



**Ainsworth Game Technology Ltd**  
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27 August 2020

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

#### **ELECTRONIC LODGEMENT**

#### **Results for Full Year Ended 30 June 2020 – Appendix 4E and Preliminary Final Report (Unaudited)**

We attach a copy of the Appendix 4E and Preliminary Final Report (unaudited) in respect of Ainsworth Game Technology's full year results.

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'Mark Ludski', written over a light grey rectangular background.

Mark Ludski  
Company Secretary



**Ainsworth Game Technology Limited**

ABN 37 068 516 665

**APPENDIX 4E  
Preliminary Final Report**

**Year Ended: 30 June 2020**

Previous corresponding period: 30 June 2019

*Results for announcement to the market*

	<b>Up / Down</b>	<b>Percentage Change</b>		<b>Year ended 30/06/20 A\$'000</b>
Revenue from ordinary activities	Down	36%	to	149,396
Reported loss from ordinary activities after tax attributable to members	Down	499%	to	(43,433)
Net loss for the period attributable to the members	Down	499%	to	(43,433)
<b>Dividend Information</b>				
Ainsworth Game Technology Limited has not paid, recommended, or declared any dividends for the year ended 30 June 2020.				
<b>NTA backing</b>	Current period		Previous corresponding Period	
Net tangible asset backing per ordinary security	\$0.72		\$0.98	

**Financial Information**

This report is prepared based on accounts which are in the process of being audited. Pursuant to ASX Class Waiver Decision – Extended Reporting and Lodgment Deadlines dated 16 June 2020 and reliance on ASIC Corporations (Extended Reporting and Lodgment Deadlines – Listed Entities) Instrument 2020/451, which permits the extension of the lodgment date for audited annual accounts and the other documents required to be lodged with ASIC under section 319 of the Corporations Act 2001 (Cth), to 2 November 2020, Ainsworth Game Technology Limited will be releasing its audited accounts in September 2020. The Company will immediately make a further announcement to the market after the lodgment of its unaudited accounts if there is a material difference between the unaudited accounts and the audited accounts.

**Entities where control was gained or lost**

Ainsworth Game Technology did not gain or lose control over any entities during the year ended 30 June 2020.

**Other information required by Listing Rule 4.3A**

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

# Ainsworth Game Technology Limited

## Commentary on the result for the year

### FY2020 Financial Performance

The Ainsworth Game Technology Limited (“AGT”) Group’s revenue for 12 months ending 30 June 2020 (FY2020) was \$149.4 million (FY19: \$234.3 million), a decrease of 36%. The Group recorded a statutory net loss before tax of \$48.8 million which includes a non-cash impairment charge of \$12.0 m relating to the write down of assets within the Latin America Cash Generating Unit (“CGU”), other one-off non-recurring costs such as MTD acquisition costs of \$7.0 million and \$3.2 million of other benefits received as a result of COVID-19, including JobKeeper subsidies. Excluding these out of ordinary items and currency, the Group reported an underlying net loss before tax of \$34.2 million. The statutory net loss after tax for FY20 was \$43.4 million compared to a statutory net profit after tax of \$10.9 million in FY19.

### FY20 Financial Performance

The Group’s performance for the current and prior corresponding period is set out as below:

<i>In millions of AUD</i>	12 months to 30 June 2020 Statutory	AASB 16 Leases	12 months to 30 June 2020 Underlying	12 months to 30 June 2019	Variance %
Total Revenue	149.4	-	149.4	234.3	(36.2%)
Underlying EBITDA	6.4	(2.2)	4.2	43.0	(90.2%)
Reported EBITDA	(9.0)	(2.7)	(11.7)	44.8	(126.1%)
<b>EBIT</b>	<b>(49.0)</b>	<b>(0.3)</b>	<b>(49.3)</b>	<b>11.4</b>	<b>(532.5%)</b>
(Loss) / profit before tax	(48.8)	0.6	<b>(48.2)</b>	14.7	(427.9%)
<b>(Loss) / profit for the year</b>	<b>(43.4)</b>	-	<b>(43.4)</b>	<b>10.9</b>	<b>(498.2%)</b>
<b>Total assets</b>	465.5	(15.8)	449.7	483.3	(7.0%)
<b>Net assets</b>	354.6	(0.7)	353.9	393.5	(10.1%)
Earnings per share (fully diluted)	(13.0 cents)	-	(13.0 cents)	3.0 cents	(533.3%)

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

<i>In millions of AUD</i>	12 months to 30 June 2020 Statutory	AASB 16 Leases	12 months to 30 June 2020 Underlying	12 months to 30 June 2019	Variance %
<b>Reconciliation:</b>					
<b>(Loss) / profit for the year</b>	<b>(48.8)</b>	<b>0.6</b>	<b>(48.2)</b>	<b>14.7</b>	<b>(427.9%)</b>
Net interest income	(0.2)	(0.9)	(1.1)	(3.3)	(66.7%)
Depreciation and amortisation	40.0	(2.4)	37.6	33.4	12.6%
<b>Reported EBITDA</b>	<b>(9.0)</b>	<b>(2.7)</b>	<b>(11.7)</b>	<b>44.8</b>	<b>(126.1%)</b>
Foreign currency gains	(1.2)	-	(1.2)	(6.0)	(80.0%)
Impairment losses (LATAM CGU)	12.0	-	12.0	-	N/A
Impairment losses (616 Digital LLC)	0.7	-	0.7	1.9	(63.2%)
Impairment losses (Receivables)	3.4	-	3.4	0.9	277.8%
Impairment losses (NSW Service Goodwill)	-	-	-	2.4	N/A
Bad debt recoveries	(0.2)	-	(0.2)	(1.0)	(80.0%)
Legal costs and settlement claims	2.7	-	2.7	-	N/A
Redundancy costs	1.2	-	1.2	-	N/A
JobKeeper subsidies	(2.2)	-	(2.2)	-	N/A
US Payroll tax refund	(0.5)	-	(0.5)	-	N/A
Rent concessions	(0.5)	0.5	-	-	N/A
<b>Underlying EBITDA</b>	<b>6.4</b>	<b>(2.2)</b>	<b>4.2</b>	<b>43.0</b>	<b>(90.2%)</b>

# Ainsworth Game Technology Limited

The COVID-19 pandemic has imposed very challenging times for AGT's people, the gaming industry it operates in, particularly the land-based sector and customers. The pandemic has materially impacted our FY2020 results. COVID-19 restrictions mean that customers across all AGT's markets had to suspend their operations from mid-March 2020. Some reopening of customers' facilities have occurred since that time, although venues have reduced capital expenditure due to visitations being well below pre-pandemic levels.

During these tough times, AGT's priorities are the health and wellbeing of its employees and the preservation of shareholders' funds. The Group is providing flexibility for staff to work safely and remotely.

## **Cost minimisation measures**

To assist with the impact of the pandemic and restrictions established in global markets, various cost minimisation measures were implemented in Quarter 4 of FY2020 which includes but not limited to the following:

- The executive management and other paid directors voluntarily took 20% reductions in base salaries for the June 2020 quarter. This has now been extended for the September 2020 quarter. In addition, the Chairman waived his fees for the June quarter;
- Rent concessions for the Newington, Australia facility were provided. The June 2020 quarter rent was waived and 50% reduction in rent for 6 months to 31<sup>st</sup> December 2020. Other rental concessions were provided for service premises occupied;
- Stand downs were initiated across the Australian operations as well as reduced working days to 2-3 days across operational departments. In the USA, 111 employees and 15 contractors were placed on furlough with a freeze on all new hires; and
- Included in FY20 are 67 redundancies (23 in Australia and 44 in Americas) at an annualised cost reduction of A\$6.4 million. In addition, 40 roles have been eliminated at a further cost reduction of A\$3.8 million per annum.

## **Debt facility and liquidity**

- AGT finished H1FY2020 with cash balances of \$42m following the repayments of borrowings during the first half of the year;
- In H2FY2020 the completion of the MTD acquisition in March 2020 required US\$18.0 million of consideration including US\$5.0 million to be held subject to re-signing of a key contract in Montana or attaining set financial targets;
- AGT had cash balances at 30 June 2020 of \$26.5 million, compared to \$61.7 million at 30 June 2019. Net debt of (\$17.5 million) compared to net cash of \$6.2 million;
- The Group has a secured bank loan with a carrying amount of \$43.9 million as at 30 June 2020 with ANZ bank. On 24 August 2020, the Group signed a deed of amendment for the ANZ loan facility and renegotiated the terms of the facility with amendments to the facility limit and financial covenants as at 30 June 2020. The facility limit has reduced to \$60 million with progressive reductions of \$10.0 million in each of December 2020, March 2021, and April 2021, which will result in a reduced facility of \$30.0 million by end of April 2021. The amended covenants will be in place for the remaining term of the loan, which expires on 30 September 2021 and relate to maintenance of minimum liquidity levels, monthly reporting obligations and achievement of quarterly sales targets for the Group, based on the Group's 18 month forecasted cash flows; and
- The Group has remained focused on its liquidity and has prepared an 18 month cash flow projection, which has considered the current state of the COVID-19 pandemic as it relates to the impact on the industry and expects to be operating on a going concern basis.

# Ainsworth Game Technology Limited

## **Regional Review**

Revenue across all land-based business was adversely impacted by closures of customer venues due to COVID-19, resulting in overall decline in the Group's primary markets which are North America, Latin America and Australia/Rest of World. Revenue from the Group's online market reported an increase of 9.5% compared to prior corresponding period.

- **North America**

North America region reported revenue of \$72.1 million, compared to \$114.0 million the previous corresponding period in 2019, a decline of 37%. Participation revenue fell by A\$5 million due to the closure of venues in quarter 4 of FY2020. This revenue decline was predominately due to reduced outright unit sales expected following the intended launch of the new AStar® Curve cabinet at the National Indian Gaming Association (NIGA) Trade Show in April 2020, which was cancelled due to the pandemic. Operating costs rationalization, primarily workforce, across all divisions was initiated to mitigate reduced outright sales and participation revenue

- **Latin America**

Regional revenues for Latin America were \$42.0 million compared to A\$72.7 million in the corresponding period in 2019, a reduction of 42%. This region continues to be severely impacted by closures across the primary markets of Mexico, Argentina and Peru. Reduced participation revenue and the delayed launch of new AStar® hardware have impacted operators across the region which is expected to continue into H1FY21 with progressive recovery in H2FY21.

An impairment review of this Cash Generating Unit (CGU) has resulted in a re-evaluation of working capital assumptions due to extended payment terms provided to customers and reduction in revenue projections which has resulted in a one-off (non-cash) impairment charge of \$12 million, subject to audit finalisation.

- **Australia and Rest of World**

Australia and Rest of the World revenue was \$35.3 million in FY2020 (H1FY2020 \$23.8 million and H2FY2020 \$11.5 million) compared to \$47.6 million in the prior corresponding period, a decline of 26%. The core markets of New South Wales, Asia and Europe/Other regions contributed 50% and 31% of the overall decline respectively.

- **On-line / Digital**

Further progress in accelerating monetisation of on-line real money and social gaming was achieved in the period. Revenue included under Rest of World (Europe/Other) was \$4.6 million compared to \$4.2 million in the prior corresponding period. The Group has now gone live with several leading operators in New Jersey to leverage proven and recognised game titles within their database of players. An extension to established agreements with Zynga is expected to at least maintain current royalty levels in FY2021.

# Ainsworth Game Technology Limited

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# Ainsworth Game Technology Limited

## Consolidated statement of financial position

As at 30 June 2020

In thousands of AUD

	Note	30-Jun-20	30-Jun-19
<b>Assets</b>			
Cash and cash equivalents	13	26,543	61,661
Receivables and other assets	12	88,039	119,964
Current tax assets		3,524	2,813
Inventories	11	91,377	66,851
Prepayments		8,723	8,436
<b>Total current assets</b>		<b>218,206</b>	<b>259,725</b>
Receivables and other assets	12	25,844	28,648
Deferred tax assets		5,520	2,786
Property, plant and equipment	8	107,434	130,548
Right-of-use assets	19	15,750	-
Intangible assets	9	92,738	61,555
<b>Total non-current assets</b>		<b>247,286</b>	<b>223,537</b>
<b>Total assets</b>		<b>465,492</b>	<b>483,262</b>
<b>Liabilities</b>			
Trade and other payables	18	36,726	20,945
Loans and borrowings	15	44,021	12,661
Lease liabilities	19	1,320	-
Employee benefits	16	9,173	9,590
Current tax liability		-	618
Provisions		3,395	1,015
<b>Total current liabilities</b>		<b>94,635</b>	<b>44,829</b>
Loans and borrowings	15	-	42,778
Lease liabilities	19	15,094	-
Employee benefits	16	605	525
Deferred tax liabilities		603	1,585
<b>Total non-current liabilities</b>		<b>16,302</b>	<b>44,888</b>
<b>Total liabilities</b>		<b>110,937</b>	<b>89,717</b>
<b>Net assets</b>		<b>354,555</b>	<b>393,545</b>
<b>Equity</b>			
Share capital		207,709	207,709
Reserves		160,468	187,454
Accumulated losses		(13,622)	(1,618)
<b>Total equity</b>		<b>354,555</b>	<b>393,545</b>

\*The Group has initially applied AASB 16 at 1 July 2019. Under the transition methods chosen, comparative information is not restated.

The notes on pages 9 to 38 are an integral part of these consolidated financial statements.

# Ainsworth Game Technology Limited

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

For year ended 30 June 2020

In thousands of AUD

	Note	30-Jun-20	30-Jun-19
Revenue	5	149,396	234,344
Cost of sales		(59,011)	(94,395)
<b>Gross profit</b>		<b>90,385</b>	<b>139,949</b>
Other income		984	1,228
Sales, service and marketing expenses		(59,272)	(64,851)
Research and development expenses		(41,192)	(40,428)
Administrative expenses		(22,191)	(25,065)
Impairment of trade receivables		(3,410)	(875)
Other expenses		(15,561)	(4,539)
<b>Results from operating activities</b>		<b>(50,257)</b>	<b>5,419</b>
Finance income		3,686	11,559
Finance costs		(2,229)	(2,242)
<b>Net finance income</b>		<b>1,457</b>	<b>9,317</b>
Share of loss of equity accounted investee		-	(54)
<b>(Loss) / profit before tax</b>		<b>(48,800)</b>	<b>14,682</b>
Income tax benefit / (expense)		5,367	(3,787)
<b>(Loss) / profit for the year</b>		<b>(43,433)</b>	<b>10,895</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit and loss:</b>			
Foreign operations - foreign currency translation differences		3,881	8,277
<b>Total other comprehensive income</b>		<b>3,881</b>	<b>8,277</b>
<b>Total comprehensive (loss) / income for the year</b>		<b>(39,552)</b>	<b>19,172</b>
<b>(Loss) / profit attributable to owners of the Company</b>		<b>(43,433)</b>	<b>10,895</b>
<b>Total comprehensive (loss) / income attributable to the owners of the Company</b>		<b>(39,552)</b>	<b>19,172</b>
<b>Earnings per share:</b>			
Basic earnings per share (AUD)		\$ (0.13)	\$ 0.03
Diluted earnings per share (AUD)		\$ (0.13)	\$ 0.03

\*The Group has initially applied AASB 16 at 1 July 2019. Under the transition methods chosen, comparative information is not restated.

The notes on pages 9 to 38 are an integral part of these consolidated financial statements.



# Ainsworth Game Technology Limited

## Consolidated statement of changes in equity

For year ended 30 June 2020

In thousands of AUD

	Attributable to owners of the Company						Total Equity
	Issued Capital	Equity compensation reserve	Fair value reserve	Translation reserve	Profit reserve	Retained Earnings / (Accumulated losses)	
Balance at 1 July 2018	203,032	4,329	9,684	10,987	154,787	(4,020)	378,799
Adjustment from initial application of AASB 15 (net of tax)	-	-	-	-	-	34	34
Adjustment from initial application of AASB 9 (net of tax)	-	-	-	-	-	(812)	(812)
<b>Adjusted balance at 1 July 2018</b>	<b>203,032</b>	<b>4,329</b>	<b>9,684</b>	<b>10,987</b>	<b>154,787</b>	<b>(4,798)</b>	<b>378,021</b>
<b>Total comprehensive income for the period</b>							
Profit	-	-	-	-	-	10,895	10,895
Transfer between reserves	-	-	-	-	7,715	(7,715)	-
<b>Other comprehensive income</b>							
Foreign currency translation reserve	-	-	-	8,277	-	-	8,277
Total other comprehensive income	-	-	-	8,277	-	-	8,277
Total comprehensive income for the period	-	-	-	8,277	7,715	3,180	19,172
<b>Transactions with owners, recorded directly in equity</b>							
Issue of ordinary shares under the Dividend Reinvestment Plan	4,677	-	-	-	(4,677)	-	-
Dividends to owners of the Company	-	-	-	-	(3,636)	-	(3,636)
Share-based payment amortisation	-	(12)	-	-	-	-	(12)
Total transactions with owners	4,677	(12)	-	-	(8,313)	-	(3,648)
Balance at 30 June 2019	207,709	4,317	9,684	19,264	154,189	(1,618)	393,545
Balance at 1 July 2019	207,709	4,317	9,684	19,264	154,189	(1,618)	393,545
<b>Total comprehensive loss for the period</b>							
loss	-	-	-	-	-	(43,433)	(43,433)
Transfer between reserves	-	-	-	-	(31,429)	31,429	-
<b>Other comprehensive income</b>							
Foreign currency translation reserve	-	-	-	3,881	-	-	3,881
Total other comprehensive income	-	-	-	3,881	-	-	3,881
Total comprehensive loss for the period	-	-	-	3,881	(31,429)	(12,004)	(39,552)
<b>Transactions with owners, recorded directly in equity</b>							
Share-based payment amortisation	-	562	-	-	-	-	562
Total transactions with owners	-	562	-	-	-	-	562
Balance at 30 June 2020	207,709	4,879	9,684	23,145	122,760	(13,622)	354,555

\*The Group has initially applied AASB 16 at 1 July 2019. Under the transition methods chosen, comparative information is not restated.

The notes on pages 9 to 38 are an integral part of these consolidated financial statements.

# Ainsworth Game Technology Limited

## Consolidated statement of cash flows

For year ended 30 June 2020

In thousands of AUD

	Note	30-Jun-20	30-Jun-19
<b>Cash flows from operating activities</b>			
Cash receipts from customers		179,182	307,693
Cash paid to suppliers and employees		(165,776)	(245,515)
Cash generated from operations		<b>13,406</b>	<b>62,178</b>
Interest received		2,326	5,503
Income taxes refunded / (paid)		1,023	(6,473)
<b>Net cash from operating activities</b>	13a	<b>16,755</b>	<b>61,208</b>
<b>Cash flows used in investing activities</b>			
Proceeds from sale of property, plant and equipment		45	29
Interest received		115	11
Acquisitions of property, plant and equipment	8	(6,382)	(6,521)
Payment for business acquisition	9, 24	(27,877)	-
Development expenditure	9	(4,386)	(3,340)
<b>Net cash used in investing activities</b>		<b>(38,485)</b>	<b>(9,821)</b>
<b>Cash flows used in financing activities</b>			
Borrowing costs paid		(2,264)	(1,887)
Proceeds from borrowings		16,198	-
Repayment of borrowings		(27,275)	(20,676)
Payment of lease liabilities		(1,253)	(929)
Dividend paid		-	(3,636)
<b>Net cash used in financing activities</b>		<b>(14,594)</b>	<b>(27,128)</b>
Net (decrease) / increase in cash and cash equivalents		(36,324)	24,259
Cash and cash equivalents at 1 July		61,661	35,667
Effect of exchange rate fluctuations on cash held		1,206	1,735
<b>Cash and cash equivalents at 30 June</b>		<b>26,543</b>	<b>61,661</b>

\*The Group has initially applied AASB 16 at 1 July 2019. Under the transition methods chosen, comparative information is not restated.

The notes on pages 9 to 38 are an integral part of these consolidated financial statements.

# Ainsworth Game Technology Limited

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# Ainsworth Game Technology Limited

## Notes to the financial statements

### 1. Reporting entity

Ainsworth Game Technology Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 10 Holker Street, Newington, NSW, 2127. The consolidated financial statements of the Company as at and for the year ended 30 June 2020 comprised of the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is a for-profit entity and primarily is involved in the design, development, manufacture, sale and servicing of gaming machines and other related equipment and services.

### 2. Basis of preparation

#### (a) Statement of compliance

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

The financial report is based on accounts which are in the process of being audited and has been prepared in accordance with ASX Listing Rule 4.3A. As such, this preliminary report does not include all the notes that are included in an annual financial report which is to occur before 30 September 2020.

#### **Going Concern**

The financial statements have been prepared on a going concern basis, which assumes continuity of normal activities and realisation of assets and settlement of liabilities in the ordinary course of the business. For the year ended 30 June 2020, the Group incurred net losses after tax of \$43.4 million (2019: Profit after tax of \$19.2 million) and had a cash balance of \$26.5 million (2019: \$61.7 million). As at 30 June 2020, the Group was required to reclassify \$44.0 million of non-current loans/borrowings to current due to a breach of the debt covenants. The Group has prepared an 18 month cash flow projection based on best available information at this time, indicating that the Group expects to maintain sufficient liquidity to meet its obligations as they fall due and remain in compliance with the terms of its revised debt arrangement as noted below.

#### **Current Period Impact**

The COVID-19 outbreak was declared a pandemic by the 'World Health Organization' in March 2020. The outbreak and the response of Governments in dealing with the pandemic is impacting the general activity levels within the community and the economy which has caused significant impact to the operations of the Group's business. For the year ended 30 June 2020, COVID-19 has impacted the Group, specifically as follows:

- The FY2020 financial performance and cash flows due to the mandatory closure of gaming venues and restrictions on travel and public gatherings which have adversely impacted our business partners and customers;
- Breach of financial covenants for the ANZ loan, in particular, the interest cover ratio and leverage ratio calculated based on EBITDA for the 12 months and as a result, the full loan balance was classified as a current liability as at 30 June 2020. Subsequent to year end, on 24 August 2020, the Group signed a deed of amendment for the ANZ loan facility and agreed on revised terms to the facility, including reduction to the facility limit and the replacement of the financial covenants. The facility limit has reduced to \$60 million as at 24 August 2020. Progressive reductions of \$10 million required in each of December 2020, March 2021, and April 2021, which will result in a reduced facility of \$30 million by end of April 2021. The new covenants will be in place for the remaining term of the loan, which expires on 30 September 2021 and requires maintenance of minimum liquidity levels, monthly reporting obligations and achievement of quarterly sales targets for the Group, based on the Group's 18 month forecast; and
- The Company successfully applied for the Australian Government's JobKeeper subsidies and was assessed as eligible in March 2020. The majority of the Company's employees in Australia were eligible and a total payment received for the period 30 March 2020 to 30 June 2020 was approximately \$1.7 million and this is reflected within the operating cash flows. This Government assistance has benefited the Group to maintain productivity of employees, as well as liquidity.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 2. Basis of preparation (continued)

#### (a) Statement of Compliance (continued)

##### ***Future Impact and Going Concern***

The full magnitude and adverse impact of the pandemic and Government response is highly uncertain. The Group has remained focused on its liquidity and has prepared an 18 month cash flow projection, which has considered the current state of the pandemic as it relates to the impact on the industry and judgements have been made in determining the timing of the recovery period. The following key assumptions have been made:

- Assessment of the impacts of COVID-19 based on geographical regions has been performed and assumptions have been made on the expected re-opening of global markets in which the Group operates when forecasting revenue, in particular, for regions in Latin America that were and still are adversely impacted by the pandemic. Overall, a gradual re-opening of all jurisdictions is expected to take place over the next 18 months and should return to preCOVID-19 levels during FY2022;
- The recovery stage from COVID-19 incorporated in the forecast is not impacted by a second wave of infections;
- The Group's receivables at 30 June 2020 were \$113 million, of which \$88 million was classified as current. Since the declaration of the pandemic in March 2020, the Group maintained an ongoing engagement with its customers. Customer receipts projections have been adjusted to reflect the current economic conditions of customers in all regions, and in particular, of Latin American customers which typically have extended repayment terms.
- The Group has suspended non-critical operating and capital expenditure and is undertaking pro-active working capital management including ongoing negotiations with suppliers on payment terms;
- The Group has suspended dividends;
- The Group has successfully negotiated rent concessions for the Newington facility to 31 December 2020;
- The senior management team agreed to reduce their salaries by 20% for the June and September 2020 quarters. The paid independent directors have also reduced their fees by 20% from 1 April 2020 until 30 September 2020 and the Chairman waived his June 2020 quarterly fees and agreed to a 20% reduction for the September 2020 quarter;
- The Group is forecasting to be able to meet the amended bank covenant requirements as noted above and repay \$15 million of the ANZ loan by April 2021, as the facility limit is progressively reduced;
- No further material government assistance is expected to be received, other than JobKeeper subsidies included in the forecasted cash flows up until 30 September 2020;
- The Group has not experienced to date, material issues over receivables collectability, or its supply chains. Once the markets in each region re-open, the Group is geared with the new cabinets as well as games that have been developed to recover to pre-COVID-19 levels; and
- The Group's facilities in Nevada and Florida have recently been appraised with market values greater than their respective carrying amounts.

After assessing detailed cash flow forecasting based on key revenue, cost, capital expenditure, working capital assumptions, along with reassessments of significant judgements and estimates, including but not limited to, provisions against debtors and inventory, impairment of non-current assets, and based on the best available information at this time, the Directors believe that the going concern assumption remains appropriate.

#### (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 were measured initially at fair value and then subsequently carried at amortised cost.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 2. Basis of preparation (continued)

#### (c) Functional and presentation currency

The financial information of each of the Group's entities and foreign branches is measured using the currency of the primary economic environment in which it operates (the functional currency).

These consolidated financial statements are presented in Australian dollars, which is the Company's primary functional currency.

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191* and in accordance with that Instrument, 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 the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ to these estimates.

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

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

#### (e) Comparative figures

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

### 3. Changes in significant accounting policies

Except as described below, the accounting policies applied in these consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2019.

#### **AASB 16 Leases**

The Group initially applied AASB 16 *Leases* from 1 July 2019. A number of other new standards and pronouncements are also effective from 1 July 2019, but they do not have a material impact on the Group's financial statements.

AASB 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group applied AASB 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 3. Changes in significant accounting policies (continued)

#### (a) Definition of a Lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

#### (b) As a Lessee

The Group leases many assets including properties, motor vehicles and IT equipment. As a lessee, the Group previously classified leases as operating, or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents its right-of-use assets and lease liabilities separately in the statement of financial position.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

#### (i) Transition

Previously, the Group classified property leases as operating leases under AASB 117. These include office, warehouse, factory facilities and office equipment. The leases typically run for a period of 1-10 years. Some leases include an option to renew the lease after the end of the non-cancellable period. Some leases provide additional rent payments that are based on changes in local price indices.

# Ainsworth Game Technology Limited

## Notes to the Financial Statements

### 3. Changes in significant accounting policies (continued)

#### (b) As a Lessee (continued)

##### (i) Transition (continued)

At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – this approach was not applicable to the Group; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases, which resulted in a nil impact on retained earnings related to the cumulative effect of initial application.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than or equal to 12 months of lease term;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

#### (c) As a Lessor

The accounting policies applicable to the Group as a lessor are not different from those under AASB 117. The Group is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor. However, the Group has applied AASB 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

#### (d) Impacts on Financial Statements

##### (i) Impact on transition

On transition to AASB 16, the Group recognised additional right-of-use assets to the equal value of lease liabilities recognised. The impact on transition is summarised below:

*In thousands of AUD*

**1 July 2019**

Right-of-use assets	17,910
Deferred tax asset	87
Lease liabilities	17,910

When measuring lease liabilities for leases that were previously classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019 of 5.1%.



# Ainsworth Game Technology Limited

## Notes to the Financial Statements

### 3. Changes in significant accounting policies (continued)

#### (d) Impacts on Financial Statements (continued)

##### (i) Impact on transition (continued)

In thousands of AUD

1 July 2019

Operating lease commitments at 30 June 2019 as disclosed in the Group's consolidated financial statements	10,997
Discounted using the incremental borrowing rate 1 July 2019	9,785
- Recognition exemption for leases of low-value assets	(34)
- Recognition exemption for leases with less than 12 months of lease term at transition	(183)
- Extension options reasonably certain to be exercised	8,342
Lease liabilities recognised at 1 July 2019	17,910

##### (ii) Impacts for the period

As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, the Group recognised \$15,750 thousand of right-of-use assets and \$16,414 thousand of lease liabilities as at 30 June 2020.

In addition, for leases recognised under AASB 16, the Group has recognised depreciation and interest expense, instead of operating lease expense. During the twelve months ended 30 June 2020, the Group recognised \$2,393 thousand of depreciation charges and \$864 thousand of interest expenses from these leases.

During the year, the Group received rental concessions as a result of COVID-19. Under IFRS 16 *Leases*, rent concessions often meet the definition of a lease modification. In light of the effects of the COVID-19 pandemic, The International Accounting Standards Board has issued amendments to IFRS 16 to simplify how lessees account for rent concessions and introduced a practical expedient for lessees.

Under this practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. IFRS 16.46A–B Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all of the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to the other terms and conditions of the lease.

As such, the Group recognised other income of \$467 thousand for the period in relation to the rental concessions predominantly received for Newington facility in Australia.

# Ainsworth Game Technology Limited

## Notes to the Financial Statements

### 4. Operating segments

Information reported to the Group's Chief Executive Officer (CEO) for the purposes of resource allocation and assessment of performance is focused on the geographical location of customers of gaming machines. The primary geographical location of customers and therefore the Group's reportable segments under AASB 8 are outlined in the table on the following page.

The NSW and North and Latin America segments include the aggregation of the Group's other operating segments that are not separately reportable. Included in the NSW and North and Latin America segments are the results of the operating segments related to the servicing of gaming machines in those geographical regions. These operating segments are considered to have similar economic characteristics as the nature of the products and services is complementary and the nature of the regulatory environment and type of customer are consistent. Performance of each reportable segment is based on segment revenue and segment result as included in internal management reports that are reviewed by the Group's CEO. Segment result only takes into account directly attributable costs, which management believes is the most relevant approach in evaluating segment performance.

The Group has a large and dispersed customer base. The Group's largest customer accounts for only 4% of the total reportable revenue.

A reconciliation of segment result to net profit after tax is also included as follows:

# Ainsworth Game Technology Limited

## Notes to the financial statements

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

In presenting information on the basis of reportable segments, segment revenue is based on the geographical location of customers and relates to sales and servicing of gaming machines.

For the year ended 30 June 2020

<i>In thousands of AUD</i>	----- Australia and other -----							Total			Total
	NSW	QLD/NT	VIC/TAS	South Australia	Asia	New Zealand	Europe / Other	Australia and Other	North America	Latin America	
Reportable segment revenue	15,224	4,634	6,749	1,689	598	1,603	4,826	35,323	72,038	42,035	149,396
<b>Result</b>											
Segment result	(1,947)	29	2,108	238	(1,992)	399	4,421	3,256	25,332	2,272	30,860
Interest revenue not allocated to segments											115
Interest expense											(2,229)
Foreign currency gain											1,245
Share of loss of equity-accounted investee											-
R & D expenses											(41,192)
Corporate and administrative expenses											(22,191)
Other expenses not allocated to segments											(15,408)
Loss before tax											(48,800)
Income tax benefit											5,367
Net loss after tax											(43,433)

\* The Group has initially applied AASB 16 as at 1 July 2019. Under the transition method chosen, comparative information is not restated.

Non-current assets, other than financial instruments and deferred tax assets, located in the entity's county of domicile (Australia) as at 30 June 2020 are \$50,693 thousand (2019: \$43,357 thousand). Non-current assets, other than financial instruments and deferred tax assets, located in foreign countries as at 30 June 2020 total \$165,229 thousand (2019: \$148,746 thousand), of which \$143,649 thousand (2019: \$116,045 thousand), are in North America.

Impairment expenses relating to write down of Latin America leased assets of \$11,958 thousand is recorded in 'other expenses not allocated to segments'.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 4. Operating segments (continued)

#### *Information about reportable segments (continued)*

In presenting information on the basis of reportable segments, segment revenue is based on the geographical location of customers and relates to sales and servicing of gaming machines.

#### For the year ended 30 June 2019

<i>In thousands of AUD</i>	----- Australia and other -----						Total		North America	Latin America	Total
	NSW	QLD/NT	VIC/TAS	South Australia	Asia	New Zealand	Europe / Other	Australia and Other			
Reportable segment revenue	21,379	5,851	6,990	1,848	2,540	2,328	6,639	47,575	114,067	72,702	234,344
<b>Result</b>											
Segment result	(845)	586	2,490	563	1,277	646	4,877	9,594	47,143	23,992	80,729
Interest revenue not allocated to segments											11
Interest expense											(2,242)
Foreign currency gain											6,045
Share of loss of equity-accounted investee											(54)
R & D expenses											(40,428)
Corporate and administrative expenses											(25,065)
Other expenses not allocated to segments											(4,314)
Profit before tax											14,682
Income tax expense											(3,787)
Net profit after tax											10,895

Non-current assets, other than financial instruments and deferred tax assets, located in the entity's county of domicile (Australia) as at 30 June 2019 are \$43,357 thousand (2018: \$46,199 thousand). Non-current assets, other than financial instruments and deferred tax assets, located in foreign countries as at 30 June 2019 total \$148,746 thousand (2018: \$139,890 thousand), of which \$116,045 thousand (2018: \$117,049 thousand), are in North America.

Impairment expenses relating to write down of NSW service goodwill of \$2,436 thousand and write down of 616 Digital LLC segmented as Europe/Other amounting to \$1,878 thousand are recorded in 'other expenses' not allocated to segments.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 5. Revenue

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

#### (a) Disaggregation of revenue

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

#### For the year ended 30 June 2020

<i>In thousands of AUD</i>	Australia and other						Total Australia and Other	North America	Latin America	Total	
	NSW	QLD/NT	VIC/TAS	South Australia	Asia	New Zealand					Europe / Other
<b>Major products/service lines</b>											
Machine and part sales	8,255	3,417	6,093	973	585	1,603	179	21,105	42,459	25,905	89,469
Multi element arrangements	1,939	1,217	656	716	-	-	-	4,528	-	-	4,528
Sale type leases	-	-	-	-	-	-	-	-	115	429	544
Rendering of services	5,037	-	-	-	-	-	-	5,037	5,225	-	10,262
License income	(7)	-	-	-	13	-	4,647	4,653	920	166	5,739
Rental and participation	-	-	-	-	-	-	-	-	23,319	15,535	38,854
	<b>15,224</b>	<b>4,634</b>	<b>6,749</b>	<b>1,689</b>	<b>598</b>	<b>1,603</b>	<b>4,826</b>	<b>35,323</b>	<b>72,038</b>	<b>42,035</b>	<b>149,396</b>
<b>Timing of revenue recognition</b>											
Products and services transferred at a point in time	10,086	4,573	6,649	1,681	598	1,603	179	25,369	42,538	26,227	94,134
Products and services transferred over time	5,138	61	100	8	-	-	4,647	9,954	29,500	15,808	55,262
	<b>15,224</b>	<b>4,634</b>	<b>6,749</b>	<b>1,689</b>	<b>598</b>	<b>1,603</b>	<b>4,826</b>	<b>35,323</b>	<b>72,038</b>	<b>42,035</b>	<b>149,396</b>

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 5. Revenue (continued)

#### (a) Disaggregation of revenue (continued)

For the year ended 30 June 2019

<i>In thousands of AUD</i>	Australia and other						Total Australia and Other	North America	Latin America	Total	
	NSW	QLD/NT	VIC/TAS	South Australia	Asia	New Zealand					Europe / Other
<b>Major products/service lines</b>											
Machine and part sales	12,013	4,523	5,197	949	2,522	2,291	1,417	28,912	77,773	52,187	158,872
Multi element arrangements	2,923	1,320	1,781	899	-	-	-	6,923	-	-	6,923
Sale type leases	-	-	-	-	-	-	-	-	3,056	2,586	5,642
Rendering of services	6,412	-	-	-	-	-	-	6,412	4,165	-	10,577
License income	31	8	12	-	18	37	5,222	5,328	957	35	6,320
Rental and participation	-	-	-	-	-	-	-	-	28,116	17,894	46,010
	<b>21,379</b>	<b>5,851</b>	<b>6,990</b>	<b>1,848</b>	<b>2,540</b>	<b>2,328</b>	<b>6,639</b>	<b>47,575</b>	<b>114,067</b>	<b>72,702</b>	<b>234,344</b>
<b>Timing of revenue recognition</b>											
Products and services transferred at a point in time	14,725	5,668	6,789	1,808	2,540	2,328	2,451	36,309	79,827	55,724	171,860
Products and services transferred over time	6,654	183	201	40	-	-	4,188	11,266	34,240	16,978	62,484
	<b>21,379</b>	<b>5,851</b>	<b>6,990</b>	<b>1,848</b>	<b>2,540</b>	<b>2,328</b>	<b>6,639</b>	<b>47,575</b>	<b>114,067</b>	<b>72,702</b>	<b>234,344</b>

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 5. Revenue (continued)

*In thousands of AUD*

	<b>Note</b>	<b>2020</b>	<b>2019</b>
Sale of goods		100,280	177,757
Rendering of services		10,262	10,577
Rental and participation revenue		38,854	46,010
		<u>149,396</u>	<u>234,344</u>

### 6. Expenses by nature

*In thousands of AUD*

	<b>Note</b>	<b>2020</b>	<b>2019</b>
Changes in raw material and consumables, finished goods and work in progress		45,847	77,673
Employee benefits expense	7	58,515	65,201
Depreciation and amortisation expense	8,9,19	39,995	33,419
Legal expenses		1,234	1,015
Evaluation and testing expenses		7,604	7,681
Marketing expenses		4,971	5,720
Operating lease expenses		-	2,331
Impairment of trade receivables		3,410	875
Impairment of property, plant and equipment	8	11,958	-
Impairment of intangibles	9	-	2,436
Impairment of equity-accounted investee		-	1,878
Other expenses		27,103	31,924
		<u>200,637</u>	<u>230,153</u>

### 7. Employee benefit expenses

*In thousands of AUD*

	<b>Note</b>	<b>2020</b>	<b>2019</b>
Wages and salaries		52,876	60,495
Short term incentives		339	1,172
Contributions to defined contribution superannuation funds		3,368	3,439
Increase in liability for annual leave	16	195	23
Increase / (decrease) in liability for long service leave	16	81	(97)
Termination benefits		1,094	181
Equity settled share-based payment transactions		562	(12)
		<u>58,515</u>	<u>65,201</u>

### 8. Property, plant and equipment

*In thousands of AUD*

	<b>Note</b>	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b>Cost</b>					
Balance at 1 July 2018		59,266	103,170	3,052	165,488
Re-classification of inventory to plant and equipment		-	36,206	-	36,206
Additions		116	5,246	1,159	6,521
Disposals		-	(22,292)	-	(22,292)
Effect of movements in foreign exchange		3,194	4,722	17	7,933
Balance at 30 June 2019		<u>62,576</u>	<u>127,052</u>	<u>4,228</u>	<u>193,856</u>

# Ainsworth Game Technology Limited

## Notes to the financial statements

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

*In thousands of AUD*

#### **Cost (continued)**

	<b>Note</b>	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
Balance at 1 July 2019		62,576	127,052	4,228	193,856
Re-classification of inventory to plant and equipment		-	13,737	-	13,737
Additions		14	6,360	8	6,382
Disposals		-	(13,345)	-	(13,345)
Effect of movements in foreign exchange		1,368	2,344	8	3,720
Balance at 30 June 2020		<u>63,958</u>	<u>136,148</u>	<u>4,244</u>	<u>204,350</u>

#### **Depreciation and impairment losses**

	<b>Note</b>	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
Balance at 1 July 2018		4,421	41,052	1,422	46,895
Depreciation charge for the year		2,005	22,751	313	25,069
Disposals		-	(11,080)	-	(11,080)
Effect of movements in foreign exchange		278	2,134	12	2,424
Balance at 30 June 2019		<u>6,704</u>	<u>54,857</u>	<u>1,747</u>	<u>63,308</u>

	<b>Note</b>	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Leasehold improvements</b>	<b>Total</b>
Balance at 1 July 2019		6,704	54,857	1,747	63,308
Depreciation charge for the year	6	2,147	24,906	389	27,442
Impairment Loss	9	-	11,958	-	11,958
Disposals		-	(6,118)	-	(6,118)
Effect of movements in foreign exchange		100	222	4	326
Balance at 30 June 2020		<u>8,951</u>	<u>85,825</u>	<u>2,140</u>	<u>96,916</u>

#### **Carrying amounts**

At 1 July 2018	<u>54,845</u>	<u>62,118</u>	<u>1,630</u>	<u>118,593</u>
At 30 June 2019	<u>55,872</u>	<u>72,195</u>	<u>2,481</u>	<u>130,548</u>
At 30 June 2020	<u>55,007</u>	<u>50,323</u>	<u>2,104</u>	<u>107,434</u>

Disposals in the table above includes sale of gaming machines previously under participation or rental agreements of \$6,683 thousand (2019: \$10,852 thousand) at net book value.

The carrying amount of plant and equipment on operating lease is \$34,877 thousand (2019: \$57,426 thousand).

Impairment loss for leased plant & equipment has been further elaborated in Note 9: Intangibles.

#### **Leased plant and equipment**

The Group leases plant and equipment and motor vehicles under hire purchase agreements. At the end of each of these agreements the Group has the option to purchase the equipment at a beneficial price. The leased equipment and guarantees by the Group secure lease obligations. At 30 June 2020, the net carrying amount of leased plant and equipment was \$0 thousand (2019: \$8 thousand).



# Ainsworth Game Technology Limited

## Notes to the financial statements

### 9. Intangible assets

<i>In thousands of AUD</i>	<b>Note</b>	<b>Goodwill</b>	<b>Development costs</b>	<b>Intellectual property</b>	<b>Nevada licence costs</b>	<b>Technology and software</b>	<b>Customer relationships</b>	<b>Tradenames and trademarks</b>	<b>Service contracts</b>	<b>Total</b>
<b>Cost</b>										
Balance at 1 July 2018		23,044	40,357	-	1,583	9,599	11,128	671	433	86,815
Additions		-	3,340	-	-	-	-	-	-	3,340
Intangible assets fully amortised and written off		-	(1,208)	-	-	-	-	-	(433)	(1,641)
Effects of movements in foreign currency		1,111	-	-	-	-	600	-	-	1,711
Balance at 30 June 2019		24,155	42,489	-	1,583	9,599	11,728	671	-	90,225
Balance at 1 July 2019		24,155	42,489	-	1,583	9,599	11,728	671	-	90,225
Additions		-	4,386	-	-	-	-	-	-	4,386
Additions through business combination	24	19,445	-	-	-	10,783	4,928	1,136	-	36,292
Intangible assets fully amortised and written off		-	-	-	-	-	-	(671)	-	(671)
Effects of movements in foreign currency		475	-	-	-	-	256	-	-	731
Balance at 30 June 2020		44,075	46,875	-	1,583	20,382	16,912	1,136	-	130,963

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 9. Intangible assets (continued)

<i>In thousands of AUD</i>	<i>Note</i>	<b>Goodwill</b>	<b>Development costs</b>	<b>Intellectual property</b>	<b>Nevada licence costs</b>	<b>Technology and software</b>	<b>Customer relationships</b>	<b>Trade names and trademarks</b>	<b>Service contracts</b>	<b>Total</b>
<b>Amortisation and impairment losses</b>										
Balance at 1 July 2018		-	11,906	-	-	3,086	3,346	548	433	19,319
Amortisation for the year	6	-	5,736	-	-	1,255	1,236	123	-	8,350
Intangible assets fully amortised and written off		-	(1,208)	-	-	-	-	-	(433)	(1,641)
Impairment losses	6	2,436	-	-	-	-	-	-	-	2,436
Effects of movements in foreign currency		-	-	-	-	-	206	-	-	206
Balance at 30 June 2019		2,436	16,434	-	-	4,341	4,788	671	-	28,670
Balance at 1 July 2019		2,436	16,434	-	-	4,341	4,788	671	-	28,670
Amortisation for the year	6	-	7,226	-	-	1,592	1,270	72	-	10,160
Intangible assets fully amortised and written off		-	-	-	-	-	-	(671)	-	(671)
Impairment losses	6	-	-	-	-	-	-	-	-	-
Effects of movements in foreign currency		-	-	-	-	(8)	76	(2)	-	66
Balance at 30 June 2020		2,436	23,660	-	-	5,925	6,134	70	-	38,225
<b>Carrying amounts</b>										
At 1 July 2018		23,044	28,451	-	1,583	6,513	7,782	123	-	67,496
At 30 June 2019		21,719	26,055	-	1,583	5,258	6,940	-	-	61,555
At 30 June 2020		41,639	23,215	-	1,583	14,457	10,778	1,066	-	92,738

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 9. Intangible assets (continued)

#### Impairment testing of cash generating units ('CGUs')

The four main CGUs are: Development, Australia and other (comprised of Asia, New Zealand, South Africa and Europe), North America and Latin America.

The determination of CGUs for the purposes of testing development costs for impairment is consistent with last financial year. During the financial year, the Group completed an asset acquisition from a US privately held company, MTD Gaming Inc. – see 'Note 24 - Business combinations' for further details of this acquisition. The Group assessed and determined it was appropriate to incorporate the acquired intangible assets of \$16,847 thousand and goodwill of \$19,445 thousand as part of the North America CGU. Other than the MTD acquisition, the allocation of goodwill remains consistent with last financial year. The Group has maintained that the most reasonable and consistent basis upon which to allocate development costs is to have the Group's research and development function ('Development CGU') recharge product development costs to the Group's other CGUs, which are in line with the Group's geographic operating segments.

The carrying amount of the Group's development costs amounts to \$23,215 thousand (2019: \$26,055 thousand), comprising of \$19,968 thousand in development costs relating to product development and \$3,247 thousand in development costs relating to online development activities.

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

Product development costs are recharged from the Development CGU to individual CGUs, based on the forecasted unit sales of each individual CGU. Other assets, consisting of intangible assets and property, plant and equipment, are allocated to the individual CGUs to which they relate.

The Group's corporate assets largely comprises of building facilities, IT infrastructure and manufacturing equipment. The allocation of the corporate assets is based on the usage pattern by each CGU.

#### Allocation of right-of-use assets under AASB 16 Leases

The Group applied AASB 16 Leases for the first-time from 1 July 2019 and as a result the 'other assets' within each CGU includes the carrying amount of right-of-use ("ROU") assets as at 30 June 2020. This is consistent with the previous approach for assets under finance lease in accordance with AASB 117 Leases whereby a lessee applies AASB 136 Impairment of Assets to assess the ROU assets for impairment.

The allocation of goodwill, indefinite useful life intangible assets and other assets to the Groups of CGUs are as follows:

2020						
CGUs	Goodwill '\$000	Indefinite life intangible assets '\$000	Capitalised Development costs '\$000	Other assets '\$000	Recoverable amount '\$000	
Development	-	-	23,215	41,512	88,599	
Australia and other	-	-	-	9,075	24,777	
North America	42,111	1,583	-	73,700	212,687	
Latin America	-	-	-	24,620	24,620	

  

2019						
CGUs	Goodwill '\$000	Indefinite life intangible assets '\$000	Capitalised Development costs '\$000	Other assets '\$000	Recoverable amount '\$000	
Development	-	-	26,055	20,200	76,367	
Australia and other	-	-	-	4,810	5,244	
North America	21,719	1,583	-	73,604	128,215	
Latin America	-	-	-	44,132	72,296	

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 9. Intangible assets (continued)

#### Impairment testing for goodwill and indefinite life intangibles

Goodwill acquired through business combinations (Nova Tech in 2016 and MTD Gaming in 2020) and Nevada license indefinite life intangibles were allocated to the North America CGU as this CGU is expected to benefit from the business combination's synergies from impairment testing. The recoverable amount of this CGU was estimated based on its value in use, determined by discounting future cash flows to be generated from the continuing use of the CGU.

The key assumptions used in estimation of value in use were as follows:

- The discount rate of 14.0% (30 June 2019: 13.5%) used is a pre-tax rate;
- Five years of forecast cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity of 1.8% (30 June 2019: 1.8%) has been determined based on growth prospects of this CGU industry and the overall economy; and
- The projected average annual revenue growth rate over the five years is 17.6% (30 June 2019: 3.4%) and is based on past experience, adjusted for anticipated revenue growth in the Class II, Poker, Keno, and video reel content for use in Multi-Game and Video Lottery Terminal markets in which this CGU operates.

As the recoverable amount of the CGU was estimated to be higher than the carrying amount of the CGU's assets, no impairment was considered necessary.

#### Key assumptions used in determining the recoverable amount

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

CGUs	2020		2019	
	Pre-tax Discount rate	Average annual revenue growth rate <sup>(1)</sup>	Pre-tax Discount rate	Average annual revenue growth rate
Development	15.6%	0.4%	17.2%	5.6%
Australia and other	14.7%	25.5%	16.6%	15.8%
North America	14.0%	17.6%	13.5%	3.4%
Latin America	18.8%	17.3%	18.7%	8.1%

(1) The 5 years forecast average annual revenue growth rates (FY2021 to FY2025) has been calculated based on FY2020 revenue as the base year, which has been adversely impacted by COVID-19, resulting in an increased average growth rate compared to the last financial year. When estimating the revenue growth rates, management have considered and incorporated the effects of the pandemic by forecasting growth rate based on a staggered recovery in Half 2 FY2021 and a gradual return to pre-COVID-19 levels during FY2022, and normalised business performance/ growth rates thereafter.

#### Australia and other CGU

As at 30 June 2020, Australia and other CGU has a forecasted value in use exceeding carrying amount ("headroom") of \$15,702 thousand, compared to \$434 thousand at 30 June 2019. The increase in headroom is primarily driven by the decrease in the pre-tax discount by 190 basis points due to change in local external economic factors such as government bond rates. When estimating the revenue growth rates, the historical experience, and forecasted financial results based on the release of new hardware configuration, A-Star, improved game performance and other planned strategic initiatives have been considered.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 9. Intangible assets (continued)

#### **Australia and other CGU (continued)**

Given that this headroom is highly dependent on the forecasted revenue growth, an adverse change in this key assumption may result in a deficiency in the net recoverable amount when compared to the carrying value of the CGU, which may result in impairment charges recognised in future periods.

From a sensitivity perspective, based on the current carrying amount of assets in the CGU, an overall reduction in average revenue growth rate from 25.5% to 22.6% will result in the elimination of any headroom. This sensitivity assumes the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in this assumption may accompany a change in another assumption

#### **North America CGU**

Average annual revenue growth projection of 17.6% is derived from a low FY2020 result due to the impacts of COVID-19. This growth rate also incorporates growth projections contributed by the MTD acquisition. The pre-tax discount rate for the North America CGU has been adjusted accordingly to reflect the risk associated with this new acquisition, resulting in a 50-basis point increase in discount rate.

As the headroom of this CGU is \$95,293 thousand, Management does not believe that a reasonable possible change in key assumptions will result in a material impairment charge.

#### **Latin America CGU**

As at 30 June 2020, the Latin America CGU recorded an impairment charge of \$11,958 thousand against its leased assets as a result of reduction in revenue projections and the deterioration of working capital assumptions. The impairment charge has been recognised in the income statement under 'Other expenses'. The material decrease in its recoverable amount compared to last financial year is due to the revised future forecasted revenue growth given the underperformance of this CGU, coupled with the adverse effects of COVID-19 on the future operations particularly noted in the regions in which this CGU operates in. In addition, taking into consideration the impact of COVID-19, the working capital assumptions has been adjusted for, in particular the timing of customer receipt projections, as customers within this CGU typically have extended repayment terms.

As there is nil headroom within this CGU, an adverse change in any of the key assumptions used may result in further impairment charges in future periods. The following sensitivities assume a specific assumption moves in isolation, whilst all other assumptions are held constant:

- A reduction in forecasted revenue by 10% for the next 18-month period would cause additional material impairment of approximately \$1,967 thousand;
- A reduction in discount rate by 50 basis points would cause additional material impairment of \$2,348 thousand.

In reality, a change in an assumption may accompany a change in another assumption.

#### **Development CGU**

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

In addition, for all CGUs, whilst the achievement of forecast revenue growth rates is dependent on the success of current strategic initiatives, market conditions, improved product performance, a change in implemented product development and recently released new hardware configurations, Management, based on historical experience and industry specific factors, has reviewed and assessed that forecast revenue growth rates are expected to be achieved. However, the full magnitude and the adverse impact of the pandemic is highly uncertain.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 10. Equity-accounted investee

During the year ended 30 June 2020, the Group disposed its 40% ownership interest in 616 Digital LLC.

### 11. Inventories

<i>In thousands of AUD</i>	<b>2020</b>	<b>2019</b>
Raw materials and consumables	47,495	31,613
Finished goods	43,390	33,550
Stock in transit	492	1,688
Inventories stated at the lower of cost and net realisable value	<u>91,377</u>	<u>66,851</u>

### 12. Receivables and other assets

<i>In thousands of AUD</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<i>Current</i>			
Trade receivables		92,435	122,998
Less impairment losses		(6,249)	(5,002)
		<u>86,186</u>	<u>117,996</u>
<i>Other assets</i>			
Amount receivable from director/shareholder-controlled entities	21	665	1,375
		<u>88,039</u>	<u>119,964</u>
<i>Non-current</i>			
Trade receivables		25,844	28,648
		<u>25,844</u>	<u>28,648</u>

#### Leasing arrangements

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

<i>In thousands of AUD</i>	<b>2020</b>	<b>2019</b>
<i>The present value of minimum lease payments and lease receivables is as follows:</i>		
Within one year	3,673	5,248
Later than one year but not later than 5 years	1,206	3,506
	<u>4,879</u>	<u>8,754</u>

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 13. Cash and cash equivalents

<i>In thousands of AUD</i>	<b>2020</b>	<b>2019</b>
Bank balances	26,528	59,695
Cash deposits	15	1,966
Cash and cash equivalents in the statement of cash flows	<u>26,543</u>	<u>61,661</u>

### 13a. Reconciliation of cash flows from operating activities

<i>In thousands of AUD</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>			
(Loss) / Profit for the period		(43,433)	10,895
<i>Adjustments for:</i>			
Depreciation	8, 19	29,835	25,069
Impairment losses on trade receivables and provision for obsolescence		8,030	3,601
Impairment of LATAM CGU	9	11,958	-
Rent concessions		(467)	-
Impairment of 616 Digital LLC		745	-
Write-down on Equity-accounted investee	10	-	1,878
Write-down of goodwill	9	-	2,436
Amortisation of intangible assets	9	10,160	8,350
Net finance income		(1,457)	(9,317)
Loss on sale of property, plant and equipment		153	224
Unrealised currency translation movements		(4,510)	6,062
Equity-settled share-based payment transactions	7	562	(12)
Income tax (benefit) / expense		(5,367)	3,787
<b>Operating profit before changes in working capital and provisions</b>		<u><b>6,209</b></u>	<u><b>52,973</b></u>
Change in trade and other receivables		26,853	46,608
Change in inventories		(28,069)	15,745
Net transfers between inventory and leased assets		(5,151)	(25,942)
Change in other assets		(4,476)	(405)
Change in trade and other payables		16,306	(21,732)
Change in provisions and employee benefits		1,734	(5,069)
		<u>13,406</u>	<u>62,178</u>
Interest received		2,326	5,503
Income taxes refunded / (paid)		1,023	(6,473)
<b>Net cash from operating activities</b>		<u><b>16,755</b></u>	<u><b>61,208</b></u>

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 14. Earnings per share

#### *Basic earnings per share*

The calculation of basic earnings per share at 30 June 2020 was based on the loss attributable to ordinary shareholders of \$43,433 thousand (2019: \$10,895 thousand profit) and a weighted average number of ordinary shares outstanding during as at 30 June 2020 of 336,794 thousand (2019: 335,000 thousand) calculated as follows:

Profit attributable to ordinary shareholders

<i>In thousands of AUD</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
(Loss) / profit for the period		(43,433)	10,895
(Loss) / profit attributable to ordinary shareholders		(43,433)	10,895

Weighted average number of ordinary shares

<i>In thousands of shares</i>			
Issued ordinary shares at 1 July		336,794	332,513
Effect of shares issued		-	2,487
Weighted average number of ordinary shares at 30 June		336,794	335,000
Total basic earnings per share attributable to the ordinary equity holders of the Company		(\$0.13)	\$0.03

#### *Diluted earnings per share*

The calculation of diluted earnings per share at 30 June 2020 was based on the loss attributable to ordinary shareholders of \$42,871 thousand (2019: \$10,883 thousand profit) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 346,867 thousand (2019: 338,224 thousand), calculated as follows:

Profit attributable to ordinary shareholders (diluted)

<i>In thousands of AUD</i>		<b>2020</b>	<b>2019</b>
(Loss) / profit attributable to ordinary shareholders		(43,433)	10,895
Amortisation of performance rights (RST)		562	(12)
(Loss) / profit attributable to ordinary shareholders (diluted)		(42,871)	10,883

Weighted average number of ordinary shares (diluted)

<i>In thousands of shares</i>			
Weighted average number of ordinary shares at 30 June		336,794	335,000
Effect of rights and options on issue		10,073	3,224
Weighted average number of ordinary shares (diluted) at 30 June		346,867	338,224
Total diluted earnings per share attributable to the ordinary equity holders of the Company		(\$0.13)	\$0.03



# Ainsworth Game Technology Limited

## Notes to the financial statements

### 15. Loans and borrowings

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

*In thousands of AUD*

	2020	2019
<b>Current</b>		
Insurance premium funding	87	295
Secured bank loan	43,934	12,366
	<u>44,021</u>	<u>12,661</u>
<b>Non-current</b>		
Secured bank loan	-	42,778
	<u>-</u>	<u>42,778</u>

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

Terms and conditions of outstanding loans were as follows:

<i>In thousands of AUD</i>	Currency	Nominal interest rate	Year of maturity	2020		2019	
				Face value	Carrying Amount	Face value	Carrying amount
Insurance premium funding	AUD	1.38%	2020	88	87	299	295
Secured bank loan	USD	LIBOR+0.85%	2021	43,934	43,934	55,144	55,144
Total interest-bearing liabilities				<u>44,022</u>	<u>44,021</u>	<u>55,443</u>	<u>55,439</u>

#### **Change in loan covenant**

The Group has a secured bank loan with a carrying amount of \$43,934 thousand as at 30 June 2020 with ANZ bank. The bank loan is secured by fixed and floating charges over identified assets of the Company and certain subsidiaries within the Group, and imposes financial covenants measured on a six-monthly basis. Following the asset acquisition of MTD Gaming Inc. ("MTD"), the financial covenant ratios were amended, and the measurement period was reduced from a six-monthly basis to a quarterly basis, with the first measurement period being 31 March 2020.

Consequent to the outbreak of the COVID-19 pandemic which caused significant disruption in the markets in which the Group operates, management forecasted an impending breach in financial covenants, calculated based on EBIDTA for the 12 months ending 30 June 2020, and commenced discussion with ANZ bank to restructure the facility.

As at year end, the Group breached its financial covenants for the interest cover and leverage ratios and as a result, the full loan payable balance was classified as a current liability. Subsequent to year end on 24 August 2020, the Group signed a deed of amendment for the ANZ facility and renegotiated the terms of the facility - See 'Note 22 – Subsequent Events' for further details of this amendment.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 16. Employee benefits

<i>In thousands of AUD</i>	<b>2020</b>	<b>2019</b>
<i>Current</i>		
Accrual for salaries and wages	1,452	1,245
Accrual for short term incentive plan	101	921
Liability for annual leave	4,383	4,188
Liability for long service leave	3,237	3,236
	<b>9,173</b>	<b>9,590</b>
<i>Non-current</i>		
Liability for long service leave	605	525
	<b>605</b>	<b>525</b>

### 17. Share-based payments

At 30 June 2020, the Group had the following share-based payment arrangements:

#### Performance rights programme (equity-settled)

##### (i) 1 March 2017 Performance rights

Grant date / employee entitled	Number of instruments Issued at Grant Date	Number of instruments Outstanding at 30 June 2020	Share based expense recognised in Equity since grant date	Contractual life of rights
Options granted to key management personnel	622,203	181,184	\$163,609	5 years
Options granted to senior and other employees	3,786,600	2,535,693	\$1,194,198	5 years
<b>Total rights RST</b>	<b>4,408,803</b>	<b>2,716,877</b>	<b>\$1,357,807</b>	

During the year, Tranche 3 of these rights did not vest at the third vesting date of 1 March 2020 due to performance conditions not being met. The grant of this Tranche along with Tranches 1 and 2 under the RST will be re-tested at the end of the next applicable performance vesting date of 1 March 2021, subject to the higher performance conditions. If the performance conditions at the end of the next applicable performance period are satisfied, then the performance rights for the current performance period and any non-vested performance rights from prior performance periods will vest.

##### (ii) 30 August 2019 Share options

During the year, the Group offered to eligible employees the opportunity to participate in a share option over ordinary shares in Ainsworth Game Technology Limited, under the Ainsworth Game Technology Limited Option Share Trust (OST). Further details of this programme are outlined in the 31 December 2019 financial reports.

Grant date / employee entitled	Number of instruments Issued at Grant Date	Number of instruments Outstanding at 30 June 2020	Share based expense recognised in Equity since grant date	Contractual life of options
Options granted to key management personnel	878,779	878,779	\$31,346	5 years
Options granted to senior and other employees	9,019,842	9,019,842	\$321,737	5 years
<b>Total rights RST</b>	<b>11,062,029</b>	<b>9,898,621</b>	<b>\$353,083</b>	

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 18. Trade and other payables

*In thousands of AUD*

<i>Current</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
Trade payables		14,829	5,418
Other payables and accrued expenses		8,519	15,527
Deferred consideration on MTD gaming acquisition		10,326	-
Amount payable to director/shareholder-controlled entities	21	3,052	-
		<b>36,726</b>	<b>20,945</b>

### 19. Leases

#### (a) Leases as lessee (AASB 16)

The Group leases a number of warehouse and office facilities. The leases run for a period of 1-10 years, with an option to renew the lease after that date. Lease payments are increased every year either by annual increases of 2-4% per annum, or by market rental reviews at stipulated dates. None of the leases include contingent rentals.

The warehouse and office facilities were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under AASB 117.

The Group leases plant and equipment. The leases typically run for a period of 5 years. Previously, these leases were classified as operating leases under AASB 117.

The Group leases other IT equipment with contract terms of one to three years. These leases are short term and/or of low value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

#### (i) Right-of-use assets

<i>In thousands of AUD</i>	<b>Note</b>	<b>Land and buildings</b>	<b>Plant and Equipment</b>	<b>Total</b>
<i>2020</i>				
Balance as at 1 July 2019		17,560	350	17,910
Depreciation charge for the year	6	(2,297)	(96)	(2,393)
Additions to right-of-use assets		170	41	211
Effect of movements in foreign exchange		21	1	22
Balance as at 30 June 2020		<b>15,454</b>	<b>296</b>	<b>15,750</b>

#### (ii) Lease Liabilities

*In thousands of AUD*

<i>2020</i>	<b>Note</b>	<b>Land and buildings</b>	<b>Plant and Equipment</b>	<b>Total</b>
Balance as at 1 July 2019		(17,560)	(350)	(17,910)
Additions of lease liabilities		(170)	(41)	(211)
Payments made		2,007	109	2,116
Interest expense		(850)	(14)	(864)
Rent concessions	3	467	-	467
Effects of movements in foreign exchange		(11)	(1)	(12)
Balance as at 30 June 2020		<b>(16,117)</b>	<b>(297)</b>	<b>(16,414)</b>

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 19. Leases (continued)

#### (a) Leases as lessee (AASB 16) (continued)

##### (ii) Lease Liabilities (continued)

###### *Maturity analysis – contractual undiscounted cashflows*

The table below presents the contractual undiscounted cash flows associated with the Group's lease liabilities, representing principal and interest. The figures will not necessarily reconcile with the amount disclosed in the consolidated statement of financial position.

<i>In thousands of AUD</i>	<b>2020</b>
Less than one year	2,102
One to five years	8,791
More than five years	8,924
<b>Total undiscounted lease liabilities at 30 June 2020</b>	<b>19,817</b>
Current	1,320
Non-current	15,094
<b>Lease liabilities included in the consolidated statement of financial position at 30 June 2020</b>	<b>16,414</b>

##### (iii) Amounts recognised in profit or loss

<i>In thousands of AUD</i>	<b>2020</b>
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###### **2020 – Leases under AASB 16**

Interest on lease liabilities	(864)
Rent concessions recognised in profit and loss	467
Expenses relating to leases of low-value assets, excluding short term leases of low value assets	(102)

###### **2019 – Operating leases under AASB 117**

Lease expense	(2,331)
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##### (iv) Amounts recognised in statement of cash flows

<i>In thousands of AUD</i>	<b>2020</b>
Total cash outflow for leases	(2,116)

##### (v) Extension options:

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of \$6,542 thousand

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 20. Capital and other commitments

*In thousands of AUD*

#### **Plant and equipment**

*Contracted but not yet provided for and payable:*

Within one year

**2020**

**2019**

308

3,234

#### **Employee compensation commitments**

*Key management personnel*

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

Within one year

798

1,214

### 21. Related parties

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

<b>Non-executive directors</b> <b>Current</b>	<b>Executives</b> <b>Current</b>
Mr DE Gladstone	Mr Lawrence Levy (Chief Executive Officer, Ainsworth Game Technology Limited)
Mr GJ Campbell	Mr ML Ludski (Chief Financial Officer and Company Secretary, Ainsworth Game Technology Limited)
Mr MB Yates	Mr V Bruzzese (General Manager Technical Services, Ainsworth Game Technology Limited)
Mr CJ Henson	
Mr HK Neumann	

#### **Key management personnel compensation**

The key management personnel compensation included in 'employee benefit expenses' (see Note 10) is as follows:

*In AUD*

Short-term employee benefits

2,285,980

2,726,942

Post-employment benefits

231,518

241,451

Share based payments

24,280

(230,152)

Other long-term benefits

133,637

166,546

Termination benefit

384,000

-

3,059,415

2,904,787

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

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

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 21. 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 those entities transacted with the Group during the year. Other than as described below the terms and conditions of the transactions with key 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 value of transactions and outstanding balances relating to key management personnel and their related parties were as follows:

<i>In AUD</i>	<i>Note</i>	Transactions value year ended 30 June		Balance receivable/ (payable) as at 30 June	
		2020	2019	2020	2019
<b>Transaction</b>					
Sales to Novomatic and its related entities	(i)	20,387	2,450,269	111,684	1,327,918
Purchases from Novomatic and its related entities	(i)	4,495,089	589,793	(3,052,494)	-
Other charges made on behalf of Novomatic	(i)	1,659,159	1,488,008	553,174	47,021
Purchases and other charges made on behalf of the Group	(i)	3,076,589	1,504,359	-	-

(i) Transactions with Novomatic AG and its related entities are considered related party transactions as Novomatic AG holds the controlling interest in the Group.

### 22. Subsequent events

On 24 August 2020, the Group signed a deed of amendment for the ANZ loan facility and renegotiated the terms of the facility with amendments to the facility limit and financial covenants as at 30 June 2020. The facility limit has reduced to \$60 million with progressive reductions of \$10 million in each of December 2020, March 2021, and April 2021, which will result in a reduced facility of \$30m by end of April 2021.

The amended covenants will be in place for the remaining term of the loan, which expires on 30 September 2021 and relate to maintenance of minimum liquidity levels, monthly reporting obligations and achievement of quarterly sales targets for the Group, based on the Group's 18 month forecasted cash flows.

Other than the matter discussed above, 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.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 23. Auditor's remuneration

<i>In AUD</i>	2020	2019
<b>Audit and review services</b>		
Auditors of the Company - KPMG		
Audit and review of financial statements	282,000	262,000
Other regulatory audit services	22,500	22,500
	<u>304,500</u>	<u>284,500</u>
<b>Other services</b>		
Auditors of the Company - KPMG		
In relation to taxation services	69,116	116,215

### 24. Business combinations

On 9 March 2020, the Group completed an asset acquisition of a US privately held company, MTD Gaming Inc. ("MTD") at an initial purchase price of US\$13 million, with an additional US\$13 million of deferred consideration payable on the successful delivery of financial targets and contract renewals.

MTD is a proven developer and supplier of premium performing and unique Poker, Keno and video reel content for use in Multi-Game and Video Lottery Terminal (VLT) markets. Prior to acquisition, MTD was operating in three markets (Montana, Louisiana and South Dakota) within North America. Through the Group's licensing structure and distribution network, the Group will be expanding MTD's product offerings into other markets in North America including Nevada and California. The Group is also able to incorporate MTD's products as an additional offering to its existing Class II and Class III markets in North America as these products complement the Group's existing game suite.

The acquired business contributed revenues of \$923 thousand and a net profit of \$251 thousand to the Group for the period from 9 March 2020 to 30 June 2020.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

#### (a) Consideration transferred

*In thousands of AUD*

<b>Cash</b>	18,942
Contingent consideration, paid in cash	7,285
Contingent consideration, to be paid in cash or equity	<u>10,065</u>
<b>Total consideration</b>	<u><b>36,292</b></u>

#### (i) Cash flow

*In thousands of AUD*

Payment for business acquisition	<u>27,877</u>
Outflow of cash - investing activities	<u>27,877</u>

Included in the outflow is US\$5 million which is held subject to re-signing of a key contract in Montana or attaining set financial targets.

# Ainsworth Game Technology Limited

## Notes to the financial statements

### 24. Business combinations (continued)

#### (a) Consideration transferred (continued)

##### (ii) *Contingent consideration*

The contingent consideration of \$10,065 thousand as above is subject to meeting cumulative Gross Profit target tranches and this consideration is payable at any time before the end of FY2024. This consideration represents the fair value of contractual cash flow or equity in equivalent of cash amounting to US\$8 million and measured based on the income approach. In this approach, prospective financial information based on projections prepared by the Group, was used as the basis for the forecasted earnings and in turn, determines the timing of these payments; which is then discounted at 8% over the cash flow period.

The Group has agreed to pay MTD an additional earnings opportunity based on the growth of MTD assets in the form of an earnout. Upon closing and for each of the following four years thereafter, MTD is entitled to an annual payment of 15% of cumulative gross profits associated with the commercialisation of the assets and/or software sold and is subject to employment service conditions. Therefore, this consideration falls outside the scope of AASB 3 *Business Combinations* and will be recognised as a remuneration expense from 1 July 2020 which is the effective employment commencement of key personnel acquired as part of the acquisition.

#### (b) Identifiable assets acquired

**The fair value of assets recognised as a result of the acquisition are as follows:**

*In thousands of AUD*

Intangible assets: core technology	10,783
Intangible assets: customer relationships	4,823
Intangible assets: trade names	1,136
Intangible assets: work force	105
Total identifiable net assets acquired	<u>16,847</u>
Add: goodwill	<u>19,445</u>
<b>Net assets acquired</b>	<b><u>36,292</u></b>

The goodwill is attributable to the synergies expected to be achieved from integrating MTD's unique Poker and Keno games into the Group's existing Class II and III product offerings within North America and leveraging off the Group's wide customer base in this market. The total amount of goodwill that is expected to be deductible for tax purposes is \$19,445 thousand.

#### (c) Acquisition related costs

The total acquisition related costs amounting to \$52 thousand have been recognised as an expense in the statement of comprehensive income, within the 'Administrative expenses' line item.