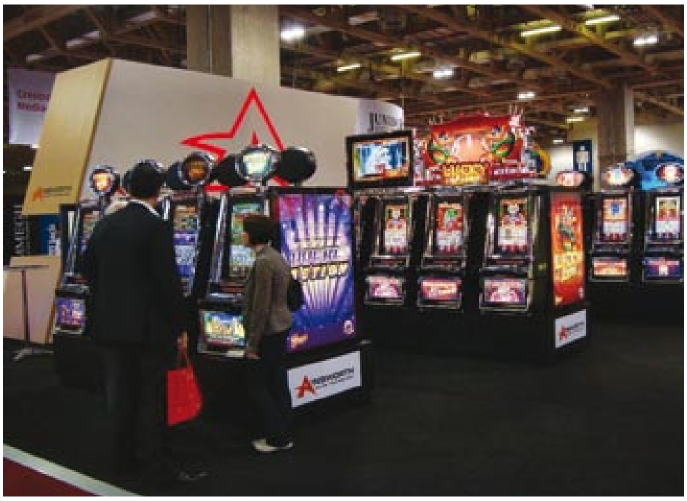
Despite the challenging economic conditions the Company has continued to invest heavily in research and development and licensing in order to capitalise on market opportunities as they arise.

Increased compliance activity and commitment has facilitated regular communication with gaming regulators. A strong compliance culture, to which the Company is committed, assists in maintaining the integrity of gaming within all markets the Company participates in and promotes the continued growth of the business.

The Company's Nevada licence application has progressed during the period with a number of visits by investigating agents. Subject to the completion of the necessary investigation reports, it is anticipated that the Company and key qualifiers will be on the Nevada agenda of the State Gaming Control Board for consideration in November 2009, prior to a determination by the Nevada Gaming Commission later that month.

Operationally, gross margins have improved significantly which reflects the higher selling prices being achieved, overhead efficiencies through product rationalisation, inventory management and production process improvements, as well as reductions in material costs.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)



G2E Macau trade show

"Improved product performance has led to an increase in the AGT installed base in New South Wales, Queensland and Victoria. Demand for product in the ensuing 2010 financial year has continued and is expected to result in increased sales."

Overheads, excluding research and development, were further reduced in the current period with the Company continually reviewing cost structures to ensure the most efficient utilisation of resources. Strategic market selection has ensured the Company continues to produce quality products while a greater emphasis has been placed on reducing regulatory approval lead times and achieving a faster release to market.

Improvements in working capital have been a priority during the period. Significant reductions in raw materials have been achieved compared to 2008. The increase year on year in finished goods is attributable to machines on trial and lease in North America and Asia. These are expected to be converted to sales or create recurring revenue streams in the coming year. Improvements in receivables were also reflected in the increase in cash receipts resulting in a net cash in-flow from operations, before income tax and borrowing costs paid, during the year.

The Company's future success in the gaming industry is heavily dependent on having a strong team of people with the necessary skills, expertise and industry knowledge. Over the past two years a strong executive and management team, with appropriate skills and experience, has been established to take the Company forward. AGT is strongly focused on on-going training and development of its management and staff to provide a sound basis for growth and profit performance.

I would like to acknowledge the valuable contributions made by the Chairman and Directors, the management team, external consultants and all staff members for their commitment to ensuring the Company continues to be recognised as a global provider of high quality, high performance gaming products.

D. Gladstone

Danny Gladstone
Chief Executive Officer

Allen Kerridge, Director of Slots; Chris Colwell, CEO - Greektown Casino-Hotel Detroit

"Despite the challenging economic conditions the Company has continued to invest heavily in research and development and licensing in order to capitalise on market opportunities as they arise."

Sales and Service

The 2009 year presented many challenges, particularly the downturn in the world economy and the subsequent reduction in capital available for both new and replacement equipment.

International sales contributed 49% of total revenues, while domestic sales accounted for 51%.

The successful implementation of the Company's product strategy saw a trend towards premium end progressive games which resulted in an increase in the average unit price in all markets.

Domestic Markets:

Sales efforts in both New South Wales and Queensland continued to be concentrated on the club market and an increasing proportion of sales were made to both the hotel and casino markets in Queensland. Multiple sales were made to the major operators in Victoria with product performance in both networks consistently surpassing the network average.

Throughout the year the success of the premium product range provided increases in average selling price as well as additional software sales revenues.

The Double Shot™ standalone progressive games in the Ambassador® SL cabinet, released at the 2008 Australasian Gaming Expo, provided the platform for increased sales volumes and are providing consistently high performance. The Play40Lines™ and Play50Lines™ games also provided a unique product offering in New South Wales with the added standalone mystery progressive option.

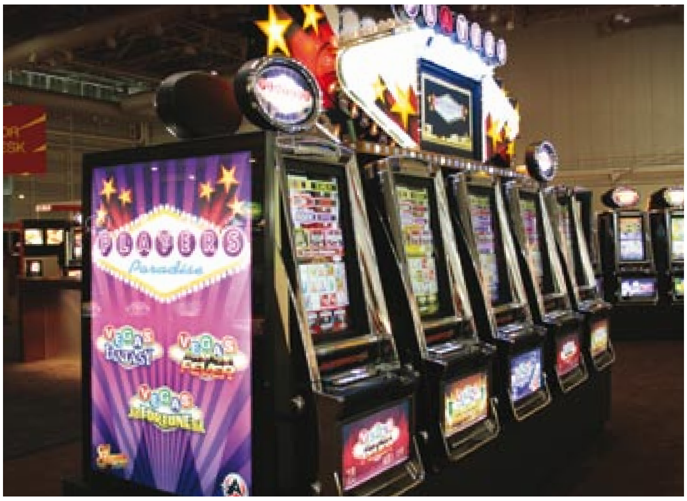
Further complementing the sales strategies within New South Wales is the Company's service infrastructure which continues to provide customers with high quality technical support and value added service. The service division currently has over 9,000 machines under vendor maintenance agreements.

International Markets:

While forecast sales units were not achieved, the Company was successful in improving product performance, obtaining new licenses and securing additional revenue stream potential, with the recently executed non-exclusive licensing agreement to supply game content.

Within North America the excellent performance of the Play50Lines™ game range provided the bulk of installations, with the highlight being the performance in New Jersey where games attained performance levels two to three times the floor average, with similar results achieved in Detroit, Indiana, Iowa and Minnesota.

Latin America suffered a decline with limited sales being made in Mexico, South America and the Caribbean. Revenue in other international markets including Europe and Asia suffered decreases as a result of changes in legislation and financial uncertainties due to the global economy.



"With high yielding game performance across multiple jurisdictions, AGT is now recognised as a leading global product provider."

Product Development

With high yielding game performance across multiple jurisdictions, AGT is now recognised as a leading global product provider.

The Company's product strategy, which continues to centre on mid to low denomination games, has provided the catalyst for achieving industry leading performance.

The extensions to the GamePlus™ range released in late 2008 realised their full potential in 2009. Notably the Double Shot® standalone progressive and Play50™ line range of games were the outstanding contributors to sales revenues.

In domestic markets AGT's Double Shot™ range lead by Royal Diamonds® dominated the markets of New South Wales, Queensland and Victoria. In international markets the extensive range of Play50Lines™ games continues to produce high performing results.

The recent release of the now certified Players Paradise® link progressive, Triple Shot™ triple level standalone progressive and the multigame MultiPlay™ Big Time™ in the Ambassador® SL cabinet has further strengthened the GamePlus™ range.

As a result of continued investment in intellectually protected design and innovation, the GamePlus™ range now possesses a solid game platform across all categories, with the breadth and flexibility to compete in chosen global markets.

Research and Development (R&D) / Engineering

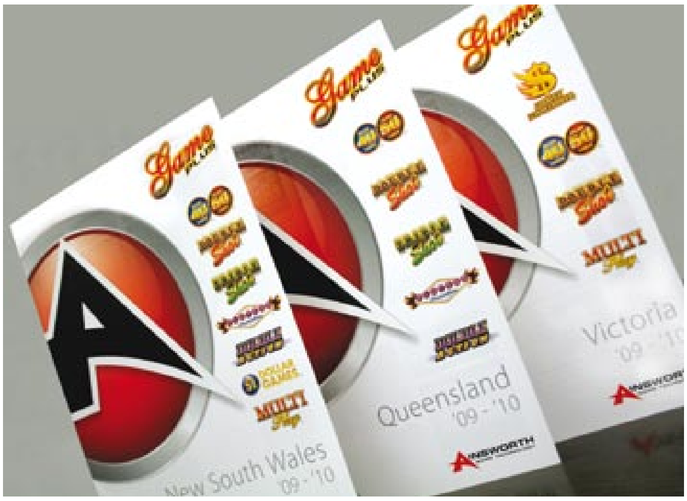
The Technical Services Department which includes Research & Development, Hardware & Software Engineering and Product Management, continues to enhance its technical responsiveness and support to existing and new global customers.

Over the last year Technical Services has achieved continued performance gains in its streamlined approach to the on-going development and submission of its hardware and software platforms. This has been reflected across all global markets in which the Company trades including Ambassador® SL product approvals in the following new markets: Indiana, Florida Seminoles, New Mexico, Pennsylvania, New Jersey, Chile, Missouri and Michigan State.

Over the coming year Technical Services will expand its team of experienced staff in line with the Company's development and product diversity plans. The Company has also continued its investment in Research and Development including the on-going development of new proprietary gaming platforms.

Compliance and Licensing

The Company continues to maintain a high level of regulatory compliance based on recognised Australian and international standards. The Company is recognised as the only Australian gaming manufacturer currently holding an accreditation with the quality management systems standard (AS/NZ ISO 9001:2000). The Company will reinforce its commitment to continually improve its quality management system by seeking on-going accreditation for a further three years.



"As at 30 June 2009, the Company renewed 34 licences and is approved to conduct business in 16 US states and two provinces in Canada."

The Company continues to aggressively target further state and tribal applications in North America and Canadian provinces. As at 30 June 2009, the Company renewed 34 licences and is approved to conduct business in 16 US states and two provinces in Canada. The approvals over the past year include Michigan, Missouri and the Canadian provinces of Ontario and British Columbia. AGT has 61 tribal licences across California, Connecticut, Florida, Michigan, Minnesota, Mississippi, New Mexico, North Dakota, Oklahoma, Oregon and Wisconsin.

The Company submitted a licence application to the Nevada Gaming Control Board in November 2008. The investigation is progressing to the planned timeline, as outlined in the Chief Executive Officer's Report.

Manufacturing

The manufacturing operations of the Company has seen reductions in both raw material inventories and product assembly times. This has been achieved with the streamlining of operational flows in conjunction with close co-operation with all sales departments to determine forecasts and related purchasing policies.

Operational processes are now based on a simplified material flow with close scrutiny of the Enterprise Resource Planning (ERP) system which ensures accurate Bill of Materials and maintenance of jurisdictional hardware compliance.

With the expansion of our American based operation, the same ERP system has been introduced to enable closer control on inventory transactions and encompass the Manufacturing Requirement Plan process globally. In addition to these changes, greater emphasis has been placed on the final configuration of the product at the Company's American facility, to reduce lead-times to our customers in these markets.

It is envisaged that through our continual improvement program and on-going cost reduction initiatives, further benefits to the Company will be realised over the 2010 year and beyond.

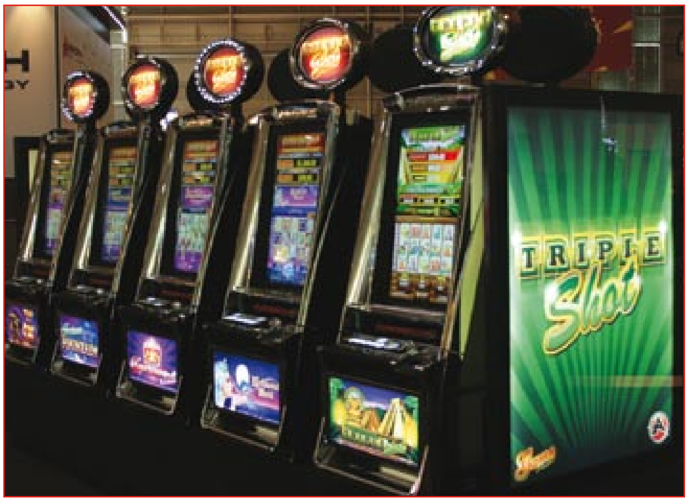
Finance

The loss after income tax for the year ended 30 June 2009 was $12.5 million compared to a loss in the corresponding 2008 year of $19.4 million. A net foreign exchange gain of $5.3 million in the current year resulted in a reduction in the loss for the period under review.

Sales revenue of $45 million was achieved, compared to $50 million in the corresponding period in 2008. This decrease of 9% was primarily due to global financial conditions adversely impacting international revenues in the current period. Within domestic markets revenue achieved was $23 million, an increase of 54% over the corresponding period in 2008. The increased revenue within Australia was primarily due to the product development strategies previously introduced providing improved game performance.

Revenue from the Americas was $17 million, a decrease of 26% on the previous year. Continued investment within the Americas and the impact of the strategic partnership with Bally Gaming should ensure progressive revenue growth.

Gross margins improved from 39% to 48% in the year as a result of higher selling prices, overhead efficiencies through production processes and reduced material costs.



"Gross margins improved from 39% to 48% in the year as a result of higher selling prices, overhead efficiencies through production processes and reduced material costs."

Finance (continued)

The Company continued its investment in Research and Development during the year with a 25% increase over the previous year. All other operating costs fell as a result of the cost reduction strategies previously implemented. This assisted in offsetting the immediate impact of lower international revenue resulting from the global financial crisis.

During the year foreign exchange gains of $5 million resulted, due to the weakening of the Australian dollar compared to the US dollar. The Company continually monitors and reviews the financial impact of currency variations and, subject to available facilities, reviews strategies to minimise the volatility of changes in foreign currency exchange rates.

Cash management initiatives introduced resulted in a reduction in the cash outflow from operations from $5 million in 2008 to $2 million in the current period. As outlined, inventory of raw materials fell and improvements in receivables were achieved compared to the previous year, as well as significant reductions in the extent of credit offered on sales made in all jurisdictions.

For further commentary on the results for the year refer to the "Operating and Financial Review" on page 26 of this report.

Human Resources

The Company has built upon its previous Human Resources strategies to establish a true performance culture, while further developing talent and improving overall Company performance in all operational areas.

The Company's well defined performance management process establishes Key Performance Indicators and identifies AGT's expectations of employees. This process provides on-going feedback to ensure the Company's goals and objectives are communicated to employees.

The recognition of the Company's employees through further education and on-going workplace training has achieved the necessary employee retention for longer term organisational benefits. A formal succession plan has been established to ensure continuity in key functional areas to minimise any disruption to the Company's operations should changes occur.

Compliance with Occupation Health and Safety Regulations and legislation ensures a safe workplace continues to be a high priority to the Company.

INFORMATION ABOUT SHAREHOLDERS AND NOTEHOLDERS

Securityholder information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SECURITY HOLDINGS (as at 15 September 2009)

Number of securityholders and securities on issue

The issued shares in the Company were 278,942,304 ordinary shares held by 3,511 shareholders.

The issued convertible notes in the Company were 19,714,717 held by 769 noteholders.

Substantial shareholders / noteholders

The number of shares and convertible notes held by substantial securityholders and their associates are set out below:

Shareholder / Noteholder	Number of Convertible Notes	Number of Ordinary Shares
Mr LH Ainsworth	10,385,282	174,024,331*
Invia Custodian Pty Limited (Votraint-Braesyde Super Fund A/C)	1,898,286	29,715,528

* Mr LH Ainsworth previously granted share options over a portion of his personal shareholding to all Australian employees, excluding directors and four key management personnel. Share options outstanding as at 15 September 2009 were 7,749,971 (issued to 133 employees) and remain unexercised.

Voting rights

Ordinary shares

The voting rights attaching to ordinary shares are that on a show of hands every member present in person or by proxy has one vote and upon a poll, each share shall have one vote.

Convertible notes

The convertible notes do not give their holders any voting rights at shareholders' meetings.

Options

Option holders have no voting rights.

Distribution of securityholders

Category	NUMBER OF CONVERTIBLE NOTE AND EQUITY SECURITYHOLDERS		
	Convertible Notes	Ordinary Shares	Options
1 - 1,000	330	317	-
1,001 - 5,000	275	1,611	-
5,001 - 10,000	67	686	-
10,001 - 100,000	80	795	4
100,001 and over	17	102	3
Total	**769**	**3,511**	**7**

The number of securityholders holding less than a marketable parcel of ordinary shares and convertible notes respectively is 1,695 (3,901,567 ordinary shares) and 194 (64,809 convertible notes).

On market buy-back

There is no current on market buy-back.

Unquoted equity securities

At 15 September 2009, 731,060 unlisted non-transferable options have been issued to 7 option holders and remain unexercised.

Regulatory Considerations Affecting Shareholders

The Company is subject to a strict regulatory regime in regard to the gaming licences and operations within the gaming industry. It is necessary for the Company to regulate the holding of shares to protect the businesses of the Company in respect of which a gaming licence is held. By accepting shares, each potential investor acknowledges that having regard to the gaming laws, in order for the Company to maintain a gaming licence, the Company must ensure that certain persons do not become or remain a member of the Company. The Constitution of the Company contains provisions that may require shareholders to provide certain information to the Company and the Company has powers to require divesture of shares, suspend voting rights and suspend payments of certain amounts to shareholders.

INFORMATION ABOUT SHAREHOLDERS AND NOTEHOLDERS (continued)

SECURITY HOLDINGS (as at 15 September 2009) (continued)

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of total
Mr Leonard Hastings Ainsworth	167,131,473	59.92
Invia Custodian Pty Limited (Votraint-Braesyde SF A/C)	29,715,528	10.65
Associated World Investments Pty Ltd	6,892,858	2.47
HSBC Custody Nominees (Australia) Limited	4,415,000	1.58
Writeman Pty Limited (PLA Investment Fund A/C)	4,148,923	1.49
Serioso Pty Limited (GGHA Trading Account)	3,841,984	1.38
Reserve Properties Pty Ltd (NBF Investment A/C)	2,433,204	0.87
Coastwide Poker Machine Sales & Services Pty Ltd (R&V Turner Superfund A/C)	1,202,144	0.43
HFT Nominees Pty Ltd (HFT Super Fund A/C)	900,000	0.32
Mr Dimitrios Piliouras & Mrs Konstantina Pilioura (Energia Super Fund A/C)	838,544	0.30
Hotel Bondi Pty Ltd (Bondi Unit A/C)	660,000	0.24
Miss Pattarawadee Smarnkeo	659,999	0.24
ANZ Nominees Limited (Cash Income A/C)	606,528	0.22
Anvil Properties Pty Ltd	601,100	0.22
JP Morgan Nominees Australia Ltd	570,381	0.20
Andromeda Entertainment Pty Ltd	560,000	0.20
Mrs Chizuru Larment	550,637	0.20
Mr Errol William Neish & Mrs Lorraine Rae Neish (Neish Super Fund A/C)	535,000	0.19
Mrs Christine Emily Coghlan	510,547	0.18
Casola Holdings Pty Ltd (Nordiv Holdings S/Fund A/C)	500,000	0.18
Total	**227,273,850**	**81.48**

Twenty largest noteholders

Name	Number of convertible notes held	Percentage of total
Baclupas Pty Ltd (Valhalla A/C)	8,000,000	40.58
Associated World Investments Pty Ltd	2,252,382	11.42
Invia Custodian Pty Limited (Votraint-Braesyde SF A/C)	1,898,286	9.63
Citadel Investments Ltd	800,287	4.06
Anvil Properties Pty Ltd	630,000	3.20
ANZ Nominees Limited (Cash Income A/C)	390,872	1.98
Ms Danita Rae Lowes	354,254	1.80
HSBC Custody Nominees (Australia) Limited	313,066	1.59
CJHA Pty Ltd (CJHA Family A/C)	281,797	1.43
Casola Holdings Pty Ltd (Nordiv Holdings P/L S/F A/C)	218,692	1.11
Tie Fabrications Pty Ltd (Tie Fabrications S/F A/C)	173,699	0.88
Mr Kim Arculli	153,846	0.78
Boardwalk Pty Ltd	151,132	0.77
Mrs Mary Murone & Mr Vincent Murone (Murone Family Super Fund A/C)	150,000	0.76
Kjerulf David Pty Ltd	132,900	0.67
UBS Wealth Management Australia Nominees Pty Ltd	118,460	0.60
Mr Ross Yates (Jarsey Super Fund A/C)	110,000	0.56
JP Morgan Nominees Australia Limited	100,000	0.51
Mr David Matthew Fite	80,000	0.41
Mr William Patrick McBride & Mrs Kathleen Mary McBride	77,927	0.40
Total	**16,387,600**	**83.00**

THE COMPANY'S APPROACH TO CORPORATE GOVERNANCE

The Company's Board of Directors and management strongly support the principles of good corporate governance to create long-term value for shareholders and maintaining the Company's strong reputation for integrity. This is particularly important given the highly regulated nature of the industry within which the Company operates and is essential for securing new gaming licences and protection of current licences.

The following are the Company's main corporate governance principles placed in the order as set out in the "Corporate Governance Principles and Recommendations, 2nd edition" which was published by the Australian Securities Exchange (ASX) Corporate Governance Council in August 2007. Statements to this corporate governance section have been referenced to the applicable ASX Recommendations and compliance is indicated by ☑.

Principle 1
Lay solid foundations for management and oversight

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Company, including guiding its strategic direction, approving and monitoring capital expenditure, monitoring financial performance, setting remuneration and reviewing the performance of the Chief Executive Officer. The Board is responsible for ensuring appointments, removals and succession plans for directors and where necessary, seeking shareholder approval. In addition, the Board is responsible for appointing, removing and creating succession polices for the Chief Executive Officer and senior executives. The Board establishes and monitors the achievement of management's goals, ensuring the integrity of internal control and management information systems and approves and monitors financial and other business related reporting.

In his role as Executive Chairman, Mr LH Ainsworth provides input into technical design, strategic guidance and overview of the Company with the responsibility for management of the day to day operations delegated to the Chief Executive Officer. Responsibilities are delineated by formal authority delegations.

Board Processes

To assist in the execution of its responsibilities, the Board has established three Board Sub-Committees namely the Remuneration and Nomination Committee, the Regulatory and Compliance Committee and the Audit Committee. Each Committee has a Charter which includes a more detailed description of their duties and responsibilities. These Charters are regularly reviewed and approved by the Board and are available in the Corporate Governance section of the Company's website. The Board has also established a framework for the management of the Company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The Board currently holds monthly scheduled meetings throughout the year and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for the Board meetings is prepared in conjunction with the Chairperson, Chief Executive Officer and the Chief Financial Officer / Company Secretary. Standing items include declaration of interests or conflicts, the Chief Executive Officer's report, financial reports and any issues relating to strategic matters, governance and compliance requirements of the Company. Board papers and submissions are circulated in advance. Executives are regularly involved in Board discussions and directors have the opportunity for contact with a wider group of employees and other stakeholders.

During the year under review, the Board met eleven times and the Board members' attendance record is disclosed in the table of directors' meetings on page 19 of this Report.

Performance of Key Executives

The non-executive directors of the Remuneration and Nomination Committee review the performance of the Company's Chief Executive Officer and senior executives who directly report to the Chief Executive Officer. Their findings are reported to the Board. A performance management review process is undertaken which involves self-assessment and review against previously established goals and objectives set by the Board. The performance of the Company's senior executives has been assessed this year in accordance with this process. Key aspects of the review process are described below.

The Chief Executive Officer annually presents a self-assessment to the Non-Executive Directors of the Remuneration and Nomination Committee, who formally review the performance of the Chief Executive Officer. The key aspects of the assessment include financial performance measures, strategic initiatives, staff and human relations indicators and compliance performance. The Remuneration and Nomination Committee reports on the performance of the Chief Executive Officer to the Board.

The Chief Executive Officer evaluates, at least annually, the performance of the following key executives: Chief Financial Officer / Company Secretary, General Manager of Technical Services, General Manager of Manufacturing, Group Compliance Manager and Division Sales Managers. Both qualitative and quantitative measures are used that vary according to an individual's role. Factors that are taken into consideration when accessing performance include relative contributions to profit, how business is conducted, people leadership and adherence to the Company's Code of Conduct and compliance policies. These performance assessments are reviewed by the non-executive directors of the Remuneration and Nomination Committee and reported to the Board.

☑ ASX Corporate Governance Council's Recommendations 1.1,1.2,1.3

Principle 2
Structure the Board to add value

Composition of the Board

The names and details of the directors of the Company in office at the date of signing the Financial Report are set out on page 19 of this Report.

The composition of the Board is evaluated and reviewed to ensure it provides a broad range of skills, personal qualities, expertise, ability to exercise independent judgment and diversity required to discharge its responsibilities. Provision of such skills and experience is aimed to assist the Company to achieve its objectives and continual development. The Remuneration and Nomination Committee assists the Board in regularly evaluating the effectiveness, size and composition of the Board. It identifies and evaluates suitability qualified candidates as directors and makes recommendations to the Board for consideration.

Principle 2

Structure the Board to add value

(continued)

Composition of the Board
(continued)

An objective of the Company is to ensure that the majority of the Board should comprise independent, non-executive directors with no other significant business or other links to the Company. An independent director is a director who is not a member of the management (i.e. a non-executive director) team and who:

- holds less than five percent of the voting shares of the Company and is not an officer of the Company, or otherwise associated, directly or indirectly, with a shareholder of more than five percent of the voting shares of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another group member, or has been a director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material* professional adviser or a material* consultant to the Company or another group member;
- is not a material* supplier or customer of the Company or another group member, or an officer of the Company or otherwise associated, directly or indirectly, with a material* supplier or customer;
- has no material* contractual relationship with the Company or another group member other than as a director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

* the Board considers, "material", in this context to be where any director-related business relationship has represented, or is likely in future to represent the lesser of at least 10% of the relevant segment's or the director-related business's revenue. The Board has considered the nature of the relevant industries' competition and the size and nature of each director-related business relationship, in arriving at this threshold.

The majority of the Board comprises independent non executive directors with the roles of the Chairperson and Chief Executive Officer not being exercised by the same individual. Each director has the right of access to all Company information and to the Company's executives. Further, subject to informing the Board, a director may seek independent professional advice from a suitably qualified adviser at the Company's expense. A copy of the advice received by the director is made available to all other members of the Board.

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors. Directors also have the opportunity to meet with management to gain a better understanding of business operations. Directors are able to access continuing education opportunities to update and enhance their skills and knowledge.

Board Performance Review

The Chairman of the Board is responsible for evaluating the performance of the Board, its committees and individual directors. The performance of the Board is currently under assessment in accordance with the process described below.

The process for conducting the Board's performance review consists of individual interviews with each director. The review includes an assessment of the individual contribution of each Board member as well as the performance of the Board as a whole. The performance criteria that is taken into account include each director's contribution to setting the direction, strategy and financial objectives of the group and monitoring compliance with regulatory requirements and ethical standards. A written report discussing the results, issues for discussion and recommendations is to be presented to the Board and discussed at a Board Meeting. Each of the Board Committees undertakes a periodic review of their performance in accordance with their Charters. The results of these reviews are then presented and discussed at a Board meeting.

Sub-Committees of the Board

1. Audit comittee

Details regarding the composition of the Committee, its role and responsibilities are provided under Principle 4 of this statement.

2. Remuneration and Nomination Committee

Details regarding the composition of the Committee and its role and responsibilities are provided under Principle 8 of this statement.

3. Regulatory and Compliance Committee

The members of the Committee during the year are set out below:

Composition of Regulatory and Compliance Committee

Chairman:	Mr SL Wallis AO (Independent Non-Executive Director)
Members:	Mr GJ Campbell (Independent Non-Executive Director)
	Mr SM Cohn (Independent Member)
	Mr DE Gladstone (Chief Executive Officer)
Secretary:	Mr ML Ludski (Chief Financial Officer/Company Secretary)

Due to the highly regulated nature of the gaming industry within which the Company operates, the securing of new gaming licences and protection of current licences is an on-going process which is of great importance to the Company. The Regulatory and Compliance Committee Charter, which is reviewed regularly and has been approved by the Board, outlines responsibilities to monitor, review, advise and assist the Board to ensure all compliance related matters and procedures have been established and are operating effectively. The Charter is available on the website of the Company. A majority of members are independent, including two non-executive directors and the chairman is not the Chairman of the Board.

The Regulatory and Compliance Committee monitors probity related matters, technical compliance issues and compliance conduct and issues, systems and procedural requirements to ensure that the Company maintains a high standard of compliance with all of its gaming regulatory and licence obligations. In addition, the Regulatory and Compliance Committee advises and makes recommendations to the Board regarding regulatory compliance matters, including the suitability of key employees and other persons or entities with whom the Company has or intends to have an association or affiliation, in line with gaming regulations.

The Group Compliance Manager and the Technical Compliance Manager are invited to the Regulatory and Compliance Committee meetings to present and discuss their reports and recommendations. The Regulatory and Compliance Committee met five times during the year and the directors' attendance record is disclosed in the table of directors' meetings on page 19 of this Report. Due to the importance of the regulatory environment within which the Company operates, and to ensure the commitment by the Board within this important area, the Committee is scheduled to meet at least four times each financial year and as required to address any specific issues that may arise.

The main responsibilities of the Regulatory and Compliance Committee are to:

- oversees activities of the compliance, licencing and technical compliance functions;
- regularly review the application of compliance to ensure that the Company meets all requirements outlined in its Compliance Policy;
- deal with and investigate any breaches, complaints and derogatory information of which it becomes aware;
- provide assistance and advice to the Board on matters pertaining to the Company's continuing suitability to obtain and maintain gaming licences;
- review operational policies and recommendations relating to compliance issues; and
- perform, at least annually, a performance evaluation of the Committee members to ensure delivery on its Charter and continually enhance the Committee's contribution to the Board.

The Regulatory and Compliance Committee may seek independent professional advice, at the Company's expense, in carrying out these duties, subject to informing the Board. The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and is provided with the right to direct access to any person within the Company.

☑ ASX Corporate Governance Council's Recommendations 2.1,2.3,2.4,2.5,2.6

Non-compliance to the ASX Corporate Governance Council's Recommendations is as below:

Principle 2.2 The chair should be an independent director	Given that the Chairman, Mr LH Ainsworth, is a substantial shareholder of the Company, he is not considered to be an independent director. The Board intends to consider the succession of the Chairperson when trading performance of the Company is improved. Mr SL Wallis AO has been appointed as the lead independent director to ensure that any conflicts which may arise are dealt with in line with ASX Corporate Governance Principles and Recommendations.

Principle 3

Promote ethical and responsible decision-making

Ethical Standards

All directors, managers and employees are expected to act with complete integrity and objectivity in all their activities related to the Company, striving at all times to enhance the reputation and performance of the Company. Every employee has a nominated supervisor to whom they may refer any issues or complaints arising from their employment. To further promote a culture within the Company where ethical standards are maintained in accordance with Company policy, the Company has established a "Whistleblower" Policy which ensures protection of individuals reporting any incidents of misconduct or unethical behaviour.

Conflict of Interest

Directors must keep the Board advised, on an on-going basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to ensure that directors disclose any potential conflicts of interest.

Where the Board believes that a significant conflict exists for a director on a Board matter, the director concerned does not participate in any discussion and voting on the applicable matter and, if considered appropriate, the director is requested not to be present whilst the matter is considered. Details of director related transactions with the Company are set out in Note 35 in the financial statements.

Code of Conduct

The Company has established a Code of Conduct that embraces high standards of personal and corporate conduct. Each director, manager and employee has been advised that they must comply with this Code. The full Code may be viewed on the Company's website and it requires all directors and officers to:

- conduct all dealings with internal and external stakeholders in a truthful, honest and trustworthy manner;
- value and maintain professionalism;
- treat all persons with whom they interact, with respect and dignity;
- respect the rights of individuals;
- act towards others without discrimination;
- comply with the Company's internal policies and procedures;
- report unethical behaviour or wrongdoing;
- use authority in a fair and unbiased way;
- comply with all applicable laws, regulations and licensing conditions; and
- not knowingly make a misleading statement.

A copy of the Code of Conduct is made available to all staff. The Code is reviewed regularly by the Board and processes are in place to communicate any amendments to the Code to all staff. New employees are issued with an employee handbook containing the Code of Conduct and prior to commencing their respective employment, they are required to certify that they have read and understood the requirements contained within it. The Company has established procedures to monitor compliance with the Code of Conduct.

In addition to the Code of Conduct and the Whistleblower policy, the Company also has policies which govern:

- Occupational Health and Safety;
- Dealing in Company's securities; and
- Equal Employment Opportunity.

All employees are required to complete the harassment, discrimination and compliance training conducted by the Company.

Principle 3
Promote ethical and responsible decision-making
(continued)

Trading in Company Securities by Directors and Employees
The Company has in place a policy which outlines the rules that directors, senior executives and all employees must follow when dealing in the Company's securities. The policy also details the insider trading provision of the *Corporations Act 2001* and is available on the website of the Company.

The key elements of the Company's policy regarding trading in Company securities by directors and employees are:

- that directors, senior executives and employees may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options:
  - whilst in possession of information, which if disclosed publicly, would be likely to materially affect the market price or value of those securities; and
  - at any time outside a Window Period*, unless there are exceptional circumstances and in accordance with the procedure as laid down in the policy.
- to raise the awareness of legal prohibitions on trading, including transactions involving associates, colleagues and external advisers;
- to require details to be provided of any intended trading in the Company's shares as well as subsequent confirmation of the trade; and
- to identify the process for unusual circumstances where discretions may be exercised in cases such as financial hardship.

* Window Period:

(a) commence on the day following the release of the Company's Half-Yearly and Preliminary Final Results and Dividend announcements for a 30 day period;

(b) commence on the day following the Annual General Meeting for a 30 day period; and

(c) during the offer or application period specified in a prospectus or supplementary prospectus issued for a new share issue.

The policy stipulates a number of notification and approval procedures that must be carried out before any director or employee can deal in securities of the Company. The Company has in place internal mechanisms to review compliance with the policy. An amendment to the Trading Policy was recently made in September 2009 which resulted in the window period commencing on the first trading day after the release of the Company's Half-Yearly and Preliminary Final Results and Dividend announcements. Further to this the Company Secretary is to notify each director when the ASX has received the relevant announcement and confirm that the window period will commence the following trading day.

☑ ASX Corporate Governance Council's Recommendations 3.1,3.2,3.3

Principle 4
Safeguard integrity in financial reporting

Audit Committee
The members of the Committee during the year are set out below:

Composition of the Audit Committee
Chairman: Mr GJ Campbell (Independent Non-Executive Director)
Member: Mr SL Wallis AO (Independent Non-Executive Director)

The Audit Committee has a documented Charter, which is regularly reviewed and approved by the Board. All members are currently independent non-executive directors. The chairman of the Committee is not the Chairman of the Board. The Committee advises on the establishment and maintenance of a framework of internal financial control for the management of the Company.

The external auditors, the Chief Executive Officer and Chief Financial Officer / Company Secretary, are invited to attend Audit Committee meetings at the discretion of the Committee. The Committee met two times during the year and Committee members' attendance record is disclosed in the table of directors' meetings on page 19 of this Report. The external auditor met with the Audit Committee and the Board during the year, without management being present.

The Chief Executive Officer and the Chief Financial Officer / Company Secretary declared in writing to the Board that the Company's financial reports for the year ended 30 June 2009 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required for the full year and half year reporting periods.

The main responsibilities of the Audit Committee are to:

- assist the Board to discharge its fiduciary responsibilities with regard to the Company's accounting, control and reporting practices by monitoring the risk and internal control environment and management over corporate assets;
- review internal controls and any changes thereto approved and submitted by the Company's Chief Financial Officer / Company Secretary;
- provide assurance regarding the quality and reliability of financial information used by the Board;
- oversee the activities of the internal audit function and external audit staff of the Company and to review the Company's risk management policies and internal control processes;
- review and recommend to the Board the adoption of the Company's half year and annual financial statements;
- liaise with and review the performance of the external auditor;
- consider whether non-audit services provided by the external auditor are consistent with maintaining the external auditors' independence; and
- perform, at least annually, a performance evaluation of the Committee members to ensure delivery on its Charter and continually enhance the Committee's contribution to the Board.

The Audit Committee reviews the performance of the external auditors on an annual basis and meets with them during the year to:

- discuss the external audit and internal audit plan;
- identify any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements;
- review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final reports and any significant adjustments required as a result of the auditor's findings prior to lodgment with the ASX;
- review the results and findings of the auditor and monitor the implementation of any recommendations made; and
- organize, review and report as required on any special reviews or investigations deemed necessary by the Board subject to the engagement not impairing audit independence.

The Audit Committee's Charter is available on the Company's website. The Audit Committee also considers the selection and appointment of external auditors and the rotation of external audit engagement partners.

☑ ASX Corporate Governance Council's Recommendations 4.1,4.3,4.4

Non-compliance to the ASX Corporate Governance Council's Recommendations is as below:

Principle 4.2 The Audit Committee should be structured so that it has at least three members.	The Company's Audit Committee comprises of two members. Due to the size of the Board, the Audit Committee will comprise of only two members until such time as an additional independent non-executive director is appointed.

Principle 5
Make timely and balanced disclosure

The Company is listed on the ASX and is committed to ensuring that information which is expected to have a material effect of the price or value of its shares is notified to the ASX in a timely and balanced manner, with regard to the *Corporations Act 2001* and ASX Listing Rules outlining continuous disclosure requirements for listed companies.

All senior executives must follow a process which involves monitoring all areas of the Company's internal and external environment to identify and communicate significant matters in a timely manner to the Chief Financial Officer / Company Secretary. The Chief Executive Officer and Chief Financial Officer / Company Secretary are responsible for determining whether matters are required to be disclosed in accordance with the above continuous disclosure requirements and for informing the Board accordingly.

The Chief Financial Officer / Company Secretary is responsible for co-ordinating disclosure to the ASX and ensuring that such information is not released to any person until the ASX has confirmed its release to the market. Such matters are advised to the ASX on the day they are identified as being material.

☑ ASX Corporate Governance Council's Recommendations 5.1,5.2

Principle 6
Respect the rights of shareholders

The Company is committed to keeping shareholders fully informed of significant developments and activities of the Company. This commitment is fulfilled as follows:

- all announcements made to the market and related information (including investor presentations, information provided to analysts or the media during briefings), are placed on the Company's website after lodgment with the ASX;
- the Annual Report (including relevant information about the operations of the Company during the year and changes in the state of affairs) is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document);
- the half yearly report contains summarized financial information and a review of the operations of the Company during the period. The half year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX and sent to any shareholder who requests it;
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website;
- the Board encourages full participation of shareholders at the AGM, to ensure a high level of accountability and identification with the Company's strategy and goals;
- important issues are presented to shareholders as single resolutions;
- shareholders are requested to vote on the appointment and aggregate remuneration of directors as well as changes to the Constitution. The Constitution is available on the website of the Company and copies are also given to shareholders who request for the same; and
- the external auditor is requested to attend the AGM to answer any questions concerning the audit and the content of the Auditor's report.

☑ ASX Corporate Governance Council's Recommendations 6.1,6.2

Principle 7
Recognise and manage risk

Oversight of the risk management system

The Board oversees the establishment, implementation and annual review of the Company's risk management system. Management has established and implemented the risk management system for identifying, assessing, monitoring and managing operational, financial reporting, and compliance risks for the Company. The Chief Executive Officer and the Chief Financial Officer / Company Secretary have declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company and material associates.

Risk profile and the Audit Committee

The Audit Committee reports to the Board on the status of risks through integrated risk management processes and programs aimed at ensuring that risks are identified, assessed and appropriately managed.

Principle 7

Recognise and manage risk

(continued)

Risk profile and the Audit Committee

(continued)

Each business operational unit is responsible and accountable for implementing and managing the standards required by the risk management system.

The major risks that the Company faces are allocated to individual executives and are reviewed to determine progress and to provide updates as to the individual status and to ensure the identification of any further risks.

Risk management and compliance and control

The Company has implemented a compliance program which complies with the Australian Standard for Compliance Programs AS 3806. This Standard was prepared by the Standards Australia Committee following a request by the Australian Competition and Consumer Commission and details the essential elements of an effective compliance program. The Standard provides principles for the development, implementation and maintenance of an effective compliance program, whilst emphasizing the need for continuous improvement. The use of these principles will enable the Company to identify risks and to develop processes to ensure compliance with relevant laws and regulations, including gaming regulatory and licence obligations.

The Company received accreditation on 15 June 2007 confirming that the Company's quality management system complies with the AS/NZ ISO 9001:2000 standard. This standard is identical and has been reproduced from the ISO 9001:2000 *Quality Management Systems-Requirements*, published by the International Organization for Standardization (ISO). Further to receiving the accreditation, the Company has demonstrated its on-going commitment to continuous improvement by successfully maintaining its quality accreditation through regular independent surveillance audits of its quality management system during the year.

In addition to the above, the Company continually reviews internal controls and operating procedures, to enable compliance with Gaming Machine National Standards and the Company's Control System Manual.

To ensure that these standards are maintained, there are a number of internal reporting measures including monthly Compliance Reports from all department managers and monthly Continuous Disclosure Reports from all senior executives. The Regulatory and Compliance Committee receives details from the above reports and reviews the Company's reporting and processes on all these matters.

The Board is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. The Board's policy on internal control is continually under review to ensure it keeps pace with internal and external changes. The Board oversees the Company's internal compliance and control systems, including:

Operating unit controls - Operating units confirm compliance with financial controls and procedures, including information systems controls detailed in procedures manuals;

Functional specialty reporting - Key areas subject to regular reporting to the Board include Treasury and Risk Management, Environmental, Legal and Insurance matters; and

Investment appraisal - Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size, obtain prior Board approval;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorized and executed;
- the quality and integrity of personnel is maintained (see below);
- financial reporting accuracy and compliance with the financial reporting regulatory framework (see below); and
- environmental regulation compliance (see below).

Quality and integrity of personnel

Written confirmation of compliance with policies of the Company is obtained from all operating units. Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue with employees and senior management. A formal succession plan has been established to ensure competent and knowledgeable employees fill senior positions, as and when retirements or resignations occur.

Financial reporting

The Chief Executive Officer and the Chief Financial Officer / Company Secretary have declared, in writing to the Board, that the Company's financial reports are founded on a sound system of risk management and internal compliance and control. Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Environmental regulation

The Company's operations are not subject to significant environmental regulations under either Commonwealth or State legislation. The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breaches of those environmental requirements as they apply to the Company.

Assessment of effectiveness of risk management

Internal audit

To further assist the Board in ensuring compliance with these internal controls and risk management programs, the Company allocated the responsibilities of the Internal Audit function to a key employee within the Company's compliance department. This role is to oversee and regularly review the effectiveness of the abovementioned compliance and control systems and conduct regular audits against the International and Australian Standards as well as against all operating policies and procedures. The Audit Committee is responsible for approving the internal audit plan to be undertaken during the year and for the scope of the work to be performed.

☑ ASX Corporate Governance Council's Recommendations 7.1,7.2,7.3,7.4

Principle 8
Remunerate fairly and responsibly

Remuneration and Nomination Committee

The members of the Committee during the year are set out below:

Composition of the Remuneration and Nomination Committee

Chairman: Mr SL Wallis AO (Independent Non-Executive Director)

Members: Mr GJ Campbell (Independent Non-Executive Director)
Mr ML Ludski (Chief Financial Officer / Company Secretary)

The Remuneration and Nomination Committee has a documented Charter which is regularly reviewed and approved by the Board. A majority of members are independent non-executive directors and the chairman of the Committee is not the Chairman of the Board.

The Chief Executive Officer and Human Resources/Payroll Manager are invited to attend the Remuneration and Nomination Committee meetings, as required, to discuss senior executives' performance and remuneration packages. The Chief Executive Officer and Chief Financial Officer / Company Secretary are not involved in matters pertaining to their own remuneration. During the year under review, the Committee met three times and the directors' attendance record is disclosed in the table of directors' meetings on page 19 of this Report.

The main responsibilities of the Remuneration and Nomination Committee are to:

- review the composition of the Board and make evaluations and recommendations thereon;
- identify and evaluate potential candidates as non-executive directors and report findings to the Board;
- recommend the selection, appointment, induction process and succession planning process for the Chief Executive Officer, the Chief Financial Officer / Company Secretary and other senior executives;
- recommend to the Board ways in which the skills, experience and expertise levels of existing directors and senior executives can be enhanced and developed;
- conducts an annual review of performance of the Chief Executive Officer, the Chief Financial Officer / Company Secretary and the senior executives reporting directly to them, and report findings to the Board;
- review and make recommendations to the Board on remuneration packages and incentive policies applicable to the Chief Executive Officer, Chief Financial Officer / Company Secretary, senior executives and directors themselves; and
- perform, at least annually, a performance evaluation of the Committee members to ensure delivery on its Charter and continually enhance the Committee's contribution to the Board.

Further details of the Remuneration and Nomination Committee's responsibilities are outlined in its Charter, which is available on the Company's website. The policy and procedure for appointment of directors also forms a part of the Committee's Charter.

Remuneration Report

The Remuneration Report is set out on pages 20 to 25 of this Report.

Remuneration policies

Remuneration levels for key personnel of the Company are competitively set to attract and retain appropriately qualified and experienced executives and directors. The Remuneration and Nomination Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally.

The remuneration 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 remuneration structures take into account:

- the capability and experience of key management personnel;
- management performance against key performance indicators (KPIs) and individual contributions to the Company's performance;
- the Company's performance includes;
  - revenue and earnings; and
  - growth in share price and delivering increased returns to shareholders.

Remuneration packages include a mix of fixed and variable remuneration and short-term and long-term performance-based incentives. In addition to salaries, the Company also provides non-cash benefits to its key management personnel and contributes to defined contribution superannuation plans on their behalf.

Senior executives may receive bonuses based on the achievement of specific performance hurdles. The performance hurdles are a blend of the Company's and each relevant segment's result. In the year under review, no incentive payments were made as Company performance did not reach the minimum threshold levels. The Company does not have any profit-share plan.

Total remuneration for all non-executive directors, last voted upon by shareholders is not to exceed $500,000 per annum. The base fee for individual non-executive directors for the financial year under review was $70,000 per annum, excluding superannuation and covers all main Board activities. Membership of Committees is remunerated in addition to the base fee as outlined in the Remuneration Report on page 21 of this Report. Non-executive directors do not receive any performance related remuneration or bonuses or retirement benefits other than statutory superannuation payments.

☑ ASX Corporate Governance Council's Recommendations 8.1,8.2,8.3

Annual Financial Report

For the year ended 30 June 2009

CONTENTS PAGE

The directors present their report together with the financial report of Ainsworth Game Technology Limited ('the Company') and of the Group ('the Company and its subsidiaries and any interest in associates') for the financial year ended 30 June 2009 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:

Name, qualification and independence status	Age	Experience, special responsibilities and other directorships
Current		
Mr Leonard Hastings Ainsworth Executive Chairman	86 yrs	• Fellow of the Institute of Company Directors in Australia and the Australian Institute of Management • Fifty-five years gaming industry experience • Founder and former Managing Director of Aristocrat • Director and Chairperson since 1995 – Executive Chairperson since 2003 • Inducted into the Australian Gaming Hall of Fame in 1994 and U.S Gaming Hall of Fame in 1995 • Life member – Clubs N.S.W.
Mr Stewart Laurence Wallis AO, BCE (Hon), FIE Aust Lead Independent Non-Executive Director	75 yrs	• Fellow of the Institute of Engineers, Australia • Advisory Board member of St Hilliers Contracting Pty Limited • Former Chief Executive and Director of Leighton Holdings Limited • Director since 2002 • Chairperson of Remuneration and Nomination Committee and Regulatory and Compliance Committee • Member of Audit Committee
Mr Graeme John Campbell Independent Non-Executive Director	52 yrs	• Graeme has specialised in the area of liquor and hospitality for over 26 years in corporate consultancy services with particular emphasis on hotels and registered clubs • Chairman of Harness Racing NSW • Director of Central Coast Stadium • Director of Blue Pyrenees Wines • Chairman of Operational Committee of Panthers Group/ING Entertainment Fund Joint Venture • Director since 2007 • Chairperson of Audit Committee • Member of Regulatory and Compliance Committee and Remuneration and Nomination Committee

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 accountancy and sub-majoring in economics.

3. Directors' meetings

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

DIRECTOR	Board Meetings		Audit Committee Meetings		Remuneration & Nomination Committee Meetings		Regulatory & Compliance Committee Meetings	
Current	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Mr LH Ainsworth	11	11	-	-	-	-	-	-
Mr SL Wallis	11	11	2	2	3	3	5	5
Mr GJ Campbell	11	11	2	2	3	3	5	5

A - Number of meetings attended **B** - Number of meetings held during the time the director held office during the year

4. Remuneration report

4.1 Principles of compensation - audited

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 executives for the Company and the Group including the five most highly remunerated Company and Group executives.

Compensation levels for key management personnel and secretaries of the Company, and key management personnel 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 both the Company and the Group given trends in comparative companies both locally and internationally and the objectives of the Company'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 (KPI's) and individual contributions to the Group's performance;
- the Group's performance includes:
  - revenue and earnings; and
  - growth in share price and delivering returns on shareholder wealth.

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.

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 Plan (see note 25 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.

Short-term incentive bonus

Each year the Remuneration and Nomination Committee sets the Key Performance Indicators (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' 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 assess the actual performance of the Group, the relevant segment and individual against the KPI's set at the beginning of the financial year.

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.

Long-term incentive

Options are issued under the Employee Share Option Plan (ESOP) (made in accordance with thresholds set in plans approved by shareholders at the 2001 Annual General Meeting (AGM)) and it provides for key management personnel to receive options over ordinary shares for no consideration. The ability to exercise the options is conditional on the Group achieving certain performance hurdles.

Performance hurdles are based on share price growth and are only exercisable once the Company's share price achieves levels ranging from 100 – 300% of the exercise price established when the share options are granted.

In assessing whether the performance hurdles have been met, the Remuneration and Nomination Committee receives independent data from the Australian Securities Exchange (ASX) which provides information required to assess Volume Weighted Average Price (VWAP).

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.

In the current year the Group did not reach its targets and has resulted in no short-term incentives being recommended for payment.

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 key management personnel are unlimited in term but capable of termination by either party on 3 months' notice and that the Group retains the right to terminate the contracts immediately, by making payment equal to 3 months' pay in lieu of notice.

The Group has entered into service contracts with each 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, CEO, has a contract of employment dated 5 February 2007 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 29 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.

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 Company operates. Fees incorporate an allowance for the onerous probity requirements placed on non-executive directors by regulators of the global jurisdictions in which the Company is or proposes to operate in.

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

Non-executive directors do not currently receive or participate in any performance related remuneration. 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 does 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 remuneration for all non-executive directors, last voted upon by shareholders at the 2000 AGM, is not to exceed $500,000 per annum.

DIRECTORS' REPORT (continued)

For the year ended 30 June 2009

4. Remuneration report (continued)

4.2 Directors' and executive officers' remuneration (Company and Consolidated) – audited

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 are:

		Short-term					Post-employment		Share-based payments			
In AUD		Salary & fees $	Sales commission $	STI cash bonus (A) $	Non-monetary benefits $	Total $	Superannuation benefits $	Termination benefits $	Options and rights (B) $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
DIRECTORS												
Non-executive directors												
Current												
Mr SL Wallis	2009	92,000	-	-	-	92,000	8,280	-	-	100,280	-	-
	2008	90,570	-	-	-	90,570	8,151	-	-	98,721	-	-
Mr GJ Campbell (Appointed 18 September 2007)	2009	90,000	-	-	-	90,000	8,100	-	-	98,100	-	-
	2008	69,698	-	-	-	69,698	6,273	-	-	75,971	-	-
Former												
Mr AR Amer (Resigned 20 November 2007)	2009	-	-	-	-	-	-	-	-	-	-	-
	2008	33,046	-	-	-	33,046	2,974	-	-	36,020	-	-
Executive director												
Mr LH Ainsworth (Executive Chairman)	2009	200,000	-	-	30,000	230,000	-	-	-	230,000	-	-
	2008	200,000	-	-	30,000	230,000	-	-	-	230,000	-	-

4. Remuneration report (continued)

4.2 Directors' and executive officers' remuneration (Company and Consolidated) – audited (continued)

		Short-term					Post-employment		Share-based payments			
In AUD		Salary & fees $	Sales commission $	STI cash bonus (A) $	Non-monetary benefits $	Total $	Superannuation benefits $	Termination benefits $	Options and rights $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
EXECUTIVES *Current*												
Mr DE Gladstone Chief Executive Officer	2009	538,461	-	-	85,036	623,497	45,000	-	-	668,497	-	-
	2008	500,768	-	-	83,716	584,484	41,850	-	-	626,334	-	-
Mr ML Ludski Chief Financial Officer / Company Secretary	2009	273,911	-	-	95,224	369,135	22,542	-	-	391,677	-	-
	2008	273,911	-	-	83,150	357,061	22,542	-	-	379,603	-	-
Mr R Meitzler Senior VP Sales and Operations (North America)	2009	213,595	336,067	-	25,810	575,472	6,049	-	3,420	584,941	-	1%
	2008	175,454	276,060	-	21,201	472,715	4,969	-	5,860	483,544	-	1%
Mr V Bruzzese General Manager Technical Services	2009	253,576	-	-	14,000	267,576	21,192	-	-	288,768	-	-
	2008	245,612	-	-	-	245,612	20,475	-	-	266,087	-	-
Mr I Cooper General Manager Manufacturing (Appointed 7 October 2008)	2009	156,015	-	-	33,228	189,243	13,038	-	-	202,281	-	-
	2008	-	-	-	-	-	-	-	-	-	-	-
Former												
Mr E Eskin General Manager, Engineering (1)	2009	-	-	-	-	-	-	-	-	-	-	-
	2008	157,020	-	-	32,607	189,627	14,166	-	4,212	208,005	-	-
Mr K Orchard Senior VP Sales, South America (retired 30 June 2008)	2009	-	-	-	-	-	-	-	-	-	-	-
	2008	200,851	166,166	-	34,035	401,052	16,435	-	4,845	422,332	39%	1%
Mr PW Walford Group General Manager, Global Sales (resigned 31 August 2008) (1)	2009	-	-	-	-	-	-	-	-	-	-	-
	2008	236,923	-	-	18,849	255,772	19,800	-	-	275,572	-	-
Mr P Curran General Manager, Manufacturing Operations (resigned 22 August 2008)	2009	23,969	-	-	-	23,969	2,157	26,640	-	52,766	-	-
	2008	195,495	-	-	19,084	214,579	16,329	-	4,685	235,593	-	-

(1) Ceased to be classified as key management personnel as at 30 June 2008.

4. Remuneration report (continued)

4.2 Directors' and executive officers' remuneration (Company and Group) - audited (continued)

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

A. The short-term incentive bonus is for performance during the 30 June 2009 financial year using the criteria set out on page 20. The amount was finally determined on 26 June 2009 by the Remuneration and Nomination Committee who recommended no bonuses be paid for the current period.

B. The fair value of the options is calculated at the date of grant using the Black Scholes and binomial lattice option-pricing models 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
31 August 2004	31 August 2009	$0.14	$1.00	$0.84	60%	5.77%	-
		$0.21	$0.50	$0.84	60%	5.77%	-
2 July 2007	2 July 2012	$0.06	$0.50	$0.38	50%	6.35%	-

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 20. No short term incentive bonuses were paid for the year ended 30 June 2009.

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 ESOP.

4.3.1 Options and rights over equity instruments granted as compensation – audited

Details on options over ordinary shares in the Company that were granted as remuneration 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 2009	Grant date	Number of options vested during 2009	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date
EXECUTIVES						
Current						
Mr R Meitzler	-	02/07/2007	40,000	0.06	0.50	02/07/2012

All options issued prior to 30 June 2007 expire on the earlier of their expiry date or 30 days after termination of the individual's employment. All options issued from 1 July 2007 expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable on an annual basis three years from grant date. In addition to a continuing employment service condition, the ability to exercise options is conditional on the Group achieving certain performance hurdles. Details of the performance criteria are included in the long-term incentives discussion on page 20.

Further details, including grant dates and exercise dates regarding options granted to executives under the ESOP are in note 25 to the financial statements.

4.3.2 Modification of terms of equity-settled share-based payment transactions – audited

No 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.

4.3.3 Exercise of options granted as compensation – audited

During the reporting period no shares were issued on the exercise of options previously granted as compensation (2008: Nil).

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

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

	Options granted		% Vested in year	% Forfeited in year (A)	Financial years in which grant vests	Value yet to vest $	
	Number	Date				Min (B)	Max (C)
EXECUTIVES ***Current***							
Mr ML Ludski	50,000	31/08/2004	-	-	31/08/2005 - 31/08/2007	Nil	
Mr R Meitzler	200,000	02/07/2007	20%	-	02/07/2008 - 02/07/2010	Nil	
Former							
Mr K Orchard	-	01/04/2004	-	100%	01/04/2005 - 01/04/2007	Nil	
	-	02/07/2007	-	100%	02/07/2008 - 02/07/2010	Nil	
Mr PW Walford	-	31/08/2004	-	100%	31/08/2005 - 31/08/2007	Nil	
Mr P Curran	-	31/08/2004	-	100%	31/08/2005 - 31/08/2007	Nil	

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.

B. The minimum value of options yet to vest is $Nil as the performance criteria may not be met and consequently the option may not vest.

C. The maximum value of options yet to vest is not determinable as it depends on the market price of shares of the Company on the ASX at the date the option is exercised. The share price of the Company at 30 June 2009 was $0.07. This compares to an exercise price of $0.50 in respect of the share options.

4.3.5 Analysis of movements in options - audited

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 relevant Group executives is detailed below:

	Granted in year ($)	Exercised in year (A) ($)	Fortified in year (B) ($)	Total option value in year ($)
EXECUTIVES ***Current***				
Mr R Meitzler	-	-	-	3,420
Former				
Mr K Orchard	-	-	34,387	-
Mr P Curran	-	-	9,179	-
Mr PW Walford	-	-	7,700	-

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 model with no adjustments for whether the performance criteria have or have not been achieved.

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:

- continue to maintain strong operational focus on geographical markets which are expected to achieve positive contributions to the Group's financial results;
- manage and further reduce levels of investment in working capital and achieve positive cash flow from operations in the ensuing financial year;
- continue investment in research and development;
- provide a positive return on equity through profitability and share price growth;
- secure new gaming jurisdictional licences through selective entry into new international markets via distributors or direct sales channels; and
- provide quality market leading products that are innovative and entertaining providing increased player satisfaction and therefore greater venue profitability.

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 the North American market;
- 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;
- ensure retention and development of key employees; and
- continue to develop a global product development strategy through the integration of activities within game development, engineering and research and development.

6. Operating and financial review

Overview of the Group

The loss after income tax for the year ended 30 June 2009 was $12.5 million compared to a loss in the corresponding 2008 year of $19.4 million. A net foreign exchange gain of $5.3 million in the current year resulted in a reduction in the loss for the period under review.

Sales revenue achieved was $45 million compared to $50 million in the corresponding period in 2008 a decrease of 9%, primarily due to global financial conditions adversely impacting international revenues in the current period. Further diversification and less reliance on a relatively small number of markets is being undertaken to ensure revenue growth is achieved in the current year and the Group achieves a profitable turnaround in the medium term.

Domestic revenue was $23 million, an increase of 54% on the corresponding period in 2008. This increase is attributed to improved product performance in the period under review resulting from the previous changes in product development strategies undertaken. Domestic revenue in the period under review represented 51% of total revenue, compared to 30% in the previous corresponding period.

Continued investment and focus within the Americas, primarily within the North American market should ensure progressive revenue growth once the impact of global economic conditions improve. Revenue from the Americas was $17 million, a decrease of 26% on the previous year in 2008. Revenue in other international markets including Europe and Asia suffered decreases due to changes in legislation and financial uncertainties due to global financial conditions.

Investments for future performance

Increased investment during the current period in licensing and research and development will enable the Group to be at the forefront of technology in gaming related products. The global product development strategy previously introduced has ensured an extensive product range is available to targeted markets. Operating system upgrades and the streamlining of product development procedures have reduced lead times to market, including the time for regulatory approvals.

The regulatory nature of the gaming industry results in significant delays between securing a jurisdictional licence and obtaining the necessary game approvals before sales can be made to that jurisdiction. The Company continues to pursue product development in all jurisdictions where licences have been secured and is progressively obtaining product approvals to enable commercial realisation of additional revenue opportunities.

Significant compliance related costs are an inherent part of the supply of equipment to the gaming industry which assists in maintaining a high standard of integrity within the industry. The Company continues to invest in the future and through its licensing strategy has expanded its reach into North America. The North America market remains a key focus for the Company's compliance and licensing strategic plan. During the period under review the Company renewed 34 licenses and is now approved to conduct business in sixteen (16) US states and two (2) provinces in Canada. The approvals over the past year include Michigan (Detroit Casinos) and Missouri and Canadian provinces of Ontario and British Columbia. The Group has 61 tribal licenses across California, Connecticut, Florida, Michigan, Minnesota, Mississippi, New Mexico, North Dakota, Oklahoma, Oregon and Wisconsin compared to 53 in the corresponding period in 2008.

The Company submitted a licence application to the Nevada Gaming Control Board on 20 November 2008. In addition to Nevada and other US state and tribal licence applications, the Group has submitted applications to additional provinces in Canada and approvals for all pending applications are progressing under expected timelines.

The Company continues to follow a licensing strategy to gain further state and tribal applications in North America and additional Canadian provinces. This strategy targets jurisdictions where the necessary product approvals are either transferrable or can be readily adapted.

Review of financial condition

Capital structure and treasury policy

The Company currently has on issue 278,942,304 ordinary shares and 19,714,717 convertible notes. On the 22 December 2008 the Company received the necessary approval from security holders to extend the maturity date of the convertible notes from 31 December 2009 to either 31 December 2011 or 2014. Mr LH Ainsworth and his spouse (including entities they control) who collectively own 62% of the notes on issue at the time of seeking approval agreed to extend the maturity of their convertible notes until 31 December 2014. All registered noteholders are given a right to extend their notes for the same period should they elect to do so.

The Company has the right to redeem the convertible notes on 31 December 2011 or at the end of every six months until the maturity date of 31 December 2014. The interest rate payable on the convertible notes has been varied from 8% per annum to 10% per annum with effect from 1 January 2010.

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 million with an entity controlled by the Executive Chairman, Mr LH Ainsworth, of which $26 million is unutilised at the reporting date. The maturity date of this facility was formally amended on 21 October 2008 to a date that is 4 years from the will of Mr LH Ainsworth coming into effect and does not call for repayment of interest until this maturity date.

In addition to the above an additional $5 million trade finance facility has been established with an entity controlled by the Executive Chairman, Mr LH Ainsworth of which $2.9 million is unutilised at the reporting date.

Cash flows from operations

The cash outflow from operations for the period under review was $2 million compared to an outflow of $5 million in the corresponding period in 2008. The Group continues to monitor closely its working capital requirements and has significantly reduced the extent of credit offered on sales made in all jurisdictions.

Continued efforts to reduce the Group's investment in working capital have been made during the current period under review. Reduction in receivables and inventory holdings have occurred which have assisted in offsetting the reduction in cash outflow from operations.

As a result of the rationalisation of product hardware lines and streamlining of supply chain management it is expected that continuing reductions in inventory will be achieved during the 2010 year. As part of on-going cost reduction initiatives undertaken, operational expenditure reductions were achieved which is expected to continue and be reflected in future periods. Procedures implemented will further rationalise and reduce current working capital requirements.

Impact of legislation and other external requirements

The Group continues to work with regulatory authorities to ensure that the necessary licences to support its operations within Australia and overseas are granted on a timely and cost effective basis. The granting of such licences will allow the Group to expand its operations into new international markets.

Market conditions within Australia presented opportunities during the year under review as previously introduced legislative and regulatory changes have become established. These changes specifically in relation to smoking legislation and increased government taxes were progressively offset by the Group's innovative product development and the implementation of new strategies.

Review of principal businesses

Revenue

Sales revenue of $45.2 million was recorded in the period under review compared to $49.6 million in the corresponding period in 2008, a decrease of 9%. Within domestic markets revenue achieved was $23.0 million, an increase of 54% over the corresponding period in 2008. The increased revenue within Australia was primarily due to the product development strategies previously introduced providing improved game performance.

Within New South Wales positive signs of recovery emerged in the period following the previously introduced legislative and regulatory changes, resulting in increased revenue of 24% compared to the corresponding period in 2008. Further growth due to development investment within the Victorian market resulted in a contribution of $4.0 million, an increase of 231% over the previous year. This market represented 17% of total domestic revenue in the period, however recent licensing changes which impact the two major operators continue to create uncertainties. Continued growth within Queensland followed product approvals received in the second half of the financial year. This market achieved a 78% increase in revenue compared to the previous corresponding period in 2008.

6. Operating and financial review (continued)

Review of principal businesses (continued)

Revenue (continued)
International revenue represented 49% of total revenue for the period compared to 70% in the prior period in 2008. Total international revenue fell by 36% to $22.2 million in the period. The Americas and Asia contributed 80% of this reduction primarily due to the impact of global financial conditions and legislative changes within Asia.

During the period the Group entered into a non-exclusive strategic game content licensing agreement with Bally Gaming within the United States of America and Canada. This licensing agreement will expand the Group's distribution channels through Bally's extensive sales and marketing activities, as well as their currently installed base in the subject territory. The agreement has an initial term of three years and is expected to generate revenue by the end of 2009 when the first game licensed under the agreement obtains the necessary regulatory approval.

The revised distribution arrangements previously initiated within Europe, have assisted in minimising the adverse impacts of legislative changes and global financial uncertainties.

Operating costs
Cost of sales in the period were $23 million compared to $30 million in the corresponding period in 2008. Gross margins for the year under review were 48% compared to 39% in the previous period in 2008. Included in the current periods gross margin were sales of the Group's previously supplied gaming products which adversely affected the overall gross margin achieved on current model machines. It is expected that further increases in gross margin in the 2010 financial year will be achieved due to higher selling prices, overhead efficiencies through production processes and reduced material costs.

Operating costs, excluding cost of sales and financing costs, were $33 million compared to $32 million in the corresponding period in 2008, an increase of 3%. Included in operating costs were research and development expenditure of $12 million, an increase of $3 million over the previous year in 2008. This investment in product development programs provides the Group with an on-going product platform release strategy. Research and development, excluding the impact of capitalisation and impairment losses on capitalised development expenditure, resulted in an increase in expenditure of 25% and represented 25% of revenue compared to 19% in the corresponding period in 2008.

As a result of restructuring across the Group undertaken in recent years significant cost reductions were achieved which assisted the Group to offset the immediate impact of lower international revenue resulting from the global financial crisis and further align cost structures with realistic revenue expectations. Continued investment within the key North American market during the current period has allowed the Group to sell product under a direct sales model thus increasing revenue contributions. Key changes have also occurred within European sales channels to assist the Group in minimising any delays and risks associated with achieving revenues within these diverse and complex jurisdictions.

Administration costs include impairment losses in the current period of $0.2 million on previously acquired goodwill and development costs capitalised. Excluding impairment losses administration costs fell by 9% over the prior corresponding period in 2008.

Financing costs
Net financing costs were $0.6 million in the period, a reduction of $6.0 million on the corresponding period in 2008. This decrease was primarily a result of net foreign exchange gains of $5.5 million in the current period, a turnaround of $7.4 million compared to the prior corresponding period in 2008.

Significant changes in the state of affairs
Following the actions introduced under the previous strategic review, cost structures across the Group's operations have continued to be assessed to achieve further reductions. In addition, increased investment in research and development has occurred, further gaming licenses have been actively pursued, senior management has been restructured and product development changes initiated. The Group's reduced operating cost structure is now geared to effect a financial turn around in the medium term.

The continued development in new product should enable the Group to establish a platform to achieve sustainable and profitable trading in the medium term. A commercial relationship with Bally Gaming will further expand the Group's sales channels and provides a platform to further diversify the Group's revenue base.

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

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 2009 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 pursue further gaming licences and commercialisation of current and future new product development to ensure a sustainable and profitable turnaround is effected. This strategy is expected to achieve increased market share in targeted geographical business sectors which will positively contribute to Group results during future financial years. This will require further investment in product development and the securing of additional gaming licenses, which are expected to provide increased revenue and positive results over the medium term.

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**
Current		
Mr Leonard H Ainsworth	165,690,998	10,385,282
Mr Stewart L Wallis	624,280	220,692
Mr Graeme J Campbell	289,674	-

11. Share options

Options granted to directors and officers of the Company
During or since the end of the financial year, the Company granted no share options over unissued ordinary shares in the Company to any of the five most highly remunerated officers of the Company as part of their remuneration:

Unissued shares under options
At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price ($)	Number of shares
31 August 2009	1.00	135,000
	0.50	290,000
2 July 2012	0.50	731,060
		1,156,060

The Company granted 1,020,555 share options to all American employees on 2 July 2007 under an incentive plan introduced. During or since the end of the financial year 260,375 options expired due to cessation of employment leaving a balance of 760,180 under issue. The share options under this incentive plan included 200,000 options granted to Mr R Meitzler.

In addition to the share options issued by the Company an incentive plan was previously introduced whereby share options were granted to all Australian employees, excluding directors and four key management personnel. The share options granted on 2 July 2007 to Australian employees totalled 10,994,707 and were granted over a portion of the personal shareholding of the Company's Executive Chairman, Mr LH Ainsworth. During or since the end of the financial year 808,414 (2008:2,341,307) options expired due to cessation of employment leaving a balance of 7,844,987 share options under issue (2008: 8,653,400). The share options under this incentive plan issued to key management personnel totalled Nil (2008: 303,658) share options.

An exercise price of $0.50 per Share Option has been established and exercise is subject to vesting and performance conditions being met. The number of Share Options granted to each employee reflects the number of dollars comprising their individual base salary. The vesting of these Share Options is over a three year period with performance hurdles based on the market value of the shares in the Company. The Share Options lapse automatically on cessation of employment for any reason.

The options above have vesting and performance conditions, which must be satisfied prior to any of the options being exercised. The vesting condition is 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 option holders' employment unless otherwise approved by shareholders.

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.

12. Indemnification and insurance of officers

Indemnification

The Company has agreed to indemnify current and former directors of the Company 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.

The Company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, 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 executive officers of the Company and directors, executive officers 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 Company's auditor, has performed certain other services in addition to their statutory duties.

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

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	Consolidated	
	2009	**2008**
Audit services:	**$**	**$**
Auditors of the Company		
Audit and review of financial reports (KPMG Australia)	200,000	165,000
Services other than statutory audit:		
Other services (KPMG Australia)		
AIFRS accounting services	-	40,000
Capital raising services	-	85,000
	-	125,000

14. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 80 and forms part of the directors' report for the financial year ended 30 June 2009.

15. Rounding off

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, 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 27th day of August 2009

INCOME STATEMENTS
For the year ended 30 June 2009

In thousands of AUD	*Note*	Consolidated 2009	2008	Company 2009	2008
Revenue	*7*	45,164	49,563	43,960	47,476
Cost of sales		(23,306)	(30,030)	(21,428)	(27,566)
Gross profit		**21,858**	**19,533**	**22,532**	**19,910**
Other income	*8*	161	187	367	241
Sales, service and marketing expenses		(11,888)	(13,257)	(13,696)	(15,261)
Research and development expenses		(12,378)	(9,155)	(12,378)	(9,155)
Administrative expenses		(8,751)	(9,598)	(8,751)	(9,598)
Results from operating activities		**(10,998)**	**(12,290)**	**(11,926)**	**(13,863)**
Financial income	*11*	6,023	1,330	6,023	1,330
Financial expenses	*11*	(6,662)	(7,987)	(6,656)	(7,965)
Net finance expenses		**(639)**	**(6,657)**	**(633)**	**(6,635)**
Share of (loss) equity accounted investees	*17*	(407)	(361)	-	-
(Loss) before income tax		**(12,044)**	**(19,308)**	**(12,559)**	**(20,498)**
Income tax expense	*12*	(498)	(49)	-	-
(Loss) for the period		**(12,542)**	**(19,357)**	**(12,559)**	**(20,498)**
(Loss) per share:					
Basic (loss) per share	*13*	**($0.05)**	**($0.08)**		
Diluted (loss) per share	*13*	**($0.05)**	**($0.08)**		

The notes on pages 36 to 76 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2009

Consolidated

In thousands of AUD	**Issued capital**	**Equity compensation reserve**	**Fair value reserve**	**Translation reserve**	**Accumulated losses**	**Total equity**
Opening balance at 1 July 2007	94,517	585	4,327	174	(84,681)	14,922
Shares issued	28,142	-	-	-	-	28,142
Transaction costs of shares issued	(286)	-	-	-	-	(286)
Foreign exchange translation differences	-	-	-	171	-	171
Equity component of additional related party borrowings	-	-	654	-	-	654
Share-based payments	-	281	-	-	-	281
Total non-profit items recognised directly in equity	27,856	281	654	171	-	28,962
Net (loss) for the period	-	-	-	-	(19,357)	(19,357)
Closing balance at 30 June 2008	**122,373**	**866**	**4,981**	**345**	**(104,038)**	**24,527**
Opening balance at 1 July 2008	122,373	866	4,981	345	(104,038)	24,527
Foreign exchange translation differences	-	-	-	(119)	-	(119)
Equity component of additional related party borrowings	-	-	5,063	-	-	5,063
Share-based payments	-	146	-	-	-	146
Total non-profit items recognised directly in equity	-	146	5,063	(119)	-	5,090
Net (loss) for the period	-	-	-	-	(12,542)	(12,542)
Closing balance at 30 June 2008	**122,373**	**1,012**	**10,044**	**226**	**(116,580)**	**17,075**

Amounts are stated net of tax.

The notes on pages 36 to 76 are an integral part of these consolidated financial statements.

Company

In thousands of AUD	Issued capital	Equity compensation reserve	Fair value reserve	Accumulated losses	Total equity
Opening balance at 1 July 2007	94,517	585	4,327	(82,182)	17,247
Shares issued	28,142	-	-	-	28,142
Transaction costs of shares issued	(286)	-	-	-	(286)
Equity component of additional related party borrowings	-	-	654	-	654
Share-based payments	-	281	-	-	281
Total non-profit items recognised directly in equity	27,856	281	654	-	28,791
Net (loss) for the period	-	-	-	(20,498)	(20,498)
Closing balance at 30 June 2008	**122,373**	**866**	**4,981**	**(102,680)**	**25,540**
Opening balance at 1 July 2008	122,373	866	4,981	(102,680)	25,540
Equity component of additional related party borrowings	-	-	5,063	-	5,063
Share-based payments	-	146	-	-	146
Total non-profit items recognised directly in equity	-	146	5,063	-	5,209
Net (loss) for the period	-	-	-	(12,559)	(12,559)
Closing balance at 30 June 2009	**122,373**	**1,012**	**10,044**	**(115,239)**	**18,190**

Amounts are stated net of tax.

The notes on pages 36 to 76 are an integral part of these consolidated financial statements.

BALANCE SHEETS
As at 30 June 2009

In thousands of AUD	*Note*	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Assets					
Cash and cash equivalents	*14*	958	3,735	804	1,033
Receivables and other assets	*15*	20,180	22,219	19,301	21,947
Inventories	*16*	17,531	20,798	17,241	20,798
Income tax receivable		-	8	-	-
Total current assets		**38,669**	**46,760**	**37,346**	**43,778**
Receivables and other assets	*15*	7,999	9,112	12,289	15,927
Investments in equity accounted investees	*17*	-	2,171	-	-
Property, plant and equipment	*20*	23,446	22,881	22,653	22,700
Intangible assets	*21*	10,943	8,980	7,972	8,109
Total non-current assets		**42,388**	**43,144**	**42,914**	**46,736**
Total assets		**81,057**	**89,904**	**80,260**	**90,514**
Liabilities					
Trade and other payables	*22*	7,764	10,592	5,676	10,105
Loans and borrowings	*23*	3,311	1,105	3,136	1,099
Employee benefits	*24*	1,558	1,173	1,252	1,043
Provisions	*26*	216	762	216	762
Total current liabilities		**12,849**	**13,632**	**10,280**	**13,009**
Trade and other payables	*22*	-	-	1,169	277
Loans and borrowings	*23*	50,432	51,324	50,120	51,324
Employee benefits	*24*	701	421	501	364
Total non-current liabilities		**51,133**	**51,745**	**51,790**	**51,965**
Total liabilities		**63,982**	**65,377**	**62,070**	**64,974**
Net assets		**17,075**	**24,527**	**18,190**	**25,540**
Equity					
Share capital		122,373	122,373	122,373	122,373
Reserves		11,282	6,192	11,056	5,847
Accumulated losses		(116,580)	(104,038)	(115,239)	(102,680)
Total equity attributable to equity holders of the parent		**17,075**	**24,527**	**18,190**	**25,540**

The notes on pages 36 to 76 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS
For the year ended 30 June 2009

In thousands of AUD	*Note*	Consolidated 2009	2008	Company 2009	2008
Cash flows from operating activities					
Cash receipts from customers		52,939	42,497	31,623	24,342
Cash paid to suppliers and employees		(51,597)	(44,040)	(28,067)	(28,249)
Cash generated from/(used) in operations		**1,342**	**(1,543)**	**3,556**	**(3,907)**
Income taxes paid		(449)	-	-	-
Borrowing costs paid		(2,489)	(3,521)	(2,475)	(3,521)
Net cash from operating activities	*33*	**(1,596)**	**(5,064)**	**(1,081)**	**(7,428)**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		210	61	210	61
Interest received		556	1,147	31	1,147
Acquisitions of property, plant and equipment		(677)	(350)	(674)	(350)
Acquisition of equity investments		-	(50)	-	(50)
Acquisition of subsidiary, net of cash and overdraft acquired	*18*	(68)	-	-	-
Development expenditure	*21*	(2,048)	(3,182)	(2,048)	(3,182)
Acquisition of other intangibles	*21*	(1,018)	-	(226)	-
Net cash from investing activities		**(3,045)**	**(2,374)**	**(2,707)**	**(2,374)**
Cash flows from financing activities					
Proceeds from the issue of share capital	*27*	-	8,362	-	8,362
Payment of transaction costs		-	(281)	-	(281)
Proceeds from borrowings		2,450	2,800	2,450	2,800
Repayment of borrowings		(250)	-	(250)	-
Payment of finance lease liabilities		(874)	(782)	(846)	(778)
Net cash from financing activities		**1,326**	**10,099**	**1,354**	**10,103**
Net increase/(decrease) in cash and cash equivalents		(3,315)	2,661	(272)	301
Cash and cash equivalents at 1 July		3,735	1,157	1,033	802
Effect of exchange rate fluctuations on cash held		538	(83)	43	(70)
Cash and cash equivalents at 30 June	*14*	**958**	**3,735**	**804**	**1,033**

The notes on pages 36 to 76 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

Ainsworth Game Technology Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 10 Holker Street, Newington, NSW, 2127. The consolidated financial statements of the Company as at and for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates. The Group primarily is involved in the design, development, sale and servicing of gaming machines and other related equipment and services.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company also comply with the International Financial Reporting Standards (IFRS's) and interpretations adopted by the International Accounting Standards Board. Certain comparative amounts have been reclassified to conform with the current years' presentation.

The financial statements were approved by the Board of Directors on 27 August 2009.

(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 at fair value.

(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 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 21 – Intangibles and Note 25 – Share-based payments.

(e) Going concern

The financial statements have been prepared on the going concern basis of accounting, which assumes that the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2009, the Group recorded a loss of $12.5 million (2008:$19.4 million). The Group's operations are dependent on established facilities and funding by its major shareholder who has confirmed his on-going financial support.

In relation to the directors' assessment of the going concern assumption, the directors have considered the following:

- The Company has a loan facility of $40.0 million from its majority shareholder which was extended on 21 October 2008 and matures on a date 4 years subsequent to the will of Mr LH Ainsworth coming into effect. At 30 June 2009, $13.7 million of this facility has been drawn, leaving $26.3 million available. Interest on the facility is not payable until the maturity date;
- A $5 million trade facility has also been established of which $2.9 million was available at 30 June 2009;
- The Company and Group do not expect to require funding beyond these facilities in the foreseeable future, or at least one year from the signing of these financial statements. Of all available facilities, $15.8 million was drawn at 30 June 2009, leaving $29.2 million in unutilised facilities;
- At balance date, the Group had positive net working capital of $26 million;
- As a result of the restructuring undertaken during the year, operating cost efficiencies were achieved in the current period under review;
- The investment in research and development as well as servicing further gaming licenses within the key North American market is expected to achieve revenue opportunities beyond the 2009 financial year;
- Progression of development strategies within domestic and targeted international markets is expected to create additional revenue opportunities in future periods; and
- The directors have reviewed the cashflow forecasts and believe that these initiatives will enable the company to be to be able fund its operations for at least the next 12 months.

The directors have concluded that it is appropriate to prepare the financial report on a going concern basis, as they are confident the Company and the Group having secured sufficient funding by way of support from its majority shareholder and related entities and can pay its debts as and when they fall due for the foreseeable future, being at least one year from the date of approval of 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.

(a) Basis of consolidation

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.

In the Company's financial statements, investments in subsidiaries are carried at cost.

Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

In the Company's financial statements, investments in associates are carried at cost.

Transactions eliminated on consolidation

Intra-group balances and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investees when the Group's interest in such entities is disposed of.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet 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 period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(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 directly in equity. Since 1 July 2004, the Group's date of transition to AASBs under AIFRS, such differences have been recognised in the Foreign Currency Translation Reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

(c) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. 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 the asset. Regular way purchases and sales of financial assets are accounted for at trade date i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting for finance income and expense is discussed in note 3(m).

Loans and borrowings

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated 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.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

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 relating to the financial liability is recognised in the income statements.

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 related income tax benefit.

(d) Property, plant and equipment

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

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

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

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 property, plant and equipment and are recognised net within "other income" in profit and loss.

Subsequent costs
The cost of replacing 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.

Depreciation
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. Leased assets are depreciated over the shorter of the lease term and their useful lives. 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

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(e) Intangible assets

Goodwill
Goodwill (negative goodwill) arises on the acquisition of subsidiaries and associates.

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.

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.

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

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. Borrowing costs related to the development of qualifying assets are recognised in profit or loss as incurred. 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.

3. Significant accounting policies (continued)

(e) Intangible assets (continued)

Other intangible assets

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

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.

Amortisation

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. 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

(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 balance sheet.

(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 and 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

Financial assets

A financial asset 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.

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.

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.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, 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.

The recoverable amount of an asset or cash-generating unit 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. 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 "cash generating unit"). The goodwill acquired in a business combination for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) 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

Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

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 AA credit rated or government bonds that have maturity dates approximating the terms of the Group's obligations.

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.

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.

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 that vest, except for those that fail to vest due to market conditions not being met.

(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.

Warranties

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

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(k) Revenue

Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, allowances and trade discounts. Revenue is recognised when 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.

Services

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

(l) 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.

(m) Finance income and expense

Finance income comprises interest income and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, foreign currency losses and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective calculated using the effective interest method.

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

(n) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is 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 equity.

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 using the balance sheet method, providing for 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 the following temporary differences: initial recognition of goodwill, 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 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 t 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.

3. Significant accounting policies (continued)

(n) Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences 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.

(o) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(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.

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, loans and borrowings and related expenses, corporate assets and head office expenses.

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

(r) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report.

- Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 8 Operating Segments introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 6).
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provision the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

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.

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.

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.

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.

Loans and borrowings

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

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.

Share-based payment transactions

The fair value of employee stock options is measured using the Black Scholes and binomial lattice models. 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 Company and Group have exposure to the following risks from their use of financial instruments:

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

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

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 Company and 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 Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Company's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Group. The Group 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 Group 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 and Company's receivables from customers.

Trade and other receivables

The Company's and 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. Approximately 2 percent (2008: 22 percent) of the Group's revenue is attributable to sales transactions in a geographical region with a single distributor. This distributor has been transacting business with the Group for over five years and losses have occurred infrequently.

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.

5. Financial risk management (continued)

Credit risk (continued)

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 Company and Group have 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.

Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have established credit ratings. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

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 million facility that can be drawn down to meet short-term financing needs; and
- $5 million trade facility.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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.

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 euro and NZD. The currencies in which these transactions primarily are denominated are AUD and USD.

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

Capital is defined as the total equity of the Group.

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 a turnaround is affected, 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 2 July 2007. Refer Note 25.

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

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure.

Geographical segments

The geographical segments are Australia, Americas and Asia. In Australia, manufacturing facilities and sales offices are operated. Sales offices are also operated in the Americas (Florida).

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

Business segments

The Group operates in one business segment, which is the design, development, manufacture, distribution and service of gaming machines and related equipment.

6. Segment reporting (continued)

Geographical segments

In thousands of AUD	Australia 2009	Australia 2008	Americas 2009	Americas 2008	Other 2009	Other 2008	Consolidated 2009	Consolidated 2008
Total revenue	22,968	14,898	16,935	22,894	5,261	11,771	45,164	49,563
Segment result	(2,298)	(3,280)	(8,203)	(8,419)	(497)	(591)	(10,998)	(12,290)
Net financing costs	-	-	-	-	-	-	(639)	(6,657)
Share of (losses) equity accounted investees	(407)	(361)	-	-	-	-	(407)	(361)
Income tax expense	(11)	-	(449)	-	(38)	-	(498)	(49)
(Loss) for the period							(12,542)	(19,357)
Segment assets	80,492	84,872	565	2,819	-	42	81,057	87,733
Investment in associates	-	2,171	-	-	-	-	-	2,171
Total assets	80,492	87,043	565	2,819		42	81,057	89,904
Segment liabilities	63,466	65,000	516	377	-	-	63,982	65,377
Total liabilities	63,466	65,000	516	377	-	-	63,982	65,377
Cash flows from operating activities	(23,441)	(20,622)	14,457	8,862	7,388	6,696	(1,596)	(5,064)
Cash flows from investing activities	(3,045)	(2,374)	-	-	-	-	(3,045)	(2,374)
Cash flows from financing activities	16,348	17,806	(14,329)	(6,351)	(693)	(1,356)	1,326	10,099
Capital expenditure	2,647	5,841	60	258	-	-	2,707	6,099
Impairment losses	171	522	-	469	-	663	171	1,654

7. Revenue

In thousands of AUD	*Note*	Consolidated 2009	2008	Company 2009	2008
Sales		44,285	47,458	43,960	47,476
Services		879	2,105	-	-
		45,164	49,563	43,960	47,476

8. Other income

In thousands of AUD					
Net gain on disposal of property, plant and equipment		-	17	-	17
Dividends received and income from subsidiaries		-	-	219	54
Other		161	170	148	170
		161	187	367	241

9. Personnel expenses

In thousands of AUD					
Wages and salaries		18,629	16,239	14,124	13,231
Contributions to defined contribution superannuation funds		1,218	1,113	1,181	1,022
(Decrease) in liability for annual leave	*24*	399	(103)	223	(55)
Increase/(Decrease) in liability for long service leave	*24*	280	(44)	137	7
Termination benefits		121	674	121	616
Equity settled share-based payment transactions		146	281	146	281
		20,793	18,160	15,932	15,102

10. Auditors' remuneration

In AUD				
Audit services:				
Auditors of the Company				
KPMG Australia				
Audit and review of financial reports	200,000	165,000	200,000	165,000
Other services:				
Auditors of the Company				
KPMG Australia				
Other services	-	125,000	-	125,000

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

11. Finance income and expense

In thousands of AUD	Consolidated 2009	2008	Company 2009	2008
Interest income on trade receivables	740	1,180	740	1,180
Interest income on bank deposits	27	150	27	150
Net foreign exchange gain	5,256	-	5,256	-
Financial income	6,023	1,330	6,023	1,330
Interest expense on financial liabilities	(6,662)	(5,806)	(6,656)	(5,784)
Net foreign exchange loss	-	(2,181)	-	(2,181)
Financial expenses	(6,662)	(7,987)	(6,656)	(7,965)
Net financing costs (expense)	(639)	(6,657)	(633)	(6,635)

12. Income tax expense

Recognised in the income statement

In thousands of AUD	Consolidated 2009	2008	Company 2009	2008
Current tax expense				
Current period	498	49	-	-
Effect of tax losses recognised	-	-	-	-
	498	49	-	-
Deferred tax expense				
Origination and reversal of temporary differences	-	-	-	-
Effect of tax losses recognised	-	-	-	-
	-	-	-	-
Total income tax expense	498	49	-	-

Numerical reconciliation between tax expense and pre-tax net (loss)

	Consolidated 2009	2008	Company 2009	2008
(Loss) for the period	(12,542)	(19,357)	(12,559)	(20,498)
Total income tax expense	498	49	-	-
(Loss) excluding income tax	(12,044)	(19,308)	(12,559)	(20,498)
Income tax using the Company's domestic tax rate of 30% (2008: 30%)	(3,613)	(5,792)	(3,768)	(6,149)
Non-deductible expenses	4,583	3,152	4,583	3,152
Research & development claim	(921)	(484)	(921)	(484)
Effect of tax losses not recognised	178	3,166	106	3,481
Other items	271	7	-	-
	498	49	-	-

13. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2009 was based on the loss attributable to ordinary shareholders of $12,542,000 (2008: loss of $19,357,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2009 of 278,942,000 (2008: 238,492,000), calculated as follows:

(Loss) attributable to ordinary shareholders

In thousands of AUD	***Note***	**Consolidated 2009**	**2008**
(Loss) for the period		(12,542)	(19,357)
(Loss) attributable to ordinary shareholders		(12,542)	(19,357)

Weighted average number of ordinary shares

In thousands of shares			
Issued ordinary shares at 1 July	*27*	238,492	191,411
Effect of shares issued in July 2007	*27*	6	2,194
Effect of shares issued in December 2007	*27*	40,444	44,887
Weighted average number of ordinary shares at 30 June		278,942	238,492

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2009 was based on the loss attributable to ordinary shareholders of $12,542,000 (2008: loss of $19,357,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2009 of 278,942,000 (2008: 238,492,000), calculated as follows:

(Loss) attributable to ordinary shareholders (diluted)

In thousands of AUD		**2009**	**2008**
(Loss) attributable to ordinary shareholders		(12,542)	(19,357)
Interest expense on convertible notes, net of tax	*(a)*	-	-
(Loss) attributable to ordinary shareholders (diluted)		(12,542)	(19,357)

Weighted average number of ordinary shares (diluted)

In thousands of shares			
Weighted average number of ordinary shares at 30 June		278,942	238,492
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	238,492

(a) For the year ended 30 June 2009 the effect of the convertible notes was anti-dilutive as the Group recorded a loss for the period.

For the year ended 30 June 2009, the calculation of loss 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 23) 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 year ended 30 June 2009 or 30 June 2008 as they were anti-dilutive.

14. Cash and cash equivalents

In thousands of AUD	*Note*	Consolidated 2009	2008	Company 2009	2008
Bank balances		958	3,735	804	1,033
Cash and cash equivalents in the statements of cash flows		958	3,735	804	1,033

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 34.

15. Receivables and other assets

In thousands of AUD					
Current					
Trade receivables		23,574	25,998	22,990	25,765
Less impairment losses		(4,268)	(4,086)	(4,219)	(4,065)
		19,306	21,912	18,771	21,700
Other assets		874	307	530	247
		20,180	22,219	19,301	21,947
Non-current					
Term receivables		7,999	8,663	7,999	8,663
Amount receivable from equity accounted investees		-	449	-	-
Receivables due from subsidiaries	*35*	-	-	4,290	7,264
		7,999	9,112	12,289	15,927

Impairment losses on trade receivables realised by the Company for the year ended 30 June 2009 were $Nil (2008: $Nil). The Group realised impairment losses of $Nil (2008: $49 thousand) for the year ended 30 June 2009.

Receivables denominated in currencies other than the functional currency comprise $25,371 thousand of trade receivables denominated in US dollars (2008: $25,424 thousand), $145 thousand in Euro (2008: $2,986 thousand) and $237 thousand in New Zealand Dollars (2008: $610 thousand).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 34.

16. Inventories

In thousands of AUD	Consolidated 2009	2008	Company 2009	2008
Raw materials and consumables	6,647	14,554	6,357	14,554
Finished goods	10,770	5,502	10,770	5,502
Work in progress	-	487	-	487
Stock in transit	114	255	114	255
Inventories stated at the lower of cost and net realisable value	17,531	20,798	17,241	20,798

During the year ended 30 June 2009 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to $18,493 thousand (2008: $27,631 thousand). During the year ended 30 June 2009 the write-down of inventories to net realisable value amounted to $1,658 thousand (2008: $1,351 thousand). The write-down is included in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Equity accounted investees

The Group's share of (losses)/profit in its equity accounted investees for the year was ($407,000) (2008: ($361,000)).

Summary financial information for equity accounted investees as at 31 May 2009, not adjusted for the percentage ownership held by the Group:

	Ownership	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Expenses	Profit/(loss)
In thousands of AUD										
2008										
J&A Machines Pty Ltd (associate)	49%	845	1,092	1,937	625	820	1,445	3,018	(3,379)	(361)
RE&R Baker & Associates Pty Ltd (associate)	49%	-	130	130	-	-	-	-	-	-
		845	1,222	2,067	625	820	1,445	3,018	(3,379)	(361)
2009										
J&A Machines Pty Ltd (associate)	49%	861	1,477	2,338	1,039	1,215	2,254	4,154	(4,561)	(407)
RE&R Baker & Associates Pty Ltd (associate)	49%	-	130	130	-	-	-	-	-	-
		861	1,607	2,468	1,039	1,215	2,254	4,154	(4,561)	(407)

18. Acquisitions of subsidiaries and minority interests

On 31 May 2009 the Group acquired 51% of the shares in J&A Machines Pty Limited. This acquisition was in addition to a 49% share that was already held at that date. The acquisition did not have a material impact on the results reported for the year ended 30 June 2009. The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

In thousands of AUD	**Recognised values on acquisition**
Property, plant and equipment	649
Inventories	291
Trade and other receivables	665
Cash and cash equivalents	(68)
Loans and borrowings	(625)
Trade and other payables	(1,401)
Net identifiable assets and liabilities	(489)
Portion acquired at 51%	(250)
Goodwill on acquisition	250
Consideration paid, satisfied in cash	-
Cash acquired	(68)
Net cash outflow	(68)

In addition to the goodwill of $250 thousand recognised, a further goodwill amount of $2,023 thousand was recognised relating to the first 49% of the shares purchased.

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values).

The goodwill recognised on the acquisition is attributable mainly to synergies expected to be achieved from integrating the company into the Group's existing service business.

19. Tax assets and liabilities

Unrecognised deferred tax assets

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

	Consolidated		**Company**	
In thousands of AUD	**2009**	**2008**	**2009**	**2008**
Deductible temporary differences	2,475	2,391	2,472	2,391
Tax losses	32,905	28,814	32,644	28,487
	35,380	31,205	35,116	30,878

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.

Ainsworth Game Technology Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Property, plant and equipment

	Consolidated				Company			
In thousands of AUD	Land and buildings	Plant and equipment	Leasehold improvements	Total	Land and buildings	Plant and equipment	Leasehold improvements	Total
Cost								
Balance at 1 July 2007	14,844	11,180	90	26,114	14,844	10,994	24	25,862
Additions (refer Note below)	4,387	1,710	2	6,099	4,387	1,648	-	6,035
Disposals	-	(346)	(8)	(354)	-	(456)	-	(456)
Effect of movements in foreign exchange	-	(2)	(8)	(10)	-	-	-	-
Balance at 30 June 2008	19,231	12,542	76	31,849	19,231	12,186	24	31,441
Balance at 1 July 2008	19,231	12,542	76	31,849	19,231	12,186	24	31,441
Acquisitions through business combinations	-	649	-	649	-	-	-	-
Additions	785	1,240	35	2,060	785	1,212	-	1,997
Disposals	-	(1,204)	(14)	(1,218)	-	(1,204)	(14)	(1,218)
Effect of movements in foreign exchange	-	56	10	66	-	-	-	-
Balance at 30 June 2009	20,016	13,283	107	33,406	20,016	12,194	10	32,220

Note:

The additions to land and buildings include $703,000 provided and paid by an entity controlled by a director/majority shareholder through an additional unsecured loan under similar terms and conditions to the current facility in place – refer note 23.

In thousands of AUD	Consolidated Land and buildings	Consolidated Plant and equipment	Consolidated Leasehold improvements	Consolidated Total	Company Land and buildings	Company Plant and equipment	Company Leasehold improvements	Company Total
Depreciation and impairment losses								
Balance at 1 July 2007	1,078	6,680	14	7,772	1,078	6,597	14	7,689
Depreciation charge for the year	224	1,242	10	1,476	224	1,208	1	1,433
Disposals	-	(283)	-	(283)	-	(381)	-	(381)
Effect of movements in foreign exchange	-	3	-	3	-	-	-	-
Balance at 30 June 2008	1,302	7,642	24	8,968	1,302	7,424	15	8,741
Balance at 1 July 2008	1,302	7,642	24	8,968	1,302	7,424	15	8,741
Depreciation charge for the year	349	1,389	30	1,768	349	1,288	1	1,638
Disposals	-	(806)	(6)	(812)	-	(806)	(6)	(812)
Effect of movements in foreign exchange	-	34	2	36	-	-	-	-
Balance at 30 June 2009	1,651	8,259	50	9,960	1,651	7,906	10	9,567
Carrying amounts								
At 1 July 2007	13,766	4,500	76	18,342	13,766	4,397	10	18,173
At 30 June 2008	17,929	4,900	52	22,881	17,929	4,762	9	22,700
At 1 July 2008	17,929	4,900	52	22,881	17,929	4,762	9	22,700
At 30 June 2009	18,365	5,024	57	23,446	18,365	4,288	-	22,653

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 established secure lease obligations. Acquisition of plant and equipment including computer equipment and motor vehicles, by means of hire purchase agreements amounted to $246,000 (2008: $626,000). At 30 June 2009, the net carrying amount of leased plant and equipment was $1,966,000 (2008: $1,822,000).

Security

At 30 June 2009 a property with a carrying amount of $18,365,000 (2008: $17,929,000) is subject to a debenture mortgage to secure loans and borrowings.

21. Intangible assets

	Consolidated						Company				
In thousands of AUD	**Goodwill**	**Development costs***	**Intellectual property**	**Nevada licence costs**	**Service contracts**	**Total**	**Goodwill**	**Development costs***	**Intellectual property**	**Nevada licence costs**	**Total**
Cost											
Balance at 1 July 2007	1,348	15,299	1,029	-	1,223	18,899	1,165	15,299	1,029	-	17,493
Write back fully written down development costs	-	(4,822)	(1,029)	-	-	(5,851)	-	(4,822)	(1,029)	-	(5,851)
Acquisition – at cost	-	-	836	-	-	836	-	-	836	-	836
Development costs capitalised during the year	-	3,182	-	-	-	3,182	-	3,182	-	-	3,182
Balance at 30 June 2008	1,348	13,659	836	-	1,223	17,066	1,165	13,659	836	-	15,660
Balance at 1 July 2008	1,348	13,659	836	-	1,223	17,066	1,165	13,659	836	-	15,660
Write back fully written down costs	(823)	-	-	-	-	(823)	(823)	-	-	-	(823)
Acquisition – at cost	2,253	-	-	1,018	-	3,271	-	-	-	1,018	1,018
Development costs capitalised during the year	-	2,048	-	-	-	2,048	-	2,048	-	-	2,048
Balance at 30 June 2009	2,778	15,707	836	1,018	1,223	21,562	342	15,707	836	1,018	17,903

* These relate to development of research findings.

In thousands of AUD	Consolidated Goodwill	Consolidated Development costs*	Consolidated Intellectual property	Consolidated Nevada licence costs	Consolidated Service contracts	Consolidated Total	Company Goodwill	Company Development costs*	Company Intellectual property	Company Nevada licence costs	Company Total
Amortisation and impairment losses											
Balance at 1 July 2007	-	8,303	1,029	-	382	9,714	-	8,303	1,029	-	9,332
Write back amortisation on fully written down development costs	-	(4,822)	(1,029)	-	-	(5,851)	-	(4,822)	(1,029)	-	(5,851)
Amortisation for the year	-	2,381	84	-	153	2,618	-	2,381	84	-	2,465
Impairment losses	823	782	-	-	-	1,605	823	782	-	-	1,605
Balance at 30 June 2008	823	6,644	84	-	535	8,086	823	6,644	84	-	7,551
Balance at 1 July 2008	823	6,644	84	-	535	8,086	823	6,644	84	-	7,551
Write back amortisation on fully written down costs	(823)	-	-	-	-	(823)	(823)	-	-	-	(823)
Amortisation for the year	-	2,949	83	-	153	3,185	-	2,949	83	-	3,032
Impairment losses	171	-	-	-	-	171	171	-	-	-	171
Balance at 30 June 2009	171	9,593	167	-	688	10,619	171	9,593	167	-	9,931
Amortisation and impairment losses											
At 1 July 2007	1,348	6,996	-	-	841	9,185	1,165	6,996	-	-	8,161
At 30 June 2008	525	7,015	752	-	688	8,980	342	7,015	752	-	8,109
At 1 July 2008	525	7,015	752	-	688	8,980	342	7,015	752	-	8,109
At 30 June 2009	2,607	6,114	669	1,018	535	10,943	171	6,114	669	1,018	7,972

* These relate to development of research findings.

Amortisation charge and impairment loss

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

In thousands of AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Cost of sales	83	84	83	84
Other operating expenses	3,102	2,534	2,949	2,381
	3,185	2,618	3,032	2,465

The impairment losses of $171,000 (2008: $1,605,000) are recognised in administration expenses in the income statement (2008: $823,000 in administration expenses and $782,000 in research and development expenses).

21. Intangible assets (continued)

Recoverability of development costs

The carrying amount of the Group's development expenditure amounts to $6,116,000. An impairment test was triggered in the year due to the loss experienced by the Group for the year ended 30 June 2009. The recoverable amount of each cash generating unit was estimated based on its value in use, and using a pre-tax discount rate of 20%. Based on individual market assessments of development carried out and where the recoverable amount of the cash generating unit was estimated to be lower than the carrying amount of the development, no impairment was required. No impairment was recognised on other assets allocated to the cash generating unit, as it was determined that their fair value less costs to sell, exceeded their carrying value.

Value in use was determined by discounting the future cash flows generated from the continuing use of the development and based on the following key assumptions:

- Cash inflows of $70 million in the 2010 year from the sale of the Group's products and services;
- Revenue growth of 3-10% throughout the life of the development;
- The development will generate cash flows for 5 years; and
- Discount rate of 20%.

Development costs were segregated into their respective cash generating units, on a geographical or customer specific basis, where possible. The remainder of development costs were allocated based on the jurisdictional/customer specific revenue they are expected to generate. Impairment losses were recognised where the recoverable amount of the cash generating unit was estimated to be lower than the carrying amount of the cash generating unit, or where development was no longer being pursued.

The value in use will be re-assessed at each reporting date that there is an indicator of impairment. Should the above assumptions not remain valid, then further write-downs may be required.

Despite the impairment charges recorded expectations are that there is potential to exceed the revenues used in assessing the recoverability of development costs and that the assumptions used will be achieved.

Impairment testing for goodwill

Goodwill relates to acquired business and entities. 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 was estimated to be lower than the carrying amount of the goodwill on a previous acquisition due to product transition to new generation gaming machines, and an impairment of $171,000 was required in the current period. The carrying amount as at the report date was $171,000 (2008: $342,000).

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 and 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 about $4,214 thousand in the first year with anticipated annual revenue growth included in the cash flow projections of 5 percent for the years 2010 to 2013. Management plans to achieve annual revenue of $4,886 thousand by 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 $167,000 and no impairment would have resulted; and
- A 5 percent decrease in future planned revenues would have resulted in an impairment loss of $1,338 thousand.

22. Trade and other payables

In thousands of AUD

Current	***Note***	**Consolidated 2009**	**Consolidated 2008**	**Company 2009**	**Company 2008**
Trade payables		2,813	7,529	2,535	7,424
Other payables and accrued expenses		4,918	2,788	3,108	2,406
Amount payable to director/shareholder controlled entities		33	275	33	275
		7,764	10,592	5,676	10,105
Non Current					
Amount payable to equity accounted investees		-	-	-	37
Payables due to subsidiaries	*35*	-	-	1,169	240
		-	-	1,169	277

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 34.

Payables denominated in currencies other than the functional currency comprise $3,439 thousand of payables denominated in US Dollars (2008: $3,827 thousand), $1 thousand of payables denominated in Pounds Sterling (2008: $5 thousand), Nil of payables denominated in Euro (2008: $48 thousand), $2 thousand of payables denominated in NZD (2008: $2 thousand), $26 thousand of payables denominated in Canadian Dollars (2008: Nil) and $48 thousand of payables denominated in Japanese Yen (2008: Nil).

23. Loans and borrowings

This note provides information about the contractual terms of the Company's and Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Company's and Group's exposure to interest rate, foreign currency and liquidity risk, see note 34.

In thousands of AUD *Current*	**Consolidated 2009**	**Consolidated 2008**	**Company 2009**	**Company 2008**
Current portion of finance lease liabilities	768	842	593	836
Amount payable to director / shareholder controlled entities	2,193	-	2,193	-
Loan from director / shareholder controlled entity - unsecured	350	263	350	263
	3,311	1,105	3,136	1,099
Non Current				
Finance lease liabilities	725	761	413	761
Amount payable to director / shareholder controlled entity	10,855	8,880	10,855	8,880
Loan from director / shareholder controlled entity - unsecured	2,915	3,835	2,915	3,835
Loan from director / shareholder controlled entity - secured	10,917	13,513	10,917	13,513
Convertible notes	25,020	24,335	25,020	24,335
	50,432	51,324	50,120	51,324

23. Loans and borrowings (continued)

Terms and debt repayment schedule
Terms and conditions of outstanding loans were as follows:

				Consolidated			
				30 June 2009		30 June 2008	
In thousands of AUD	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Amount payable to director / shareholder	AUD	8%	2010	2,193	2,193	-	-
Amount payable to director / shareholder	AUD	8%	2013	10,855	10,855	8,880	8,880
Loans from director / shareholder controlled entity	AUD	8%	2013	18,507	14,182	18,220	17,611
Convertible notes	AUD	8%	2011-2014	25,629	25,020	25,629	24,335
Finance lease liabilities	AUD	6.7-14.7%	2008 - 2011	1,493	1,493	1,603	1,603
Total interest-bearing liabilities				58,677	53,743	54,332	52,429

				Company			
				30 June 2009		30 June 2008	
In thousands of AUD	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Amount payable to director / shareholder	AUD	8%	2010	2,193	2,193	-	-
Amount payable to director / shareholder	AUD	8%	2013	10,855	10,855	8,880	8,880
Loans from director / shareholder controlled entity	AUD	8%	2013	18,507	14,182	18,220	17,611
Convertible notes	AUD	8%	2011-2014	25,629	25,020	25,629	24,335
Finance lease liabilities	AUD	6.7-14.7%	2008 - 2011	1,006	1,006	1,597	1,597
Total interest-bearing liabilities				58,190	53,256	54,326	52,423

Financing facilities

In thousands of AUD	Consolidated 2009	2008	Company 2009	2008
Trade/credit facility	5,000	5,000	5,000	5,000
Loan from director / shareholder controlled entity	40,000	40,000	40,000	40,000
	45,000	45,000	45,000	45,000

Facilities utilised at reporting date

Trade/credit facility	2,132	2,435	2,132	2,435
Loan from director / shareholder controlled entity	13,706	14,122	13,706	14,122
	15,838	16,557	15,838	16,557

Facilities not utilised at reporting date

Trade/credit facility	2,868	2,565	2,868	2,565
Loan from director / shareholder controlled entity	26,294	25,878	26,294	25,878
	29,162	28,443	29,162	28,443

Trade/credit facility

A trade facility of $5 million has been established from a director / shareholder controlled entity under more favourable terms than those that could be achieved from the Company's bankers and at arms length in the open market. Refer note 35.

Loan 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 facilities of $13,706,000 utilised at the reporting date exclude interest payable of $10,877,000. The obligation for repayment of interest has been deferred until the maturity date being 4 years from the will of Mr LH Ainsworth coming into effect.

A further unsecured loan of $4,801,000 has been provided of which $703,000 was provided during the period to expand the Company's Sydney facility and relocate all manufacturing operations from leased premises in Melbourne. 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. The proposed terms of reimbursement are that an annual principal amount of $350,000 will be repaid monthly in arrears upon completion of the building improvements with the full repayment of the remaining balance and interest not required to be paid until the Company has sufficient operating cashflows to do so and until amounts owing on the $40 million facility has been repaid.

Convertible notes

In thousands of AUD	Consolidated 2009	2008	Company 2009	2008
Proceeds from issue of 19,714,717 convertible notes on 20 December 2004	25,629	25,629	25,629	25,629
Transaction costs	(1,085)	(1,085)	(1,085)	(1,085)
Net proceeds	24,544	24,544	24,544	24,544
Amount classified as equity	(2,842)	(2,842)	(2,842)	(2,842)
Transaction costs classified as equity	121	121	121	121
Accreted interest capitalised	3,197	2,512	3,197	2,512
Carrying amount of liability at 30 June	25,020	24,335	25,020	24,335

In December 2011 note holders have the option to extend their notes for a further 3 years to 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 the early redemption by the Company.

23. Loans and borrowings (continued)

Loans – secured

This loan was recorded at fair value at 1 July 2005, given that the interest rate applied to the facility is lower than that which could be obtained commercially and was subsequently carried at amortised cost. The maturity date of the loan was extended during the current period and as such the loan was restated to its fair value, based on the extended terms. Subsequent to the restatement on 23 May 2008, the loan will be carried at amortised cost (refer note 3(c)).

		Consolidated		Company	
In thousands of AUD		**2009**	**2008**	**2009**	**2008**
Fair value of the loan at 1 July		13,513	30,026	13,513	30,026
Additional borrowings		2,450	2,800	2,450	2,800
Repayment of borrowings		(250)	-	(250)	-
Set-off arrangement		(2,616)	(18,944)	(2,616)	(18,944)
Net proceeds		13,097	13,882	13,097	13,882
Amount classified as equity	(a)	(2,853)	(654)	(2,853)	(654)
Accreted interest capitalised		673	285	673	285
Carrying amount of liability at 30 June		10,917	13,513	10,917	13,513

(a) Amount classified as equity relates to the restatement of borrowings to fair value resulting from the maturity date being extended.

Loans – unsecured

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

		Consolidated		Company	
In thousands of AUD		**2009**	**2008**	**2009**	**2008**
Fair value of the loan at 1 July		-	-	-	-
Borrowings for building improvements		4,801	-	4,801	-
Borrowings under trade facility established		2,331	-	2,331	-
Net borrowings		7,132	-	7,132	-
Amount classified as equity	(a)	(2,210)	-	(2,210)	-
Accreted interest capitalised		513	-	513	-
Carrying amount of liability at 30 June		5,435	-	5,435	-

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

Finance lease liabilities

Finance lease liabilities of the Group entity are payable as follows:

	Consolidated					
In thousands of AUD	**Future minimum lease payments 2009**	**Interest 2009**	**Present value of minimum lease payments 2009**	**Future minimum lease payments 2008**	**Interest 2008**	**Present value of minimum lease payments 2008**
Less than one year	873	105	768	948	106	842
Between one and five years	798	73	725	811	50	761
	1,671	178	1,493	1,759	156	1,603

	Company					
In thousands of AUD	**Future minimum lease payments 2009**	**Interest 2009**	**Present value of minimum lease payments 2009**	**Future minimum lease payments 2008**	**Interest 2008**	**Present value of minimum lease payments 2008**
Less than one year	660	67	593	941	105	836
Between one and five years	445	32	413	811	50	761
	1,105	99	1,006	1,752	155	1,597

The Company and Group lease plant and equipment under finance leases expiring from three to five years. At the end of the lease term, there is the option to purchase the equipment at a discount of market value, a price deemed to be a bargain purchase option. The terms of the leases require that additional debt and further leases are not undertaken without prior approval of the lessor.

24. Employee benefits

	Consolidated		Company	
In thousands of AUD	**2009**	**2008**	**2009**	**2008**
Current				
Salaries and wages accrued	76	90	74	88
Liability for annual leave	1,482	1,083	1,178	955
	1,558	1,173	1,252	1,043
Non Current				
Liability for long service leave	701	421	501	364
	701	421	501	364

25. Share-based payments

The Company has in place an ESOP approved on 30 July 2001.

The terms and conditions of the grants 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 31 August 2004	50,000	Three years of service as per ESOP below	5 years
Option grant to senior employees at 31 August 2004	375,000	Three years of service as per ESOP below	5 years
Option grant to key management at 2 July 2007	200,000	Three years of service as per ESOP below	5 years
Option grant to senior employees at 2 July 2007	531,060	Three years of service as per ESOP below	5 years
Total share options	1,156,060		

To be eligible to participate in the ESOP 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).

The ESOP provides for employees to receive options for no consideration. Each option is convertible to one ordinary share. There are no voting or dividend rights attached to the unissued ordinary shares. Voting and dividend rights will be attached to the unissued ordinary shares when the options have been exercised. The exercise price of the options is determined in accordance with the rules of the ESOP. The ability to exercise the options is conditional on the achievement of performance hurdles. Accordingly, the plan does not represent remuneration for past services.

The vesting and performance conditions of the share options issued on 31 August 2004 and 2 July 2007 are as follows:

Date	Vesting Condition (% of Options vesting)	Performance Condition (VWAP* must equal or exceed) % of Exercise Price
Options issued on 31 August 2004		
First Anniversary of Grant Date	25%	100%
Second Anniversary of Grant Date	25%	120%
Third Anniversary of Grant Date	50%	140%
Options issued on 2 July 2007		
First Anniversary of Grant Date	20%	200%
Second Anniversary of Grant Date	20%	250%
Third Anniversary of Grant Date	60%	300%

* The performance conditions measure the volume weighted average price at which Shares traded on the ASX for the most recent 20 Business Days upon each of which any shares were traded on ASX within 60 business days immediately preceding the relevant vesting date of those Options.

In addition to the share options issued by the Company an incentive plan was introduced whereby share options were granted to all Australian employees, excluding directors and four key management personnel. The share options granted to Australian employees on 2 July 2007 totalled 10,994,707 and were granted over a portion of the personal shareholding of the Company's Executive Chairman, Mr LH Ainsworth. During the year 808,414 share options expired as a result of cessation of employment with the Company and Group leaving 7,844,987 share options outstanding as at 30 June 2009.

The number and weighted average exercise prices of share options is as follows:

In thousands of options	Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008
Outstanding at the beginning of the period	$0.59	1,736	$0.92	1,765
Forfeited during the period	$0.66	(580)	$1.02	(1,050)
Exercised during the period	-	-	-	-
Granted during the period	-	-	$0.50	1,021
Outstanding at the end of the period	$0.56	1,156	$0.59	1,736
Exercisable at the end of the period		-		-

The options outstanding at 30 June 2009 have an exercise price in the range of $0.50 to $1.00 and a weighted average remaining life of 2.0 years.

During the 2009 financial year, no share options were exercised or granted.

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 estimate of the fair value of the services received is measured based on the Black Scholes and binomial lattice models. 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.

Share options are granted under a service condition and, for grants to key management personnel, market and non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

26. Provisions

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
Restructuring	-	403	-	403
Service/warranties	216	359	216	359
	216	762	216	762
Movements during the year				
Restructuring				
Balance at 1 July	403	-	403	-
Provisions made during the year	-	403	-	403
Provisions used during the year	(403)	-	(403)	-
Balance at 30 June	-	403	-	403

Restructuring
The provision for restructuring expenses were paid in July 2008 and relate to costs, including employee costs, associated with the restructuring and relocation of manufacturing operations from leased premises in Melbourne to the Company's Sydney facility.

26. Provisions (continued)

	Consolidated		Company	
In thousands of AUD	**2009**	**2008**	**2009**	**2008**
Service / Warranties				
Balance at 1 July	359	117	359	117
Provisions made during the year	60	538	60	538
Provisions used during the year	(203)	(296)	(203)	(296)
Balance at 30 June	216	359	216	359

Service / warranties

The provision for service / warranties relates to gaming machines sold during the current financial year ended 30 June 2009 and prior years. The provision is based on estimates made from historical warranty data associated with similar products and services. The Group expects to incur the liability over the next financial year.

27. Capital and reserves

Share capital

	Company	
	Ordinary Shares	
In thousands of shares	**2009**	**2008**
On issue at 1 July	278,942	191,411
Issued as consideration for intellectual property	-	2,200
Issued for cash	-	85,331
On issue at 30 June – fully paid	278,942	278,942

The Group has also issued share options (see note 25).

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 that the Group is required to include in the consolidated financial statements.

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 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 (2008: Nil).

28. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		Company	
In thousands of AUD	**2009**	**2008**	**2009**	**2008**
Less than one year	338	283	29	96
Between one and five years	127	203	63	-
	465	486	92	96

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 financial year ended 30 June 2009, $465,000 was recognised as an operating expense in the income statement in respect of operating leases (2008: $554,000).

The warehouse and office leases are combined leases of land and buildings. When the Group adopted AASBs at 1 July 2004, it was not possible to obtain a reliable estimate of the split of the fair values of the lease interest between land and buildings at inception of the leases. Therefore, in determining lease classification, the Group evaluated whether both parts were clearly operating leases or finance leases. Firstly, land title does not pass. Secondly, because 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 judged that substantially all the risks and rewards of the building are with the landlord. Based on these qualitative factors it was concluded that the leases are operating leases.

29. Other commitments

	Consolidated		Company	
In thousands of AUD	**2009**	**2008**	**2009**	**2008**
Employee compensation commitments				
Key management personnel				
Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:				
Within one year	350	395	330	379

30. Legal matters

The Group has instigated legal action to recover amounts due and payable by customers. These amounts have been fully provided for in the financial report enclosed.

No other legal matters are in progress or outstanding.

31. Regulatory matters

The manufacture and distribution of gaming machines and associated products are subject to extensive local and foreign laws, regulations and taxes. Many of these jurisdictions require licences, registrations, findings of suitability, permits, documentation and qualification and other forms of approval for manufacturers of gaming machines.

No matter is currently the subject of investigation by any regulatory authorities.

32. Group Entities

	Country of Incorporation	Ownership interest	
		2009	**2008**
Parent entity			
Ainsworth Game Technology Limited	Australia	-	-
Subsidiaries			
AGT Pty Ltd	Australia	100%	100%
Ainsworth Game Technology International GmbH	Austria	-	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%	49%
RE & R Baker & Associates Pty Ltd	Australia	100%	49%
Bull Club Services Pty Ltd	Australia	100%	100%

In the financial statements of the Company, investments in subsidiaries are measured at cost. The Company's investment in controlled entities amounted to $2. This investment is included in other assets. Investments in associates are also accounted for at cost value. The Company has no jointly controlled entities.

33. Reconciliation of cash flows from operating activities

In thousands of AUD	Note	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Cash flows from operating activities					
(Loss) for the period		(12,542)	(19,357)	(12,559)	(20,498)
Adjustments for:					
Depreciation	20	1,769	1,476	1,638	1,433
Amortisation of intangible assets	21	3,185	2,618	3,032	2,465
Impairment losses on intangible assets	21	171	1,605	171	1,605
Net finance costs	11	639	6,657	633	6,635
Share of (loss) of equity accounted investees	17	407	361	-	-
Loss/(gain) on sale of property, plant and equipment	8	133	(17)	133	(17)
Equity-settled share-based payment transactions	9	146	281	146	281
Income tax expense	12	498	49	-	-
Operating (loss) before changes in working capital and provisions		**(5,594)**	**(6,327)**	**(6,806)**	**(8,096)**
Change in trade and other receivables		2,210	(7,277)	6,372	(8,176)
Change in inventories		3,758	9,495	4,049	9,495
Change in other assets		(110)	368	(283)	320
Change in trade and other payables		819	2,214	762	2,462
Change in provisions and employee benefits		(190)	(16)	(538)	88
		893	(1,543)	3,556	(3,907)
Interest paid		(2,489)	(3,521)	(2,475)	(3,521)
Net cash from operating activities		(1,596)	(5,064)	1,081	(7,428)

34. 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:

In thousands of AUD	Note	Carrying amount 2009	Carrying amount 2008
Receivables	15	27,305	30,575
Receivables from equity accounted investees	15	-	449
		27,305	31,024

The Company's maximum exposure to credit risk at the reporting date was $27,305 thousand (2008: $31,024 thousand) for receivables.

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

In thousands of AUD	Carrying amount 2009	Carrying amount 2008
Australia	5,183	3,229
Americas	24,267	24,634
Europe	145	3,260
New Zealand	242	617
Asia	705	2,011
Africa	1,031	910
	31,573	34,661

The Company's gross maximum exposure to credit risk for receivables at the reporting date by geographic region was $24,267 thousand (2008: $24,634 thousand) for Americas, $5,183 thousand (2008: $3,229 thousand) for Australia, $145 thousand (2008: $3,260 thousand) for Europe, $705 thousand (2008: $2,011) thousand) for Asia and $1,273 thousand (2008: $1,527 thousand) for other regions, totalling $31,573 thousand (2008: $34,428 thousand).

The Group's most significant customer, a distributor within South America, accounts for $10,423 thousand of the trade receivables carrying amount at 30 June 2009 (2008: $12,135 thousand). Two subsidiaries account for $2,096 thousand and $2,066 thousand (2008: $4,162 thousand and $2,949 thousand) of the Company's receivables carrying amount.

Impairment losses

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

In thousands of AUD	**Gross 2009**	**Impairment 2009**	**Gross 2009**	**Impairment 2009**
Not past due	19,152	-	25,471	-
Past due 0-30 days	744	-	1,211	127
Past due 31-120 days	2,238	-	1,233	36
Past due 121 days to one year	3,254	49	2,070	1,416
More than one year	6,185	4,219	4,676	2,507
	31,573	4,268	34,661	4,086

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

In thousands of AUD	**2009**	**2008**
Balance at 1 July	4,086	3,309
Impairment loss / (reversed)	(558)	730
Effect of exchange rate fluctuations	740	47
Balance at 30 June	4,268	4,086

The impairment loss of $Nil (2008: $730,000 thousand) was recognised in sales, service and marketing expenses in the income statement.

Based on historic default rates and current repayment plan in place, the Group believes that 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 collectibility.

An impairment allowance of $4.3 million has been provided for past due amounts more than 121 days and relates to customers and distributors where the Group has either commenced legal action or has assessed potential collectability issues. The remaining balance where no impairment allowance has been provided relate to negotiated repayment plans from long standing customers and distributors who have met or had their obligations re-negotiated during the period.

34. 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:

Consolidated
30 June 2009

In thousands of AUD	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Convertible notes							
Payable to director/shareholder controlled entities	13,180	20,791	(540)	(675)	(1,350)	(18,226)	-
Other note holders	11,840	15,779	(485)	(606)	(1,213)	(13,475)	-
Finance lease liabilities	1,493	1,671	(473)	(400)	(437)	(361)	-
Amounts payable to director/shareholder controlled entities	13,048	13,048	(2,193)	-	-	(10,855)	-
Loans from director/shareholder controlled entity	14,182	18,507	(175)	(175)	-	(18,157)	-
Trade and other payables	7,807	7,807	(7,807)	-	-	-	-
	61,550	77,603	(11,915)	(1,856)	(3,000)	(60,832)	-

30 June 2008

In thousands of AUD	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Convertible notes							
Payable to director/shareholder controlled entities	12,654	14,927	(533)	(533)	(13,861)	-	-
Other note holders	11,681	13,777	(492)	(492)	(12,793)	-	-
Finance lease liabilities	1,603	1,759	(601)	(347)	(588)	(223)	-
Amounts payable to director/shareholder controlled entities	9,152	9,152	-	-	(9,152)	-	-
Loans from director/shareholder controlled entity	17,611	18,220	(87)	(176)	(17,957)	-	-
Trade and other payables	10,810	10,810	(10,810)	-	-	-	-
	63,511	68,645	(12,523)	(1,548)	(54,351)	(223)	-

Company
30 June 2009

In thousands of AUD	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Convertible notes							
Payable to director/shareholder controlled entities	13,180	20,791	(540)	(675)	(1,350)	(18,226)	-
Other note holders	11,840	15,779	(485)	(606)	(1,213)	(13,475)	-
Finance lease liabilities	1,006	1,105	(358)	(302)	(298)	(147)	-
Amounts payable to director/shareholder controlled entities	13,048	13,048	(2,193)	-	-	(10,855)	-
Loans from director/shareholder controlled entity	14,182	18,507	(175)	(175)	-	(18,157)	-
Trade and other payables	5,717	5,717	(5,717)	-	-	-	-
	58,973	74,947	(9,710)	(1,758)	(2,861)	(60,618)	-

30 June 2008

In thousands of AUD	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Convertible notes							
Payable to director/shareholder controlled entities	12,654	14,927	(533)	(533)	(13,861)	-	-
Other note holders	11,681	13,777	(492)	(492)	(12,793)	-	-
Finance lease liabilities	1,597	1,752	(598)	(343)	(588)	(223)	-
Amounts payable to director/shareholder controlled entities	9,152	9,152	-	-	(9,152)	-	-
Loans from director/shareholder controlled entity	17,611	18,220	(87)	(176)	(17,957)	-	-
Trade and other payables	10,321	10,321	(10,321)	-	-	-	-
	63,016	68,149	(12,031)	(1,544)	(54,351)	(223)	-

34. 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. Most of the foreign currency call options have maturities of less than one year after the balance sheet date. No foreign currency call options were in place at the reporting date due to expiry in the current period.

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

In thousands of AUD	USD	Euro	NZD	USD	Euro	NZD
		30 June 2009			30 June 2008	
Trade receivables	25,665	145	237	25,424	2,986	610
Trade payables	(3,439)	-	(2)	(3,827)	(48)	(2)
Net balance sheet exposure	22,226	145	235	21,597	2,938	608

The Company's exposure to foreign currency risk was as follows, based on notional amounts:

In thousands of AUD	USD	Euro	NZD	USD	Euro	NZD
		30 June 2009			30 June 2008	
Trade receivables	25,371	145	237	28,364	2,986	610
Trade payables	(1,926)	-	(2)	(3,827)	(288)	(2)
Net balance sheet exposure	23,445	145	235	24,537	2,698	608

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD	2009	2008	2009	2008
USD	0.7469	0.9056	0.8117	0.9635
Euro	0.5461	0.6142	0.5810	0.6141
NZD	1.2445	1.1829	1.2574	1.2834
GBP	0.4680	0.4528	0.4930	0.4851

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. The analysis is performed on the same basis for 2008.

	Consolidated		Company	
Effect in thousands of AUD	**Equity**	**Profit or (loss)**	**Equity**	**Profit or (loss)**
30 June 2009				
USD	(2,026)	(2,021)	(2,132)	(2,132)
Euro	(13)	(13)	(13)	(13)
NZD	(21)	(21)	(21)	(21)
30 June 2008				
USD	(1,919)	(1,964)	(2,232)	(2,232)
Euro	(267)	(267)	(245)	(245)
NZD	(55)	(55)	(55)	(55)

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. The analysis is performed on the same basis for 2008.

	Consolidated		Company	
Effect in thousands of AUD	**Equity**	**Profit or (loss)**	**Equity**	**Profit or (loss)**
30 June 2009				
USD	2,228	2,223	2,345	2,345
Euro	14	14	14	14
NZD	23	23	23	23
30 June 2008				
USD	2,110	2,160	2,454	2,454
Euro	322	294	270	270
NZD	61	61	61	61

34. Financial instruments (continued)

Fair values

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

Consolidated *In thousands of AUD*	**Carrying amount 2009**	**Fair value 2009**	**Carrying amount 2008**	**Fair value 2008**
Trade and other receivables	29,197	29,197	31,331	31,331
Cash and cash equivalents	958	958	3,735	3,735
Convertible notes	(25,020)	(25,020)	(24,335)	(24,335)
Finance lease liabilities	(1,493)	(1,493)	(1,603)	(1,603)
Amount payable to director/shareholder controlled entity	(13,048)	(13,048)	(9,152)	(9,152)
Loans from director / shareholder controlled entity	(14,182)	(14,182)	(17,611)	(17,611)
Trade and other payables	(7,807)	(7,807)	(10,810)	(10,810)
	(31,395)	(31,395)	(28,445)	(28,445)
Unrecognised (losses) / gains	-	-	-	-

Company *In thousands of AUD*	**Carrying amount 2008**	**Fair value 2008**	**Carrying amount 2007**	**Fair value 2007**
Trade and other receivables	36,608	32,608	37,874	37,874
Cash and cash equivalents	804	804	1,033	1,033
Convertible notes	(25,020)	(25,020)	(24,335)	(24,335)
Finance lease liabilities	(1,006)	(1,006)	(1,597)	(1,597)
Amount payable to director/shareholder controlled entity	(13,048)	(13,048)	(9,152)	(9,152)
Loans from director / shareholder controlled entity	(14,182)	(14,182)	(17,611)	(17,611)
Trade and other payables	(5,717)	(5,717)	(10,321)	(10,321)
	(21,561)	(21,561)	(24,109)	(24,109)
Unrecognised (losses) / gains	-	-	-	-

Estimates of fair values

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

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 2009 plus an adequate constant credit spread and are as follows:

	2009	**2008**
Loans and borrowings	11.7% - 27.2%	9.4% - 11.0%
Receivables	3.2%	5.8%
Leases	7.4% - 10.4%	6.7% - 10.4%

35. Related parties

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

Non-executive directors	Executives
Mr SL Wallis	Mr DE Gladstone (Chief Executive Officer, Ainsworth Game Technology Limited)
Mr GJ Campbell	Mr ML Ludski (Chief Financial Officer and Company Secretary, Ainsworth Game Technology Limited)
Executive directors Mr LH Ainsworth (Executive Chairperson)	Mr V Bruzzese (General Manager Technical Services, Ainsworth Game Technology Limited)
	Mr R Meitzler (Senior VP Sales and Operations, Ainsworth Game Technology Inc.)
	Mr I Cooper (General Manager, Manufacturing, Ainsworth Game Technology Limited, appointed on 7 October 2008)
	Former Mr P Curran (General Manager, Manufacturing Operations, Ainsworth Game Technology Limited, ceased employment on 22 August 2008)

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 9) is as follows:

	Consolidated		Company	
In AUD	**2009**	**2008**	**2009**	**2008**
Short-term employee benefits	2,468,901	3,144,216	1,893,430	2,270,448
Post-employment benefits	126,359	173,964	120,310	152,560
Termination benefits	26,640	-	26,640	-
Share based payments	3,420	19,602	-	8,897
	2,625,320	3,337,782	2,040,380	2,413,905

The key management personnel receive no compensation in relation to the management of the Company. 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 Company.

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 Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

35. 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.

A number of these entities transacted with the Company or its subsidiaries 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:

			Transactions value year ended 30 June		Balance outstanding/ (payable) as at 30 June	
In AUD		***Note***	**2009**	**2008**	**2009**	**2008**
Key management persons	**Transaction**					
Mr LH Ainsworth	Leased property and equipment	(i)	134,400	134,404	-	-
Mr LH Ainsworth	Sales revenue	(ii)	2,281,146	3,293,240	(30,117)	2,322,659
Mr LH Ainsworth	Purchases and other charges for payments made on behalf of the Company	(ii)	226,593	-	226,593	-
Mr LH Ainsworth	Consultancy services	(iii)	230,000	230,000	-	-
Mr LH Ainsworth	Interest paid/payable on financing facilities	(iv)	1,997,862	2,178,913	10,613,452	8,880,130
Mr LH Ainsworth	Convertible note interest	(v)	1,076,967	1,069,169	2,959	2,921
Mr LH Ainsworth	Consultancy services to Ainsworth (UK) Ltd	(vi)	-	125,594	-	-
Mr LH Ainsworth	Sale of European assets on closure to Ainsworth (UK) Ltd	(vii)	-	59,567	-	-
Mr LH Ainsworth	Loan from director / shareholder controlled entity	(viii)	703,043	-	3,265,352	4,097,539

(i) The Company leased premises in Queensland and associated plant and equipment from 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) Mr LH Ainsworth received fees during the financial year for the provision of services under a consultancy agreement in relation to his role as Executive Chairman.

(iv) As disclosed in note 23 a company controlled by Mr LH Ainsworth has extended a loan to the company. The maturity date of this loan was amended on 21 October 2008 until a date that is 4 years after the will of Mr LH Ainsworth coming into effect. The terms of this loan are more favourable than could be obtained from the Group's bankers and at arms length in the open market.

(v) Interest paid/payable during the financial year to Mr LH Ainsworth and entities controlled by him for convertible notes held. This interest was under the same terms and conditions as all convertible note holders.

(vi) During the 2009 period $Nil consultancy services by Ainsworth (UK) Ltd were provided. In 2008 $126,000 were provided by the managing director (Mr B Marchini) of this entity to Ainsworth Game Technology International GmbH which facilitated closure of the Group's European operations. These services in 2008 were on normal commercial terms and conditions.

(vii) Asset sales were made to Ainsworth (UK) Ltd in 2008 on normal commercial terms and conditions following cessation of trading of Ainsworth Game Technology International GmbH.

(viii) An additional, unsecured loan was provided during the period by a company controlled by Mr LH Ainsworth. This loan was unsecured and is under similar terms and conditions to the loan identified in (iv) above. Agreement has been reached that $350,000 per annum is to be repaid monthly in arrears. The full repayment of the remaining balance and interest is not required to be paid until such time as the Company or Group has sufficient operating cash flows to do so, and until the $40 million facility has been repaid.

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

In AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Assets and liabilities arising from the above transactions				
Current receivables				
Trade debtors	-	2,322,659	-	2,322,659
Current trade and other payables				
Amount payable to director/shareholder controlled entities	33,076	274,944	33,076	274,944
Current loans and borrowings				
Amount payable to director/shareholder controlled entities	2,193,225	-	2,193,225	-
Loan from director / shareholder controlled entity - unsecured	350,000	263,000	350,000	263,000
Non-current loans and borrowings				
Amount payable to director/shareholder controlled entity	10,855,396	8,880,130	10,855,396	8,880,130
Loan from director/shareholder controlled entity - unsecured	2,915,352	3,834,539	2,915,352	3,834,539
Loan from director/shareholder controlled entity - secured	10,917,466	13,513,412	10,917,466	13,513,412
Convertible notes	13,179,989	12,654,200	13,179,989	12,654,200

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 2008	Granted as remuneration	Exercised	Other changes*	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
Directors							
Mr SL Wallis	-	-	-	-	-	-	-
Executives							
Current							
Mr ML Ludski	50,000	-	-	-	50,000	-	-
Mr R Meitzler	200,000	-	-	-	200,000	40,000	-
Former							
Mr K Orchard *(retired 30/06/08)*	315,375	-	-	(315,375)	-	-	-
Mr PW Walford	140,000	-	-	(140,000)			

	Held at 1 July 2007	Granted as remuneration	Exercised	Other changes*	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
Directors							
Mr SL Wallis	300,000	-	-	(300,000)	-	-	-
Executives							
Current							
Mr ML Ludski	50,000	-	-	-	50,000	25,000	-
Mr R Meitzler	-	200,000	-	-	200,000	-	-
Former							
Mr K Orchard	150,000	165,375	-	-	315,375	75,000	-
Mr PW Walford	140,000	-	-	-	140,000	70,000	-

* Other changes represent options that expired or were forfeited during the year.

No options held by key management personnel are exercisable at 30 June 2008 or 2009 as performance hurdles have not been achieved. No options were held by key management person related parties.

35. 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 2008	Purchases	Received on exercise of options	Sales	Held at 30 June 2009
Directors					
Current					
Mr LH Ainsworth	211,428,611	1,127,719	-	-	212,556,330
Mr SL Wallis	629,980	-	-	-	629,980
Mr GJ Campbell	87,500	202,174	-	-	289,674
Executives					
Current					
Mr D Gladstone	-	100,000	-	-	100,000
Mr V Bruzzese	-	50,000	-	-	50,000

	Held at 1 July 2007	Purchases	Received on exercise of options	Sales	Held at 30 June 2008
Directors					
Current					
Mr LH Ainsworth	118,318,816	96,780,126	-	(3,670,331)	211,428,611
Mr SL Wallis	463,128	166,852	-	-	629,980
Mr GJ Campbell	62,500	25,000	-	-	87,500
Former					
Mr AR Amer	69,826	-	-	-	69,826
Executives					
Former					
Mr K Orchard	17,527	-	-	-	17,527

NOTE

No shares were granted to key management personnel during the reporting period as compensation in 2008 or 2009.

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

Non-key management personnel disclosures

Subsidiaries

Loans operate between the Company and wholly owned subsidiaries for trading purposes. At 30 June 2009, the amount owed to the Company from controlled entities was $4,290,000 (2008: $7,264,000). At 30 June 2009, the amount owed by the Company to controlled entities was $1,169,000 (2008: $240,000). Loans outstanding between the Company and its controlled entities are interest free and repayable on demand.

During the year ended 30 June 2009 the Company was provided management services from controlled entities. Management fees charged during the year by controlled entities were $8,338,496 (2008: $8,170,929). The Company provided management services to a controlled entity of $15,000 (2008: $20,000).

The Company utilised the services of controlled entities in the amount of $48,936 (2008: $112,095). Transactions with these controlled entities were priced on an arm's length basis and were related to service and installation of machines at gaming venues.

Equity accounted investees

During the financial year ended 30 June 2009, equity accounted investees purchased goods from the Group in the amount of $36,345 (2008: $9,626) and provided services to the Group in the amount of $388,328 (2008: $183,587). Transactions with equity accounted investees are priced on an arm's length basis and relate to the 11 month period to 31 May 2009 at which date effective control and consolidation of these equity investees occurred. At 30 June 2009 equity accounted investees owed the Group $nil (2008: $448,943). No dividends were received from equity accounted investees in either the 2009 or 2008 financial years.

36. 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.

DIRECTORS' DECLARATION

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

   (a) the financial statements and notes and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 31 to 76, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance, for the financial 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 also complies with International Financial Reporting Standards as disclosed in note 2(a);

   (c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001; and

   (d) 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 2009.

Signed in accordance with a resolution of the directors:

Dated at Sydney this 27th day of August 2009.

LH Ainsworth
Executive Chairman

KPMG

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 balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 36 and the directors' declaration set out on page 77 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies 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 Company's and 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 Ainsworth Game Technology Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their 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 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 20 to 25 of the directors' report for the year ended 30 June 2009. 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 2009, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Carlo Pasqualini
Partner

Sydney, 27 August 2009

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 2009 there have been:

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

KPMG

KPMG

Carlo Pasqualini
Partner

Sydney, 27 August 2009

CORPORATE DIRECTORY

Directors

Executive Chairman
Mr LH Ainsworth

Independent Non-Executive Directors
Mr SL Wallis AO
Mr GJ Campbell

Chief Executive Officer
Mr DE Gladstone

Company Secretary and Chief Financial Officer
Mr ML Ludski

Stock Exchange Listing
The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.
CODE: AGI

Website
www.ainsworth.com.au

Share Registry
Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street,
Sydney NSW Australia 2001
Tel: 1300 850 505 (within Aust)
+61 3 9415 4000 (outside Aust)
Fax: +61 3 9473 2500

Auditor
KPMG
10 Shelley Street
Sydney NSW Australia 2000
Tel: +61 2 9335 7000
Fax: +61 2 9299 7001

Other Information
Ainsworth Game Technology Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

OFFICES

AUSTRALIA
Corporate and Head Office
10 Holker Street,
Newington NSW Australia 2127
Tel: +61 2 9739 8000
Fax: +61 2 9737 9483

Queensland
Unit 6, 3990 Pacific Highway
Loganholme QLD Australia 4129
Tel: +61 7 3209 6210
Fax: +61 7 3209 6510

South Australia
Ms Toni Odgers
P.O. Box 379
Fullerton SA Australia 5063
Tel: +61 413 728 766
Fax: +61 8 8294 1094

THE AMERICAS
6600 N.W 12 Avenue,
Suite 201 Ft. Lauderdale,
FL 33309 USA
Tel: +1 (954) 317 5500
Fax: +1 (954) 317 5555

AINSWORTH GAME TECHNOLOGY

10 Holker Street,
Newington NSW Australia 2127
Phone +61 2 9739 8000
Fax +61 2 9737 9483
www.ainsworth.com.au