ANNUAL REPORT
2021

AINSWORTH

Ainsworth 2021 Annual Report

Contents

Notice of Annual General Meeting

Ainsworth Game Technology Limited
ABN 37 068 516 665

Notice is hereby given that the 2021 Annual General Meeting of the members of Ainsworth Game Technology Limited will be held on Thursday 25th November 2021 at 10:00am AEDT.

In light of the continued uncertainty and potential health risks associated with the COVID-19 pandemic, Ainsworth will be webcasting the AGM online – details will be included in the AGM Notice of Meeting.

RESULTS ANNOUNCEMENT FOR SIX MONTHS ENDING 31ST DECEMBER 2021:

Tuesday 22nd February 2022

Dates may be subject to change

RESULTS ANNOUNCEMENT FOR YEAR ENDING 30TH JUNE 2022:

Tuesday 23rd August 2022

Dates may be subject to change

In accordance with ASX Listing Rule 4.10.3, Ainsworth Game Technology's Corporate Governance Statement can be found on its website at: *https://www.agtslots.com/investor/corporate-governance*

Performance Overview

North America

- Revenue increased by 23% as market recovers from pandemic.
- Segment profit at 44%, increased by 9% resulting from improved revenue and effective cost control management in place.
- The number of machines on participation was 2,712 (Class II: 1,731 and Class III: 981), +17%.
- Participation revenue increased by A$15.3 million due to increased in placements and high average yield per day from Historical Horse Racing ("HHR") products.
- MTD Gaming contributed positive impact on revenue within the North America segment and provide avenues of future growth in premium performing Poker, Keno and Video Reel content.

Australia

- Profit was up to A$2.4 million given increased revenue by 38% with improved performance from new hardware and recently released game titles.
- Further extended lockdowns across New South Wales and other states within Australia have created an element of uncertainty and risk associated for this Cash Generating Unit (CGU) resulted in a one-off (non-cash) impairment charge of A$8.0 million recognised in 'Other Expenses'.

Latin America

- Delivered loss of A$($8.6) million compared to profit of A$2.3 million in FY20 due to the prolonged severe impacts of COVID-19.
- Decline in revenue to A$18.3 due to closures across the primary markets of Mexico, Argentina, and Peru.
- Results in H2 FY21 saw some recovery with revenues of A$13.5 million compared to A$4.8 million reported in H1 FY21. Further recoveries in FY22 as vaccination rates increase and expectation that Government restrictions be further eased.
- An impairment review of this CGU has resulted in a one-off (non-cash) impairment charge of A$24.7million recognised in 'Other Expenses'.

Financial Highlights

- Positive adjusted EBITDA of A$15.5 million (excludes currency and one-off items), improvement on the A$5.8 million reported in FY20.
- Strong balance sheet to enable further investment in product development.
- Cash at 30 June 2021 was A$42.4 million (30 June 2020: A$26.5 million).
- Net cash of A$5.1 million compared to net debt of (A$17.5 million) at pcp.
- Revenue of A$159.5 million, +7% from pcp.
- Effective management and control of operational expenses resulting in operating costs at A$98.4 million, -20% from pcp.
- R&D as a percentage of revenue at 21% (2020: 28%).

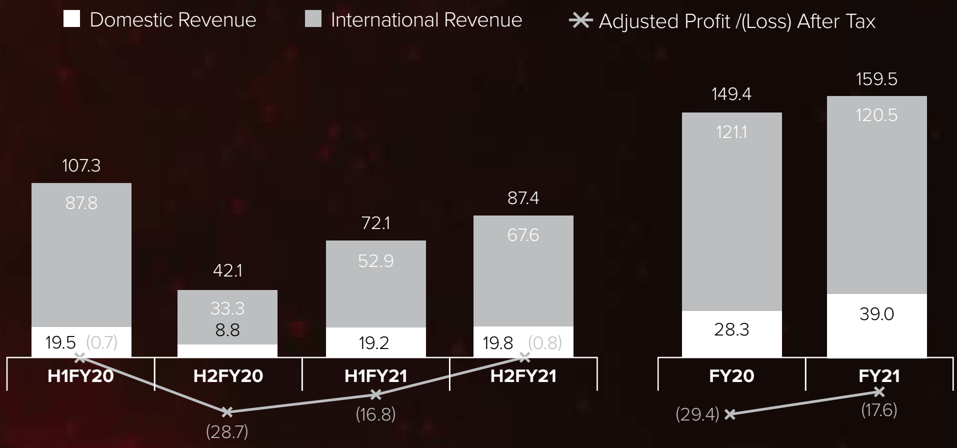
Rest of the World

- Revenues of A$13.7 million, +96% due to the increased in unit sales in Europe and New Zealand.
- Profit was up by 136% to A$6.6 million.
- Online contributed A$5.9 million of revenues, up 28% compared to pcp. Increase in revenue was primarily from the launch of Real Money Gaming ("RMG") in New Jersey in April 2020 and progressively going live with seven major operators.

Online Gaming

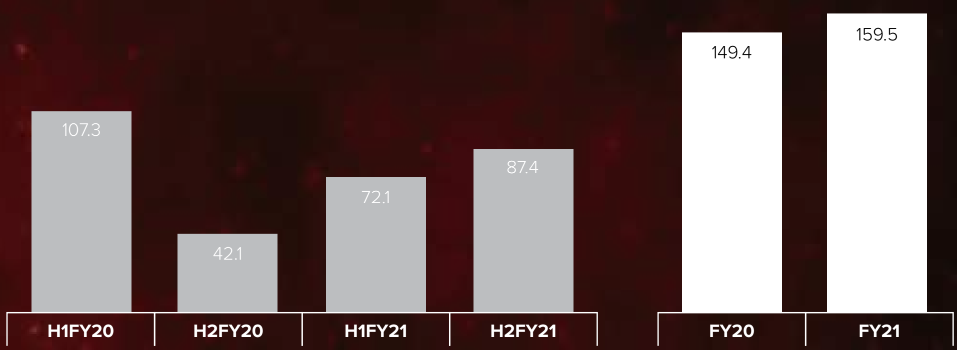
- Further progress in accelerating monetisation of on-line real money and social gaming was achieved in the period.
- Following the successful launch of RMG in New Jersey, AGT has partnered with GAN to provide exclusive distribution to AGT game titles in USA for a 5-year term with expectation that this contractual agreement will generate US$30.0 million over the 5 years from FY22.
- Continuing strong partnership with Zynga in providing AGT's established and high performing game titles in social online gaming.

Historical Performance - AUD (M)
(by Half and Full Fiscal Year)



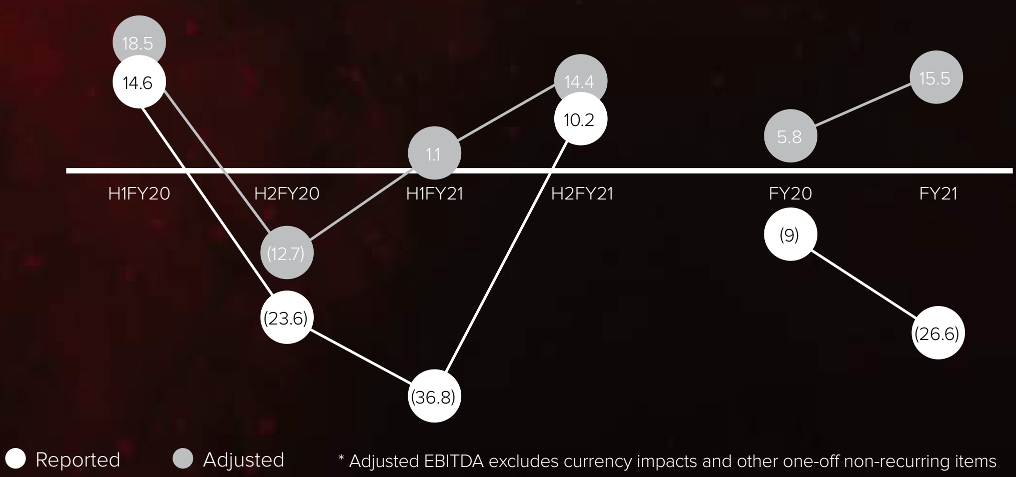
*Adjusted Profit/(Loss) After Tax excludes currency impacts and other one-off non-recurring items

Revenues - AUD (M)
(by Half and Full Fiscal Year)



***Note 1:** Significant decline in revenue impacted by the onset of COVID-19 at beginning of Calender Year 2020

Reported and Adjusted EBITDA - AUD (M)
(by Half and Full Fiscal Year)



* Adjusted EBITDA excludes currency impacts and other one-off non-recurring items

New Products

CABINETS

A-Star™ Curve XL & A-Star™ Slant

Adding to the A-Star™ Dual Screen and Curve cabinets which were launched globally in February 2020, Ainsworth introduces the A-Star™ Curve XL and the A-Star™ Slant to the cabinet family. The A-Star™ Curve XL features a 4K 55-inch floating infinity monitor, dynamic LED lighting, and a state-of-the-art LCD button deck and was unveiled in the Americas July, 2021. The brand-new premium cabinet was released with the new Take It or Leave It game series. The A-Star™ Slant will make its global debut at G2E in October, 2021. This sleek new Slant cabinet offers a modular design, and all the features the A-Star™ cabinet is known for but in a sightline friendly low-profile display.

ONLINE

B2B Real Money Gaming (RMG)

Ainsworth Interactive signed a 5-year partnership with Game Account Network (GAN) for a minimum guaranteed amount of US$30 million for the exclusive supply of Ainsworth real money online games in the USA. Ainsworth's existing online operations in New Jersey are incorporated in the Agreement, as well as the planned expansions into Michigan and Pennsylvania.

80 online games were developed and certified in New Jersey for the US market along with releasing them in parallel to European operators.

For FY21, we launched our online content into the US market with Caesars Entertainment, Rush Street Interactive, Borgata, BetMGM, Party Casino, Mohegan Sun, Resorts Atlantic City and WynnBet casinos.

B2B Social Casino Business

Ainsworth further expanded the relationship with social casino partner, Zynga. Zynga has agreed to provide engineering resources to develop games, expediting the launch of the new games on their Hit It Rich app.

HISTORICAL HORSE RACING (HHR)

Ainsworth's award-winning Historical Horse Racing System is experiencing continued success in North America. Most recently, content and cabinets from manufacturers Aristocrat, IGT, Konami and Scientific Games can be connected to Ainsworth's HHR System. There are now more than 2,000 Ainsworth games in operation across Kentucky, Alabama and Virginia with over 100 titles and 6 terminal styles directly available.

NEW GAMES

Cash Stacks™

Cash Stacks™ is Australia's latest multi-denom product with scalable bonuses and multiple free games options in both stand-alone and link progressive configurations. Cash Stacks™ brings a fresh concept with 5th reel bonusing and the new Hold n' Stack™ credit collection feature. This feature provides an aspiring credit collection whereby the more free games awarded, the greater the potential stack award and increasing chance of Major and Grand Jackpots.

Take It or Leave It™

Take It or Leave It™ launches Ainsworth's A-STAR™ Curve XL premium slot cabinet. This two-game series – Super Hot 7s Classic™ and Solid Gold 8s Classic™ – combines popular QuickSpin Classic™ wheel play mechanics and proven Ainsworth High Denomination math into a powerful Linked Progressive bank built for the biggest gamblers. The player chase focuses on a line-win Progressive and the Take It or Leave It™ wheel bonus.

Lucky Stars™

Ainsworth's library of innovative game content expands with the release of the Lucky Stars Link™. Two unique titles – Blazin' Hot Lucky Stars™ and Emperor's Lucky Stars™ – offer players the chance to try to win two Jackpots during an exciting Symbol Collection Feature. These new multi-denom games also include metamorphic pots and a fun Bonus Wheel.

Rio Grande Rapids™

The Rio Grande Rapids™ brand is celebrating 10 years of uninterrupted fun with customers in Latin American casinos. In addition to being a widely recognized game, after 10 years it continues to offer high productivity rates.

Rio Grande Rapids™ offers an interconnected progressive jackpot with three jackpot levels and an exciting, stacked symbol feature that triggers numerous prize rounds. The titles that make up the brand are Rio Express™, Rio Sunset™, & Rio Gold™.

Board of Directors

Danny Gladstone

Chairperson and
Non-Executive Director

Member of the Audit and Risk Committee

Appointed Non-Executive Director 1 July 2019

Chairperson since 26 November 2019

Harald Neumann

Chief Executive Officer and
Executive Director

Former Senior Advisor to Novomatic AG

Appointed 21 February 2017

Chief Executive Officer since 1 October 2021 (Subject to regulatory approval)

Graeme Campbell

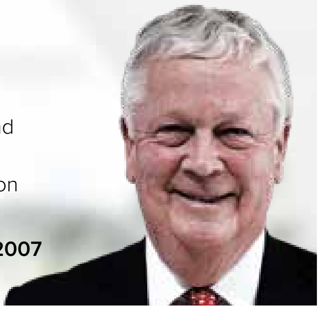
OAM

Lead Independent
Non-Executive Director

Chairperson of the Audit and Risk Committee

Member of the Remuneration and Nomination Committee

Appointed 18 September 2007



Colin Henson

Dip-Law BAB, FCPA, FCG (CS, CGP) FAICD

Independent Non-Executive Director

Chairperson of the Remuneration and Nomination Committee

Chairperson of the Regulatory and Compliance Committee

Member of the Audit and Risk Committee

Appointed 3 April 2013

Sustainability Statement

Despite the impacts of the pandemic on operations over the period, the Company has maintained a range of initiatives directed towards ensuring its business and operations make a positive contribution towards sustainable development.

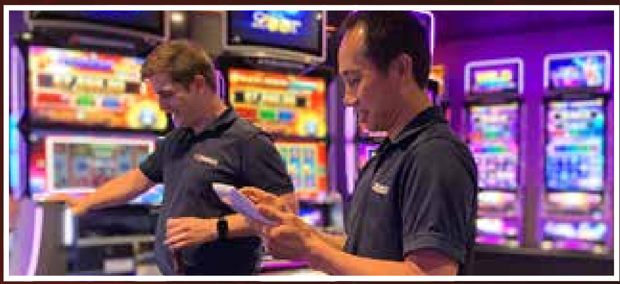
ENVIRONMENT & ENERGY

Mission:

Minimise the impact of the Company's business activities on the environment.

Example of initiatives:

- Implementation of solar energy technologies and industrial standard energy saving high lumen LED lighting throughout its Newington premises and factory;
- Recycling of paper and cardboard waste, used metal (such as that found in end-of-life used gaming machines) and water;
- Ongoing minimisation of use of hazardous substances in the design and manufacture of the Company's products;
- Continuous initiatives to reduce paper usage by incorporating paperless transactions and record keeping where possible.



OUR PEOPLE

Mission:

Build an engaged, skilled, and responsible workforce guided by values that support our strategy.

Example of initiatives:

- Provide a safe and enjoyable work environment, with programs that support and incentivise employees;
- The conduct of employee training in support of the Company's global compliance efforts, including training for employees on what constitutes bribery, unlawful/corrupt conduct and money laundering and the penalties associated with such conduct;
- An ongoing assessment of the workplace health and safety risks of all Ainsworth employees, including the proactive encouragement of COVID-19 vaccine take up by all employees worldwide and allowing all employees to utilise flexible work conditions where practicable to minimise the disruption to both employees and the Company's business caused by the COVID-19 pandemic.

RESPONSIBLE GAMBLING

Mission:

While we strive to deliver excellence in gaming global solutions, supporting and promoting responsible gambling is one of our core values.

Example of initiatives:

- Ensuring the Company's gaming products are regularly tested and approved in accordance with relevant local laws and technical standards to ensure they operate with fairness and integrity and that they facilitate responsible gaming machine play;
- Through the Company's full membership and support of the Gaming Technologies Association of Australia ('GTA'), assisting in the provision of responsible gaming resources to the general public that allow players to make informed decisions about their participation in gaming machine play. More information on these initiatives is available from the GTA website: www.gamingta.com.

LICENSING & COMPLIANCE

Mission:

Ensuring that we operate in accordance with global compliance best practice across global markets.

Example of initiatives:

- Proactive approach to compliance and probity by having vigorous policies and procedures ensuring that we maintain our licences around the world;
- The regular vetting and review of all new and existing significant customers and suppliers of the Company by a dedicated and professionally trained regulatory compliance function overseen by the Company's Regulatory and Compliance Committee, to ensure all persons that do business with the Company are aligned with Ainsworth's ethical and compliance values and requirements. For more details concerning these values and requirements please see the Ainsworth Regulatory and Compliance Committee Charter, published on the Company's website.

ETHICAL SOURCING

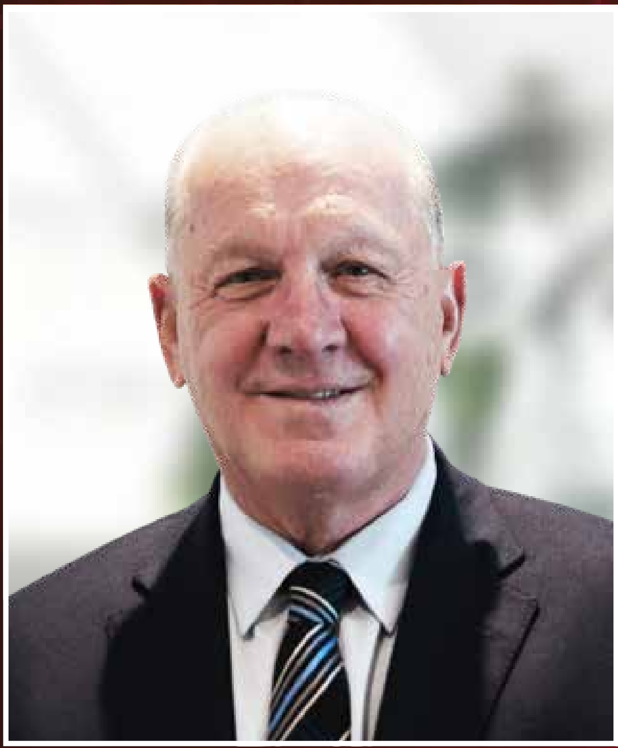
Mission:

Ensuring that those involved in our supply chain are treated fairly and operate in a safe environment and conforming to local requirements.

Example of initiative:

- The ongoing efforts of the Company to minimise the risk of modern slavery within the Company's domestic and global supply chain as detailed in the Company's Modern Slavery Statement and published on the Company's website.

Chairperson's Report



Dear Shareholders,

2021 has clearly been a challenging year for our customers, communities, and colleagues. I am proud of the way Ainsworth has supported our teams through these anxious times and delivered a strong recovery in results in the second half of the financial year. With progress in vaccine roll outs and the progressive reopening of customers' venues across most markets, we look forward to further improvement in trading conditions in FY22.

For FY21, AGT reported a Loss before Tax of $59.2 million. This loss reflects the impact of the pandemic and government imposed mandatory closures of customers' venues, particularly in the first six months of FY21. The results also included $42.1 million relating to currency impacts and other one-off non-recurring items, including non-cash impairment charges of $41.7 million.

Excluding currency translation impacts and one-off items noted above, the Loss before Tax for the year was $17.1 million. This compares to a loss of $34.0 million in FY20 on a similar basis.

The results for the second half of FY21 showed a significant improvement on the first half results. Our performance has followed the progress of vaccination programs and increased customer activity. Compared to the $56.6 million Loss before Tax reported for 1HFY21, AGT delivered improved performance for the 2HFY21 with a loss of $2.6 million.

Our goals remain to further expand our international footprint and build our participation fleet to improve the quality of earnings.

International markets contributed $120.5 million in revenue for FY21, representing 76% of the group's FY21 total revenue. This delivered an improved performance overall with 2HFY21 representing $67.6 million, up 28% on 1HFY21. Recurring revenues continue to grow, accounting for 28% of total revenues (26% in PCP). AGT's units under gaming operation increased by 9% to 7,052, generating annuity style recurring revenues.

Operating costs were well controlled in FY21 with a decrease of 20% on the $122.7 million in the prior year. Current economic challenges resulted in the instigation of effective management and control of operational expenses, including agreed rental concessions, voluntary employee salary reductions and receipt of available government subsidies. Headcount reductions towards the end of FY20 provided additional overhead savings during the year as costs were maintained despite growth in revenue.

Despite these significant operational challenges, we remained focused on innovation and developing superior products for our customers. This commitment underpins our strategy and sustainability. The imminent appointment of our new Chief Product Officer, Mr David Bollesen, combined with increased collaboration from Novomatic AG will ensure greater emphasis on creating more diverse product offerings across our global markets.

I would like to highlight two examples of our commitment to innovation and excellence. The first is AGT's leading Historical Horse Racing (HHR) products and system, which continued to perform well in the year. AGT is pursuing new revenue opportunities in current established markets and new jurisdictions where legislation has recently been passed, including New Hampshire, Wyoming and Louisiana.

The previously launched A-Star™ cabinet is another example of Ainsworth at its best. We successfully exhibited the A-Star™ at the National Indian Gaming Association trade show in July 2021, the first to take place since the declaration of the pandemic. The positive customer responses and feedback bode well for future growth. The effectiveness of our R&D investment will continue to be a primary objective with the efficient production of innovative, high performing products being the key to our future success.

In line with the strategic priority to protect AGT during this challenging period, the Company's balance sheet and liquidity have been strengthened. At 30 June 2021, AGT had a cash balance of $42.4 million and since then, the cash balance has further increased. As a result of the exclusive distribution agreement for Real Money Gaming within the USA, AGT received the initial US$5 million contribution from GAN Limited in July 2021.

Given the focus on liquidity and ensuring AGT is well placed during challenging market conditions, the dividend program remains suspended.

While the FY21 results were significantly affected by the pandemic, the proactive measures we have implemented to strengthen AGT and position the Company for further recovery, should lead to improved performance as customer activity continues to increase. As you will have heard me say before, we have a professional workforce, an excellent industry reputation and a well-established footprint across our markets.

We also have a new CEO to lead our growth and recovery. Subject to regulatory approvals, Harald Neumann commenced as CEO on 1st October 2021. As the former successful CEO of Novomatic AG, our major shareholder, and a director of AGT, he brings a wealth of knowledge and experience to the role with a thorough understanding of AGT. He will be able to seamlessly transition to the new position. Harald will be based primarily in Las Vegas where he can lead AGT in our largest market and continue to drive our success.

I would also like to express the Board's gratitude to Lawrence Levy, who resigned from the CEO role in September for personal reasons. On behalf of the Board, I would like to thank Lawrence for his contribution, and we wish him well for the future.

I would like to acknowledge and thank my fellow Board members for their efforts and support during difficult and challenging times.

I would like to close by thanking the rest of the highly capable executive team in Australia and the Americas, as well as our dedicated and loyal employees, my fellow shareholders and of course, our customers.

D. Gladstone

Danny Gladstone
Chairperson

Chief Executive Officer's Report

Dear Shareholders,

I am delighted to provide my first report as your recently appointed Chief Executive Officer (CEO).

As many of you will know, I started in my new role on the 1 October this year. Although my appointment is recent, I am not new to Ainsworth, or to the industry. I have been a director of your Company since 2017 and this will be my fifth Annual General Meeting of shareholders. Previously I was the CEO of Novomatic for five years and during this time, I was heavily involved in the due diligence and acquisition of the AGT shareholding. It is a privilege to be appointed to this executive leadership position at Ainsworth at such an important and challenging time in the company's development.

Given my experience and directorship, I have been able to build a strong knowledge of the business and a good understanding of our strengths and opportunities. Our key strengths include our trusted brand, our highly capable staff, the company's enduring commitment to developing superior game technologies and our customer relationships across our major markets, particularly in North America.

It is the potential to leverage these strengths into large market opportunities to deliver sustained growth and improved returns for shareholders that appeals to me about the role and excites me about Ainsworth.

I recently traveled to Australia (and the United States) to review our operations and opportunities. While I was there, I had the benefit of talking with shareholders, customers and many of my colleagues including management, sales and marketing teams and product developers. It became very clear to me that we have the ability, as pandemic restrictions are removed, to deliver on our potential to be a larger and more profitable company in our major markets.

The improved results we delivered in the second half of FY21 highlight this recovery potential. Revenue in 2H increased by 21% compared to the first half. Loss after tax for 2H, including $12.5 million of non-cash impairments, was $3.3 million compared to a loss of $50.1 million in the first six months.

Underlying EBITDA, a more reflective measure of operational performance, vastly improved in 2HFY21, and increased year on year. AGT reported underlying EBITDA of $15.5 million for FY21 compared to $5.8 million in the Prior Corresponding Period (PCP). Underlying EBITDA for 2HFY21 was $14.4 million compared to $1.1 million in 1HFY21. While these results don't reflect Ainsworth's real earnings potential, they are much better results than we reported for the first half.

The North America region was once again the highlight of the results. The region reported revenue of $88.5 million, up 23%. Customer activity has recovered strongly as many markets reopened once vaccination programs advanced.

Assets on participation were up 17% to 2,712. Participation and lease revenue increased by 66% year on year, and now contribute a greater share of overall regional revenue at 44% (32% in FY20).

Following the close of the financial year, AGT completed a cash sale to Kentucky Downs of 400 machines previously under participation. The sale represents a mixture of hardware configurations including a portion of the newly released A-Star™ curve cabinets. The agreement provides for AGT to receive connection fees in FY22 and beyond. This sale gives us a good start to the new financial year.

Australia delivered a good result in FY21, with solid growth over the PCP. The new A-Star™ curve cabinet and suite of innovative games were launched in the year. Revenue grew by 38% and EBITDA by 15% to $5.4 million (PCP: $4.7 million). Revenue increased in all states except Victoria.

While the latest lockdowns in some states of Australia are creating further uncertainties, customers are looking to invest in their gaming floors to ensure they are competitively placed and appropriately resourced for when venues are permitted to reopen.

Latin America was heavily impacted by the pandemic with high transmission rates, Government mandated closures and access restrictions to customer venues in Mexico, Argentina, and Peru. These restrictions affected performance. Revenues for the region were $18.3 million, a reduction of 56% compared to PCP.

Results in 2HFY21 saw some recovery with revenues of $13.5 million compared to $4.8 million reported in 1HFY21. Of the 625 machines AGT sold in the region last year, 514 were in 2HFY21. As these markets increase vaccination rates, it is expected that Government restrictions will be eased within FY22 and further revenue opportunities can be expected as previously deferred purchasing decisions are progressed across the region.

Online revenue grew by 28% to $5.9 million in the year following the launch of Real Money Gaming in New Jersey in April 2020 and progressively going live with AGT content with seven (7) major operators. The success of this business led to the US exclusivity agreement AGT executed with GAN Limited, ensuring continued growth for FY22 and beyond.

The gross margin in FY21 was 56%, an increase on the 52% reported in the 1HFY21, however an overall reduction on the 61% in the PCP. The reduced margin was primarily due to further write down of older style cabinets, higher production overhead costs resulting from lower production units and sales forecasts in most jurisdictions.

Despite all the challenges of the pandemic across our regions, AGT today is well placed for further recovery and long-term growth. We proactively took the opportunities the pandemic presented to enhance product development, streamline our cost base, expand our market presence, and strengthen our balance sheet. These initiatives have improved our financial results. We will conduct a broad review of our operations and investments to ensure we are maximizing our assets and opportunities so that we are well positioned for the future.

We have an optimistic outlook. Our North American business is performing well. Markets have effectively reopened over there, with social distancing. We are pursuing new growth opportunities for our market leading Historical Horse Racing (HHR) products in new jurisdictions following the passing of new legislation. We are excited by the opportunities to extend MTD, which we acquired in H2FY20 across our jurisdictions to drive new sales and we can promote the A-Star™ cabinet, which is still not known in the US given so many trade shows and exhibitions were canceled last year. Our Australian business is also making progress despite the recent lockdowns.

The commitment to employing the best talent available to drive effective and efficient product development is critical to our success. To enhance our efforts in this area we are pleased to announce the appointment of our new Chief Product Officer, David Bollesen.

Our strong financial model supports our growth ambitions. 28% of group revenues recur and 76% of our sales are from offshore markets. In FY21 we refinanced a $50 million flexible loan facility and closed the year with a cash balance of $42.4 million.

AGT is purposefully a different company to the one we were before the pandemic. We have deliberately taken advantage of the opportunities available to us over the last year to become more streamlined, more efficient, and more competitive. We are well positioned for recovery and growth.

I wish to express my appreciation to my fellow Board members, including Danny Gladstone as the Chairman for their ongoing contribution to the Company. Danny has tremendous industry knowledge and proven expertise and I look forward to working closely with him.

I would also like to thank Mark Ludski our CFO and Company Secretary, the executive teams from North America, Latin America and Australia and our talented employees, supportive shareholders and, importantly, our customers for their trust and support.

Harald Neumann
Chief Executive Officer

Shareholder Information

INFORMATION ABOUT SHAREHOLDERS

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

SHARE HOLDINGS (AS AT 20 SEPTEMBER 2021)

Number of shareholders and shares on issue

The issued shares in the Company were 336,793,929 ordinary shares held by 3,698 shareholders.

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number of Ordinary Shares
Novomatic AG	178,150,817
Votraint No. 1019 Pty Ltd (MCA Private Investment A/C)	30,133,804
Allan Gray Investment Management	28,342,992
Spheria Asset Management	24,762,821

Voting rights

Ordinary shares

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

Options

Option holders have no voting rights.

Distribution of shareholders

	NUMBER OF EQUITY SHAREHOLDERS	
Category	Ordinary Shares	Options
1 – 1,000	985	1
1,001 – 5,000	1,548	21
5,001 – 10,000	493	24
10,001 – 100,000	613	297
100,001 and over	59	4
Total	**3,698**	**347**

The number of shareholders holding less than a marketable parcel of ordinary shares is 494 (66,293 ordinary shares).

On market buy-back

There is no current on market buy-back of ordinary shares.

Unquoted equity securities

At 20 September 2021, 8,353,648 unlisted non-transferable options have been issued to 347 employees, respectively. These options remain unexercised.

Regulatory considerations affecting shareholders

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

Shareholder Information (continued)

Twenty largest shareholders

Name	Number of ordinary shares held	Percentage of total
NOVOMATIC AG	178,150,817	52.90
CITICORP NOMINEES PTY LIMITED	34,633,933	10.28
VOTRAINT NO 1019 PTY LIMITED <MCA PRIVATE INVESTMENT A/C	30,133,804	8.95
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,540,434	4.02
ASSOCIATED WORLD INVESTMENTS PTY LTD	10,616,580	3.15
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	8,818,787	2.62
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,469,639	1.62
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	5,435,237	1.61
NATIONAL NOMINEES LIMITED	4,386,676	1.30
BNP PARIBAS NOMS PTY LTD <DRP>	2,116,702	0.63
THE PAVILION MOTOR INN OF WAGGA WAGGA PTY LTD	1,500,000	0.45
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C	1,497,667	0.44
BNP PARIBAS NOMS (NZ) LTD <DRP>	1,265,690	0.38
CASOLA HOLDINGS PTY LTD <NORDIV HOLDINGS S/FUND A/C	1,070,000	0.32
ONE MANAGED INVT FUNDS LTD <SANDON CAPITAL INV LTD A/C	962,165	0.29
ONE FUND SERVICES LTD <SANDON CAPITAL ACTIVIST A/C	815,369	0.24
MR CHRISTIAN JOHN HASTINGS AINSWORTH	770,650	0.23
MR SASHA ALEXANDER CAJKOVAC	692,819	0.21
MISS PATTARAWADEE SMARNKEO	684,999	0.20
MR RICHARD JAMES GOLDSACK + MS AMANDA JANE HAY <GOLDSACK & HAY FAMILY A/C	546,273	0.16
Total	**303,108,241**	**90.00**

Directors' Report

for the year ended 30 June 2021

The directors present their report together with the consolidated financial statements of the Group comprising of Ainsworth Game Technology Limited (the Company) and its subsidiaries for the financial year ended 30 June 2021 and the auditor's report thereon.

1. DIRECTORS

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

Name, Qualifications & Independence Status	Age	Experience, Special Responsibilities & Other Directorships
CURRENT		
Mr Daniel Eric Gladstone Chairperson and Non-Executive Director	66 yrs	— Danny has held senior positions within the gaming industry over a successful career spanning 40 years. — Former Chairperson of Gaming Technologies Association. — Inducted into the Club Managers Association Australia Hall of Fame in 2000. — Member of Regulatory and Compliance Committee since 2010 until 30 June 2019. — Chief Executive Officer since 2007 (Executive Director since 2010) until 30 June 2019. — Non-Executive Director since 2019, appointed Chairperson on 26 November 2019. — Member of Audit & Risk Committee from 24 June 2021.
Mr Graeme John Campbell OAM Lead Independent Non-Executive Director	64 yrs	— Graeme has specialised in the area of liquor and hospitality for over 30 years in corporate consultancy services with particular emphasis on hotels and registered clubs. — Independent Chairperson of Harness Racing Australia. — Chairperson of Nominations Committee of Parramatta Rugby League Football Club (Eels). — Former Chairperson of Harness Racing NSW, Former Director of Central Coast Stadium, Blue Pyrenees Wines and NSW Harness Racing Club. — Former Director and Chairperson of Lantern Hotels Group. — Recipient of J.P. Stratton award and Ern Manea Gold Medal. Inducted into the Inter Dominion Hall of Fame in February 2014. Awarded Order of Australia medal in January 2018 for services to harness racing. — Director of Liquor Marketing Group Limited (Bottle Mart) since 2013. — Chairperson of Audit & Risk Committee of Illawarra Catholic Club Group. — Member of Audit & Risk Committee since 2017 until 26 November 2019 - appointed Chairperson from 26 November 2019, member of Regulatory and Compliance Committee until 1 July 2017, member of Remuneration and Nomination Committee since 2015. — Lead Independent Non-Executive Director since 2013 until appointed Chairperson in 2016 until 26 November 2019. Lead independent Non-Executive Director since 26 November 2019.

Name, Qualifications & Independence Status	Age	Experience, Special Responsibilities & Other Directorships
CURRENT		
Mr Colin John Henson Dip-Law BAB; FCPA; FCG (CS, CGP) FAICD Independent Non-Executive Director	73 yrs	– Colin has had a lengthy career in senior corporate positions and as a director and Chairperson of private companies and publicly listed companies across a broad range of industries. – Fellow of the Australian Institute of Company Directors, Fellow of CPA (Certified Practising Accountants) Australia and Fellow of the Governance Institute of Australia. Colin is also a non-practising member of the Law Society of NSW. – Director since 2013. – Member of Audit & Risk Committee since 2017 and Chairperson from 1 April 2017 until 26 November 2019. Member of Audit & Risk Committee from 26 November 2019. – Chairperson of Remuneration and Nomination Committee since 2015. – Member of Regulatory and Compliance Committee since 2019 and Chairperson from 1 April 2021.
Harald Michael Karl Neumann Non-Executive Director	59 yrs	– Harald has extensive leadership experience in senior executive positions in a career spanning over 20 years mainly within technology companies. – Former Regional Chief Executive Officer at Alcatel AG (now Alcatel–Lucent) a global tele-communications equipment Company. – Former Managing Director at Bundesrechenzentrum GmbH, the Austrian government’s information technology service provider, until 2006. – Former CEO of G4S Security Services Austria AG, the Austrian subsidiary of one of the world’s leading integrated security companies before joining Novomatic in 2011. – Chief Executive Officer and Chairperson of the Executive Board of Novomatic from 2014 until 29 February 2020. From February 2020 undertakes role as Senior Advisor to Novomatic AG. – Graduate of the Vienna University of Economics and Business, Board Member of the American Chamber of Commerce. Member of the Rotary Club Klosterneuburg and Vice Chairperson of the Board of Österreichische Lotterien GmbH. – Director since 2017.
FORMER		
Mr Michael Bruce Yates B.Com (with merit), LLB Independent Non-Executive Director	67 yrs	– Michael has extensive commercial and corporate law experience in a career spanning over 35 years. – He is a former senior corporate partner of Sydney Law practices Holding Redlich and Dunhill Madden Butler and has acted for a number of clients involved in the gaming industry. – Director since 2009. – Chairperson of Regulatory and Compliance Committee since 2013, member of Audit and Risk Committee since 2015 and member of Remuneration and Nomination Committee since 26 November 2019. – Resigned on 31 March 2021.

2. COMPANY SECRETARY

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

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

Mr ML Ludski was appointed a member of the Remuneration and Nomination Committee of the Company effective 24 June 2021.

3. DIRECTORS MEETINGS

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

	Board Meetings		Audit and Risk Committee Meetings		Remuneration & Nomination Committee Meetings		Regulatory & Compliance Committee Meetings	
Directors	A	B	A	B	A	B	A	B
GJ Campbell	11	11	3	3	4	4	–	–
MB Yates	9	9	2	2	3	3	3	3
DE Gladstone	11	11	–	–	–	–	–	–
CJ Henson	11	11	3	3	4	4	4	4
HK Neumann[1]	10	10	–	–	–	–	–	–

A - Number of meetings attended

B - Number of meetings held during the year (excluding approved leave of absence and meetings held whilst not a director/member)

[1] Mr HK Neumann had approved leave of absence for one Board meeting during the financial year due to time difference difficulties and his international country of residence.

All associated Board documentation and discussions held during these meetings were provided to ensure their knowledge of any Company business was appropriately made available.

4. PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were design, development, manufacturing, sales and distribution of gaming content and platforms including electronic gaming machines, other related equipment and services and online social and real money games. The Group continues to execute strategies to expand and diversify its product offerings within both land-based and online gaming markets, including social gaming and licensed "Real Money" gambling markets.

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

4.1 Objectives

Ainsworth is a well-established and recognised gaming machine developer, designer and manufacturer operating in local and global markets. Our strategy is to profitably and sustainably expand this footprint by leveraging off our deep expertise and substantial experiences for the benefit of all shareholders.

The Group's objectives are to:

- produce games that are appealing to players utilising our broad range of talented skilled game designers along with collaborations with third party game developers;
- focus on regaining market share decline in domestic market and growing international revenue;
- improve profitability within geographical markets that are expected to achieve the greatest contributions to the Group's financial results, and creation of growth;
- diversify and expand on contributions from recurring revenue through additional units under gaming operation;
- prudently invest in product research and development in order to provide quality market leading products that are innovative and entertaining, and result in increased player satisfaction and therefore greater venue profitability;

- further expand presence within online gaming markets, including social gaming and licensed "Real Money" gambling markets through collaborations with other major online platform providers;
- prudently manage levels of investment in working capital and further improve cash flow from operations to facilitate investment in growth opportunities;
- provide an improved return on shareholder equity through profitability, payment of dividends and share price growth; and
- prudent management of operating expenditure and liquidity whilst the economic effects of COVID-19 continue still being experienced in certain regions where the Group operates.

In order to meet these objectives, the following priority actions will continue to apply in future financial years:

- grow the Group's footprint and operating activities in domestic and international markets;
- continual investment in research and development to produce innovative products with leading edge technology;
- manage product and overhead costs through improved efficiencies in supply chain and inventory management;
- actively pursue initiatives to improve and reduce investment in working capital;
- maintain best practice compliance policies and procedures and increase stakeholder awareness of the Group's regulatory environment; and
- ensure retention and development of the Group's talent base.

5. OPERATING & FINANCIAL REVIEW

5.1 Overview of the Group

The Group recorded a statutory net loss after tax of $53.4 million in the twelve months ended 30 June 2021 ("FY21"), compared to the $43.4 million loss recorded in the twelve months ended 30 June 2020 ("FY20"). The loss after tax, excluding the effect of net foreign currency movement was $44.2 million which is consistent with $44.2 million loss in FY20. The current year loss before tax result, excluding the effect of net foreign currency losses was $47.7 million.

The Group recorded a statutory net loss before tax of $59.2 million which includes a non-cash impairment charge of $32.7 million relating to the write down of assets within the Australia and Other and Latin America Cash Generating Units ("CGU's") and additional recognition of receivables impairment allowances of $9.0 million, currency translational losses of $11.5 million, $7.8 million of benefits received as a result of COVID-19, including JobKeeper subsidies and US employment retention tax credits. Excluding these out of ordinary items and currency translations, the Group reported an underlying net loss before tax of $17.1 million in FY21. The Group's reported loss before tax was $2.6 million in the six months ended 30 June 2021 ("H2FY21"), compared to the $56.6 million loss before tax in the six months ended 31 December 2020 ("H1FY21"). Normalising the effect of one-off items, the Group's underlying profit before tax was $1.6 million in H2FY21, compared to the underlying loss before tax of $18.7 million in H1FY21. The statutory EBITDA was ($26.6) million in FY21, a decrease of 196% compared to the prior corresponding period ("PCP"). Underlying EBITDA for the year of $15.5 million was an improvement of 167% compared to the underlying EBITDA of $5.8 million in FY20.

The following table summarises the results for the year:

In millions of AUD	6 months to 31 Dec 2020	6 months to 30 Jun 2021	12 months to 30 Jun 2021	12 months to 30 Jun 2020	Variance %
Total Revenue	**72.1**	**87.4**	**159.5**	**149.4**	**6.8%**
Underlying EBITDA	1.1	14.4	15.5	5.8	167.2%
Reported EBITDA	(36.8)	10.2	(26.6)	(9.0)	(195.6%)
EBIT	**(55.9)**	**(2.0)**	**(57.9)**	**(49.0)**	**(18.2%)**
Loss before tax	(56.6)	(2.6)	(59.2)	(48.8)	(21.3%)
Loss for the year	**(50.1)**	**(3.3)**	**(53.4)**	**(43.4)**	**(23.0%)**
Total assets	**389.4**	**393.1**	**393.1**	**465.5**	**(15.6%)**
Net assets	**289.2**	**287.9**	**287.9**	**354.6**	**(18.8%)**
Earnings per share (fully diluted)	(14.9 cents)	(1.0 cents)	(15.9 cents)	(13.0 cents)	(22.3%)

5. OPERATING AND FINANCIAL REVIEW (continued)

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

In millions of AUD	6 months to 31 Dec 2020	6 months to 30 Jun 2021	12 months to 30 Jun 2021	12 months to 30 Jun 2020	Variance %
Reconciliation:					
Loss before tax	**(56.6)**	**(2.6)**	**(59.2)**	**(48.8)**	**(21.3%)**
Net interest expense / (income)	0.7	0.6	1.3	(0.2)	(750.0%)
Depreciation and amortisation	19.1	12.2	31.3	40.0	21.8%
Reported EBITDA	**(36.8)**	**10.2**	**(26.6)**	**(9.0)**	**(195.6%)**
Foreign currency losses / (gains)	13.4	(1.9)	11.5	(1.2)	(1058.3%)
Impairment losses (LATAM CGU)	23.2	1.5	24.7	12.0	(105.8%)
Impairment losses (Australia and Other CGU)	–	8.0	8.0	–	N/A
Impairment losses (616 Digital LLC)	–	–	–	0.7	N/A
Impairment losses (Receivables)	6.0	3.0	9.0	3.4	(164.7%)
Legal costs and settlement claims	–	–	–	2.7	N/A
JobKeeper subsidies	(4.2)	–	(4.2)	(2.8)	50.0%
Gain on LV parcel of land sale	–	(3.3)	(3.3)	–	N/A
Redundancy costs	–	–	–	1.2	N/A
US Payroll tax refund	–	–	–	(0.5)	N/A
US Employment Retention Tax Credit (ERTC)	–	(3.1)	(3.1)	–	N/A
Rent concessions	(0.5)	–	(0.5)	(0.5)	–
Bad debt recoveries	–	–	–	(0.2)	N/A
Underlying EBITDA	**1.1**	**14.4**	**15.5**	**5.8**	**167.2%**

The information presented in this review of operations has not been audited in accordance with the Australian Auditing Standards.

$'000	2021	2020	2019	2018	2017
(Loss) / profit attributable to owners of the Company	($53,409)	($43,433)	$10,895	$31,936	$37,930
Dividends paid	–	–	$8,313	$4,966	$16,386
Change in share price ($A)	$0.83	($0.26)	($0.37)	($1.12)	No change

Net profit amounts for 2017 to 2021 have been calculated in accordance with Australian Accounting Standards Board (AASB).

5.2 Investments for Future Performance

As a result of the ongoing COVID-19 pandemic, the Group has continually reviewed the business operations to ensure all operational expenditure are effectively managed across the Group to protect liquidity and mitigate any adverse financial effects during the current effects of this pandemic being experienced. The Group continues to evaluate opportunities within domestic and international gaming markets during the period. Further investments in research and development have been evaluated to ensure implemented changes in game development are pursued to complement the initial release of the new A-Star™ hardware in February 2020. This investment is expected to assist the ongoing expansion and breadth of innovative, technically advanced and consistently high performing products.

During the year, the Group continued to execute previously identified strategies and plans across its global product development operations, which most notably includes game development, software and hardware activities. The Group has significantly bolstered its ability to develop highly competitive game content as a result of expanding its internal studios through the appointment of additional experienced game developers in Australia and Las Vegas. Furthermore, the Group has in place agreements with third-party game development studios located in various parts of the world to further diversify the Group's game content and complement the innovation capabilities of the Group's internal studios.

The Group has now started to secure key regulatory approvals for a new EGM software platform that will power the Group's future range of games. This software platform provides a more "off-the-shelf" development environment that allows the Group to deliver a broader and more complex range of gaming content that benefit from the efficiencies provided by modern software development methodologies and tools. This has also enabled the Group to attract new software development talent from a larger pool of highly skilled software developers.

Ainsworth Interactive is now a self-contained division that is engaged in the design, development and distribution of digital gaming solutions for regulated online real money gaming ("RMG"), social casino and mobile gaming worldwide. This strategy is to focus on expanding our game content distribution network throughout the online markets of Europe, Latin America ("LATAM") and the USA, continuing to invest in interactive product innovation.

We have extended our game content development and licensing agreement with the NASDAQ listed Zynga Inc. that will expand and deepen the existing strategic relationship through the addition of new Ainsworth Interactive content to Zynga's "Hit It Rich" social casino app. Following from the successful entry into New Jersey's RMG in FY21, the Group secured a 5-year partnership with GAN Limited ("GAN") to provide GAN with the exclusive use of current and future Ainsworth RMG game assets within the USA. Under this exclusive agreement, GAN will incorporate Ainsworth's existing online operations in New Jersey as well as the planned expansions in Michigan and Pennsylvania.

Ainsworth's acquisition of MTD Gaming Inc. in 2020, a Montana-based game development company that specializes in video poker and keno products, is focused on expanding delivery of these products into more traditional Class III markets, such as Nevada, California, New Mexico, Oklahoma, Arizona and Florida. This will further increase Ainsworth's footprint in these important markets.

The Group's Class II Historical Horse Racing ("HHR") products are experiencing more placements into existing and new markets, with Ainsworth already integrating products from other manufacturers such as IGT, SciGames and Konami. This niche product has been a top performer in its class since its initial launch and continues to outperform its competitors. Additional opportunities are being pursued for the Group's leading HHR products in new jurisdictions following the passing of new legislation.

The synergies with the Group's majority shareholder, Novomatic AG (NAG), continue to expand. Ainsworth has been appointed non-exclusive distributor for NAG's products across Asia Pacific. Improved cooperation for technical, commercial, and content sharing will benefit both companies moving forward. Additionally, 3 game mixes developed by NAG's game studio, Octavian, are expected to be launched as exclusive products into North America on Ainsworth's hardware.

5.3 Significant Changes in the State of Affairs

Other than matters arising from the impacts of the COVID-19 pandemic discussed in the operating and financial review in the Directors' report and elsewhere in this financial report, there were no significant changes in the state of affairs of the Group during the financial year.

5. OPERATING AND FINANCIAL REVIEW (continued)

5.4 Review of Principal Businesses

Results in the current period and prior corresponding period are summarised as follows:

In millions of AUD	12 months to 30 June 2021	12 months to 30 June 2020	Variance Favourable/ (Unfavourable)	Variance % Favourable/ (Unfavourable)
Segment revenue				
Australia and Rest of the World				
Australia	39.0	28.3	10.7	37.8%
Rest of the World	13.7	7.0	6.7	95.7%
Total Australia and Rest of the World	**52.7**	**35.3**	**17.4**	**49.3%**
Americas				
North America	88.5	72.1	16.4	22.7%
Latin America	18.3	42.0	(23.7)	(56.4%)
Total Americas	**106.8**	**114.1**	**(7.3)**	**(6.4%)**
Total segment revenue	**159.5**	**149.4**	**10.1**	**6.8%**
Segment result				
Australia and Rest of the World				
Australia	2.4	0.4	2.0	500.0%
Rest of the World	6.6	2.8	3.8	135.7%
Total Australia and Rest of the World	**9.0**	**3.2**	**5.8**	**181.3%**
Americas				
North America	39.1	25.3	13.8	54.5%
Latin America	(8.6)	2.3	(10.9)	(473.9%)
Total Americas	**30.5**	**27.6**	**2.9**	**10.5%**
Total segment result	**39.5**	**30.8**	**8.7**	**28.2%**
Unallocated expenses				
Net foreign currency (losses) / gains	(11.5)	1.2	(12.7)	(1058.3%)
R&D expenses	(33.4)	(41.2)	7.8	18.9%
Corporate expenses	(18.8)	(22.2)	3.4	15.3%
Other expenses	(32.7)	(15.4)	(17.3)	(112.3%)
Total unallocated expenses	**(96.4)**	**(77.6)**	**(18.8)**	**(24.2%)**
Less : interest included in segment result	(1.0)	(2.2)	1.2	(54.5%)
EBIT	**(57.9)**	**(49.0)**	**(8.9)**	**(18.2%)**
Net interest (expense) / income	(1.3)	0.2	(1.5)	(750.0%)
Loss before income tax	**(59.2)**	**(48.8)**	**(10.4)**	**(21.3%)**
Income tax benefit	5.8	5.4	0.4	7.4%
Loss after income tax	**(53.4)**	**(43.4)**	**(10.0)**	**(23.0%)**

Key performance metrics	% of revenue 12 months to 30 June 2021	% of revenue 12 months to 30 June 2020	Variance Points
Segment result margin			
Australia and Rest of the World			
Australia	6.2	1.4	4.8
Rest of the World	48.2	40.0	8.2
Total Australia and Rest of the World	**17.1**	**9.1**	**8.0**
Americas			
North America	44.2	35.1	9.1
Latin America	(47.0)	5.5	(52.5)
Total Americas	**28.6**	**24.2**	**4.4**
Segment result margin	**24.8**	**20.6**	**4.2**
R&D expense	20.9	27.6	(6.7)
Adjusted EBIT[1]	(29.1)	(33.6)	4.5
Adjusted loss before income tax[1]	(29.9)	(33.5)	3.6
Adjusted loss after income tax[1]	(26.3)	(29.9)	3.6

	%		Variance
Effective tax rate	9.8	11.1	(1.3)

[1] Excludes net foreign currency loss of $11,456 thousand (2020: $1,245 thousand gain)

The COVID-19 pandemic in FY20 created a very challenging period for AGT's people and the gaming industry it operates in, particularly the land-based sector and customers. Whilst we have seen some recoveries in FY21 in some of our key markets of North America and Australia, our Latin America business was severely impacted during this period with high number of COVID-19 cases resulting in the extended closures of customer venues and restrictions imposed by local authorities.

Throughout FY21, AGT's priorities continue to be 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 as required.

(a) Revenue

Revenue for the period was $159.5 million, compared to $149.4 million in FY20, an improvement of 7%. International revenue contributed 76% of total revenue, compared to 81% in pcp. The decrease in international revenue contribution resulted from the decrease in revenue contribution from Latin America. Recurring revenue remains a strength of the Group contributing 28% of total revenue compared to 26% in the pcp.

Revenue across all land-based regions other than Latin America improved as the Group's primary markets North America and Australia progressively re-opened following on from the easing of COVID-19 restrictions previously in place during this period. However, Latin America market remained closed throughout most of the year, adversely impacting its revenue contribution for the year.

The North American region reported revenue of $88.5 million, compared to $72.1 million in the pcp, an increase of 23%. Participation revenue of $38.6 million contributed 44% of the total revenue, an increase of $15.3 million compared to pcp. AGT's HHR products continue to positively contribute to revenues within this segment. During the year, 977 additional units were sold or placed with a range of gaming operators within Kentucky and other authorised jurisdictions. MTD has had a positive impact on revenue within this segment and provides avenues of future growth in premium performing Poker, Keno and Video Reel content. MTD's top performing product, Gambler's Gold, has been approved in 5 new states in North America, i.e. California, Florida, Oklahoma, New Mexico and Arizona. Through Ainsworth's existing distribution network, new sales opportunities are expected in future periods. MTD certification in Nevada is currently progressing and expected to be completed at end of calendar year 2021.

5. OPERATING AND FINANCIAL REVIEW (continued)

Regional revenue from Latin America was $18.3 million, compared to $42.0 million in the pcp, a reduction of 56%. During this period, the region was severely impacted by the second wave of COVID-19. Governments mandated closures and access restrictions to customers venues, primarily within Mexico, Argentina and Peru. This resulted in the deferral of the expected re-openings during the period resulting in reduced participation revenue and customer's commitments. Recovery signs are seen in Latin America as the year progresses, in particular the last quarter of FY21. H2FY21 revenue was $13.5 million, compared to $4.8 million in H1FY21, an increase of 181%.

Australia and Rest of the World revenue was $52.7 million in FY21 compared to $35.3 million in pcp, an increase of 49%. Improvements in revenue from all states in Australia other than Victoria (due to the second lockdown in FY21) were seen during this period compared to pcp. New Zealand and Europe, through Ainsworth's well-established distributors, contributed $4.5 million and $1.8 million in revenue respectively, compared to $1.6 million and $nil, respectively in the pcp. Improvements in this period for Australia and Rest of the World segment is aided by new hardware and improved product performance on new game titles released.

Further progress in accelerating monetisation of online real money and social gaming was achieved in the period. Online revenue included under Rest of World (Europe/Other) was $5.9 million compared to $4.6 million in the pcp. During the year, following the successful launch of real money gaming with several leading operators in New Jersey, AGT has partnered with GAN to provide exclusive distribution of Ainsworth game titles in USA for a 5-year term. This contractual agreement is expected to generate at least US$30.0 million over the 5-years and will further strengthen Ainsworth's brand presence in USA through GAN's distribution network. The online division continues to partner with Zynga in providing Ainsworth's established and high performing game titles in social online gaming.

(b) Operating Costs

Due to challenging conditions for the Group, gross margin of 56% was achieved for FY21, compared to 61% in FY20. The reduction in margin was primarily due to the further write down of inventories relating to older style cabinets and its associated parts which the Group predominately sells in the Latin America region. The opportunities to sell these products have been reduced during the current period as the Latin America region was adversely impacted by the prolonged effects of the pandemic. In addition, the lower margin was impacted by the higher production overhead costs as a result of lower unit and sales forecasts in all jurisdictions, in particular first half of FY21 where the margin was at 52%.

Operating costs, excluding cost of sales, other expenses and financing costs were $98.4 million, a decrease of 20% over FY20. This decrease was primarily due to cost rationalisations introduced in late FY20 which have flowed through to FY21, COVID-19 pandemic related government assistance and the reduction in depreciation of assets that were fully written down in prior periods in the Latin America CGU.

Sales, service and marketing expenses were $46.2 million, a decrease of $13.1 million compared to FY20. This decrease is predominately from Latin America segment due to the lower associated selling expenses and minimal depreciation charges in the H2FY21 as a result of write-down of assets at 31 December 2020.

Research and development (R&D) expenses were $33.4 million, a decrease of $7.8 million over FY20. This decrease is due to reduction in personnel costs resulting from government assistance received during the period and prudent R&D investment strategies implemented to ensure that quality market leading products are still being produced while costs were controlled.

Administration costs were $18.8 million, a decrease of $3.4 million compared to FY20. This decrease was because of a reduction in personnel costs through redundancies and government subsidies such as JobKeeper and US employment retention tax credit.

(c) Financing Income and Loss

Net financing loss was $12.8 million in the current period, compared to a net financing income of $1.4 million in FY20. This adverse movement of $14.2 million was a result of foreign exchange loss of $11.5 million in the current period compared to a foreign currency gain of $1.2 million in FY20, an unfavourable change of $12.7 million. This adverse change was a result of the weakening of the USD currency against the AUD currency in FY20 compared to FY21. Interest income on trade receivables mainly from Latin America was $1.0 million in the current period compared to an interest income on trade receivable of $2.2 million in FY20, an unfavourable change of $1.2 million.

5.5 Review of Financial Condition

(a) Capital Structure and Treasury Policy

The Company currently has on issue 336,793,929 ordinary shares. The Board continues to ensure a strong capital base is maintained to enable investment in the development of the business. Group performance is monitored to oversee an acceptable return on capital is achieved and dividends are able to be provided to ordinary shareholders in future periods. There were no changes in the Group's approach to capital management.

The Group is exposed to foreign currency risks on sales and purchases that are denominated in currencies other than AUD. The Group continually monitors and reviews the financial impact of currency variations to determine strategies to minimise the volatility of changes and adverse financial effects in foreign currency exchange rates.

(b) Cash Flow from Operations

The Group continues to generate positive cash flows from operating activities. Net cash inflows from operations for the year ended 30 June 2021 were $22.2 million, an increase of $5.5 million compared to pcp. This was mainly attributable to improved collection, reduction in payment made to suppliers and employees in FY21 due to reduction in overheads costs and improved working capital management, particularly inventories.

(c) Liquidity and Funding

AGT had cash balances at 30 June 2021 of $42.4 million, compared to $24.0 million at 31 December 2020 and $26.5 million at 30 June 2020. The strong cash flows in the second half of FY21 were assisted with the effective management of operational expenses. Net cash of $5.1 million compared to net debt of $17.5 million, an improvement of $22.6 million compared to FY20.

On 18th February 2021, the Group undertook a refinance of its A$50.0 million facility with Australia and New Zealand Banking Group (ANZ). A new five-year US$35.0 million secured facility was established with the Western Alliance Bancorporation (WAB) and US$28.0 million from this facility was utilised to retire all 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 a quarterly and annually basis.

(d) Impact of legislation and Other External Requirements

The Group continues to work with regulatory authorities to ensure that the necessary product approvals to support its operations within global markets are granted on a timely and cost-effective basis. The granting of such licenses will allow the Group to expand its operations. The Group aims to conduct its business worldwide in jurisdictions where gaming is legal and commercially viable. Accordingly, the Group is subject to licensing and other regulatory requirements of those jurisdictions.

The Group's ability to operate in existing and new jurisdictions could be adversely impacted by new or changing laws or regulations and delays or difficulties in obtaining or maintaining approvals and licenses.

6. DIVIDENDS

No dividends were declared and paid by the Company for the year ended 30 June 2021.

7. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

8. LIKELY DEVELOPMENTS

The Group continues to navigate through government restrictions imposed by COVID-19 across global markets. Development initiatives previously implemented have been progressed to ensure the necessary product approvals, helping to achieve improved product performance and financial improvement in future periods as markets recover.

Further execution of strategies in online gaming markets with extensions of partnerships with top performing social game providers and the launch of our US based remote gaming server in North America are expected to provide complementary revenue gains within online social and "Real Money" gaming segments in future periods. This strategy is aimed at achieving increased market share in selected geographical business sectors to positively contribute to Group results in future financial years.

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

9. DIRECTORS' INTERESTS

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

	Ainsworth Game Technology Limited	
	Ordinary Shares	Performance Rights over Ordinary Shares
Current		
Mr GJ Campbell	389,241	–
Mr CJ Henson	135,189	–
Mr DE Gladstone	174,765	–
Mr HK Neumann	–	–
Former		
Mr MB Yates (Resigned 31 March 2021)	43,600	–

10. SHARE OPTIONS/PERFORMANCE RIGHTS

10.1 Unissued Shares under Share Options/Performance Rights

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

Expiry Date	Instrument	Exercise Price	Number of Shares
30 August 2024	Share Options	$0.73	9,004,414
Total			**9,004,414**

There are no other shares of the Group under share options/performance rights.

All share options outstanding were granted in FY20 (i.e. 30 August 2019) and are subject to achievement of share price growth of at least 50% over the exercise price of $0.73 at the first vesting date, followed by compounded growth of at least 20% on the second and third vesting dates respectively. Further details about share based payments to directors and KMPs are included in the Remuneration Report in Section 15. These rights do not entitle the holder to participate in any share issue of the Company or any other body corporate.

10.2 Shares issued on Exercise of Options/Performance Rights

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

11. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

11.1 Indemnification

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

Neither the Group nor Company have indemnified the auditor in relation to the conduct of the audit.

11.2 Insurance Premiums

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

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

12. NON-AUDIT SERVICES

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

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

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit and risk committee to ensure they do not impact the integrity and objectivity of the audit; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services provided during the year are set out below:

	2021 $
Services Other than Audit and Review of Financial Statements:	
Other Regulatory Audit Services	
Controlled entity audit	27,500
Other Services	
In relation to taxation and other services	131,250
	158,750
Audit and Review of Financial Statements	345,500
Total paid/payable to KPMG	**504,250**

13. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 97 and forms part of the directors' report for the financial year ended 30 June 2021.

14. ROUNDING OFF

The Group is of a kind referred to in *ASIC Corporations (Rounding in financial/directors' report) Instrument 2016/191* and in accordance with that Instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

15. REMUNERATION REPORT

Message from the Chairperson of the Remuneration and Nomination Committee

On behalf of the Remuneration and Nomination Committee (RNC) and with the authority of the Board of Directors I provide the FY21 Remuneration Report. The financial year presented significant challenges for the Company following the commencement of the COVID-19 pandemic in early 2020. This period resulted in government-imposed restrictions which limited the operations of our customers and other operators across global markets. The global gaming industry has been significantly impacted, and the Ainsworth Group acted immediately to mitigate the extreme negative effects which threatened the Company's business. Many measures established during the last quarter of FY20 were continued into FY21. With the approval of the Board, the RNC acted to reduce overall salary related costs to assist in compensating for the lower business turnover. These measures included:

- Ainsworth Chairman (Mr DE Gladstone) agreed to a 20% reduction in his fees for the six-month period ended 31 December 2020, a saving in FY21 of $27,375. Previously Mr Gladstone voluntarily waived his Board fees for the 30 June 2020 quarter a saving of $68,440 in FY20. Agreed fees were re-instated on 1 January 2021;
- Voluntary reductions by independent directors of 20% of Board fees (including Sub-Committee fees and related superannuation payments) continued for the first quarter (30 September 2020) in FY21. It was agreed by the independent directors to further extend these reductions for the second quarter ending 31 December 2020 at 10%. Previously established fees were re-instated on 1 January 2021. This resulted in savings of $42,267 and $26,334, respectively in FY21 and FY20;
- Executive management personnel similarly volunteered an extension of the 20% reduction in base salary previously initiated in the 30 June 2020 quarter for the three months ended 30 September 2020 with the majority agreeing to a further 10% reduction for the 31 December 2020 quarter. This combined with reductions from senior personnel across the Group resulted in savings of $798,785 for the first half of FY21, including superannuation payments; and
- Reduced working days, stand downs within Australia and employees within the Americas being placed on furlough were extended throughout the initial periods in the FY21 period.

The 2020 Annual General Meeting (AGM) approved the 2020 Remuneration Report with 0.45% of shareholders voting against the resolution. During the lead-up to the 2020 AGM, the Company encouraged engagement with major shareholders and investors to discuss any concerns, ensuring feedback to maintain robust remuneration strategies to motivate, retain and reward valued personnel. This followed the appointment of an independent remuneration consultant (Remuneration Strategies Pty Ltd (RS)) during 2019 to review current remuneration practices and proxy service reports to advise on remuneration structures.

The objective of this previous engagement with RS assisted the RNC to develop remuneration structures including Fixed Remuneration (FR), Short-Term Incentives (STI) and Long-Term Incentives (LTI) that align with appropriate financial objectives.

The Committee's approach to remuneration structures includes the following:

- to align executive remuneration with the Group's business strategy; and
- to support, retain and motivate our people by providing competitive rewards.

The remuneration of key executives is fully aligned to our key business objectives listed in section 15.2 which underpin future remuneration structures, including STI and LTI compensation programs.

During the current period the previous Performance Rights Plan granted on 1st March 2017 were tested at the final vesting date of 1 March 2021 and all related grants were forfeited due to the non-achievement of the related performance conditions, based on 15% compound increases in the Volume Weighted Average Price (VWAP) at each vesting date – refer to section 15.1(e).

A new grant of share options under the LTI Plan previously provided in FY20 remains in place. These share options have an exercise price of $0.73 based on the share price at the grant date and vest progressively over a four-year period – 25% on the second anniversary, 25% on the third anniversary and 50% on the fourth anniversary date, providing share price hurdles and service conditions are met. The share price hurdles are increased at each relevant vesting date and the share options are cumulative on the basis that the higher share price is achieved when measured. Vesting is also dependant on service conditions. The structure and terms of these share options are designed to align shareholder interests with Board objectives of improving financial results translating into share price gains.

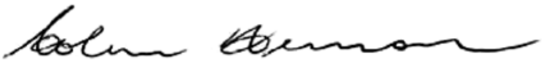
The measures undertaken by the RNC (as approved by the Board) during for FY21 included:

- Voluntary reductions to base salaries as outline above;
- No remuneration increases for the Board of directors (last adjustment 1 July 2014). No increases in Key Management Personnel (KMP) remuneration since 1 July 2016. No recommendations for fixed annual remuneration changes in FY21;
- No Short-Term Incentive (STI) for the FY21 period relating to financial targets were awarded. A minimal STI amount of $14,172 was awarded to Mr V Bruzzese (General Manager Technical Services) within the Research and Development area due to significant additional responsibilities in overseeing the hardware

and software departments and the related achievement of non-financial personal milestones in the period. No other STI amounts to KMP's were included in the current period;

- Following a review of the Long-Term Incentive (LTI) previously undertaken by RS, as outlined in the 2019 Remuneration Report a new LTI grant was made in August 2019 to assist in incentivising and retaining our workforce;
- The LTI grants in place during the year are summarised below:
  - grant of 1 March 2017 Performance Rights, Tranches 1 - 3 performance conditions were not met at relevant vesting dates. These were re-tested during FY21 at the final vesting date being 1 March 2021 and the performance hurdle was assessed as not being satisfied. All performance rights under this grant were forfeited; and
  - on 30 August 2019 share options were granted subject to vesting, performance and service conditions as detailed above.

Remuneration strategies will be continually reviewed to ensure they align with Board objectives over the coming year.



C.J Henson
Chairperson, Remuneration and Nomination Committee

Directors' Report (continued)

for the year ended 30 June 2021

Contents

15.1 Remuneration Framework Audited

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, strategic directing and controlling the activities of the Group, directly or indirectly, including directors of the Company and other executives. Key management personnel comprises of the directors of the Company and senior executives for the Group that are named in this report.

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The RNC regularly reviews market conditions and surveys on the appropriateness of compensation packages of the Group given trends in comparative companies both locally and internationally, and the objectives of the Group's compensation strategy. In addition, independent remuneration consultants are used when considered appropriate to assist the RNC to determine and advise on compensation levels given changes in market conditions.

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

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

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

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

(a) Fixed Compensation

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

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

This review determined that given the current circumstances resulting from the COVID-19 pandemic, no increases were awarded during the current year to any key management personnel. All directors and senior executives voluntarily agreed to reductions in fixed compensation during the current period.

The RNC undertook a review of fixed compensation levels in FY21 to assist with determining an appropriate mix between fixed and performance linked compensation for senior executives of the Group during the year.

(b) Performance Linked Compensation

Performance linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The STI is an 'at risk' bonus provided in the form of cash, while the LTI is provided as performance rights or share options over ordinary shares of the Company under the rules of the Employee Share Plans (see Note 23 to financial statements).

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

As outlined a review was undertaken by the RNC to determine and assess current performance linked compensation arrangements - STI and LTI plans. This review was evaluated by the Board to determine appropriate remuneration levels taking into consideration the Group's growth objectives, industry specific and market considerations and related retention of key employees.

15. REMUNERATION REPORT (continued)

15.1 Remuneration Framework Audited (continued)

(c) Short-term Incentive Bonus

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

The financial performance objectives for FY21 were significantly affected as a result of COVID-19 and as such it was determined that no STI would be established for H1FY21 period. A specific and scaled back STI was put in place for H2FY21 primarily comprising Group 'profit before tax' and EBITDA targets, excluding foreign currency gains / (losses) with a balance being non-financial. These financial performance targets were assessed by the RNC for all key management personnel (excluding non-executive directors), and it was determined that the Group would award a minimal STI amount for the current period based on individual performance.

(d) Non-Financial KPI's

The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety measures, and compliance with established regulatory processes, customer satisfaction and staff development. The non-financial objectives for key management personnel, excluding directors for FY21 were assessed on 22 June 2021 by the RNC and it was determined that given the COVID-19 pandemic and the consequences on financial performance in the current period, a minimal STI of $14,172 under this criteria would be awarded in the current period.

Currently, the performance linked component of compensation comprises approximately 1% (2020: 4%) of total payments to key management personnel.

(e) Long-term Incentive

Performance Rights Plan

In March 2017, an employee incentive plan was established whereby performance rights were granted under the Rights Share Trust (RST). Under the RST, eligible employees and executives were allocated performance rights over ordinary shares in the Company. The performance rights were granted at nil consideration or exercise price however are dependent on service conditions, vesting conditions and performance hurdles. The performance rights convert to ordinary shares of the Company on a one-for-one basis. On assessment at the final vesting date (1 March 2021) it was determined that the performance hurdle was not achieved and all performance rights under this Plan were forfeited.

Share Options Plan

On 30 August 2019, the Group offered to eligible employees the opportunity to participate in share options over ordinary shares in Ainsworth Game Technology Limited, under the Ainsworth Game Technology Limited Option Share Trust (OST). To be eligible to participate in the OST, the employees were selected by the directors and reviewed by the RNC. The OST provides employees an option to purchase allocated shares at the valuation price at grant date. Each option is convertible to one ordinary share. Option holders have no voting or dividend rights. On conversion from option to ordinary shares, the issued shares will have full voting and dividend rights. The ability to exercise the right is conditional on the continuing employment of the participating employee and achievement of performance hurdles.

The performance hurdles and vesting conditions for this plan are as follows:

	Performance Hurdles	Vesting Conditions
Tranche 1	On 30 August 2021 ("first vesting date"), the share price shall be 50% greater than exercise price of $0.73.	25% will vest if the VWAP for 20 days preceding the first vesting date is equal or greater than $1.10.
Tranche 2	On 30 August 2022 ("second vesting date"), the share price shall be 20% greater than the hurdle price established at the first vesting date.	25% will vest if the VWAP for 20 days preceding the second vesting date is equal or greater than $1.32.
Tranche 3	On 30 August 2023 ("third vesting date"), the share price shall be 20% greater than the hurdle price established at the second vesting date.	50% will vest if the VWAP for 20 days preceding the third vesting date is equal or greater than $1.58.

The hurdles set for this plan were determined as appropriate due to the following consideration:

- share price growth is considered more reflective of the Group's underlying performance and is aligned to shareholder wealth;
- to ensure relevance of the LTI for international employees;
- international expansion reflects ASX share price and is a more meaningful performance measure;
- inherent volatility of the gaming industry makes total shareholder return and earning per share less relevant; and
- there are limited numbers of gaming industry companies within the ASX.

The share options granted are cumulative whereby should the performance hurdles not be met at the respective vesting dates, the grant relating to these tranches will be re-tested at the next applicable performance vesting date, subject to higher performance conditions. If the performance conditions at the end of the next applicable performance period are satisfied, then the share options for the current performance period and any non-vested share options from prior periods will vest.

Options that do not vest at the end of the final vesting period will lapse, unless the Board in its discretion determine otherwise. Upon cessation of employment prior to the vesting date, these options will be forfeited and lapse. These share options do not entitle the holder to dividends that are declared during the vesting period.

This plan currently remains in place.

(f) Short-term and Long-term Incentive Structure

Given the highly competitive nature of the gaming industry and to ensure retention of key employees, the RNC has and continues to consider performance linked remuneration is appropriate.

The current review of both short-term and long-term incentive plans is ongoing to ensure these are aligned to Board and shareholder interests.

(g) Other Benefits

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

15. REMUNERATION REPORT (continued)

15.2 Linking the Remuneration Framework to Business Outcomes – Audited

In the RNC Chairperson's introduction to the Remuneration Report, we indicated that the key business objectives will underpin future remuneration structures. The objectives are:

- invest in product development to create a diverse and creative product offering to increase market share in global markets;
- improve the Group's performance through revenue and earnings growth in domestic and international markets;
- improve cash flows through reduction in working capital investment and maintain a strong balance sheet to support growth and deliver value; and
- maintain a strong focus on best practice compliance throughout the Group in adherence to gaming laws and regulations.

The following remuneration structures are considered by the RNC to achieve these business objectives:

- short-term incentives that measure and reward increased market share in selected global markets, adherent to the Good Governance and Compliance with Gaming Laws and Regulations;
- long-term incentives that measure and reward revenue and earnings growth in domestic and international markets, as well as the strengthening of the Balance Sheet and using Capital Investment Targets; and
- the objective of these incentive programs is to increase shareholder value for investors and key management stakeholders.

(a) Consequences of Performance on Shareholder Wealth

In considering the Group's performance and benefits for shareholder wealth, the RNC have regard to the following indices in respect of the current financial year and the previous four financial years. Profit is considered as one of the financial performance targets in setting the short-term incentive bonus. (Loss) / profit amounts for 2017 to 2021 have been calculated in accordance with Australian Accounting Standards.

$'000	2021	2020	2019	2018	2017
(Loss) / profit attributable to owners of the Company	($53,409)	($43,433)	$10,895	$31,936	$37,930
Dividends paid	–	–	$8,313	$4,966	$16,386
Change in share price ($A)	**$0.83**	**($0.26)**	**($0.37)**	**($1.12)**	**No change**

15.3 Service Contracts – Audited

It is the Group's policy that service contracts for Australian key management personnel and key employees be unlimited in term but capable of termination by either party on periods 3 to 12 months' notice and that the Group retains the right to terminate the contracts immediately, by making payment equal to the notice period.

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

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

Mr Lawrence Levy was appointed as Chief Executive Officer (CEO) effective 1 July 2019 as per his contract with the Company dated 2 May 2019. The contract specifies the duties and obligations to be fulfilled by the CEO and provides that the Board and CEO will at the start of each financial year, consult and agree objectives for achievement during that year.

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

Refer to Note 28 of the financial statements for details on the financial impact in future periods resulting from the Group's commitments arising from non-cancellable contracts for services with key management personnel.

15.4 Non-Executive Directors – Audited

Total compensation for all non-executive directors, last voted upon by shareholders at the 2012 Annual General Meeting, is not to exceed $850,000 per annum, with effect from 1 July 2012. Directors' base fees are presently $120,000 per annum (excluding superannuation) and was set based on a review of fees paid to other non-executive directors of comparable companies. The fees paid to non-executive directors reflect the demands and responsibilities associated with their roles and the global nature of the operations within the highly regulated environment within which the Group operates. Fees incorporate an allowance for the onerous probity requirements placed on non-executive directors by regulators of the jurisdictions in which the Group operates or proposes to operate in. In addition to these fees the cost of reasonable expenses is reimbursed as incurred.

There was no increase in non-executive compensation including Board and Committee fees during the period.

Non-executive directors do not participate in performance related compensation and are not provided with retirement benefits apart from statutory superannuation.

The CEO and Company Secretary do not receive any additional fees for undertaking Board or Committee responsibilities. Following a review previously undertaken by an independent remuneration consultant, non-executive director's fees were assessed based on current market levels for comparable companies, demands and responsibilities associated with their roles and the global nature of the Group's operations within a highly regulated environment to ensure the Board is appropriately compensated. Other independent non-executive directors who also chair or are a member of a committee receive a supplementary fee in addition to their annual remuneration. Current fees for directors, excluding superannuation are set out below.

POSITION	$ (per annum)
Chair of Board	250,000
Lead Independent Director (in addition to directorship fees where applicable)	10,000
Australian Resident Non-executive Director	120,000
Chair of Audit and Risk Committee	20,000
Chair of Regulatory and Compliance Committee	24,000
Chair of Remuneration and Nomination Committee	12,000
Member of Audit and Risk Committee	12,000
Member of Regulatory and Compliance Committee	15,000
Member of Remuneration and Nomination Committee	8,000

15.5 Services from Remuneration Consultants – Audited

The RNC, comprising a majority of independent non-executive directors, utilises as necessary the services of an independent remuneration consultant RS to assist the RNC review and evaluate remuneration practices of the Group. The RNC received a report from RS in 2019 to assist in establishing a LTI aligned to Board objectives and shareholder interests. The grant of share options on 30 August 2019 was in line with recommendations provided by RS. No amounts were paid to RS in the current or prior year.

Directors' Report (continued)

for the year ended 30 June 2021

15. REMUNERATION REPORT (continued)

15.6 Directors' and Executive Officers' Remuneration – Audited

Details of the nature and amount of each major element of remuneration of each director of the Company, and other key management personnel of the consolidated entity are:

		Short-term				Post-Employment	Other Long-term Benefits		Share-based payments			
In AUD		Salary & fees $	STI cash bonus (A) $	Non-monetary benefits $	Total $	Super-annuation benefits $	(C) $	Termination benefits $	Rights / Options (B) $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Non-executive Directors												
Current												
Mr GJ Campbell	2021	145,700	–	–	145,700	13,842	–	–	–	159,542	–	–
	2020	195,398	–	–	195,398	18,563	–	–	–	213,961	–	–
Mr CJ Henson	2021	148,350	–	–	148,350	14,093	–	–	–	162,443	–	–
	2020	148,262	–	–	148,262	14,085	–	–	–	162,347	–	–
Mr DE Gladstone	2021	225,000	–	–	225,000	21,375	–	–	–	246,375	–	–
(Appointed non-executive director 1 July 2019, Chairperson effective 26 November 2019)	2020	134,965	–	–	134,965	12,822	–	–	–	147,787	–	–
Mr HK Neumann	2021	–	–	–	–	–	–	–	–	–	–	–
	2020	–	–	–	–	–	–	–	–	–	–	–
Non-executive Former												
Mr MB Yates *(Resigned 31 March 2021)*	2021	109,600	–	–	109,600	10,412	–	–	–	120,012	–	–
	2020	151,567	–	–	151,567	14,399	–	–	–	165,966	–	–
Ms HA Scheibenstock *(resigned 26 November 2019)*	2021	–	–	–	–	–	–	–	–	–	–	–
	2020	54,489	–	–	54,489	5,176	–	–	–	59,665	–	–
Sub-total Non-executive Directors' Remuneration	2021	628,650	–	–	628,650	59,722	–	–	–	688,372	–	–
	2020	684,681	–	–	684,681	65,045	–	–	–	749,726	–	–

In AUD		Short-term Salary & fees $	Short-term STI cash bonus (A) $	Short-term Non-monetary benefits $	Short-term Total $	Post-Employment Super-annuation benefits $	Other Long-term Benefits (C) $	Termination benefits $	Share-based payments Rights/ Options (B) $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Executives												
Current												
Mr SL Levy – *Chief Executive Officer*	2021	649,654	–	50,000	699,654	61,717	65,513	–	31,308	858,192	–	4%
	2020	665,000	–	50,000	715,000	63,175	65,513	–	17,835	861,523	–	2%
Mr ML Ludski – *Chief Financial Officer/Company Secretary*	2021	335,912	–	118,842	454,754	31,912	33,888	–	17,882	538,436	–	3%
	2020	343,989	81,471	105,109	530,569	40,419	33,888	–	15,292	620,168	13%	2%
Mr V Bruzzese – *General Manager Technical Services*	2021	262,950	14,172	24,000	301,122	26,327	26,528	–	10,460	364,437	4%	3%
	2020	269,272	43,369	24,000	336,641	29,701	26,528	–	8,623	401,493	11%	2%
Executives Former												
Mr K Power – *Chief Technology Officer (Resigned 4 October 2019)*	2021	–	–	–	–	–	–	–	–	–	–	–
	2020	100,208	–	–	100,208	46,000	7,708	384,000	(17,470)	520,446	–	–
Total Executive's Remuneration	2021	1,248,516	14,172	192,842	1,455,530	119,956	125,929	–	59,650	1,761,065	1%	3%
	2020	1,378,469	124,840	179,109	1,682,418	179,295	133,637	384,000	24,280	2,403,630	5%	1%
Total Director's & Executive Officers Remuneration	2021	1,877,166	14,172	192,842	2,084,180	179,678	125,929	–	59,650	2,449,437	1%	2%
	2020	2,063,150	124,840	179,109	2,367,099	244,340	133,637	384,000	24,280	3,153,356	4%	1%

Notes in Relation to the Table of Directors and Executive Officers Remuneration - Audited

A. The short-term incentive bonus for performance during the 30 June 2021 financial year uses the criteria set out in section 15.1(c), the circumstances surrounding COVID-19 and the resultant financial effect on the Group was considered on 22 June 2021 by the RNC who recommended that minimal STI be paid ($14,172) for the current period.

B. The fair value of performance rights and options is calculated at the date of grant using the *Black-Scholes-Merton* simulation model after taking into account the impact of the TSR, EPS and share price growth conditions during the vesting period. The value disclosed is the portion of the fair value of the rights or options recognised as an expense in each reporting period. Certain tranches of previous awards have been assessed by the RNC were forfeited based on performance conditions not being achieved.

C. In accordance with AASB 119 Employee Benefits, annual leave is classified as other long-term employee benefit.

15. REMUNERATION REPORT (continued)

15.6 Directors' and Executive Officers' Remuneration – Audited (continued)

Details of Performance Related Remuneration - Audited

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed in section 15.1 of this Remuneration Report. STI bonuses have been provided to the extent that these are payable as at 30 June 2021.

15.7 Analysis of Bonuses included in Remuneration – Audited

Details of the vesting profile of the STI cash bonuses included as remuneration to each director of the Company, and other key management personnel for FY21 are detailed below:

	Short-term Incentive Bonus		
	Included in Remuneration $ (A)	% Vested in Year (B)	% Forfeited in Year (C)
Executives			
Mr V Bruzzese	14,172	100%	–

A. A minimal amount was determined for STI bonuses in remuneration for the 2021 financial year which relates to specific deliverables and individual performance.

B. The amount vested in the 2021 year represented all current and previous STI amounts awarded and paid in the current period. There is no further STI amounts outstanding at 30 June 2021.

C. The amounts forfeited are due to the performance criteria not being met in relation to the current financial year.

15.8 Equity Instruments – Audited

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

(a) Rights and Options over Equity Instruments Granted as Compensation

No rights or options over ordinary shares in the Company were granted as compensation to any key management person during the reporting period.

(b) Modification of terms of equity-settled share-based payment transactions

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

(c) Exercise of options granted as compensation

During the reporting period no shares (2020: nil shares) were issued on the exercise of rights or options previously granted as compensation.

(d) Details of Equity incentives affecting current and future Remuneration

Details of vesting profiles of rights and options held by each key management person of the Group are detailed below:

Executives	Instrument	Number	Grant Date	% vested in year	% forfeited in a year (A)	Financial years in which grant vests
Mr SL Levy	Options	500,000	30 August 2019	– %	– %	2022-2024
Mr ML Ludski	Options	237,056	30 August 2019	– %	– %	2022-2024
	Rights	119,053	1 March 2017	– %	100%	–
Mr V Bruzzese	Options	141,723	30 August 2019	– %	– %	2022-2024
	Rights	62,131	1 March 2017	– %	100%	–

A. The % forfeited in the year represents the reduction from the maximum number of rights and options available to vest at the beginning of the year.

(e) Analysis of movements in equity instruments

The movement during the reporting period, by value, of rights and options over ordinary shares in the Company held by each key management person of the Group is detailed below:

	Granted in year $	Amount paid on exercise $	Value of rights exercised in year $(A)	Forfeited in year $
Current				
MR SL Levy	–	–	–	–
Mr ML Ludski	–	–	–	52,293
Mr V Bruzzese	–	–	–	27,291

A. No rights or options were exercised during the year.

(f) Rights and options over equity instruments

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

	Held at 30 June 2020	Granted as compensation	Exercised	Other Changes*	Held at 30 June 2021	Vested during the year	Vested & exercisable at 30 June 2021
Rights/Share Options							
Current							
Mr SL Levy	500,000	–	–	–	500,000	–	–
Mr ML Ludski	356,109	–	–	(119,053)	237,056	–	–
Mr V Bruzzese	203,854	–	–	(62,131)	141,723	–	–

* Other changes represent rights that were forfeited during the year.

Rights and options held by key management personnel that are vested and exercisable at 30 June 2021 were nil (2020: nil). No rights or options were held by related parties of key management personnel.

15. REMUNERATION REPORT (continued)

(g) Movements in shares

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

	Held at 30 June 2020	Purchases	Sales	Dividend Re-Investment Plan (DRP) allotment	Held at 30 June 2021
Current					
Mr GJ Campbell	389,241	–	–	–	389,241
Mr CJ Henson	135,189	–	–	–	135,189
Mr DE Gladstone	177,146	–	–	–	177,146
Mr SL Levy	–	62,500	–	–	62,500
Mr M Ludski	10,000	–	–	–	10,000
Mr V Bruzzese	3,283	–	–	–	3,283
Former					
Mr MB Yates	43,600	–	–	–	43,600

No shares were granted to key management personnel during the reporting period as compensation in 2020 or 2021.

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

This directors' report is made out in accordance with a resolution of the directors.

D. Gladstone

D.E Gladstone
Chairperson

Dated at Sydney this 26th day of August 2021

Consolidated Statement of Financial Position

as at 30 June 2021

In thousands of AUD	*Note*	30-Jun-21	30-Jun-20
Assets			
Cash and cash equivalents	*18*	42,393	26,543
Receivables and other assets	*17*	82,501	88,039
Current tax assets		1,874	3,524
Inventories	*16*	56,116	91,377
Prepayments		8,873	8,723
Total current assets		**191,757**	**218,206**
Receivables and other assets	*17*	33,944	25,844
Deferred tax assets	*15*	12,246	5,520
Property, plant and equipment	*12*	66,735	107,434
Right-of-use assets	*27*	9,475	15,750
Intangible assets	*13*	78,989	92,738
Total non-current assets		**201,389**	**247,286**
Total assets		**393,146**	**465,492**
Liabilities			
Trade and other payables	*24*	35,601	36,726
Loans and borrowings	*21*	52	44,021
Lease liabilities	*27*	1,824	1,320
Employee benefits	*22*	8,406	9,173
Provisions	*25*	833	3,395
Total current liabilities		**46,716**	**94,635**
Trade and other payables	*24*	6,472	–
Loans and borrowings	*21*	37,240	–
Lease liabilities	27	13,532	15,094
Employee benefits	*22*	493	605
Deferred tax liabilities	*15*	760	603
Total non-current liabilities		**58,497**	**16,302**
Total liabilities		**105,213**	**110,937**
Net assets		**287,933**	**354,555**
Equity			
Share capital		207,709	207,709
Reserves		119,933	160,468
Accumulated losses		(39,709)	(13,622)
Total equity		**287,933**	**354,555**

The notes on pages 43 to 89 are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

In thousands of AUD	*Note*	30-Jun-21	30-Jun-20
Revenue	*7*	159,520	149,396
Cost of sales		(69,957)	(59,011)
Gross profit		**89,563**	**90,385**
Other income	*8*	4,154	984
Sales, service and marketing expenses		(46,244)	(59,272)
Research and development expenses		(33,358)	(41,192)
Administrative expenses		(18,771)	(22,191)
Impairment of trade receivables		(8,993)	(3,410)
Other expenses	*13*	(32,720)	(15,561)
Results from operating activities		**(46,369)**	**(50,257)**
Finance income	*11*	1,056	3,686
Finance costs	*11*	(13,857)	(2,229)
Net finance (costs) / income		**(12,801)**	**1,457**
Loss before tax		**(59,170)**	**(48,800)**
Income tax benefit	*15*	5,761	5,367
Loss for the year		**(53,409)**	**(43,433)**
Other comprehensive (loss) / income			
Items that may be reclassified to profit and loss:			
Foreign operations - foreign currency translation differences		(13,638)	3,881
Total other comprehensive (loss) / income		**(13,638)**	**3,881**
Total comprehensive loss for the year		**(67,047)**	**(39,552)**
Loss attributable to owners of the Company		**(53,409)**	**(43,433)**
Total comprehensive loss attributable to the owners of the Company		**(67,047)**	**(39,552)**
Earnings per share:			
Basic earnings per share (AUD)		$(0.16)	$(0.13)
Diluted earnings per share (AUD)		$(0.16)	$(0.13)

The notes on pages 43 to 89 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

	Attributable to owners of the Company						
In thousands of AUD	Issued Capital	Equity compensation reserve	Fair value reserve	Translation reserve	Profit reserve	Retained Earnings / (Accumulated losses)	Total Equity
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	–	–	–	–	–	(43,433)	(43,433)
Transfer between reserves	–	–	–	–	(31,429)	31,429	–
Other comprehensive income							
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)
Transactions with owners, recorded directly in equity							
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**
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	–	–	–	–	–	(53,409)	(53,409)
Transfer between reserves	–	–	–	–	(27,322)	27,322	–
Other comprehensive loss							
Foreign currency translation reserve	–	–	–	(13,638)	–	–	(13,638)
Total other comprehensive loss	–	–	–	(13,638)	–	–	(13,638)
Total comprehensive loss for the period	–	–	–	(13,638)	(27,322)	(26,087)	(67,047)
Transactions with owners, recorded directly in equity							
Share-based payment amortisation	–	425	–	–	–	–	425
Total transactions with owners	–	425	–	–	–	–	425
Balance at 30 June 2021	**207,709**	**5,304**	**9,684**	**9,507**	**95,438**	**(39,709)**	**287,933**

The notes on pages 43 to 89 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2021

In thousands of AUD	*Note*	30-Jun-21	30-Jun-20
Cash flows from operating activities			
Cash receipts from customers		142,838	179,156
Cash paid to suppliers and employees		(123,010)	(165,784)
Cash generated from operations		**19,828**	**13,372**
Interest received		1,052	2,326
Income taxes refunded		1,367	1,023
Net cash from operating activities	*18a*	**22,247**	**16,721**
Cash flows from / (used in) in investing activities			
Proceeds from sale of property, plant and equipment		5,474	45
Interest received		4	115
Acquisitions of property, plant and equipment	*12*	(2,220)	(6,382)
Payment for business acquisition	*34*	–	(27,877)
Development expenditure	*13*	(2,328)	(4,386)
Net cash from / (used in) investing activities		**930**	**(38,485)**
Cash flows used in financing activities			
Borrowing costs paid		(2,205)	(2,034)
Proceeds from borrowings		36,618	16,198
Repayment of borrowings		(39,237)	(27,275)
Proceeds from finance lease		1,103	–
Payment of lease liabilities		(1,798)	(1,449)
Net cash used in financing activities		**(5,519)**	**(14,560)**
Net increase / (decrease) in cash and cash equivalents		17,658	(36,324)
Cash and cash equivalents at 1 July		26,543	61,661
Effect of exchange rate fluctuations on cash held		(1,808)	1,206
Cash and cash equivalents at 30 June		**42,393**	**26,543**

The notes on pages 43 to 89 are an integral part of these consolidated financial statements.

Index to Notes to the Financial Statements and Significant Accounting Policies

for the year ended 30 June 2021

Notes to the Financial Statements (continued)

for the year ended 30 June 2021

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 2021 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, manufacturing, sales and distribution of gaming content and platforms including electronic gaming machines, other related equipment and services and online social and real money games.

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 adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The consolidated financial statements were authorised for issue by the Board of Directors on 26th August 2021.

(b) Basis of measurement

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

(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 the International Financial Reporting Standards (IFRS) 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.

The COVID-19 pandemic has led to additional estimates and judgements which involves assumptions when preparing these financial statements. The revisions to accounting estimates were recognised during the year and will require ongoing assessment due to the inherent uncertainty of the COVID-19 impact. Key judgements involve an assessment of forecast performance of the Group and the industry it operates in, and at the time of preparation of these financial statements, those assessments have inherent uncertainty.

The following were the key areas, but not limited to, that required additional judgements as a result of the pandemic:

- the going concern assumption;
- the recoverability of receivables;
- the appropriateness of stock obsolescence provisions;
- impairment testing on non-financial assets; and
- the recoverability of deferred tax assets.

After assessing detailed cash flow forecasting based on revenue, cost, capital expenditure and working capital assumptions, based on best available information at this time, the Directors believe that going concern assumption remains appropriate.

Should actual performance differ significantly from the assumptions used for the estimates and judgements mentioned above, it is likely that there may be material changes to the carrying value of the assets and liabilities listed above in future reporting periods.

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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in 'Note 13 – Intangible assets' and 'Note 26 – Financial instruments (trade and other receivables)'.

(e) Comparative figures

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Business combination

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (a)(ii)). The consideration transferred in the acquisition is generally measured at fair value as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment refer (Note 3(h)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt of equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Interest in equity-accounted investee

A joint venture is an arrangement in which the Group has joint control, and whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interest in a joint venture is accounted for using the equity method. It is recognised initially at cost, which includes transactions costs. Subsequently to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other Comprehensive Income ("OCI") of the equity-accounted investee, until the date on which significant influence of joint control ceases.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements in accordance with Australian Accounting Standards.

(v) Acquisitions on or after 1 July 2004

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at the average exchange rates for the period.

Foreign currency differences are recognised in other comprehensive income and presented in the translation reserve in equity. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is transferred to the profit or loss, as part of gain or loss on disposal.

When the Group disposes of only a part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant portion of cumulative amounts is re-attributed to non-controlling interest.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation, are recognised in other comprehensive income and are presented in the translation reserve in equity.

(c) Financial instruments

(i) Non-derivative financial assets

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

Recognition and initial measurement

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

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value. Subsequent to initial recognition trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortised cost. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The assessment amount of current and non-current receivable involves reviewing the contractual term and how it compares to the current payment trend. When the current payment trend is less favourable from the contractual term, the Group will base the current and non-current assessment on payment trend.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at Fair Value Through Profit or Loss (“FVTPL”):

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets - Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining an interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
– how the performance of the portfolio is evaluated and reported to the Group’s management;
– the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
– how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
– the frequency, volume and timing of sale of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group’s continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

– contingent events that would change the amount or timing of cash flows;
– terms that may adjust the contractual coupon rate, including variable-rate features;
– prepayment and extension features; and
– terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised. Financial assets at fair value through profit or loss.

(ii) Non-derivative financial liabilities

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

Recognition and initial measurement

Debt securities issued and subordinated liabilities are initially recognised on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

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

Classification and subsequent measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iii) Offsetting

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

(iv) Share capital

Ordinary shares

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

Machines previously held as inventory are transferred to property, plant and equipment when a rental or participation agreement is entered into. When the rental or participation agreements cease and the machines become held for sale, they are transferred to inventory at their carrying amount. Proceeds are reflected in revenue while value disposed are recognised as cost of sale. These are treated as an operating cash flow.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within "other income" or "other expenses" in profit and loss.

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

reflects the expected pattern of consumption of the future economic benefits embodied in the assets. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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

— buildings	39 - 40 years
— leasehold improvements	10 years
— plant and equipment	2.5 - 20 years

The useful lives of capitalised machines leased under rental or participation agreements are included in the plant and equipment useful lives.

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

(e) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3(a)(v). Goodwill is subsequently carried at cost less accumulated impairment losses (refer Note 3(h)).

(ii) Research and development

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure and discontinued projects that are expected to have no further economic benefit are recognised in profit or loss when incurred.

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

(iii) Other intangible assets

Other intangible assets, which include intellectual property, technology and software assets, customer relationships, tradenames and trademarks, and service contracts, that are acquired by the Group through business combinations, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. Refer Note 3(a)(i) for details on the determination of cost of these acquired assets.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(v) Amortisation

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

— capitalised development costs	4-5 years
— intellectual property	3-10 years
— technology and software	5-10 years
— customer relationships and contracts acquired	3-10 years
— tradenames and trademarks	3 years
— service contracts	3 years

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

(f) Leased assets

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

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitive information and analysis, based on the Group's historical experience and informed credit assessment and including available forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if there is significant difficulty of the borrower or issuer. Lifetime ECLs are the ECLs that result from possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- a breach of contract such as a default or shortfall of agreed payment plans; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (the "CGU"). The goodwill acquired in a business combination for the purpose of impairment testing, is allocated to CGU that is expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

(i) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution superannuation funds are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield rate at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers remuneration insurance and payroll tax. Non-accumulating non-monetary benefits, such as cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees. A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. Where such adjustments result in a reversal of previous expenses these are recognised as a credit to profit or loss in the period that it is assessed that certain vesting conditions will not be met.

(j) Provisions

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

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

(k) Warranties

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

(l) Revenue

(i) Sale of goods and related licences

Machine and part sales

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

Multi element arrangements

When gaming machines, games, conversions and other incidental items are licensed to customers for extended periods, revenue is recognised on delivery for gaming machines and games and for other items including conversions on a straight-line basis over the licence term. The revenue recognised for each item is based on the relative fair values of the items included in the arrangement.

Licence income
Licence income, including those received from online businesses, is recognised when all obligations in accordance with the agreement have been met which may be at the time of sale or over the life of the agreement.

(ii) Services
Revenue from services rendered is recognised in profit or loss when the services are performed.

(iii) Participation and rental
Participation revenue is revenue earned when the Group's owned machines are placed in venues either directly by the Group or indirectly through a licensed operator for a fee. The fee is calculated as either a daily fee or an agreed fee based upon a percentage of turnover of participating machines, depending on the agreement.

Revenue from rental of gaming machines is recognised in profit or loss on a straight-line basis over the term of the rental agreement.

(m) Leases
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'right-of-use assets' and lease liabilities in 'lease liabilities' in the statement of financial position.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) 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.

(n) Finance income and finance costs

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

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

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(o) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, see Note 15.

(p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes, performance rights and share options granted to employees.

(q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(r) Changes in new standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2020 and earlier application 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. DETERMINATION OF FAIR VALUES

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

(a) Intangible assets

The fair value of intangibles acquired in a business combination is based on the discounted cash flows expected to be derived from the use or eventual sale of these contracts. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(b) Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. The fair value of all other receivables/ payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(c) Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(d) Loans and borrowings

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

(e) Finance lease liabilities

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

(f) Share-based payment transactions

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

5. FINANCIAL RISK MANAGEMENT

(a) Overview

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

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

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

(b) Risk management framework

The Board of Directors have an overall responsibility for the establishment and oversight of the risk management framework. The Board has established processes through the Group's Audit and Risk Committee ("ARC"), which is responsible for developing and monitoring risk management policies. The ARC reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's ARC oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The ARC is assisted in its oversight role by Internal Audit. Internal Audit undertakes reviews of risk management controls and procedures, the results of which are reported to the ARC.

(c) Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer, including the default risk of the industry and country in which customers operate. The Group's concentration of credit risk is disclosed in Note 26.

5. FINANCIAL RISK MANAGEMENT (continued)

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

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

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

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

(d) Guarantees

The Group's policy is to provide financial guarantees only for wholly owned subsidiaries. At 30 June 2021, no guarantees were outstanding (2020: nil).

(e) Liquidity risk

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

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

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. (AGT 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. This new facility is subject to AGT Inc. meeting various financial covenants which are periodically measured.

(f) Market risk

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

(i) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD) and the US dollar (USD). The currency in which these transactions are primarily denominated is in USD for the Australian business operations.

The Group continually monitors and reviews the financial impact of currency variations to determine strategies to minimise the volatility of changes and adverse financial effects in foreign currency exchange rates. No hedging arrangements were utilised during the reporting period.

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

(ii) Interest rate risk

The Group's main interest rate risk arises from floating rate borrowings drawn under bank debt facilities.

(g) Capital management

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

The Board continues to review alternatives to ensure present employees will hold equity in the Company's ordinary shares. This is expected to be an ongoing process establishing long-term incentive plans to further align shareholders and employees' interests.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

6. OPERATING SEGMENTS

The 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 statement of profit or loss and other comprehensive income.

The Group has a large and dispersed customer base. The Group's largest customer accounts for only 5% of the total reportable revenue.

Notes to the Financial Statements (continued)

for the year ended 30 June 2021

6. OPERATING SEGMENTS (continued)

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

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 2021

	Australia and other										
In thousands of AUD	NSW	QLD/NT	VIC/TAS	South Australia	Asia	New Zealand	Europe/ Other	Total Australia and Other	North America	Latin America	Total
Reportable segment revenue	20,432	8,898	5,183	4,508	777	4,472	8,475	52,745	88,490	18,285	159,520
Result											
Segment result	(284)	123	1,373	1,209	70	818	5,731	9,040	39,076	(8,584)	39,532
Interest revenue not allocated to segments											4
Interest expense											(2,401)
Foreign currency loss											(11,456)
R & D expenses											(33,358)
Corporate and administrative expenses											(18,771)
Other expenses not allocated to segments											(32,720)
Loss before tax											(59,170)
Income tax benefit											5,761
Net loss after tax											(53,409)

Non-current assets, other than financial instruments and deferred tax assets, located in the entity's county of domicile (Australia) as at 30 June 2021 are $32,427 thousand (2020: $50,693 thousand). Non-current assets, other than financial instruments and deferred tax assets, located in foreign countries as at 30 June 2021 total $122,772 thousand (2020: $165,229 thousand), of which $122,772 thousand (2020: $143,649 thousand), are in North America.

Impairment expenses relating to write down of Latin America CGU assets of $24,725 thousand and write down of Australia and Other CGU assets of $7,995 thousand is recorded in 'other expenses not allocated to 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

In thousands of AUD	Australia and other										
	NSW	QLD/NT	VIC/TAS	South Australia	Asia	New Zealand	Europe/ Other	Total Australia and Other	North America	Latin America	Total
Reportable segment revenue	15,224	4,634	6,749	1,689	598	1,603	4,826	35,323	72,038	42,035	149,396
Result											
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
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)

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 CGU leased assets of $11,958 thousand is recorded in 'other expenses not allocated to segments'.

Notes to the Financial Statements (continued)

for the year ended 30 June 2021

7. 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.

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 year ended 30 June 2021	Australia and other										
In thousands of AUD	NSW	QLD/NT	VIC/TAS	South Australia	Asia	New Zealand	Europe/ Other	Total Australia and Other	North America	Latin America	Total
Major products/service lines											
Machine and part sales	13,299	6,580	4,158	3,349	777	4,472	2,614	35,249	32,406	9,849	77,504
Multi element arrangements	2,262	2,318	1,025	1,159	–	–	–	6,764	–	–	6,764
Sale type leases	–	–	–	–	–	–	–	–	2,015	–	2,015
Rendering of services	4,871	–	–	–	–	–	–	4,871	9,535	2	14,408
License income	–	–	–	–	–	–	5,861	5,861	5,899	1,620	13,380
Rental and participation	–	–	–	–	–	–	–	–	38,635	6,814	45,449
	20,432	8,898	5,183	4,508	777	4,472	8,475	52,745	88,490	18,285	159,520
Timing of revenue recognition											
Products and services transferred at a point in time	15,521	8,878	5,108	4,507	777	4,472	2,614	41,877	38,919	9,812	90,608
Products and services transferred over time	4,911	20	75	1	–	–	5,861	10,868	49,571	8,473	68,912
	20,432	8,898	5,183	4,508	777	4,472	8,475	52,745	88,490	18,285	159,520

For the year ended 30 June 2020

In thousands of AUD	Australia and other NSW	QLD/NT	VIC/TAS	South Australia	Asia	New Zealand	Europe/ Other	Total Australia and Other	North America	Latin America	Total
Major products/service lines											
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
	15,224	4,634	6,749	1,689	598	1,603	4,826	35,323	72,038	42,035	149,396
Timing of revenue recognition											
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
	15,224	4,634	6,749	1,689	598	1,603	4,826	35,323	72,038	42,035	149,396

8. OTHER INCOME

In thousands of AUD	*Note*	2021	2020
Royalties income		82	188
Bad debts reversed	*26*	151	196
Rent concessions	*27*	519	467
Other income		36	133
Gain on sale of property, plant and equipment		3,366	–
		4,154	984

9. EXPENSES BY NATURE

In thousands of AUD	*Note*	2021	2020
Employee benefits expense	*10*	45,067	58,515
Depreciation and amortisation expense	*12,13,27*	31,284	39,995
Impairment of property, plant and equipment	*12*	28,564	11,958
Changes in raw material and consumables, finished goods and work in progress	*16*	45,095	45,847
Legal expenses		632	1,234
Evaluation and testing expenses		5,387	7,604
Marketing expenses		2,264	4,971
Impairment of trade receivables	*26*	8,993	3,410
Operating lease expenses	*27*	70	102
Impairment of right of use assets	*27*	4,156	–
Other expenses		38,531	27,001
		210,043	200,637

10. EMPLOYEE BENEFIT EXPENSES

In thousands of AUD	*Note*	2021	2020
Wages and salaries		41,293	52,876
Short-term incentives		354	339
Contributions to defined contribution superannuation funds		3,015	3,368
(Decrease) / increase in liability for annual leave	*22*	(93)	195
(Decrease) / increase in liability for long service leave	*22*	(170)	81
Termination benefits		243	1,094
Equity settled share-based payment transactions		425	562
		45,067	58,515

Included in the decline in wages and salaries in FY21 are JobKeeper subsidies received by the Australian companies within the group amounting to $4,164 thousand (2020: $2,766 thousand). Also, included in the decline in wages and salaries in FY21 are employment retention tax credits received by the US companies within the group amounting to $3,137 thousand (2020: $nil).

11. FINANCE INCOME AND FINANCE COSTS

In thousands of AUD	*Note*	2021	2020
Interest income		1,056	2,441
Net foreign exchange gain		–	1,245
Finance income		1,056	3,686
Interest expense on financial liabilities		(2,401)	(2,229)
Net foreign exchange loss		(11,456)	–
Finance costs		(13,857)	(2,229)
Net finance (costs) / income recognised in profit or loss		(12,801)	1,457

12. PROPERTY, PLANT AND EQUIPMENT

In thousands of AUD	*Note*	Land & buildings	Plant & equipment	Leasehold improvements	Total
Cost					
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
Re-classification of PPE Category		–	–	–	–
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		63,958	136,148	4,244	204,350
Balance at 1 July 2020		63,958	136,148	4,244	204,350
Re-classification of inventory to plant and equipment		–	17,209	–	17,209
Re-classification of PPE Category		–	(45)	45	–
Additions		5	2,215	–	2,220
Disposals		(2,362)	(9,314)	–	(11,676)
Effect of movements in foreign exchange		(5,572)	(9,658)	(33)	(15,263)
Balance at 30 June 2021		56,029	136,555	4,256	196,840
Depreciation and Impairment Losses					
Balance at 1 July 2019		6,704	54,857	1,747	63,308
Depreciation charge for the year		2,147	24,906	389	27,442
Impairment Loss		–	11,958	–	11,958
Re-classification of PPE Category		–	–	–	–
Disposals		–	(6,118)	–	(6,118)
Effect of movements in foreign exchange		100	222	4	326
Balance at 30 June 2020		8,951	85,825	2,140	96,916
Balance at 1 July 2020		8,951	85,825	2,140	96,916
Depreciation charge for the year	*9*	1,794	16,522	373	18,689
Impairment Loss	*13*	4,565	23,448	551	28,564
Re-classification of PPE Category		–	(42)	42	–
Disposals		–	(6,857)	–	(6,857)
Effect of movements in foreign exchange		(824)	(6,360)	(23)	(7,207)
Balance at 30 June 2021		14,486	112,536	3,083	130,105
Carrying Amounts					
At 1 July 2019		55,872	72,195	2,481	130,548
At 30 June 2020		55,007	50,323	2,104	107,434
At 30 June 2021		41,543	24,019	1,173	66,735

Disposals in the table above includes sale of gaming machines previously under participation or rental agreements of $2,309 thousand (2020: $6,683 thousand) at net book value.

The carrying amount of plant and equipment on participation and fixed rental leases is $18,047 thousand (2020: $34,877 thousand).

Impairment loss of $28,564 thousand recognised during the year relates to the recoverability of the carrying value of assets within the 'Latin America' and 'Australia and Other' cash generating units. See 'Note 13 – Intangible assets' for further details.

13. INTANGIBLE ASSETS

In thousands of AUD	*Note*	Goodwill	Development costs	Nevada licence costs	Technology & software	Customer relationships & workforce	Tradenames & trademarks	Total
Cost								
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	*34*	20,408	–	–	11,317	5,172	1,193	38,090
Intangible assets fully amortised and written off		–	–	–	–	–	(671)	(671)
Effects of movements in foreign currency		(488)	–	–	(534)	12	(57)	(1,067)
Balance at 30 June 2020		44,075	46,875	1,583	20,382	16,912	1,136	130,963
Balance at 1 July 2020		44,075	46,875	1,583	20,382	16,912	1,136	130,963
Additions		–	2,328	–	–	–	–	2,328
Additions through business combination		–	–	–	–	–	–	–
Intangible assets fully amortised and written off		–	(14,563)	–	–	–	–	(14,563)
Effects of movements in foreign currency		(3,628)	–	–	(940)	(1,473)	(98)	(6,139)
Balance at 30 June 2021		40,447	34,640	1,583	19,442	15,439	1,038	112,589
Amortisation and impairment losses								
Balance at 1 July 2019		2,436	16,434	–	4,341	4,788	671	28,670
Amortisation for the year	*9*	–	7,226	–	1,592	1,270	72	10,160
Intangible assets fully amortised and written off		–	–	–	–	–	(671)	(671)
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
Balance at 1 July 2020		2,436	23,660	–	5,925	6,134	70	38,225
Amortisation for the year	*9*	–	6,860	–	1,984	1,469	211	10,524
Intangible assets fully amortised and written off		–	(14,563)	–	–	–	–	(14,563)
Effects of movements in foreign currency		–	–	–	(35)	(544)	(7)	(586)
Balance at 30 June 2021		2,436	15,957	–	7,874	7,059	274	33,600
Carrying amounts								
At 1 July 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
At 30 June 2021		38,011	18,683	1,583	11,568	8,380	764	78,989

13. INTANGIBLE ASSETS (continued)

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 30 June 2021 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 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 $18,683 thousand (June 2020: $23,215 thousand), comprising of $16,022 thousand in development costs relating to product development and $2,661 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.

The allocation of goodwill, indefinite useful life intangible assets and other assets to the Group's identified CGUs are as follows:

	30 June 2021				
CGUs	Goodwill '$000	Indefinite life intangible assets '$000	Capitalised development costs '$000	Other assets '$000	Recoverable amount '$000
Development	–	–	18,683	38,039	64,717
North America	38,011	1,583	–	58,883	201,732

As at 30 June 2021, all assets within the Latin America CGU and Australia and other CGU have been fully impaired as a result of recoverable amount being lower than the carrying value. Details are outlined on the following page.

	30 June 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	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:

	30 June 2021		30 June 2020	
CGUs	Pre-tax Discount rate	Average annual revenue growth rate[(1)]	Pre-tax Discount rate	Average annual revenue growth rate
Development	14.7%	16.9%[(2)]	15.6%	0.4%
Australia and other	14.3%	13.5%	14.7%	25.5%
North America	13.7%	12.1%	14.0%	17.6%
Latin America	20.4%	31.9%[(3)]	18.8%	17.3%

(1) The 5-year forecast average annual revenue growth rates (FY22 to FY26) have been calculated based on FY21 revenue as the base year. When estimating the revenue growth rates, management has considered and incorporated the effects of the pandemic and the market conditions for each CGU.

(2) The notable change in average annual revenue growth rate by 1,650 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. This successful launch has resulted in execution of the US exclusivity agreement with GAN Limited which are expected to generate additional revenue over the forecasted periods (i.e. minimum guarantee of US$30.0 million in the next five-year period).

(3) The notable change in average annual revenue growth rate by 1,460 basis points for the Latin America CGU compared to 30 June 2020 has been calculated based on FY21 revenue of $18,285 thousand as the base year, which has been adversely impacted by the second wave of COVID-19 which resulted in an increased average growth rate compared to the last financial year. The average annual revenue growth rate at 30 June 2020 was calculated based on FY20 revenue of $42,035 thousand as the base year.

Impairment charges recognised during the year

Latin America CGU

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 due to the prolonged closure. As a result, the Group, 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 FY26. Given this reduced outlook, an impairment charge of $24,725 thousand against the Latin America CGU leased assets and other property, plant and equipment was recorded. This impairment charge has been recognised in the income statement under 'Other expenses'.

The Group has applied a conservative view taking into account current COVID-19 cases and the situation of the Latin America market when making the assessment on the recoverability of the Latin America CGU. The Group has seen some recoveries in the second half of FY21 compared to the first half of FY21 with improved revenue seen as market reopens in this region. It is the Group's view that this CGU will continue to recover post pandemic and the Group will continue to re-assess the recoverable value of this CGU in particular the terminal year cashflow (which contribute significantly to the recoverable amount calculation) and when/if the recoverable value exceeds the carrying value, the Group will reverse any previous impairment recorded.

Australia and other CGU

On 26 June 2021, the New South Wales (NSW) government introduced the first set of restrictions as the Delta variant of COVID-19 outbreak occurred. As the outbreak continues to spread and number of cases reported are on a rise, extended lockdowns and further restrictions create uncertainties and risks in forecasted cashflows for the Australian and other CGU. The detrimental impact of the Delta variant of COVID-19 consequently leading to slowdown in industry activity levels and the extension of lockdowns across Australia has prompted revision to the timing of future forecasted cashflows which has resulted in an impairment charge of $7,995 thousand against property, plant and equipment and right-of-use assets. This impairment charge has been recognised in the income statement under 'Other expenses'.

13. INTANGIBLE ASSETS (continued)

The impact of possible changes in key assumptions

North America CGU

As the forecasted recoverable amount exceeding carrying amount ("headroom") of this CGU is $103,255 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.

As at 30 June 2021, the Development CGU has a headroom of $7,995 thousand, compared to $23,872 thousand at 30 June 2020. The recoverable amount of this CGU has been affected by the deficiencies in the Latin America and Australia and other CGU's recoverable amounts compared to their carrying amounts. Given the reduction in headroom, below are sensitivities performed on key assumptions that have been incorporated when forecasting the recoverable amount for the Development CGU:

Assumptions	Model Assumption	Sensitivity	Development CGU Headroom Impact '$000
Change in average annual revenue growth rate in North America CGU[1]	12.1%	+ 200 basis points	+$1,541
		- 200 basis points	- $1,591
Discount Rate	14.7%	+ 100 basis points	-$5,904
		- 100 basis points	+$7,208

[1] As the North America CGU is the largest contributor to the cash inflows for the Development CGU, a change in the average annual revenue growth rate in North America CGU is determined to be more sensitive to the Development CGU's recoverable amount compared to a change in the average annual revenue growth rate assumptions in Australian and Other and Latin America CGU's.

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.

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.

14. EQUITY-ACCOUNTED INVESTEE

616 Digital LLC ("616") is a joint venture in which the Group had 40% ownership interest.

616 is an online social platform provider established in Delaware, USA and operates from Romania and Australia. This arrangement allowed both parties to jointly progress development and marketing of social gaming offering on both desktop and mobile, leveraging the extensive game content library established for land-based markets. An agreement had also been established where the Group had the ability to purchase the remaining 60% interest in 616 at a future date.

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

616's earnings growth profile continued to be affected by the ongoing maturation of the North American and Australian social gaming market and an increase in player acquisition and retention costs. These market changes have been to the disadvantage of smaller operators like 616 in favour of larger scale competitors and are reflected in lower than previously anticipated year on year revenue and EBITDA growth.

Summary financial information for the equity accounted investee, not adjusted for the percentage ownership held by the Group, is as follows:

In thousands of AUD	30 Jun 2021	1 Jan 20 Date of disposal
Cash and cash equivalents	–	164
Current assets (excluding cash and cash equivalents)	–	3
Non-current assets	–	3
Current financial liabilities (excluding trade and other payables and provisions)	–	(11)
Current financial liabilities (including trade and other payables and provisions)	–	(90)
Net Assets	–	69
Income	–	671
Expenses	–	(707)
Loss	–	(36)

15. TAXES

Current tax expense

In thousands of AUD	2021	2020
Tax recognised in profit or loss		
Current tax (expense)/benefit		
Current year	(720)	1,135
Prior year adjustments	(87)	(319)
Recognition of R&D tax credits	402	835
	(405)	1,651
Deferred tax benefit		
Origination and movement of timing differences	6,166	3,716
	6,166	3,716
Total income tax benefit	5,761	5,367

Notes to the Financial Statements (continued)

for the year ended 30 June 2021

15. TAXES (continued)

Reconciliation of effective tax rate

In thousands of AUD	2021	2021	2020	2020
Loss before income tax		(59,170)		(48,800)
Income tax expense using the Company's domestic tax rate	(30.00%)	17,751	(30.00%)	14,640
Effective tax rates in foreign jurisdictions	(0.57%)	337	1.12%	(547)
Non-deductible expenses	23.68%	(14,013)	21.49%	(10,487)
Non-assessable income and concessions	(3.00%)	1,778	(4.26%)	2,080
Prior year adjustments	0.16%	(92)	0.65%	(319)
	(9.73%)	5,761	(11.00%)	5,367

Recognised deferred tax assets/(liabilities)

In thousands of AUD	2021 Net deferred tax assets	2020	2021 Net deferred tax liabilities	2020
Employee benefits	2,242	2,260	506	355
Provisions	800	792	3,256	3,733
Property, plant and equipment	324	139	(6,141)	(5,977)
Unrealised foreign exchange gain	2,199	(1,496)	(8)	–
Other items	4,816	1,799	1,616	1,285
Tax loss carry forwards	1,865	2,026	11	1
Net deferred tax assets/(liabilities)	12,246	5,520	(760)	(603)

The deductible temporary differences and tax losses do not expire under current tax legislation. R&D non-refundable tax offset credits are available to be applied against income tax payable in future years and do not expire under current tax legislation.

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

Management has assessed that the carrying amount of the deferred tax assets of $12,246 thousand should be recognised as management considers it probable that future taxable profits would be available against which they can be utilised.

16. INVENTORIES

In thousands of AUD	2021	2020
Raw materials and consumables	29,820	47,495
Finished goods	25,049	43,390
Stock in transit	1,247	492
Inventories stated at the lower of cost and net realisable value	56,116	91,377

During the year ended 30 June 2021 raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales amounted to $45,095 thousand (2020: $45,847 thousand).

A re-classification from inventory to property, plant and equipment of $17,209 thousand (2020: $13,737 thousand) was recorded to reflect gaming products for which rental and participation agreements were entered into during the year.

During the year ended 30 June 2021, the write down of inventories to net realisable value amounted to $6,517 thousand (2020: $4,620 thousand). The write down is included in cost of sales.

17. RECEIVABLES AND OTHER ASSETS

In thousands of AUD	*Note*	2021	2020
Current			
Trade receivables		91,538	92,435
Less impairment losses	*26*	(11,719)	(6,249)
		79,819	86,186
Other assets		122	1,188
Amount receivable from shareholder-controlled entities	*29*	2,560	665
		82,501	88,039
Non-current			
Trade receivables		33,944	25,844
		33,944	25,844

Information about the Group's exposure to credit and market risks and impairment losses for trade and other receivables is included in Note 26.

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:

In thousands of AUD	2021	2020
Minimum lease payments under finance leases are receivable as follows:		
Within one year	3,608	3,920
Later than one year but not later than 5 years	1,168	1,258
	4,776	5,178
Unearned finance income as follows:		
Within one year	179	247
Later than one year but not later than 5 years	46	52
	225	299
The present value of minimum lease payments and lease receivables classification is as follows:		
Within one year	3,429	3,673
Later than one year but not later than 5 years	1,122	1,206
	4,551	4,879

18. CASH AND CASH EQUIVALENTS

In thousands of AUD	2021	2020
Bank balances	40,610	26,528
Cash deposits	1,783	15
Cash and cash equivalents in the statement of cash flows	42,393	26,543

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 26.

18A. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

In thousands of AUD	*Note*	2021	2020
Cash flows from operating activities			
Loss for the period		(53,409)	(43,433)
Adjustments for:			
Rent concessions	*8*	(519)	(467)
Equity-settled share-based payment transactions	*10*	425	562
Net finance costs/(income)	*11*	12,801	(1,457)
Depreciation	*12,27*	20,760	29,835
Impairment losses on trade receivables and provision for obsolescence		15,510	8,030
Amortisation of intangible assets	*13*	10,524	10,160
Impairment of LATAM CGU	*13*	24,725	11,958
Impairment of Australia and Other CGU	*13*	7,995	–
Impairment of 616 Digital LLC		–	745
(Gain)/loss on sale of property, plant and equipment		(3,366)	153
Unrealised currency translation movements		6,658	(4,510)
Income tax benefit	*15*	(5,761)	(5,367)
Operating profit before changes in working capital & provisions		**36,343**	**6,209**
Change in trade and other receivables		(18,863)	26,827
Change in inventories		22,181	(28,081)
Net transfers between inventory and leased assets		(14,884)	(5,151)
Change in other assets		(7,769)	(4,479)
Change in trade and other payables		4,132	16,310
Change in provisions and employee benefits		(1,312)	1,737
		19,828	13,372
Interest received		1,052	2,326
Income taxes refunded		1,367	1,023
Net cash from operating activities		**22,247**	**16,721**

19. CAPITAL & RESERVES

(a) Share capital

In thousands of shares	Ordinary shares 2021	Ordinary shares 2020
In issue at 1 July	336,794	336,794
Shares issued under dividend reinvestment plan	–	–
In issue at 30 June – fully paid	336,794	336,794

(i) Ordinary Shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Issue of ordinary shares

During the year, no ordinary shares were issued.

(b) Nature and purpose of reserve

(i) Equity compensation reserve

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

(ii) Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of related party loans and borrowings where interest is charged at below market rates.

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

(iv) Profits reserve

This reserve is comprised wholly of the profits generated by the Australian entity which would be eligible for distribution as a frankable dividend.

(c) Dividends

No dividends were paid by the Company during the year.

During the year and subsequent to the reporting date, no dividend was proposed by the board of directors (2020: nil).

The amount of franking credits available to shareholders for subsequent financial years is $28,017 thousand (2020: $28,017 thousand). The ability to utilise the franking credits is dependent upon the ability to declare dividends.

20. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2021 was based on the loss attributable to ordinary shareholders of $53,409 thousand (2020: $43,433 thousand) and a weighted average number of ordinary shares outstanding as at 30 June 2021 of 336,794 thousand (2020: 336,794 thousand) calculated as follows:

Loss attributable to ordinary shareholders

In thousands of AUD	*Note*	2021	2020
Loss for the period		(53,409)	(43,433)
Loss attributable to ordinary shareholders		(53,409)	(43,433)
Weighted average number of ordinary shares			
In thousands of shares			
Issued ordinary shares at 1 July	*19*	336,794	336,794
Effect of shares issued		–	–
Weighted average number of ordinary shares at 30 June		336,794	336,794
Total basic earnings per share attributable to the ordinary equity holders of the Company		($0.16)	($0.13)

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2021 was based on the loss attributable to ordinary shareholders of $52,984 thousand (2020: $42,871 thousand) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 336,794 thousand (2020: 336,794 thousand), calculated as follows:

Loss attributable to ordinary shareholders (diluted)

In thousands of AUD	*Note*	2021	2020
Loss attributable to ordinary shareholders		(53,409)	(43,433)
Amortisation of share-based payment arrangement		425	562
Loss attributable to ordinary shareholders (diluted)		(52,984)	(42,871)
Weighted average number of ordinary shares (diluted)			
In thousands of shares			
Weighted average number of ordinary shares at 30 June	*19*	336,794	336,794
Effect of rights and options on issue		–	–
Weighted average number of ordinary shares (diluted) at 30 June		336,794	336,794
Total diluted earnings per share attributable to the ordinary equity holders of the Company		($0.16)	($0.13)

As at 30 June 2021, 9,004 thousand options (2020: 10,988 thousand options) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive.

21. LOANS & BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 26.

In thousands of AUD	2021	2020
Current		
Insurance premium funding	52	87
Secured bank loan	–	43,934
	52	44,021
Non-current		
Secured bank loan	37,240	–
	37,240	–

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

			2021		2020	
In thousands of AUD	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Insurance premium funding	1.27%	2021	53	52	88	87
Secured bank loan	LIBOR + 3.50%	2026	37,240	37,240	43,934	43,934
Total interest-bearing liabilities			37,293	37,292	44,022	44,021

Change in bank loan during the year

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. During the year, the Group capitalised 100% of the borrowing costs which amounted to $768 thousand. The group has also met all its financial covenants during the year.

Insurance premium funding

Finance lease liabilities of the Group are payable as follows:

In thousands of AUD	Future minimum lease payments 2021	Interest 2021	Present value of minimum lease payments 2021	Future minimum lease payments 2020	Interest 2020	Present value of minimum lease payments 2020
Less than one year	53	1	52	88	1	87
	53	1	52	88	1	87

22. EMPLOYEE BENEFITS

In thousands of AUD	2021	2020
Current		
Accrual for salaries and wages	590	1,452
Accrual for short-term incentive plan	347	101
Liability for annual leave	4,290	4,383
Liability for long service leave	3,179	3,237
	8,406	9,173
Non-Current		
Liability for long service leave	493	605
	493	605

23. SHARE-BASED PAYMENTS

At 30 June 2021, the Group had the following share-based payment arrangements:

(a) 30 August 2019 Share options

(i) Description of programme

On 30 August 2019, 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). To be eligible to participate in the OST, the employees were selected by the directors and reviewed by the Remuneration and Nomination Committee. The OST provides for employees an option to purchase allocated shares at the valuation price at grant date. Each option is convertible to one ordinary share. Option holders have no voting or dividend rights. On conversion from option to ordinary shares, the issued shares will have full voting and dividend rights. The ability to exercise the right is conditional on the continuing employment of the participating employee. The total issued share options under this programme were 11,062,029 units. As at 30 June 2020, 9,898,621 share options were outstanding. During the year, 894,207 options were cancelled due to termination of employees with 9,004,414 share options outstanding as at 30 June 2021.

The key terms and conditions related to the grants under the programme are as follows, with all options to be settled by the physical delivery of shares.

Grant date/employee entitled	Number of instruments issued	Vesting conditions	Contractual life of options
Options granted to key management personnel	878,779	Four years' service and performance hurdles from grant date as per OST below	5 years
Options granted to senior and other employees	10,183,250	Four years' service and performance hurdles from grant date as per OST below	5 years
Total share options OST	**11,062,029**		

Performance hurdles

- Tranche 1 - 25% will vest if the VWAP for 20 days preceding to 30/08/2021 is equal to or greater than $1.10.
- Tranche 2 - 25% will vest if the VWAP for 20 days preceding to 30/08/2022 is equal to or greater than $1.32.
- Tranche 3 - 50% will vest if the VWAP for 20 days preceding to 30/08/2023 is equal to or greater than $1.58.

The share options granted are cumulative whereby should the performance hurdles not be met at the respective vesting dates, the grant relating to these tranches will be re-tested at the next applicable performance vesting date subject to higher performance conditions. If the performance conditions at the end of the next applicable performance period are satisfied, then the share options for the current performance period and any non-vested share options from prior performance periods will vest. The last date whereby all tranches can be re-tested is on the final vesting date, being 30 August 2023, at which time any unvested share options will lapse.

(ii) Measurement of fair value

The fair value of the performance rights granted on 30 August 2019 under the OST are as follows:

Fair value at grant date	Fair value per option
Vesting date 30 August 2021	$0.1327
Vesting date 30 August 2022	$0.1282
Vesting date 30 August 2023	$0.1229

The fair value of the share option has been measured using the Black-Scholes-Merton formula. The inputs used in the measure of the fair value at grant date of the equity settlement shared based payment plan under the OST were as follows:

	OST plan
Share price at grant date	$0.737
Exercise price	$0.73
Expected volatility	27.1006%
Expected life	5 years
Expected dividends	3.38%
Risk-free interest rate (based on Treasury Bonds)	0.6940%

The expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The volatility rate under this option has been determined based on the daily share price returns over the 5-year period leading up to the date of valuation.

24. TRADE AND OTHER PAYABLES

In thousands of AUD	*Note*	2021	2020
Current			
Trade payables		15,932	14,829
Other payables and accrued expenses		15,274	8,519
Deferred consideration on MTD Gaming Inc acquisition		3,547	10,326
Amount payable to shareholder-controlled entities	*29*	848	3,052
		35,601	36,726
Non-Current			
Deferred consideration on MTD Gaming Inc acquisition		6,472	–
		6,472	–

25. PROVISIONS

In thousands of AUD	Service/ warranties	Legal	Total
Balance at 1 July 2020	736	2,659	3,395
Provisions made during the year	1,653	829	2,482
Provisions used during the year	(1,587)	(3,457)	(5,044)
Balance at 30 June 2021	802	31	833

26. FINANCIAL INSTRUMENTS

(a) Credit risk

(i) Exposure to credit risk

Trade and other receivables

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

		Carrying amount	
In thousands of AUD	*Note*	2021	2020
Receivables	*17*	116,323	112,695
		116,323	112,695

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

In thousands of AUD	2021	2020
Australia	13,041	9,869
North America	40,419	26,184
Latin America	68,080	79,041
Europe	2,683	1,692
New Zealand	2,209	217
Asia	1,610	1,899
South Africa	–	42
	128,042	118,944

The Group's concentration of credit risk arises from its two most significant receivable amounts represented by customers in Latin America. They account for $5,981 thousand (2020: $5,310 thousand) and $5,754 thousand (2020: $6,757 thousand) of the trade receivables carrying amount at 30 June 2021 respectively.

Cash and cash equivalents

The Group held cash of $40,610 thousand at 30 June 2021 (2020: $26,528 thousand) and $1,783 thousand of cash deposits at 30 June 2021 (2020: $15 thousand), which represents its maximum credit exposure on these assets. The cash and cash deposits are held with bank and financial institution counterparts, which are rated AA- to A-, based on rating agency Standard & Poor ratings.

Impairment Losses

During the financial year the group has applied a provision matrix to capture the different historical credit loss rates for different customers in geographical segments and the movement of these customer's ageing compared to prior financial year. The increase of $5,470 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 operate. The majority of the expected credit losses recorded related to the Latin American receivables where the second wave of COVID-19 has severely impacted operators in this region within the current period.

In thousands of AUD

	2021		
Geographical region	Loss rate	Debtor Balance	Impairment loss allowance under AASB 9
Australia & Other	7.7%	19,543	1,507
North America	4.2%	40,419	1,710
Latin America	12.5%	68,080	8,502
		128,042	11,719

In thousands of AUD

	2020		
Geographical region	Loss rate	Debtor Balance	Impairment loss allowance under AASB 9
Australia & Other	12.9%	13,719	1,767
North America	0.5%	26,184	139
Latin America	5.5%	79,041	4,343
		118,944	6,249

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

In thousands of AUD	2021	2020
Balance at 1 July	6,249	5,002
Impairment loss written off	(2,796)	(2,260)
Provision during the year	8,993	3,410
Reversal of provision	(151)	(196)
Effect of exchange rate fluctuations	(576)	293
Balance at 30 June	11,719	6,249

26. FINANCIAL INSTRUMENTS (continued)

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

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

(b) Liquidity risk

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

30 June 2021

In thousands of AUD	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-5 years	5 years or above
Non-derivative financial liabilities						
Insurance premium funding	52	(53)	(53)	–	–	–
Finance lease liabilities	15,356	(15,356)	(921)	(903)	(7,151)	(6,381)
Secured bank loan	37,240	(37,240)	–	–	(37,240)	–
Trade and other payables	42,073	(42,073)	(35,601)	–	(6,472)	–
	94,721	(94,722)	(36,575)	(903)	(50,863)	(6,381)

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

30 June 2020

In thousands of AUD	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-5 years	5 years or above
Non-derivative financial liabilities						
Insurance premium funding	87	(88)	(88)	–	–	–
Finance lease liabilities	16,414	(16,414)	(951)	(845)	(6,479)	(8,139)
Secured bank loan	43,934	(43,934)	(43,934)	–	–	–
Trade and other payables	36,726	(36,726)	(36,726)	–	–	–
	97,161	(97,162)	(81,699)	(845)	(6,479)	(8,139)

(c) Currency Risk

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

The Group monitors and assesses under its Treasury Risk policy and facilities available whether hedging of all trade receivables and trade payables denominated in a foreign currency from time to time is considered appropriate.

(i) Exposure to currency risk

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

	2021			2020		
In thousands of AUD	USD	Euro	NZD	USD	Euro	NZD
Trade and other receivables	100,124	1,619	1,070	105,906	138	216
Secured bank loan	(37,240)	–	–	(43,934)	–	–
Trade and other payables	(25,821)	(329)	–	(27,702)	(452)	–
Net exposure in statement of financial position	37,063	1,290	1,070	34,270	(314)	216

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2021	2020	2021	2020
USD	0.7467	0.6711	0.7518	0.6863
Euro	0.6260	0.6080	0.6320	0.6111
NZD	1.0742	1.0548	1.0745	1.0703

(ii) Sensitivity analysis

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

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June 2021 would have increased/(decreased) equity and profit or loss by the amounts shown below.

This analysis assumes that all other variables remain constant. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

Effect In thousands of AUD	Equity	Profit or (loss)
30 June 2021		
USD	(18,048)	(9,100)
Euro	(117)	(117)
NZD	(97)	(97)
30 June 2020		
USD	(24,353)	(11,445)
Euro	29	29
NZD	(20)	(20)

A 10 percent weakening of the Australian dollar against the following currencies at 30 June 21 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

Effect In thousands of AUD	Equity	Profit or (loss)
30 June 2021		
USD	27,503	11,123
Euro	143	143
NZD	119	119
30 June 2020		
USD	33,500	13,987
Euro	(35)	(35)
NZD	24	24

26. FINANCIAL INSTRUMENTS (continued)

(d) Fair Values

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

In thousands of AUD	*Note*	Carrying amount 2021	Fair value 2021	Carrying amount 2020	Fair value 2020
Assets carried at amortised cost					
Receivables and other assets	*17*	116,445	116,445	113,883	113,883
Cash and cash equivalents	*18*	42,393	42,393	26,543	26,543
		158,838	158,838	140,426	140,426

In thousands of AUD	*Note*	Carrying amount 2021	Fair value 2021	Carrying amount 2020	Fair value 2020
Liabilities carried at amortised cost					
Secured bank loan	*21*	37,240	37,240	43,934	43,934
Insurance premium funding	*21*	52	52	87	87
Trade and other payables	*24*	42,073	42,073	36,726	36,726
Finance leases	*27*	15,356	15,356	16,414	16,414
		94,721	94,721	97,161	97,161

(i) Estimates of fair values

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

(ii) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve as of 30 June 2021 plus an adequate constant credit spread and are as follows:

	2021	2020
Receivables	3.30% - 6.00%	3.79% - 6.00%
Secured bank loan	LIBOR + 3.50%	LIBOR + 0.85%
Insurance premium funding	1.27%	1.38%
Finance leases	5.19%	5.19%

(e) Interest rate risk

A reasonably possible change of 100 basis points in interest rates at the reporting date would have no impact on profit or loss. An increase in 100 basis points would lead to a decrease in profit by $nil and a decrease in 100 basis points would lead to an increase in profit by $nil. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

27. 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.

The Group leases plant and equipment. The leases typically run for a period of 5 years.

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 as follows.

(i) Right-of-use assets

In thousands of AUD	*Note*	Land & Buildings	Plant and Equipment	Total
2021				
Balance as at 1 July 2020		15,454	296	15,750
Additions to right-of-use assets		329	–	329
Disposals to right-of-use assets		(356)	–	(356)
Depreciation charge for the year	*9*	(1,976)	(95)	(2,071)
Impairment loss for the year		(4,094)	(62)	(4,156)
Effect of movements in foreign exchange		(20)	(1)	(21)
Balance as at 30 June 2021		9,337	138	9,475

In thousands of AUD	*Note*	Land & Buildings	Plant and Equipment	Total
2020				
Balance as at 1 July 2019		17,560	350	17,910
Depreciation charge for the year	*9*	(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		15,454	296	15,750

27. LEASES (continued)

(ii) Lease Liabilities

In thousands of AUD	*Note*	Land & Buildings	Plant and Equipment	Total
2021				
Balance as at 1 July 2020		(16,117)	(297)	(16,414)
Additions of lease liabilities		(329)	(773)	(1,102)
Disposals of lease liabilities		369	(4)	365
Payments made		1,903	139	2,042
Interest expense		(773)	(18)	(791)
Rent concessions	8	476	43	519
Effects of movements in foreign exchange		25	–	25
Balance as at 30 June 2021		(14,446)	(910)	(15,356)

In thousands of AUD	*Note*	Land & Buildings	Plant and Equipment	Total
2020				
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	8	467	–	467
Effects of movements in foreign exchange		(11)	(1)	(12)
Balance as at 30 June 2020		(16,117)	(297)	(16,414)

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.

In thousands of AUD	2021	2020
Less than one year	2,538	2,102
One to five years	9,181	8,791
More than five years	6,775	8,924
Total undiscounted lease liabilities at 30 June 2021	18,494	19,817
Current	1,824	1,320
Non-current	13,532	15,094
Lease liabilities included in the consolidated statement of financial position	15,356	16,414

(iii) Amounts recognised in profit or loss

In thousands of AUD	2021	2020
2021 – Leases under AASB 16		
Interest on lease liabilities	(784)	(864)
Rent concessions recognised in profit and loss	519	467
Depreciation charge for the year	(2,071)	(2,393)
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	(70)	(102)

(iv) Amounts recognised in statement of cash flows

In thousands of AUD	2021	2020
Total cash outflow for leases	(1,958)	(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.

28. CAPITAL AND OTHER COMMITMENTS

In thousands of AUD	2021	2020
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	416	308
Employee compensation commitments		
Key management personnel		
Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:		
Within one year	1,060	990

29. RELATED PARTIES

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

Non-executive Directors

Current

Mr DE Gladstone

Mr GJ Campbell

Mr CJ Henson

Mr HK Neumann

Mr MB Yates (resigned 31 March 2021)

Executives

Current

Mr Lawrence Levy (Chief Executive Officer, Ainsworth Game Technology Limited)

Mr ML Ludski (Chief Financial Officer and Company Secretary, Ainsworth Game Technology Limited)

Mr V Bruzzese (General Manager Technical Services, Ainsworth Game Technology Limited)

(a) Key management personnel compensation

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

In AUD	2021	2020
Short-term employee benefits	2,084,180	2,367,099
Post-employment benefits	179,678	244,340
Share based payments	59,650	24,280
Other long-term benefits	125,929	133,637
Termination benefit	–	384,000
	2,449,437	3,153,356

(b) Individual Directors and Executives Compensation disclosures

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

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

(c) 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:

		Transactions value year ended 30 June		Balance receivable/ (payable) as at 30 June	
In AUD	*Note*	2021	2020	2021	2020
Transaction					
Sales to Novomatic and its related entities	*(i)*	2,367,592	20,387	2,316,375	111,684
Purchases from Novomatic and its related entities	*(i)*	216,234	4,495,089	(648,633)	(3,052,494)
Other charges made on behalf of Novomatic	*(i)*	243,225	1,659,159	243,225	553,174
Purchases and other charges made on behalf of the Group	*(i)*	200,370	3,076,589	(199,010)	–

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

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

In AUD	2021	2020
Assets and liabilities arising from the above transactions		
Current receivables and other assets		
Amount receivable from shareholder-controlled entities	2,559,600	664,858
Current trade and other payables		
Amount payable to shareholder-controlled entities	847,643	3,052,494

30. GROUP ENTITIES

	Country of incorporation	Ownership Interest	
		2021	2020
Parent entity			
Ainsworth Game Technology Limited	Australia		
Subsidiaries			
AGT Pty Ltd	Australia	100%	100%
– AGT Pty Mexico S. de R.L. de C.V.	Mexico	100%	100%
– AGT Pty Peru S.R.L.	Peru	100%	100%
– AGT Pty Argentina S.R.L.	Argentina	100%	100%
– AGT Pty Colombia SAS	Colombia	100%	100%
– AGT Alderney Limited	Alderney	100%	100%
– Ainsworth Game Technology Inc	USA	100%	100%
– Ainsworth Interactive Pty Ltd	Australia	100%	100%
– AGT Gaming Services S. de R.L de C.V.	Mexico	100%	100%
– AGT Interactive S. de R.L de C.V.	Mexico	100%	100%
– Ainsworth Panama S.A.	Panama	100%	100%
– AGT Brasil - Technologia LTDA.	Brasil	100%	100%
AGT Service Pty Ltd	Australia	100%	100%
– AGT Service (NSW) Pty Ltd	Australia	100%	100%
– J & A Machines Pty Ltd	Australia	100%	100%
– Bull Club Services Pty Ltd	Australia	100%	100%

31. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Notes to the Financial Statements (continued)

for the year ended 30 June 2021

32. AUDITOR'S REMUNERATION

In AUD	2021	2020
Audit and review services		
Auditors of the Company - KPMG		
Audit and review of financial statements	345,500	282,000
Other regulatory audit services	27,500	22,500
	373,000	304,500
Other services		
Auditors of the Company - KPMG		
In relation to taxation and other services	131,250	69,116

33. PARENT ENTITY DISCLOSURES

As at and throughout the financial year ended 30 June 2021 the parent entity of the Group was Ainsworth Game Technology Limited.

In thousands of AUD	2021	2020
Result of parent entity		
Loss for the year	(46,023)	(32,650)
Total comprehensive loss for the year	(46,023)	(29,881)
Financial position of parent entity at year end		
Current assets	51,975	59,132
Total assets	327,242	400,218
Current liabilities	24,291	49,994
Total liabilities	39,309	65,477
Total equity of parent entity comprising of:		
Share capital	207,709	207,709
Equity compensation and translation reserve	10,831	13,630
Fair value reserve	9,684	9,684
Profit reserves	95,438	122,760
Accumulated losses	(35,729)	(19,042)
Total equity	**287,933**	**334,741**

33.1 Parent entity capital commitments for acquisitions of property, plant and equipment

In thousands of AUD	2021	2020
Plant and equipment		
Contracted but not yet provided for and payable:		
Within one year	191	241

34. BUSINESS COMBINATIONS

In the prior year 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.

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$13,000 thousand, with an additional US$13,000 thousand of deferred/ contingent 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.

During the year ended 30 June 2021 the acquired business contributed revenues of $6,734 thousand (2020: $923 thousand) and a net profit of $816 thousand (2020: $251 thousand net loss) to the Group during the year.

Details of the purchase consideration, the net assets acquired, and goodwill at acquisition date fair value are as follows:

34.1 Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

In thousands of AUD	
Purchase consideration, paid in cash	19,881
Purchase consideration, deferred	7,646
Contingent consideration	10,563
Total consideration	**38,090**

(a) Cash flow

In thousands of AUD	
Payment for business acquisition	27,877
Outflow of cash - investing activities	**27,877**

The difference between the purchase price consideration recorded at acquisition date of $27,527 thousand and cash outflow of $27,877 thousand relates to the effects of foreign currency movements due to the timing of the payment of the acquisition.

Included in the outflow is deferred consideration of US$5,000 thousand (AU$7,646 thousand) which is held subject to re-signing of a key contract in Montana or attaining set financial targets.

(b) Contingent consideration

The contingent consideration of $10,563 thousand as above is subject to meeting cumulative Gross Profit target and this consideration is payable at any time before the end of FY24. This consideration represents the fair value of contractual cash flow or equity in equivalent of cash amounting to US$8,000 thousand 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.

Apart from the contingent consideration of $10,563 thousand as above, the Group has agreed to pay MTD additional earnings 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 date of key personnel acquired as part of the acquisition.

34.2 Identifiable assets acquired

The fair value of assets recognised at date of acquisition are as follows:

In thousands of AUD	
Intangible assets: core technology	11,317
Intangible assets: customer relationships	5,062
Intangible assets: trade names	1,193
Intangible assets: work force	110
Total identifiable net assets acquired	17,682
Add: goodwill	20,408
Net assets acquired	**38,090**

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 $20,408 thousand.

34.3 Acquisition related costs

The total acquisition related costs amounting to $52 thousand has been recognised as an expense in the statement of comprehensive income in FY20, within the 'Administrative expenses' line item.

Directors' Declaration

for the year ended 30 June 2021

1. In the opinion of the directors of Ainsworth Game Technology Limited (the 'Company'):
   (a) the consolidated financial statements and notes that are set out on pages 39 to 89 and the Remuneration report in sections 15.1 to 15.8 in the Directors' report, are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2021.
3. The directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

D. Gladstone

DE Gladstone
Chairperson
Dated at Sydney this 26th day of August 2021

Independent Auditor's Report

To the shareholders of Ainsworth Game Technology Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Ainsworth Game Technology Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2021;
- Consolidated Statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report (continued)

for the year ended 30 June 2021

KPMG

Key Audit Matters	
The ***Key Audit Matters*** we identified are: • Revenue recognition; • Recoverability of trade receivables; and • Carrying value of goodwill and intangible assets.	***Key Audit Matters*** are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period. These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to note 7 of the Financial Report ($159.5m AUD)

The key audit matter	How the matter was addressed in our audit
Revenue recognition was a key audit matter due to: • significant importance of revenue as a key performance indicator to the Group and its shareholders given the Group's performance. • the audit effort associated with multiple revenue streams with different recognition criteria across different geographic locations. Key revenue streams include: • outright machine and spare parts sales; • revenue from fixed and participation rental; and • revenue from multi-element arrangements which consist of several components within the revenue stream. Due to varying revenue recognition and measurement principles of the revenues generated by the Group, it necessitated greater involvement by the audit team to evaluate timing and measurement of revenue recognised.	Our procedures included: • evaluating the Group's revenue recognition policies against the requirements of AASB 15 *Revenue from contracts with customers* and/or AASB 16 *Leases*; • testing key revenue recognition controls of the Group, across different geographic locations, such as the Group's process of matching underlying documents to determine the timing of revenue recognition. In testing these controls we inspected underlying documents such as invoices, delivery notes, customer contracts, purchase orders and sales orders; • testing statistical samples of transactions in key revenue streams, across different geographic locations, to underlying records. We inspected the terms and conditions of the revenue contract for consistency to the Group's policy for timing and measurement of revenue recognition; • testing a sample of revenue transactions, across different geographic locations, from immediately before and immediately after year end. We compared the year in which the revenue was recognised by the Group to terms of the underlying contract; • testing samples of multi-element revenue transactions recorded by the Group against contract terms and interest rates.

KPMG

<table>
<tr><th colspan="2">Recoverability of trade receivables</th></tr>
<tr><td colspan="2">Refer to note 17 of the Financial Report ($116.4m AUD)</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Recoverability of trade receivables was a key audit matter because payment terms, prevailing industry practices and adverse market conditions due to COVID-19 vary significantly across the different geographic locations in which the Group operates.

These conditions give rise to heightened exposure to credit risk across the Group, thus requiring greater audit focus.

The prevailing practice by the Group in certain locations in which the Group operates is to provide payment terms which are extended beyond traditional payment terms observed in Australia. This required a heightened element of judgement, and scrutiny to be applied by us when assessing the recoverability of trade receivables, such as:
• assessment of amounts overdue compared to contractual payment terms;
• evidence from internal diligence performed by the Group on the continued credit worthiness of customers;
• settlement history of previous sales with the Group; and
• evidence of ongoing dialogue and correspondence with the Group.</td><td>Our audit procedures included:
• testing controls in relation to credit limit approvals and examining customers adherence to the payment plan;
• testing the recoverability of selected samples of receivable balances held by the Group across geographic locations through:
  - enquiries with the Group on the samples selected to understand the rationale behind the Group's recoverability assessment;
  - challenging the Group's recoverability assessment utilising our understanding of:
    ▪ market practice;
    ▪ ongoing correspondence between the customer and the Group;
    ▪ the Group's internal diligence check on the credit worthiness of the customer;
    ▪ customer contract and payment history.
• evaluating the expected credit loss model for the geographical locations in which the Group operates in accordance with AASB 9 Financial Instruments.</td></tr>
</table>

Independent Auditor's Report (continued)

for the year ended 30 June 2021

KPMG

<table>
<tr><th colspan="2">Carrying value of goodwill and intangible assets</th></tr>
<tr><td colspan="2">Refer to note 13 of the Financial Report ($79.0m AUD)</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Annual testing of goodwill and intangible assets is a key audit matter, due to the disruptions to the Group caused by COVID-19 and the significant judgement applied when evaluating the forward looking assumptions, including:
• forecast cash flows and the growth rates (including terminal growth rates) applied to those forecasts in light of current competitive market conditions as well as significant business disruption arising from the impacts of COVID-19. These factors increase the uncertainty and provide a risk of inaccurate forecasts. We analysed the expected rate of recovery for the Group when assessing the feasibility of the Group's forecast cash flows.
• value in use model prepared is sensitive to the assumptions adopted by the Group including forecast growth rates and the discount rates applied for different jurisdictions. These assumptions have a significant impact on the recoverable amount of the assets within the identified CGUs. This drives additional audit effort to assess the assumptions adopted by the Group.
• discount rates are complex in nature and vary according to the conditions and environment in which the CGU operates. The Group operates in various jurisdictions and is therefore subject to different discount rates for each CGU. In addition, an assessment of the forecasting risk applied in the discount rate required significant judgement during these uncertain times. This drives additional audit effort in challenging the assumptions used by the Group in determining the discount rate for each CGU.
The Group uses complex models to perform its annual impairment testing of goodwill and intangible assets. Complex models, particularly those containing highly judgemental forward looking assumptions tend to be prone to greater risk of potential bias, error and/or inconsistent application. Such conditions necessitate additional scrutiny by us, in particular to address</td>
<td>Working with our valuation specialists, our procedures included:
• analysing key assumptions in the Group's value in use model, we:
  • challenged the Group's forecast cash flow and growth rates' assumptions which reflects COVID-19 expected rate of recovery approved by the board;
  • applied increased scepticism to assumptions in areas where previous forecasts were not achieved;
  • compared forecast growth rates and the terminal growth rates to published studies of industry trends and expectations across different jurisdictions and geographic locations , and considered differences for the Group's operations;
  • applied our knowledge of the Group, its past performance, business and customers, and our industry experience;
• we considered the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates.
• we independently developed a discount rate range, across different jurisdictions and geographic locations applicable to each identified CGU. We did this using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in;
• evaluating the value in use model used for goodwill and intangibles impairment testing against the requirements of the accounting standards;
• we assessed the integrity of the value in use models used, including the accuracy of the</td></tr>
</table>

Independent Auditor's Report (continued)

for the year ended 30 June 2021

the objectivity of sources used to derive assumptions, and their consistent application.	underlying formulas; • We assessed the Group's determination of CGU assets for consistency with the assumptions used in the forecast cash flows and the requirements of the accounting standards; • we assessed the Group's allocation of corporate assets to CGUs based on the requirements of the accounting standards; and • we assessed the adequacy of the disclosures in the financial report against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Ainsworth Game Technology Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors Report including the Remuneration Report. The Chairman's Report, Performance Overview Report, New Games Report, Chief Executive Officer's Report, Shareholder Information and Corporate Directory are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's and Company's ability to continue as a going concern and whether the use of the going concern assumption is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report (continued)

for the year ended 30 June 2021

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Ainsworth Game Technology Limited for the year ended 30 June 2021, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included on pages 26 to 38 of the Directors' report for the year ended 30 June 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Julie Cleary
Partner

Sydney
26 August 2021

Lead Auditor's Independence Declaration

for the year ended 30 June 2021

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

To the Directors of Ainsworth Game Technology Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Ainsworth Game Technology Limited for the year ended 30 June 2021 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Julie Cleary
Partner

Sydney
26 August 2021

Corporate Directory

CORPORATE DIRECTORY

Non-Executive Directors
Mr DE Gladstone – Chairperson

Independent Non-Executive Directors
Mr GJ Campbell

Mr CJ Henson

Chief Executive Officer & Executive Director
Mr HK Neumann

Company Secretary and Chief Financial Officer
Mr ML Ludski

Securities Exchange Listing
The Company is listed on the Australian Securities Exchange.
The Home Exchange is Sydney.

CODE: AGI

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

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