



Ainsworth Game Technology Ltd
ABN 37 068 516 665

10 Holker Street,
Newington NSW 2127
Tel: +61 2 9739 8000

www.agtslots.com

25 February 2021

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

ELECTRONIC LODGEMENT

Results for Half Year Ended 31 December 2020 – Appendix 4D and Half Year Report (Unaudited)

We attach a copy of the Appendix 4D and Preliminary Half Year Report (Unaudited) in respect of Ainsworth Game Technology Limited.

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'Mark Ludski'.

Mark Ludski
Company Secretary

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

APPENDIX 4D
Preliminary Half Year Report
Half Year Ended: 31 December 2020
Prior corresponding period: 31 December 2019

Results for announcement to the market

	Up / Down	Percentage Change		Half Year ended 31/12/20 A\$'000
Revenue from ordinary activities	Down	33%	to	72,073
Reported loss from ordinary activities after tax attributable to members	Down	1149%	to	(50,055)
Net loss for the period attributable to the members	Down	1149%	to	(50,055)
Dividend Information				
Ainsworth Game Technology Limited has not paid, recommended, or declared any dividends for the half year ended 31 December 2020.				
NTA backing	Current period		Previous corresponding Period	
Net tangible asset backing per ordinary security	\$0.55		\$0.92	

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 half-yearly accounts and the other documents required to be lodged with ASIC under section 320 of the Corporations Act 2001 (Cth), to 16 April 2021. Ainsworth Game Technology Limited will be releasing its audited accounts in March 2021. 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 six months ended 31 December 2020.

Other information required by Listing Rule 4.2A.3

Other information requiring disclosure to comply with Listing Rule 4.2A.3 is contained in the following pages.

Ainsworth Game Technology Limited

Commentary on the result for the year

H1 FY21 Financial Performance

The Ainsworth Game Technology Limited ("AGT") Group's revenue for 6 months ended 31 December 2020 (H1 FY21) was \$72.1 million (H1 FY20: \$107.3 million), a decrease of 33% compared to prior corresponding period ("PCP"). The Group recorded a statutory net loss before tax of \$56.6 million which includes impairment charges of \$29.2 million predominantly relating to the Latin America business unit and currency translational losses. The statutory EBITDA was (\$36.8) million, a decrease of 352% compared to H1 FY20. Included in the statutory EBITDA was \$4.1 million JobKeeper subsidies recognised during the period. The underlying EBITDA was \$5.8 million compared to \$19.1 million in PCP.

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

<i>In millions of AUD</i>	6 months to 31 Dec 2020	6 months to 31 Dec 2019	Variance %
Total Revenue	72.1	107.3	(32.8%)
Underlying EBITDA	5.8	19.1	(69.6%)
Reported EBITDA	(36.8)	14.6	(352.1%)
EBIT	(55.9)	(4.6)	(1115.2%)
Loss before tax	(56.6)	(4.1)	(1280.5%)
Loss for the year	(50.1)	(4.0)	(1152.5%)
Total assets	389.4	477.9	(18.5%)
Net assets	289.2	389.9	(25.8%)
Earnings per share (fully diluted)	(14.9 cents)	(1.2 cents)	(1141.7%)

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

<i>In millions of AUD</i>	6 months to 31 Dec 2020	6 months to 31 Dec 2019	Variance %
Reconciliation:			
Loss before tax	(56.6)	(4.1)	(1280.5%)
Net interest expense / (income)	0.7	(0.5)	240.0%
Depreciation and amortisation	19.1	19.2	(0.5%)
Reported EBITDA	(36.8)	14.6	(352.1%)
Foreign currency losses	13.4	0.3	4366.7%
Legal costs and settlement claims	-	3.6	N/A
Impairment losses	29.2	0.6	4766.7%
Underlying EBITDA	5.8	19.1	(69.6%)

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 an overall decline in the Group's primary markets which are North America, Latin America and Australia / Rest of the World by 33% compared to prior corresponding period. However, more customer venues are beginning to reopen as vaccination programs are rolled out across major markets, supporting a more positive outlook which allowed the Group to record improved revenue of \$72.1 million compared to \$42.1 million in the prior half (H2 FY20), an increase of 71%. International sales contributed 73% to AGT's total revenue in the current period. Recurring revenues remain a strength of the Group contributing 25% of the total revenue, an increase from the 23% on PCP. AGT will continue to build on the success of historical horse racing (HHR) products and the A-Star cabinets. Ainsworth's game library is also being expanded, leveraging AGT's technology strengths.

- **North America**

AGT's performance in North America continues to show positive signs with revenue in the current period of \$41.0 million compared to \$21.4 million in the previous half and \$50.7 million in the prior corresponding period. Improved participation and lease revenue contributed to 40% of the current period's revenue, an increase of 11% on the prior corresponding period. AGT's HHR products continue to positively contribute to revenues within this segment. Over 850 additional units were sold or placed with a range of gaming operators within Kentucky and other authorised jurisdictions. MTD, acquired in H2 FY20 has had a positive impact on EBITDA within this segment and provides avenues of future growth in premium performing Poker, Keno and Video Reel content.

- **Latin America**

Regional revenues for Latin America were \$4.8 million compared to \$32.8 million in the corresponding period in 2019, a reduction of 85%. During the current period, the region was severely impacted by the second wave of COVID-19. This resulted in the deferral of venues re-opening during the period as initially expected. Governments have mandated closures and access restrictions to customers' venues, primarily within Mexico, Argentina and Peru. Customers' capital expenditure commitments in Latin America created further deferral of both hardware and technology purchasing decisions, which resulted in a further revenue reduction of 48% compared to H2 FY20. Uncertainties remain as to when the expected easing of COVID-19 restrictions and recommencement to pre-pandemic operating activities will occur. These new developments have resulted in the re-evaluation of revenue impacts in the short term as macro-economic uncertainty exists. Given the revised outlook, AGT prudently decided to record a A\$26.7 million one-off non-cash impairment charges relating to the Latin American business unit.

- **Australia and Rest of the World**

Australia and Rest of the World revenue was \$26.3 million in the current period compared to \$23.8 million in the prior corresponding period, an increase of 11%. Revenue increased by \$14.8 million which is 129% compared to H2 FY20 revenue of \$11.5 million. Improvements in this period for Australia and Rest of the World segment is aided by new hardware and improved product performance on recently released game titles. EBITDA, profit margin and unit volumes all increased in the half.

- **On-line / Digital**

Further progress in accelerating the monetisation of on-line real money and social gaming was achieved in the period. Revenue included under Rest of the World (Europe/Other) was A\$3.0 million, 20% increase compared to prior corresponding period. Since go live in Real Money Gaming in New Jersey in June 2020, the Group has now launched its digital slot games with seven New Jersey online casinos and operators. Currently, there are 60 games that have been developed and certified for use within this market. It is expected that this partnership will continue to expand with other major corporate casino operators within New Jersey and other US regulated states.

Debt facility refinancing

Subsequent to reporting date, a new US\$35.0 million, five year loan agreement with US based Western Alliance Bancorporation (WAB) was established in February 2021, providing AGT with greater certainty and cash flow flexibility. The agreement has an option to increase the size of the facility to US\$50.0 million, subject to bank approvals. US\$28.0 million from the loan was used to retire all previous domestic debt obligations. Under the WAB facility, the borrower is the Group's US subsidiary and the financial covenants are limited to this legal entity which includes, minimum liquidity, total leverage, and fixed charge coverage ratios.

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Condensed consolidated statement of financial position

As at 31 December 2020

In thousands of AUD

	Note	31-Dec-20	30-Jun-20
Assets			
Cash and cash equivalents		23,953	26,543
Receivables and other assets		68,632	88,039
Current tax assets		4,678	3,524
Inventories	7	64,022	91,377
Prepayments		8,177	8,723
Assets held for sale	10	2,305	-
Total current assets		171,767	218,206
Receivables and other assets	12	39,064	25,844
Deferred tax assets	9	10,344	5,520
Property, plant and equipment		72,514	107,434
Right-of-use assets		14,370	15,750
Intangible assets		81,386	92,738
Total non-current assets		217,678	247,286
Total assets		389,445	465,492
Liabilities			
Trade and other payables		28,553	36,726
Loans and borrowings	13	39,446	44,021
Lease liabilities		1,720	1,320
Employee benefits		8,820	9,173
Provisions		665	3,395
Total current liabilities		79,204	94,635
Trade and other payables		6,224	-
Lease liabilities	12	13,722	15,094
Employee benefits		485	605
Deferred tax liabilities		578	603
Total non-current liabilities		21,009	16,302
Total liabilities		100,213	110,937
Net assets		289,232	354,555
Equity			
Share capital		207,709	207,709
Reserves		122,917	160,468
Accumulated losses		(41,394)	(13,622)
Total equity		289,232	354,555

The notes on pages 8 to 21 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of profit or loss and other comprehensive income or loss

For six months ended 31 December 2020

In thousands of AUD

	Note	31-Dec-20	31-Dec-19
Revenue	6	72,073	107,298
Cost of sales		(34,247)	(41,292)
Gross profit		37,826	66,006
Other income		644	296
Sales, service and marketing expenses		(25,930)	(33,319)
Research and development expenses		(16,564)	(21,387)
Administrative expenses		(9,327)	(11,594)
Impairment of trade receivables	8	(6,045)	(596)
Other expenses	10, 11	(23,147)	(3,728)
Results from operating activities		(42,543)	(4,322)
Finance income		386	1,600
Finance costs		(14,456)	(1,324)
Net finance (costs) / income		(14,070)	276
Share of loss of equity accounted investee		-	(14)
Loss before tax		(56,613)	(4,060)
Income tax benefit	9	6,558	51
Loss for the year		(50,055)	(4,009)
Other comprehensive (loss) / income			
Items that may be reclassified to profit and loss:			
Foreign operations - foreign currency translation differences		(15,540)	152
Total other comprehensive (loss) / income		(15,540)	152
Total comprehensive loss for the year		(65,595)	(3,857)
Loss attributable to owners of the Company		(50,055)	(4,009)
Total comprehensive loss attributable to the owners of the Company		(65,595)	(3,857)
Earnings per share:			
Basic earnings per share (AUD)		\$ (0.15)	\$ (0.01)
Diluted earnings per share (AUD)		\$ (0.14)	\$ (0.01)

The notes on pages 8 to 21 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity

For six months ended 31 December 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 2019	207,709	4,317	9,684	19,264	154,189	(1,618)	393,545
Total comprehensive loss for the period							
Loss	-	-	-	-	-	(4,009)	(4,009)
Transfer between reserves	-	-	-	-	(4,363)	4,363	-
Other comprehensive income							
Foreign currency translation reserve	-	-	-	151	-	-	151
Total other comprehensive income	-	-	-	151	-	-	151
Total comprehensive loss for the period	-	-	-	151	(4,363)	354	(3,858)
Transactions with owners, recorded directly in equity							
Share-based payment amortisation	-	208	-	-	-	-	208
Total transactions with owners	-	208	-	-	-	-	208
Balance at 31 December 2019	207,709	4,525	9,684	19,415	149,826	(1,264)	389,895
Balance at 1 July 2020	207,709	4,879	9,684	23,145	122,760	(13,622)	354,555
Total comprehensive loss for the period							
Loss	-	-	-	-	-	(50,055)	(50,055)
Transfer between reserves	-	-	-	-	(22,284)	22,284	-
Other comprehensive loss							
Foreign currency translation reserve	-	-	-	(15,540)	-	-	(15,540)
Total other comprehensive loss	-	-	-	(15,540)	-	-	(15,540)
Total comprehensive loss for the period	-	-	-	(15,540)	(22,284)	(27,771)	(65,595)
Transactions with owners, recorded directly in equity							
Share-based payment amortisation	-	272	-	-	-	-	272
Total transactions with owners	-	272	-	-	-	-	272
Balance at 31 December 2020	207,709	5,151	9,684	7,605	100,476	(41,393)	289,232

The notes on pages 8 to 21 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

For six months ended 31 December 2020

In thousands of AUD

Note	31-Dec-20	31-Dec-19
Cash flows from operating activities		
Cash receipts from customers	61,762	116,653
Cash paid to suppliers and employees	(58,949)	(98,770)
Cash generated from operations	2,813	17,883
Interest received	384	1,596
Income taxes paid	(756)	(1,579)
Net cash from operating activities	2,441	17,900
Cash flows used in investing activities		
Proceeds from sale of property, plant and equipment	54	17
Interest received	2	4
Acquisitions of property, plant and equipment	(679)	(5,801)
Development expenditure	(1,135)	(3,301)
Net cash used in investing activities	(1,758)	(9,081)
Cash flows used in financing activities		
Borrowing costs paid	(926)	(1,064)
Proceeds from borrowings	371	479
Repayment of borrowings	(88)	(26,788)
Proceeds from finance lease	193	-
Payment of lease liabilities	(569)	(850)
Net cash used in financing activities	(1,019)	(28,223)
Net decrease in cash and cash equivalents	(336)	(19,404)
Cash and cash equivalents at 1 July	26,543	61,661
Effect of exchange rate fluctuations on cash held	(2,254)	45
Cash and cash equivalents at 31 December	23,953	42,302

The notes on pages 8 to 21 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Ainsworth Game Technology Limited (the "Company") is a company domiciled in Australia. These condensed consolidated interim financial statements ("interim financial statements") as at and for the six months ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group primarily is involved in the design, development, manufacture, sale and servicing of gaming machines and other related equipment and services.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2020 is available upon request from the Company's registered office at 10 Holker Street, Newington, NSW, 2127 or at www.agtslots.com.

2. Basis of preparation

(a) Statement of compliance

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 *Interim Financial Reporting*. The financial report is based on accounts which are in the process of being reviewed by the Company's auditors and has been prepared in accordance with ASX Listing Rule 4.2A.3.

These interim financial statements do not include all of the information required for a complete set of annual financial statements and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2020.

These interim financial statements were approved by the Board of Directors on 25 February 2021.

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

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 6 months ended 31 December 2020, the Group incurred net losses after tax of \$50.1 million including non-cash impairment charges of \$29.2 million (H1 FY20: Loss after tax of \$4.0 million) and had a cash balance of \$24.0 million (30 June 2020: \$26.5 million). 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.

COVID-19 has affected the Group's customers and business operators with certain restrictions still in place for travel, public gathering and opening hours of gaming venues. While there has been some relaxation on restrictions and low cases being reported in the Australian region, the Group's other major markets in North America and Latin America are still impacted with strict preventative measures imposed by their local governments to curb the further spread of the virus.

Notes to the condensed consolidated interim financial statements

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

Current Period Impact

For the half year ended 31 December 2020, COVID-19 has impacted the Group, specifically as follows:

- The 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. The Latin America region was most adversely affected with a second wave hitting this region during the period resulting in high cases of COVID-19 still being reported, causing uncertainties and deferrals of purchasing from our Latin American customers; and
- The Company met the criteria for the Australian Government's JobKeeper subsidies initial program that ran from 30 March 2020 to 27 September 2020. Subsequently and during the current period, the Company qualified for the extended JobKeeper subsidies program that operated from 28 September 2020 to 3 January 2021. The majority of the Company's employees in Australia were eligible and a total payment received for the six months period ended 31 December 2020 was approximately \$4.5 million. This is reflected within the operating cash flows. This Government assistance has benefited the Group to maintain productivity of employees, as well as liquidity.

Future Impact and Going Concern

At the date of this reporting, there are still uncertainties on the timing of the full recovery period from this pandemic as there are still a high level of cases being reported in the core markets in which the Group operates. The full magnitude of the impact of the pandemic and Government response remains uncertain, although there has been an encouraging sign with the roll-out of vaccinations having commenced in some of our core markets, North America and Australia. 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:

- A re-assessment of the future impacts of COVID-19 has been performed as at reporting date. Forecast revenue assumptions have been revised to reflect the expected timing of easing of restrictions and recovery in the markets where the Group operates, 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 other than Latin America is expected to take place over the next 18 months which is anticipated to return activity to pre-COVID-19 levels during FY22. In North America, the forecasted growth rate is based on a staggered recovery in Half 2 FY21 and a gradual return to pre-COVID-19 levels during FY22. As for Australia, the Group expects an earlier recovery due to the stabilisation of the impact of the pandemic in this region. The recovery for the Latin America region is expected to take longer due to the impact of the second wave of COVID-19 prevalent in this region;
- The Group's receivables at 31 December 2020 were \$107.7 million of which \$68.6 million was classified as current. During the half year, the Group collected \$61.8 million of cash from its customers. Operating cashflows generated a net cash inflow of \$2.4 million. From the onset of the pandemic, the Group has and continues to maintain an ongoing engagement with all 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, being the most adversely impacted by the pandemic;
- The Group has suspended non-critical operating and capital expenditure and continues to undertake pro-active working capital management including ongoing negotiations with suppliers on payment terms;
- The Group has suspended dividends;
- The loan of A\$39.1 million (US\$30.0 million) recognised as a current liability at reporting date has been refinanced with Western Alliance Bancorporation (WAB) on 18 February 2021. This refinance provides the Group greater certainty and cash flow flexibility. The term of the loan with WAB is 5 years. This loan will be classified as a non-current liability at 30 June 2021. Further details on this refinance arrangement are outlined in 'Note 15 – Subsequent events';

Notes to the condensed consolidated interim financial statements

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

Future Impact and Going Concern (continued)

- The Group has not experienced to date, material issues over receivables collectability, or its supply chains;
- The sale of a parcel of surplus land (5 acres) at our Nevada facility is currently under contract for sale with a completion date in March 2021, subject to finalisation of due diligence by the buyer. This sale is expected to realise gross proceeds of US\$4.5 million; and
- The Group's facilities in Nevada and Florida have recently been appraised with market values greater than their respective carrying amounts.

(b) Use of judgements and estimates

The preparation of the interim financial statements requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2020.

3. Changes in significant accounting policies

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2020, and early adoption is permitted. However, there are currently no new standards, amendments to standards or accounting interpretations that are expected to affect the Group's consolidated financial statements in future periods.

4. Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2020.

5. Operating segments

The activities of the entities within the Group are predominantly within a single business which is the design, development, manufacture, sale and service of gaming machines and other related equipment and services. Information reported to the Group's Chief Executive Officer (CEO) as the chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the geographical location of customers of gaming machines. As such, the Group's reportable segments are as follows:

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

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

Notes to the condensed consolidated interim financial statements

5. Operating segments (continued)

For the six months ending 31 December 2020

In thousands of AUD

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

Notes to the condensed consolidated interim financial statements

5. Operating segments (continued)

For the six months ending 31 December 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
Reportable segment revenue	10,595	3,389	4,498	996	474	1,319	2,468	23,739	50,721	32,838	107,298
Result											
Segment result	(780)	363	1,635	223	(483)	361	2,336	3,655	21,343	8,848	33,846
Interest revenue not allocated to segments											4
Interest expense											(1,064)
Foreign currency loss											(260)
Share of loss of equity-accounted investee											(14)
R & D expenses											(21,387)
Corporate and administrative expenses											(11,594)
Other expenses not allocated to segments											(3,591)
Loss before tax											(4,060)
Income tax benefit											51
Net loss after tax											(4,009)

Notes to the condensed consolidated interim financial statements

6. Revenue

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

Disaggregation of revenue

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

For the six months ending 31 December 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
Major products/service lines											
Machine and part sales	6,183	2,795	1,337	3,018	756	1,590	2,566	18,245	16,546	2,094	36,885
Multi element arrangements	1,551	792	558	714	-	-	-	3,615	-	-	3,615
Sale type leases	-	-	-	-	-	-	-	-	251	-	251
Rendering of services	2,279	-	-	-	-	-	-	2,279	3,638	-	5,917
License income	-	-	-	-	-	-	2,134	2,134	4,187	409	6,730
Rental and participation	-	-	-	-	-	-	-	-	16,412	2,263	18,675
	10,013	3,587	1,895	3,732	756	1,590	4,700	26,273	41,034	4,766	72,073
Timing of revenue recognition											
Products and services transferred at a point in time	7,710	3,574	1,854	3,731	756	1,590	2,566	21,781	16,797	2,086	40,664
Products and services transferred over time	2,303	13	41	1	-	-	2,134	4,492	24,237	2,680	31,409
	10,013	3,587	1,895	3,732	756	1,590	4,700	26,273	41,034	4,766	72,073

Notes to the condensed consolidated interim financial statements

6. Revenue (continued)

Disaggregation of revenue (continued)

For the six months ending 31 December 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
Major products/service lines											
Machine and part sales	5,918	2,686	3,988	582	461	1,319	10	14,964	32,096	22,367	69,427
Multi element arrangements	1,533	703	510	414	-	-	-	3,160	-	-	3,160
Sale type leases	-	-	-	-	-	-	-	-	113	421	534
Rendering of services	3,151	-	-	-	-	-	-	3,151	3,395	-	6,546
License income	(7)	-	-	-	13	-	2,458	2,464	386	34	2,884
Rental and participation	-	-	-	-	-	-	-	-	14,731	10,016	24,747
	10,595	3,389	4,498	996	474	1,319	2,468	23,739	50,721	32,838	107,298
Timing of revenue recognition											
Products and services transferred at a point in time	7,373	3,349	4,438	989	474	1,319	10	17,952	32,184	22,723	72,859
Products and services transferred over time	3,222	40	60	7	-	-	2,458	5,787	18,537	10,115	34,439
	10,595	3,389	4,498	996	474	1,319	2,468	23,739	50,721	32,838	107,298

Notes to the condensed consolidated interim financial statements

7. Inventories

Write-down of Inventories

During the six months ended 31 December 2020, the write-down of inventories to net realisable value amounted to \$3,399 thousand (six months ended 31 December 2019: \$183 thousand). The write down in this period related to older style cabinets which the Group predominantly sells in the Latin America region. The opportunities to sell products have been reduced during the current period as the Latin America region continues to be adversely impacted by the high cases of COVID-19.

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

8. Impairment of trade receivables

During the six months ended 31 December 2020, the Group recognised impairment losses of \$6,045 thousand (six months ended 31 December 2019: \$596 thousand), predominately relating to the additional recognition of expected credit losses in trade receivables. The Group measures its expected credit losses by grouping its trade receivables based on shared credit risk characteristics and the days past due. The historical credit loss rate for each of these groups, adjusted for forward looking information on factors that may affect the ability of the customers to settle the debts, are then applied to determine the expected credit losses for those identified groups. The Group re-measures its expected credit losses at each reporting period taking into account new information that has arisen during the period. The increase of \$5,449 thousand in impairment losses recognised compared to prior corresponding period was a result of increased credit risk due to the continued adverse effects of COVID-19 in certain regions where the Group's trade receivables operates. The majority of the expected credit losses recorded was relating to the Latin American receivables where the second wave of COVID-19 has severely impacted operators in this region within the current period.

9. Income Taxes

During the six months ended 31 December 2020, the Group recognised an income tax benefit of \$6,558 thousand (six months ended 31 December 2019: \$51 thousand) resulting from the recognition of deductible temporary differences and tax losses. The deductible temporary differences predominately relate to unrealised foreign exchange losses at reporting date in which additional deferred tax assets were recognised.

Management has assessed that the carrying amount of deferred tax assets of \$10,344 thousand (H1 FY20: \$5,520 thousand) should be recognised as management considers it probable that future taxable profits would be available against which they can be utilised.

The Group's consolidated effective tax rate for the six months ending 31 December 2020 is 11.6% (six months ended 31 December 2019: 1.3%). The 11.6% effective tax rate in this period is a result of not recognising the tax losses in the Latin America entities as no deferred tax balances are recognised in these entities.

10. Property, plant and equipment

(a) Acquisitions and disposals

During the six months ended 31 December 2020, the Group capitalised assets with a cost of \$12,864 thousand (six months ended 31 December 2019: \$14,236 thousand). Included in the \$12,864 thousand are assets with a cost of \$11,645 thousand (six months ended 31 December 2019: \$8,247 thousand) associated with gaming products under rental and participation arrangements. In addition, \$1,544 thousand (six months ended 31 December 2019: \$5,253 thousand) of gaming product assets were transferred to inventory after being returned or sold to customers.

Other assets with a carrying amount of \$166 thousand were disposed of during the six months ended 31 December 2020 (six months ended 31 December 2019: \$533 thousand) resulting in a profit on disposal of \$76 thousand (six months ended 31 December 2019: \$10 thousand profit), which is included in other income in the condensed consolidated statement of profit or loss and other comprehensive income or loss. Assets with carrying amount of \$2,305 were transferred to held-for-sale at 31 December 2020 (six months ended 31 December 2019: nil).

Notes to the condensed consolidated interim financial statements

10. Property, plant and equipment (continued)

(b) Impairment loss

The Group performed an impairment analysis of all its cash generating units (CGUs) at 31 December 2020. The performance of the Latin America CGU has been severely impacted by a second wave of the COVID-19 during the period and with high cases still being recorded in this region. Accordingly, Management revised its forecast cashflows and in particular the timeframe expected to return to pre-COVID-19 performance. The recoverable amount of this CGU was estimated based on its value in use. Based on this assessment at 31 December 2020, the carrying amount of the Latin America CGU was determined to be higher than its recoverable amount and as such an impairment loss related to property, plant and equipment and leased assets of \$23,147 thousand was recognised for the six months ended 31 December 2020 (six months ended 31 December 2019: \$nil thousand). 'Note 11 – Intangibles assets' provides further detail on the recoverability amount of the Latin America CGU.

11. Intangible assets

Impairment testing for development costs

In accordance with the Group's accounting policies, the Group has evaluated whether the carrying amount of a CGU or group of CGUs exceeds the recoverable amount as at 31 December 2020 due to the presence of impairment indicators at reporting date.

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

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

The carrying amount of the Group's development costs amounts to \$20,763 thousand (Jun 2020: \$23,215 thousand), comprising of \$17,846 thousand in development costs relating to product development and \$2,917 thousand in development costs relating to online development activities.

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

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

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

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

Notes to the condensed consolidated interim financial statements

11. Intangible assets (continued)

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

CGUs	31 December 2020				
	Goodwill '\$000	Indefinite life intangible assets '\$000	Capitalised development costs '\$000	Other assets '\$000	Recoverable amount '\$000
Development	-	-	20,763	36,776	81,442
Australia and other	-	-	-	8,135	18,872
North America	37,103	1,583	-	63,910	200,439
Latin America	-	-	-	-	(15,383)

CGUs	30 June 2020				
	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	41,639	1,583	-	74,172	212,687
Latin America	-	-	-	24,620	24,620

Key assumptions used in determining the recoverable amount

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

CGUs	31 Dec 2020		30 June 2020	
	Pre-tax Discount rate	Average annual revenue growth rate ⁽¹⁾	Pre-tax Discount rate	Average annual revenue growth rate
Development	16.0%	7.3% ⁽²⁾	15.6%	0.4%
Australia and other	13.7% ⁽³⁾	26.1%	14.7%	25.5%
North America	14.5%	19.0%	14.0%	17.6%
Latin America	14.4%	13.0%	18.8%	17.3%

- The 5 years forecast average annual revenue growth rates (FY21 to FY25) has been calculated based on FY20 revenue as the base year, which has been adversely impacted by COVID-19. When estimating the revenue growth rates, management have considered and incorporated the effects of the pandemic for each CGU. In North America, the forecasted growth rate is based on a staggered recovery in Half 2 FY21 and a gradual return to pre-COVID-19 levels during FY22, and normalised business performance/ growth rates thereafter. In Australia, the Group expects an earlier recovery to occur in FY21 due to the stabilisation of the pandemic in this region while the recovery in Latin America is expected to take longer due to second wave experienced by the region;
- The notable change in average annual revenue growth rate by 690 basis points for the Development CGU compared to 30 June 2020 is a result of higher forecasted online revenue as the Group has expanded its online footprint in New Jersey in the current period with the expectation to further expand in additional US markets of Michigan, Illinois and Pennsylvania. A further increase in available digital games has been released to our online business operators.
- The reduction in the pre-tax discount rate for the Australia and other CGU by 100 basis points resulted from the change in the forecasting risks as this CGU's recovery from COVID-19 has progressed better than expected at 30 June 2020 with low cases reported and easing of restrictions in this CGU's primary market, Australia.

Notes to the condensed consolidated interim financial statements

11. Intangible assets (continued)

Key assumptions used in determining the recoverable amount (continued)

Following a second wave of infections, a large proportion of customers' operating within Latin America, primarily Mexico, Argentina and Peru, were either closed or imposed new restrictions. Capital expenditure commitments in these Latin American jurisdictions have been deferred in terms of both hardware and technology purchasing decisions whilst uncertainties exist as to recommencement of pre-pandemic operating activities. As a result, Management, incorporating the most recent available information, has determined that it was necessary to decrease its revenue projections used for impairment testing purposes for this CGU for FY22 through to FY25. Given this reduced outlook, an impairment charge of \$23,147 thousand against the Latin America CGU leased assets and other property, plant and equipment was recorded. The impairment charge has been recognised in the income statement under 'Other expenses'.

The impact of possible changes in key assumptions

Australia and other CGU

As at 31 December 2020, Australia and other CGU has a forecasted recoverable amount exceeding carrying amount ("headroom") of \$10,737 thousand, compared to \$15,702 thousand at 30 June 2020. The recoverable amount of this CGU has been affected by the increase in the forecasted product development charges. Given the reduction in headroom and 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.

The sensitivity carried out for this CGU is as follows:

Assumptions	Model assumption	Sensitivity	Headroom impact '\$000
Average annual revenue growth rate	26.1%	+ 200 basis points	+ \$11,051
		- 200 basis points	- \$10,442
Discount rate	13.7%	+ 100 basis points	- \$5,385
		- 100 basis points	+ \$6,497

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

The increase in the average annual growth rate by 140 basis points at 31 December 2020 compared to 30 June 2020 is driven by the increase in participation and lease revenue projections. This change in projection is a result of the high performing HHR products experienced during this reporting period and it is expected that the revenue growth will continue into future periods as more gaming venues reopen.

As the headroom of this CGU is \$97,843 thousand, Management does not believe that a reasonable possible change in key assumptions will result in a material impairment charge.

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.

Notes to the condensed consolidated interim financial statements

11. Intangible assets (continued)

The impact of possible changes in key assumptions (continued)

Development CGU (continued)

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 new hardware configurations release, Management, based on historical experience and industry specific factors, has reviewed and assessed that forecast revenue growth rates are expected to be achieved. As more customer venues are beginning to reopen as the vaccination programs are rolled out across the Group's major markets and supporting a more positive outlook, the full magnitude and the longer-term adverse impact of the pandemic still remains uncertain.

12. Financial instruments

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

In thousands of AUD

Carrying amounts versus fair values

	Carrying amount	Fair value
31 December 2020		
Non-current financial assets		
Trade and other receivables	39,064	39,064
Non-current financial liabilities		
Loans and borrowings:		
Lease Liabilities	13,722	13,722

13. Loans and borrowings

The following loans and borrowings (current and non-current) were obtained and repaid during the six months ended 31 December 2020:

<i>In thousands of AUD</i>	Currency	Nominal Interest Rate	Face Value	Carrying Amount	Year of Maturity
Balance at 1 July 2020			44,022	44,021	
New funding					
Insurance premium funding	AUD	1.27%	376	371	2021
Repayments					
Insurance premium funding	AUD	1.27%	(88)	(86)	2021
Secured bank loan	USD	LIBOR+1.20%	(74)	(74)	2021
The effects of foreign exchange rate					
Secured bank loan	USD	LIBOR+1.20%	(4,786)	(4,786)	2021
Balance at 31 December 2020			39,450	39,446	

Notes to the condensed consolidated interim financial statements

13. Loans and Borrowings (continued)

The \$39.1 million (US\$30.0 million) in loans and borrowings disclosed under 'current liabilities' relate to the drawdown from the A\$50.0 million Australia and New Zealand Banking Group (ANZ) facility which expires in September 2021. On 18th February 2021, the Group undertook a refinance of its A\$50.0 million facility with ANZ. A new 5-year US\$35.0 million secured facility was established with the Western Alliance Bancorporation (WAB) of which US\$28.0 million from this facility was utilised to retire the debt obligations under the ANZ credit facility. In the new WAB facility, the Company's US-based operating subsidiary, Ainsworth Game Technology Inc., is established as the borrower and party to the relevant credit agreements while its parent entities within the AGT Group of companies, AGT Pty Ltd and Ainsworth Game Technology Limited, serve as guarantors. The new facility imposes certain customary financial covenants which includes minimum liquidity, total leverage and fixed charge coverage ratios measured on quarterly and annually basis.

14. Related parties

Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments awards. The Group recognised total compensation of \$1,126 thousand for key management personnel for the six months ended 31 December 2020 (six months ended 31 December 2019: \$1,960 thousand).

Other related party transactions

<i>In thousands of AUD</i>	Transaction value six months ended		Balance receivable/(payable)	
	31 Dec 20	31 Dec 19	31 Dec 20	31 Dec 19
Sale / purchase				
<i>Novomatic AG and its related entities⁽ⁱ⁾</i>				
– sale of goods	1,534	10	1,516	101
– purchase of goods	82	-	(2,035)	-
Expenses				
<i>Novomatic AG and its related entities⁽ⁱ⁾</i>				
– purchases and other charges made on behalf of Novomatic	-	888	-	234
– purchases and other charges made by the Group	-	1,492	-	(1,052)

Note:

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

Notes to the condensed consolidated interim financial statements

15. Subsequent events

On 18th February 2021, the group undertook a refinance of its A\$50.0 million facility with the Australia and New Zealand Banking Group (ANZ). A new 5-year US\$35.0 million secured facility was established with the Western Alliance Bancorporation (WAB) and all associated obligations under the previous ANZ credit facility have been extinguished.

In the new WAB facility, the Company's US-based operating subsidiary, Ainsworth Game Technology Inc., is established as the borrower and party to the relevant credit agreements while its parent entities within the AGT Group of companies, AGT Pty Ltd and Ainsworth Game Technology Limited, serve as guarantors.

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 significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.