Ainsworth Game Technology Limited
ABN 37 068 516 665
and its controlled entities

Appendix 4D and Half-Year Financial Report

31 December 2004

Ainsworth Game Technology Limited and its controlled entities

Results for announcement to the market

	Up / Down	% Change		Half Year ended 31 December 2004 A$'000
Revenues from ordinary activities	up/~~down~~	40%	to	40,968
Profit from ordinary activities after tax attributable to members	~~up~~/down	N/A	to	(1,832)
Profit from extraordinary items after tax attributable to members				-
Net loss for the period attributable to members	up/~~down~~	N/A	to	(1,832)

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend Interim dividend	-¢ -¢	-¢ -¢
Previous corresponding period	-¢	-¢

Record date for determining entitlements to the dividend	Not applicable

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

Refer Review of Operations section within the attached Directors' Report.

NTA backing	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	$0.23	$0.25

Directors' report

The directors present their report together with the consolidated financial report for the half year ended 31 December 2004 and the review report thereon.

Directors

The directors of Ainsworth Game Technology Limited (the "Company") at any time during or since the end of the half-year are:

Director	Period of directorship
Mr Leonard H Ainsworth Executive Chairman	Director since 1995 – Appointed Executive Chairman in 2003
Mr Andrew R Amer Independent Non Executive Director	Director since 2003
Mr John M Cowling Executive Director	Director since 2003 – Appointed Executive Director on 1 September 2004
Mr Stewart L Wallis AO Independent Non Executive Director	Director since 2002
Mr Vivian B Matthews Non Executive Director	Director since 2003

Principal activities

The principal activities of the consolidated entity during the course of the half-year were the design, development and sale of gaming machines and other related equipment and services.

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

Ainsworth Game Technology Limited and its controlled entities

Directors' report (continued)

Review of operations

Operating results

As announced in December 2004 the $1.8 million loss for the period under review was affected by a large international order which had been delayed by the need to make changes to machine software before the order could be confirmed. This order has now been received and delivery will take place in February.

Revenue increased by 40% in the period under review which was offset by an increase in overheads of $6.9 million compared to the same period in 2003. This increase in overheads related to sales, service and marketing activities, further product development and design improvements and license costs in establishing new markets.

The above increases in overheads should provide further opportunities to expand and grow sales revenue in future periods.

Revenue

Sales revenue of $40.7 million was achieved during the six months ended 31 December 2004, an increase of 40% on the corresponding period in 2003. The number of gaming machine unit sales increased by 30% compared to the previous period.

Domestic sales revenue represented 32% (31 December 2003: 49%) of total sales revenue for the period. Market conditions continued to remain difficult domestically, however the principal markets of New South Wales and Queensland contributed increases over the corresponding period in 2003. The South Australian market remained difficult primarily as a result of legislative changes reducing the total number of installed electronic gaming machines within this jurisdiction.

Within the domestic market the recent acquisition of the New South Wales venue maintenance business from Bytecraft on 13 December 2004 contributed initial revenue of $124,000 for the period from acquisition. The full effect of this acquisition is expected to have further revenue gains over the full year ending 30 June 2005.

Internationally, the consolidated entity achieved sales revenue of $27.3 million, an increase of 83% on the corresponding period in 2003. Sales revenue from international markets now comprises 67% of total revenue compared to 51% on the same period in 2003. During the current period the consolidated entity opened a number of new markets in North America, South America and eastern Europe and currently sells products in 38 jurisdictions (30 June 2004 – 20 jurisdictions).

Significant increases were made in both established markets and new markets entered in the period. Further market approvals and access to new markets in the Americas resulted in this geographical region increasing its overall contribution to total international sales revenue from 13% to 33% over the same period in 2003.

Europe, including Russia, provided further gains with its sales revenue increasing by 43% in the period under review with the company now exporting to over 12 countries within Europe.

Further re-ordering of machines within South Africa, which contributed to 11% of total international sales revenue, occurred since initial sales were made in the second half of the year ended 30 June 2004.

Sales revenue from the Asian market declined in the period due to changes in government legislation and delays experienced in new product development specifically designed for this market. It is expected that this region will provide further significant growth opportunities in future periods.

Directors' report (continued)

Review of operations (continued)

Operating costs

Cost of sales during the period under review was $23.5 million resulting in a gross margin of 42% compared to 43% for the corresponding period in 2003.

Operating costs from ordinary activities, excluding costs of sales, totalled $18.5 million for the period compared to $11.6 million for the corresponding period in 2003, an increase of $6.9 million. This increase in overheads was represented by the following:

- Sales, service and marketing expenses were $9.2 million for the period under review compared to $5.7 million in the corresponding period in 2003, an increase of $3.5 million. This increase reflects the costs associated with expanding the consolidated entity's domestic and international sales network and additional presence at international trade shows;

- Research and development expenditure increased by $1.2 million to $4.7 million, compared to the previous corresponding period in 2003. As a percentage of total revenue, research and development was 12%, which was consistent with the corresponding period in 2003. All research and development costs have been expensed in the current period and are expected to have positive effects in future periods;

- Administration expenses totalled $3.5 million, an increase of $1.0 million over the corresponding period in 2003. Increased compliance and licensing costs contributed to this increase in expense; and

- Other expenses increased by $1.2 million and relates primarily to premiums paid on foreign currency hedge contracts and translation adjustments on converting receivable balances at period end exchange rates. The consolidated entity's risk management process identified foreign currency fluctuations as a significant financial exposure, particularly with the growth in international sales. The consolidated entity monitors and reviews this exposure with the aim to minimise adverse material impact.

Net interest expense

Net interest expense for the period was $0.8 million compared to $0.3 million for the same period in 2003. The increase in net interest expense was primarily due to increased levels of debt necessary to fund increased working capital requirements including extended credit provided on sales to some international customers.

Income tax

The consolidated entity did not recognise any income tax benefit during the period under review due to the existence of significant tax losses incurred in prior periods.

Directors' report (continued)

Review of operations (continued)

Operating loss after income tax

The loss from ordinary activities after income tax for the six months ended 31 December 2004 was $1.8 million compared to a profit of $0.7 million in the corresponding period in 2003.

The result for the six months ended 31 December 2004 was affected by activities to aggressively grow sales in international markets. The increase in overheads during the period should provide opportunities for the consolidated entity to continue to expand and grow sales revenue.

Cash flow

The cash outflow from operations for the six months ended 31 December 2004 was $14.0 million compared to $6.5 million in the same period in 2003. This increase was a result of working capital required to support the growth in revenue experienced in the period under review.

Cash outflow relating to investing activities of $3.3 million represented:

- Final payments of $1.6 million for the previously acquired business and intellectual property of Victorian Gaming Systems Manufacturing Pty Limited, a Victorian based gaming machines manufacturer and distributor;
- Payments of $1.2 million relating to the equity investment in United Technologies, a gaming machine service company based in Dapto and servicing Wollongong and the South Coast; and
- Payments of $0.5 million for property, plant and equipment.

Cash inflow from financing activities primarily represented receipt of funds on the issue of convertible notes, refer below, and further draw downs from a company controlled by Mr LH Ainsworth through established facilities.

Convertible note issue

On 20 December 2004 the company issued 19,714,717 convertible notes at an issue price of $1.30 per convertible note.

The interest rate on the convertible notes is fixed at 8.0% per annum. Interest is payable semi-annually on each 30 June and 31 December until 31 December 2009, unless the convertible note is earlier redeemed or converted, in which case interest will be paid up until the date of such conversion or redemption. The first interest payment date is 30 June 2005 and interest accrues from the issue date.

The conversion dates will occur on 31 December 2007 and at the maturity date on 31 December 2009. Conversion dates could also occur under certain trigger events as outlined in the Prospectus dated 22 November 2004. The Company will redeem the convertible notes on the maturity date unless the convertible notes are converted or redeemed earlier. The convertible notes will be redeemed for the issue price of $1.30 per convertible note.

If converted, the note holder receives one ordinary share for each note held with the same voting rights as all other shareholders.

The notes do not give their holders any voting rights at shareholders' meetings. The notes are unsecured debt obligations of the Company ranking equally with other ordinary unsecured creditors of the Company.

Directors' report (continued)

Review of operations (continued)

Proposed merger

The Company has announced a proposal to merge with Russia's largest casino and gaming equipment supplier, the privately owned Unicum Group of Russia ("Unicum").

Unicum has been distributing AGT's gaming machines since late 2003 and has made strong inroads with AGT products into the Russian market.

The merger is proposed to be implemented through AGT issuing ordinary shares to Unicum's President and sole shareholder Mr Boris Belotserkovsky, will become President of the combined entity. Following the merger, Mr Belotserkovsky would hold the majority stake in the expanded capital base of AGT and AGT Chairman, Mr Len Ainsworth's holdings would be diluted as a result. Mr Ainsworth would continue as the Chairman following the merger.

While the merger negotiations with Unicum are progressing, there can be no assurance that a transaction will be consummated or that any final transaction structure will be on the terms currently contemplated.

The merger will be subject to AGT being satisfied with the results obtained from due diligence investigations and receipt of required regulatory, government and AGT shareholder approvals.

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

The lead auditor's declaration is set out on page 7 and forms part of the directors' report for the half year ended 31 December 2004.

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.

Dated at Sydney on this 15th day of February 2005.

Signed in accordance with a resolution of the directors.

LH Ainsworth
Director

Ainsworth Game Technology Limited and its controlled entities

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

To: The directors of Ainsworth Game Technology Limited

I declare that, to the best of my knowledge and belief in relation to the review for the half-year ended 31 December 2004 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Tony Nimac
Partner

Sydney, 15 February 2005

Ainsworth Game Technology Limited and its controlled entities

Statement of financial performance
For the half-year ended 31 December 2004

	Note	Consolidated 31 December 2004 $'000	31 December 2003 $'000
Revenue from sale of goods		40,604	29,198
Revenue from rendering of services		124	-
Other revenues from ordinary activities		240	25
Total revenue		40,968	29,223
Expenses from ordinary activities:			
Cost of goods sold		(23,525)	(16,559)
Sales, service and marketing expenses		(9,162)	(5,673)
Research and development expenses		(4,729)	(3,503)
Administrative expenses		(3,472)	(2,460)
Borrowing costs		(835)	(339)
Other expenses from ordinary activities		(1,180)	(34)
Share of net profits of associates accounted for using the equity method		103	-
(Loss)/profit from ordinary activities before related income tax (benefit)/expense		(1,832)	655
Income tax (benefit)/expense relating to ordinary activities	2	-	-
Net (loss)/profit	5	(1,832)	655
Non-owner transaction changes in equity			
Net exchange difference relating to self sustaining foreign operations		(24)	-
Total changes in equity from non-owner related transactions attributable to the members of the parent entity		(1,856)	655
Basic earnings per share		($0.012)	$0.006
Diluted earnings per share		($0.012)	$0.006

The statement of financial performance is to be read in conjunction with the notes to the half-year financial statements set out on pages 11 to 23.

Ainsworth Game Technology Limited and its controlled entities

Statement of financial position
As at 31 December 2004

	Note	Consolidated 31 December 2004 $'000	30 June 2004 $'000
Current assets			
Cash assets		24,805	2,443
Receivables		39,645	30,496
Inventories		18,079	17,612
Other		1,392	688
Total current assets		83,921	51,239
Non-current assets			
Receivables		2,056	2,436
Investments accounted for using the equity method		2,128	-
Property, plant and equipment		18,547	18,217
Intangible assets		3,068	2,000
Other		882	90
Total non-current assets		26,681	22,743
Total assets		110,602	73,982
Current liabilities			
Payables		13,096	15,601
Interest bearing liabilities	3	261	1,702
Current tax liabilities		40	40
Provisions		1,381	917
Total current liabilities		14,778	18,260
Non-current liabilities			
Interest bearing liabilities	3	55,961	15,280
Provisions		326	199
Total non-current liabilities		56,287	15,479
Total liabilities		71,065	33,739
Net assets		39,537	40,243
Equity			
Contributed equity	4	73,957	72,807
Reserves		(17)	7
Accumulated losses	5	(34,403)	(32,571)
Total equity		39,537	40,243

The statement of financial position is to be read in conjunction with the notes to the half-year financial statements set out on pages 11 to 23.

Ainsworth Game Technology Limited and its controlled entities

Statement of cash flows
For the half-year ended 31 December 2004

	Consolidated	
	31 December 2004 $'000	31 December 2003 $'000
Cash flows from operating activities		
Cash receipts in the course of operations	32,096	17,917
Cash payments in the course of operations	(46,123)	(24,255)
Interest received	58	23
Borrowing costs paid	-	(138)
Net cash used in operating activities	(13,969)	(6,453)
Cash flows from investing activities		
Payments for property, plant and equipment	(470)	(500)
Proceeds from sale of non-current assets	-	14
Payment for acquisition of equity investments	(1,200)	(58)
Payments for business acquisition and intellectual property	(1,607)	-
Net cash used in investing activities	(3,277)	(544)
Cash flows from financing activities		
Proceeds from issue of shares	-	13,493
Proceeds from issue of convertible notes	25,629	-
Transaction costs from issue of shares, convertible notes	(798)	(451)
Proceeds from borrowings	15,000	8,000
Repayment of borrowings	-	(6,000)
Hire purchase payments	(84)	(143)
Net cash provided by financing activities	39,747	14,899
Net increase in cash held	22,501	7,902
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	(139)	-
Cash at the beginning of the financial period	2,443	1,093
Cash at the end of the financial period	24,805	8,995

The statement of cash flows is to be read in conjunction with the notes to the half-year financial statements set out on pages 11 to 23.

Notes to the financial statements

For the half-year ended 31 December 2004

1 Statement of significant accounting policies

(a) Basis of preparation

The half-year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This half-year financial report is to be read in conjunction with the 30 June 2004 Annual Financial Report and any public announcements by Ainsworth Game Technology Limited and its Controlled Entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those applied in the 30 June 2004 Annual Financial Report.

The half-year financial report does not include full note disclosures of the type normally included in an annual financial report.

2 Income tax (benefit)/expense

	Consolidated	
	31 December 2004 $'000	31 December 2003 $'000
Prima facie income tax (benefit)/expense calculated at 30% on the (loss)/profit from ordinary activities	(550)	197
Decrease/(increase) in income tax (benefit)/expense due to:		
Non-deductible expenses	38	17
Research and development allowance	(378)	(270)
Future income tax benefit not taken to account	890	56
Income tax (benefit)/expense on (loss)/profit from ordinary activities	-	-

	Consolidated	
	31 December 2004 $'000	30 June 2004 $'000

3 Interest bearing liabilities

	31 December 2004 $'000	30 June 2004 $'000
Current		
Hire purchase liabilities	261	98
Amount payable for VGS acquisition	-	1,604
	261	1,702
Non Current		
Hire purchase liabilities	332	280
Amount payable to director controlled entity - secured	30,000	15,000
Convertible notes	25,629	-
	55,961	15,280

On 20 December 2004 the company issued 19,714,717 convertible notes at an issue price of $1.30 per convertible note.

The interest rate on the convertible notes is fixed at 8.0% per annum. Interest is payable semi-annually on each 30 June and 31 December until 31 December 2009, unless the convertible note is earlier redeemed or converted, in which case interest will be paid up until the date of such conversion or redemption. The first interest payment date is 30 June 2005 and interest accrues from the issue date.

The conversion dates will occur on 31 December 2007 and at the maturity date on 31 December 2009. Conversion dates could also occur under certain trigger events as outlined in the Prospectus dated 22 November 2004. The Company will redeem the convertible notes on the maturity date unless the convertible notes are converted or redeemed earlier. The convertible notes will be redeemed for the issue price of $1.30 per convertible note.

If converted, the note holder receives one ordinary share for each note held with the same voting rights as all other shareholders.

The notes do not give their holders any voting rights at shareholders' meetings. The notes are unsecured debt obligations of the Company ranking equally with other ordinary unsecured creditors of the Company.

4 Contributed equity

	Consolidated		Consolidated	
	31 December 2004 Shares	30 June 2004 Shares	31 December 2004 $'000	30 June 2004 $'000
Issued and paid-up capital				
Ordinary shares, fully paid	149,060,377	147,860,377	73,957	72,807

Movements in ordinary share capital of the Company during the past two years were as follows:

Date	Details	Number of shares	Issue price	$'000
1 January 2003	Opening balance	115,000,000	-	59,834
29 December 2003	Issued shares pursuant to rights issue	32,860,377	$0.41	13,473
29 December 2003	Transaction costs from issue of shares	-	-	(500)
13 December 2004	Issued shares as consideration for acquisition	1,200,000	$1.07	1,284
31 December 2004	Adjustment for GST on IPO costs	-	-	(134)
31 December 2004		149,060,377		73,957

On 13 December 2004 the Company issued 1.2 million ordinary shares at a value of $1.07 per ordinary share based on the share price on that day, in full settlement for part of the assets and business of Bytecraft (NSW) Pty Ltd. This acquisition represented Bytecraft's Sydney based gaming venue installation and maintenance business in New South Wales.

Share options

On 31 August 2004 the Company granted 1,885,000 share options to 50 employees under the Employee Share Option Plan ("ESOP").

Of these options granted, 765,000 were exercisable at $1.00 and 1,120,000 at $0.50 subject to vesting and performance conditions. The options expire on the earlier of 31 August 2009 or the termination of the employee's employment. Full details on this ESOP are included in the 2004 Annual Report.

During the half year 220,000 share options expired and 115,000 share options expired in the prior year. No options were exercised during the half year or prior year.

The total number of share options outstanding at 31 December 2004 is 8,930,000 (30 June 2004: 7,265,000)

	Consolidated	
	31 December 2004 $'000	31 December 2003 $'000

5 Accumulated losses

Accumulated losses at the beginning of the financial period	(32,571)	(34,693)
Net (loss)/profit	(1,832)	655
Accumulated losses at the end of the financial period	(34,403)	(34,038)

6 Segment information

(a) Business Segments

Primary Reporting

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The consolidated entity operates in one business segment, which is the design, development, manufacturing and distribution of gaming machines.

(b) Geographical segments

Secondary reporting

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.

	AUSTRALIA		AMERICAS		EUROPE *		REST OF WORLD		CONSOLIDATED	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
External segment revenue by location of customers	13,195	14,255	8,974	1,984	11,877	8,296	6,682	4,663	40,728	29,198
Unallocated Revenue									240	25
Total Revenue									40,968	29,223
Segment assets by location of assets	109,815	73,572	85	69	641	289	61	52	110,602	73,982
Acquisition of non-current assets	3,168	2,388	30	-	-	67	17	-	3,215	2,455

* Europe includes Russia

7 Acquisition of controlled entities

Name	Date acquired	Consolidated entity's interest	Consideration $	Contribution to net profit $'000
2004				
AGT Service Pty Ltd	20/08/2004	100%	1	-
AGT Service (NSW) Pty Ltd	13/12/2004	100%	1,284,000	21
2003				
Ainsworth Game Technology International GmbH	18/12/2003	100%	58,163	(201)
Ainsworth Game Technology (NZ) Limited	19/12/2003	100%	1	-
Ainsworth Game Technology Inc.	30/12/2003	100%	3,358	-

8 Associates

Investments in associates

Name	Ownership Interest (Consolidated)		Share of net profits (Consolidated)	
	31 December 2004 %	31 December 2003 %	31 December 2004 $'000	31 December 2003 $'000
J & A Machines Pty Ltd	49	-	94	-
RE & R Baker and Associates Pty Ltd	49	-	9	-
			103	-

9 Non-cash financing activities

During the half-year, the consolidated entity acquired plant and equipment and motor vehicles by means of hire purchase agreements amounting to $163,866 (2003: $Nil). These acquisitions are not reflected in the statement of cash flows.

10 Event subsequent to reporting date

Proposed Merger

The Company has announced a proposal to merge with Russia's largest casino and gaming equipment supplier, the privately owned Unicum Group of Russia ("Unicum").

Unicum has been distributing AGT's gaming machines since late 2003 and has made strong inroads with AGT products into the Russian market.

The merger is proposed to be implemented through AGT issuing ordinary shares to Unicum's President and sole shareholder Mr Boris Belotserkovsky, will become President of the combined entity. Following the merger, Mr Belotserkovsky would hold the majority stake in the expanded capital base of AGT and AGT Chairman, Mr Len Ainsworth's holdings would be diluted as a result. Mr Ainsworth would continue as the Chairman following the merger.

While the merger negotiations with Unicum are progressing, there can be no assurance that a transaction will be consummated or that any final transaction structure will be on the terms currently contemplated.

The merger will be subject to AGT being satisfied with the results obtained from due diligence investigations and receipt of required regulatory, government and AGT shareholder approvals.

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This half-year financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ending on 31 December 2004.

Implementation project

The board has established a formal implementation project, monitored by the audit committee, to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005. The implementation project consists of three phases: Assessment and planning; Design; and Implementation.

10 Event subsequent to reporting date (continued)

International Financial Reporting Standards (continued)

Assessment and planning phase

The assessment and planning phase generated a high level overview of the impacts of conversion to AIFRS on existing accounting and reporting policies and procedures, systems and processes, business structures and staff. This phase included:

- High level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS
- Assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes
- Evaluation of the implications for staff, for example training requirements
- Preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The assessment and planning phase is completed in most respects as at 31 December 2004.

Design phase

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS.

The design phase incorporates:

- Formulating revised accounting policies and procedures for compliance with AIFRS requirements
- Identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of AIFRS
- Developing revised AIFRS disclosures
- Designing accounting and business processes to support AIFRS reporting obligations
- Identifying and planning required changes to financial reporting and business source systems
- Developing training programs for staff

The design phase has commenced and is expected to be completed by 30 June 2005.

10 Event subsequent to reporting date (continued)

International Financial Reporting Standards (continued)

Implementation phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the consolidated entity to generate the required disclosures of AASB 1 as it progresses through its transition to AIFRS.

Except for certain training that has been given to operational staff, the consolidated entity has not yet commenced the implementation phase. However, this phase is expected to be substantially complete by 30 June 2005.

Impact of transition to AIFRS

The difference between Australian Generally Accepted Accounting Principles (Australian GAAP) and Australian equivalents to International Financial Reporting Standards (AIFRS) identified to date as potentially having a significant impact on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all differences between current Australian GAAP and AIFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The consolidated entity has not completed its project to assess the impact of adoption of AIFRS and has not quantified the effects of all the differences discussed below. Where work streams have been completed, accounting policies have been determined and the transitional elections available under AASB *1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards* have been considered.

Any assessments made in respect of the transition to AIFRS may require adjustment before inclusion in the first complete annual / half year financial report prepared in accordance with AIFRS due to new or revised standards or interpretations, changes in the operations of the business, or additional guidance on the application of AIFRS in a particular industry or to a particular transaction.

10 Event subsequent to reporting date (continued)

International Financial Reporting Standards (continued)

Impact of transition to AIFRS (continued)

The key potential implications on the consolidated entity of conversion to AIFRS, identified to date, are summarised below:

Differences Identified	Potential Nature of Impact
Income Tax	
Accounting treatment changes from income statement liability approach to a balance sheet approach.	In relation to controlled entities, additional deferred tax balances will be recognised relating to fair value adjustments and deferred tax balances recognised on acquisition but not in the individual entity. Also, undistributed profits and movements in reserves may result in additional deferred tax balances depending on whether the timing of the distribution is controllable. In addition, as tax effects follow the underlying transaction, certain tax effects will be recognised in equity. Additional deferred tax assets may be recognised as a result of the change in recognition criteria to "probable" rather than "virtually certain" or "beyond reasonable doubt".
Equity based compensation	
Share options are expensed over the period of service by the employee to which the options relate.	Employee benefit expense increases due to the expensing of the fair value of Share options over the vesting period. On transition, only those instruments granted after 7 November 2002 remaining unvested at 1 January 2005 are recognised.

Notes to the financial statements

For the half-year ended 31 December 2004

10 Event subsequent to reporting date (continued)

International Financial Reporting Standards (continued)

Impact of transition to AIFRS (continued)

Differences Identified	Potential Nature of Impact
Intangibles	
Internally generated intangibles are not recognised as assets, other than certain development expenditure. Intangible assets are amortised over the useful economic life, and may be assessed as having an infinite life subject to an annual impairment test. Goodwill is not amortised but tested annually for impairment.	Assets will be increased as development expenditure previously expensed meeting the recognition criteria must be capitalised. This will also impact the amortisation charge. Where intangible assets are assessed as having infinite useful lives, amortisation charge will be reduced but additional write downs may be required due to annual impairment tests.
Financial instruments	
Recognition of hedge instruments and related debt at fair value.	Financial instruments must be recognised in the balance sheet and all derivatives and most financial assets must be carried at fair value. This will result in an increase in total assets and total liabilities. In addition, any ineffective portion of hedges will be recognised in the income statement, increasing volatility of the reported profit. The consolidated entity has hedging instruments in place to manage exchange rate exposures. AASB 1 provides an election whereby the requirements of AASB 132 and AASB 139 are not required to be applied in the first comparative year under AIFRS. First time adoption of these standards will apply at 1 July 2005.

10 Event subsequent to reporting date (continued)

International Financial Reporting Standards (continued)

Impact of transition to AIFRS (continued)

Impairment

Discounting is required in assessing recoverable amount.

Impairment testing required at an asset or cash generating unit level.

Goodwill, indefinite life intangible assets and assets not yet ready for use are tested for impairment annually.

Impairment testing is required to be performed at an asset or cash generating unit level, which may be at a lower level than performed previously. The impact of a more rigorous impairment test may result in additional write downs either on transition or on going. Any write downs will also impact the on going depreciation charge (where applicable).

The calculation of recoverable amount requires an assessment of the higher of value in use or fair value less costs to sell cash flows to be discounted in determining an assets / cash generating units "value in use".

In calculating value in use, the cash flows include projections of cash inflows and outflows from continuing use of the asset and cash flows associated with disposal of the asset.

The impact of discounting will reduce the recoverable amount calculated and therefore may result in additional impairment losses recognised.

On transition, other than for goodwill and indefinite life intangible assets, which must be tested for impairment annually, other assets are tested where there is an indicator of impairment, or where previously the impact of discounting had not been included in assessing recoverable amount. A formal calculation is performed which may result in a reduction in the value of non-current assets adjusted against retained earnings. This may also reduce the on-going depreciation charge.

10 Event subsequent to reporting date (continued)

International Financial Reporting Standards (continued)

Impact of transition to AIFRS (continued)

Revenue

There may be instances where revenue is recognised later.	Revenue is only recognised when the significant risks and rewards have been transferred and the vendor has retained no continued managerial involvement or control over the goods. Revenue is measured at the fair value of the consideration received, taking into account any trade discounts or volume rebates. The amount of revenue recognised is discounted to present value where payment exceeds beyond normal credit terms. Any interest free period in excess of six months is taken into account in assessing the fair value of revenue.

Business combinations

Fair value of identifiable assets and liabilities	In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities of the acquiree are recognised at their fair value. AASB 3 requires items meeting the definition of an intangible asset to be separately identified, provided their fair values can be reliably measured. This includes customer lists, order or production back logs, and customer relationships. This will increase intangible assets and associated amortisation charge, and reduce the amount of goodwill. An election is available in AASB 1 which provides the ability to choose whether the acquisition accounting of business combinations prior to transition date are restated under AIFRS. Entities can choose to restate all prior business combination, only those after a certain date, or none. The consolidated entity has yet to elect whether to take advantage of the election available and not restate business combinations prior to transition date.

Notes to the financial statements

For the half-year ended 31 December 2004

11 Contingent liabilities

There were no material changes in contingent liabilities or contingent assets since 30 June 2004.

Ainsworth Game Technology Limited and its controlled entities

Directors' declaration

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

1 the financial statements and notes, set out on pages 8 to 23 are in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

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

Dated at Sydney on this 15th day of February 2005.

Signed in accordance with a resolution of the directors.

LH Ainsworth
Director

Independent review report to the members of Ainsworth Game Technology Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes 1 to 11 to the financial statements, and the directors' declaration for the Ainsworth Game Technology Limited Consolidated Entity ("the Consolidated Entity"), for the half-year ended 31 December 2004. The Consolidated Entity comprises Ainsworth Game Technology Limited ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Independent review report to the members of Ainsworth Game Technology Limited (continued)

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of Ainsworth Game Technology Limited is not in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and

  (ii) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

Tony Nimac
Partner

Sydney, 15 February 2005