UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2013

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-31558

BALLY TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

NEVADA	**88-0104066**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6601 S. Bermuda Rd.

Las Vegas, Nevada 89119

(Address of principal executive offices)

(702) 584-7700

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x	Accelerated Filer o
Non-Accelerated Filer o (do not check if a smaller reporting company)	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

The number of shares of Common Stock, $0.10 par value, outstanding as of February 5, 2014, was 39,108,000 which do not include 26,545,000 shares held in treasury.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I

ITEM 1. FINANCIAL STATEMENTS

BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2013	June 30, 2013
	(in 000s, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 108,588	$ 63,220
Restricted cash	13,895	12,939
Accounts and notes receivable, net of allowances for doubtful accounts of $15,277 and $14,813	280,900	248,497
Inventories	98,737	68,407
Prepaid and refundable income tax	45,800	21,845
Deferred income tax assets	49,286	38,305
Deferred cost of revenue	17,966	22,417
Prepaid assets	20,936	14,527
Other current assets	5,403	2,920
Total current assets	641,511	493,077
Restricted long-term investments	17,021	14,786
Long-term accounts and notes receivables, net of allowances for doubtful accounts of $1,629 and $1,764	69,641	65,456
Property, plant and equipment, net of accumulated depreciation of $66,744 and $60,556	66,453	35,097
Leased gaming equipment, net of accumulated depreciation of $230,138 and $209,680	138,144	113,751
Goodwill	990,083	172,162
Intangible assets, net	529,226	25,076
Deferred income tax assets	4,374	17,944
Income tax receivable	1,811	1,837
Deferred cost of revenue	11,404	12,105
Other assets, net	58,138	27,974
Total assets	$ 2,527,806	$ 979,265
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 28,457	$ 25,863
Accrued and other liabilities	103,253	91,127
Jackpot liabilities	12,365	11,731
Deferred revenue	48,706	62,254
Income tax payable	5,572	11,345
Current maturities of long-term debt	39,305	24,615
Total current liabilities	237,658	226,935
Long-term debt, net of current maturities	1,900,935	580,000
Deferred revenue	29,081	23,696
Other income tax liability	12,679	12,658

Deferred income tax liabilities		134,143		171
Other liabilities		22,662		16,633
Total liabilities		2,337,158		860,093
Commitments and contingencies (Note 11)				
Stockholders equity:				
Common stock, $.10 par value; 100,000,000 shares authorized; 65,642,000 and 65,318,000 shares issued and 39,097,000 and 38,855,000 outstanding		6,555		6,523
Treasury stock at cost, 26,545,000 and 26,463,000 shares		(1,084,060)		(1,058,381)
Additional paid-in capital		578,161		535,759
Accumulated other comprehensive loss		(15,846)		(10,692)
Retained earnings		705,334		646,339
Total Bally Technologies, Inc. stockholders equity		190,144		119,548
Noncontrolling interests		504		(376)
Total stockholders equity		190,648		119,172
Total liabilities and stockholders equity	$	2,527,806	$	979,265

See accompanying notes to unaudited condensed consolidated financial statements.

BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31, 2013	Three Months Ended December 31, 2012	Six Months Ended December 31, 2013	Six Months Ended December 31, 2012
	(in 000s, except per share amounts)			
Revenues:				
Gaming equipment and systems	$ 177,398	$ 139,323	$ 324,785	$ 273,334
Product lease, operation and royalty	107,795	99,016	209,697	200,156
	285,193	238,339	534,482	473,490
Costs and expenses:				
Cost of gaming equipment and systems (1)	72,916	52,205	127,422	107,559
Cost of product lease, operation and royalty(1)	32,365	29,335	62,984	60,328
Selling, general and administrative	90,986	67,852	163,413	132,368
Research and development costs	32,709	26,599	62,213	51,694
Depreciation and amortization	11,672	5,687	16,937	11,291
	240,648	181,678	432,969	363,240
Operating income	44,545	56,661	101,513	110,250
Other income (expense):				
Interest income	2,489	1,403	4,970	2,547
Interest expense	(11,795)	(4,538)	(16,222)	(9,155)
Other, net	(1,209)	(1,059)	(2,109)	(1,802)
Income from operations before income taxes	34,030	52,467	88,152	101,840
Income tax expense	(12,105)	(19,389)	(28,277)	(37,818)
Net income	21,925	33,078	59,875	64,022
Less net income (loss) attributable to noncontrolling interests	714	(48)	880	(1,636)
Net income attributable to Bally Technologies, Inc.	$ 21,211	$ 33,126	$ 58,995	$ 65,658
Basic and Diluted earnings per share attributable to Bally Technologies, Inc.:				
Basic earnings per share	$ 0.55	$ 0.82	$ 1.53	$ 1.62
Diluted earnings per share	$ 0.54	$ 0.80	$ 1.51	$ 1.57
Weighted average shares outstanding:				
Basic	38,502	40,399	38,441	40,633
Diluted	39,189	41,494	39,140	41,805

(1) Cost of gaming equipment and systems and product lease, operation and royalty exclude amortization related to intangible assets which are included in depreciation and amortization.

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended December 31, 2013	Three Months Ended December 31, 2012	Six Months Ended December 31, 2013	Six Months Ended December 31, 2012
	(in 000s)			
Net Income	$ 21,925	$ 33,078	$ 59,875	$ 64,022
Other comprehensive income (loss):				
Foreign currency translation adjustment before income taxes	(7,119)	39	(7,354)	892
Income tax expense				
Foreign currency translation adjustment	(7,119)	39	(7,354)	892
Unrealized gain (loss) on derivative financial instruments before income taxes	3,086	1,289	3,385	763
Income tax expense (benefit)	(1,080)	(451)	(1,185)	(267)
Unrealized gain (loss) on derivative financial instruments	2,006	838	2,200	496
Total other comprehensive income (loss), net of income taxes	(5,113)	877	(5,154)	1,388
Comprehensive income	16,812	33,955	54,721	65,410
Less: comprehensive income (loss) attributable to noncontrolling interests	714	(48)	880	(1,636)
Comprehensive income attributable to Bally Technologies, Inc.	$ 16,098	$ 34,003	$ 53,841	$ 67,046

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

FOR THE SIX MONTHS ENDED DECEMBER 31, 2013 AND 2012

	Common Stock Shares	Common Stock Dollars	Series E Special Stock	Treasury Stock	Additional Paid-In Capital (in 000s)	Accumulated Other Comprehensive Income (Loss) (OCI)	Retained Earnings	Noncontrolling Interests	Total Stockholders Equity
Balances at June 30, 2012	63,150	$ 6,309	$ 12	$ (790,633)	$ 489,002	$ (13,477)	$ 504,895	$ 1,367	$ 197,475
Net income (loss)							65,658	(1,636)	64,022
Foreign currency translation adjustment						892			892
Unrealized loss on derivative financial instruments, net of tax						496			496
Total comprehensive income									$ 65,410
Distributions to noncontrolling interests								(22)	(22)
Issuance and receipt of restricted stock, ESPP shares, stock options and related tax and tax benefit	1,341	133		(8,712)	27,040				18,461
Purchase of common stock for treasury				(91,323)					(91,323)
Share-based compensation					6,157				6,157
Balances at December 31, 2012	64,491	$ 6,442	$ 12	$ (890,668)	$ 522,199	$ (12,089)	$ 570,553	$ (291)	$ 196,158
Balances at June 30, 2013	65,318	$ 6,523	$	$ (1,058,381)	$ 535,759	$ (10,692)	$ 646,339	$ (376)	$ 119,172
Net income (loss)							58,995	880	59,875
Foreign currency translation adjustment						(7,354)			(7,354)
Unrealized loss on derivative financial instruments, net of tax						2,200			2,200
Total comprehensive income									$ 54,721
Issuance and receipt of restricted stock, ESPP shares, stock options and related tax and tax benefit	324	32		(3,179)	12,779				9,632
Settlement of accelerated share				(22,500)	22,500				

repurchase forward contract									
Share-based compensation					7,123				7,123
Balances at December 31, 2013	65,642	$ 6,555	$	$ (1,084,060)	$ 578,161	$ (15,846)	$ 705,334	$ 504	$ 190,648

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended December 31, 2013	2012
	(in 000s)	
Cash flows from operating activities:		
Net income	$ 59,875	$ 64,022
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	52,087	43,658
Share-based compensation	7,123	6,157
Amortization of deferred debt issuance costs	1,527	888
Income tax (benefit) expense	(3,178)	146
Provision for doubtful accounts	2,317	7,019
Inventory write-downs	3,919	3,973
Excess tax benefit of stock option exercises	(3,439)	(10,635)
Other	92	998
Change in operating assets and liabilities:		
Accounts and notes receivable	21,681	19,147
Inventories	(15,080)	(36,890)
Prepaid and refundable income tax and income tax payable	(16,486)	(15,771)
Other current assets and other assets	(3,879)	(183)
Accounts payable	(2,004)	(9,269)
Accrued liabilities and jackpot liabilities	(12,518)	(12,365)
Deferred revenue and deferred cost of revenue	(6,732)	6,969
Net cash provided by operating activities	85,305	67,864
Cash flows from investing activities:		
Acquisition, net of cash acquired	(1,344,137)	
Capital expenditures	(10,956)	(6,915)
Restricted cash and investments	(3,192)	2,024
Financing provided to customer		(1,228)
Payments received from development financing	1,878	
Additions to other long-term assets	(5,191)	(659)
Net cash used in investing activities	(1,361,598)	(6,778)
Cash flows from financing activities:		
Proceeds from revolving credit facility	330,000	55,000
Payments on revolving credit facility	(70,000)	
Proceeds from long-term debt	1,100,000	
Payments on long-term debt and capital leases	(14,052)	(7,535)
Capitalized debt issuance costs	(33,016)	
Acquisition-related contingent consideration	(459)	
Distributions to noncontrolling interests		(22)
Purchase of treasury stock	(3,179)	(100,035)
Excess tax benefit of stock option exercises	3,439	10,635
Proceeds from exercise of stock options and employee stock purchases	9,372	16,305
Net cash provided by (used in) financing activities	1,322,105	(25,652)
Effect of exchange rate changes on cash	(444)	1,456
Cash and cash equivalents:		
Increase for period	45,368	36,890
Balance, beginning of period	63,220	32,673

Balance, end of period	$	108,588	$	69,563

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED SUPPLEMENTAL CASH FLOW INFORMATION

The following supplemental information is related to the unaudited condensed consolidated statements of cash flows:

	Six Months Ended December 31,			
	2013		2012	
	(in 000s)			
Cash paid for interest	$	14,878	$	8,545
Cash paid for income taxes, net of refunds		47,374		53,382
Non-cash investing and financing transactions:				
Transfer of inventory to leased gaming equipment (1)	$	27,342	$	45,360
Reclassify property, plant and equipment to inventory (1)		6,384		6,141

(1) As a result of the inability to separately identify the cash flows associated with the construction of leased gaming equipment, the Company has included all additions to leased gaming equipment as an increase in inventory under cash used in operating activities in the unaudited condensed consolidated statement of cash flows. In addition, cash generated from the sale of used gaming equipment classified as leased gaming equipment is also included in cash provided by operating activities in the unaudited condensed consolidated statement of cash flows. The Company has one process to procure raw materials for the assembly of both inventory and leased gaming equipment. The materials requisition planning process considers the number of devices the Company expects to build for sale and for use in its gaming operations during a particular period, but it does not separately earmark purchases for leased gaming equipment. Without such an earmarking process, the Company is unable to determine whether the parts used to construct leased gaming equipment during a particular period came from inventory on hand at the beginning of the period or was constructed from inventory procured during the period of deployment, thus requiring the expenditure of cash.

Table of Contents

BALLY TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bally Technologies, Inc. (Bally or the Company), a Nevada corporation, is a diversified global gaming company that designs, manufactures, operates and distributes gaming machines, table game products, casino-management systems, interactive applications, and networked and server-based systems that drive revenue and provide operating efficiencies for gaming operators. The Company s innovations and technology solutions allow its customers to more effectively manage their operations using our wide range of marketing, data management and analysis, accounting, player tracking, security and other software applications and tools. The Company also provides hardware and games, including spinning-reel and video gaming devices, specialty gaming devices, table-game products, and wide-area progressive systems. Under its business-to-business model, the Company supports customers that include traditional land-based, riverboat, and Native American casinos, video lottery and central determination markets.

Principles of presentation and consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of Bally Technologies, Inc., and its 100%-owned and partially owned subsidiaries, and have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC), include all adjustments necessary to fairly present the Company s consolidated financial position, results of operations and cash flows for each period presented. All adjustments are of a normal, recurring nature. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those rules and regulations. The results of operations for an interim period are not necessarily indicative of the results that may be expected for any other interim period or the year as a whole. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company s Annual Report on Form 10-K for the fiscal year ended June 30, 2013. References to specific U.S. GAAP within this report cite topics within the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

All intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Business Combinations

The Company applies the provisions of ASC 805, *Business Combinations*, in the accounting for acquisitions. It requires a Company to recognize separately from goodwill the assets acquired and the liabilities assumed, at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. Significant estimates and assumptions are required to value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable. These estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. In addition, deferred tax assets, deferred tax liabilities, uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. The Company reevaluates these items quarterly based upon facts and circumstances that existed as of the acquisition date and any adjustments to its preliminary estimates are recorded to goodwill if identified within the measurement period. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

Table of Contents

All financial assets and liabilities are recognized or disclosed at fair value using a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. A financial instrument s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. There are three levels of inputs that may be used to measure fair value:

- Level 1: quoted prices in active markets for identical assets or liabilities;

- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

- Level 3: unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amounts reflected in the accompanying unaudited condensed consolidated balance sheets for cash equivalents, accounts and notes receivable, investment securities to fund jackpot liabilities, accounts payable, jackpot liabilities and long-term debt approximate their respective fair values. Cash equivalents and investment securities to fund jackpot liabilities have Level 1 inputs with values based on quoted market prices. Accounts and notes receivable and jackpot liabilities have Level 3 inputs and were valued using Discounted Cash Flows (DCF) incorporating expected future payment timing and current borrowing rates. Long-term debt has Level 2 inputs and was valued using DCF incorporating expected future payment timing and current borrowing rates.

The Company transacts business in various foreign currencies and has international sales and expenses denominated in foreign currencies, subjecting the Company to foreign currency risk. The Company enters into foreign currency forward contracts, generally with maturities of twelve months or less, to hedge recognized foreign currency assets and liabilities to reduce the risk that earnings and cash flows will be adversely affected by changes in foreign currency exchange rates. The gains or losses resulting from changes in the fair value of these forward contracts, which are not designated as accounting hedges, are reported in other income (expense) in the unaudited condensed consolidated statements of operations, and generally offset the gains and losses associated with the underlying foreign-currency-denominated balances, which are also reported in other income (expense). As of December 31, 2013 and June 30, 2013, euro forward contracts for a total of $25.9 million and $33.0 million, respectively, or the equivalent of 18.9 and 25.3 million, were outstanding. In addition, as of December 31, 2013 and June 30, 2013, pound sterling forward contracts for a total of $5.0 million and $2.3 million, respectively, or the equivalent of £3.0 million and £1.5 million, were outstanding.

The Company may use interest rate derivatives to manage the interest expense generated by variable rate debt and foreign currency derivatives to manage foreign exchange risk. The Company s derivative financial instruments are measured at fair value on a recurring basis, and the balances were as follows:

	Fair Value Measurements Using Input Type		
	Level 1	**Level 2**	**Level 3**

		(in 000s)		
As of December 31, 2013:				
Assets:				
Other assets:				
Interest rate derivative financial instrument	$	$	2,013	$
Liabilities:				
Accrued and other liabilities:				
Foreign currency derivative financial instruments	$	$	731	$
Interest rate derivative financial instrument	$	$	4,495	$
Other liabilities:				
Interest rate derivative financial instrument	$	$	3,749	$

Table of Contents

As of June 30, 2013:				
Assets:				
Other current assets:				
Foreign currency derivative financial instrument	$	$	397	$
Liabilities:				
Accrued and other liabilities:				
Foreign currency derivative financial instrument	$	$	22	$
Interest rate derivative financial instruments	$	$	4,689	$
Other liabilities:				
Interest rate derivative financial instrument	$	$	4,927	$

The valuation techniques used to measure the fair value of the derivative financial instruments above in which the counterparties have high credit ratings, were derived from pricing models, such as discounted cash flow techniques, with all significant inputs derived from or corroborated by observable market data. The Company s discounted cash flow techniques use observable market inputs, such as LIBOR-based yield curves and foreign currency forward rates. See Note 7 to the unaudited condensed consolidated financial statements, *Long-Term Debt*.

Accounting for Derivative Instruments and Hedging Activity

The Company assesses, both at the inception of each designated hedge and on an on-going basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. Such highly effective derivatives are granted hedge accounting treatment. The interest rate derivative instruments meet these requirements and are accounted for as cash flow hedges.

The impact of the cash flow hedge and non-designated foreign currency derivatives on the unaudited condensed consolidated financial statements is depicted below:

Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) (in 000s)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
For the three months ended December 31, 2013:					
Interest rate swap agreements	$ 1,818	Interest expense	$ (1,268)	Interest expense	$
For the three months ended December 31, 2012:					
Interest rate swap agreement	$ (41)	Interest expense	$ (1,330)	Interest expense	$

Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in	Location of Gain (Loss) Reclassified from	Amount of Gain (Loss) Reclassified from	Location of Gain (Loss) Recognized in Income on	Amount of Gain (Loss) Recognized in Income on

	OCI on Derivative (Effective Portion)		Accumulated OCI into Income (Effective Portion)	Accumulated OCI into Income (Effective Portion) (in 000s)		Derivative (Ineffective Portion)	Derivative (Ineffective Portion)	
For the six months ended December 31, 2013:								
Interest rate swap agreements	$	833	Interest expense	$	(2,552)	Interest expense	$	
For the six months ended December 31, 2012:								
Interest rate swap agreement	$	(1,798)	Interest expense	$	(2,561)	Interest expense	$	(9)

Table of Contents

Non-Designated Derivative	Amount of Loss Recognized in Other Income (Expense) Three Months Ended December 31, 2013	Three Months Ended December 31, 2012	Six Months Ended December 31, 2013	Six Months Ended December 31, 2012
	(in 000s)			
Foreign Currency Forward Contracts	$ (589)	$ (1,064)	$ (2,018)	$ (1,896)

The pre-tax changes in other comprehensive income for the six months ended December 31, 2013 and 2012 are as follows:

Interest Rate Derivative Financial Instrument OCI Rollforward:	Amount (in 000s) Six Months Ended December 31, 2013	Six Months Ended December 31, 2012
Beginning balance	$ (9,616)	$ (13,832)
Amount recognized in OCI on derivative	833	(1,798)
Amount reclassified from OCI into income	2,552	2,561
Unrealized gain (loss) on derivative financial instruments	$ (6,231)	$ (13,069)

The following tables reconcile the net fair values of assets and liabilities, subject to offsetting arrangements that are recorded in the unaudited condensed consolidated balance sheets:

Description	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Unaudited Condensed Consolidated Balance Sheets	Offsetting of Derivative Assets Net Amounts of Assets Presented in the Unaudited Condensed Consolidated Balance Sheets	Gross Amounts Not Offset in the Unaudited Condensed Consolidated Balance Sheets Financial Instruments	Cash Collateral Pledged	Net Amount
			(in 000s)			
As of December 31, 2013:						
Interest rate derivative financial instrument	$ 2,013	$	$ 2,013	$ (2,013)	$	$
As of June 30, 2013:						
Foreign currency derivative financial instrument	$ 397	$	$ 397	$ (22)	$	$ 375

[Table of Contents](#)

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Unaudited Condensed Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Unaudited Condensed Consolidated Balance Sheets	Gross Amounts Not Offset in the Unaudited Condensed Consolidated Balance Sheets: Financial Instruments	Gross Amounts Not Offset in the Unaudited Condensed Consolidated Balance Sheets: Cash Collateral Pledged	Net Amount
	Offsetting of Derivative Liabilities (in 000s)					
As of December 31, 2013:						
Foreign currency derivative financial instruments	$ (731)	$	$ (731)	$	$	$ (731)
Interest rate derivative financial instrument	$ (8,244)	$	$ (8,244)	$ 2,013	$	$ (6,231)
As of June 30, 2013:						
Foreign currency derivative financial instruments.	$ (22)	$	$ (22)	$ 22	$	$
Interest rate derivative financial instrument	$ (9,616)	$	$ (9,616)	$	$	$ (9,616)

Accounts and notes receivable and allowances for doubtful accounts

Accounts and notes receivable are stated at face value less an allowance for doubtful accounts. The Company generally grants customers credit terms for periods of 30 to 120 days, but may also grant extended payment terms to some customers for periods generally up to three years, with interest generally at market rates.

The Company evaluates the credit quality of its accounts and notes receivable and establishes an allowance for doubtful accounts based on a combination of factors including, but not limited to, customer collection experience, economic conditions, and the customer s financial condition. In addition to specific account identification, which includes the review of any modifications of accounts and notes receivable, if applicable, the Company utilizes historic collection experience to establish an allowance for doubtful accounts. Receivables are written off only after the Company has exhausted all collection efforts.

Inventories

Inventories are stated at the lower of cost, determined on a first in, first out basis, or market. Cost elements included in work-in-process and finished goods include raw materials, direct labor and manufacturing overhead. Inventories consist of the following:

	December 31, 2013	June 30, 2013
	(in 000s)	

Raw materials	$	53,992	$	42,464
Work-in-process		1,900		1,508
Finished goods		42,845		24,435
Total	$	98,737	$	68,407

Property, plant and equipment and leased gaming equipment

Property, plant and equipment is stated at cost and depreciated over the estimated useful lives or lease term, if less, using the straight line method as follows: buildings and improvements, five to forty years; furniture, fixtures and equipment, three to seven years; and leasehold improvements, the shorter of lease term or ten years. Leased gaming equipment is stated at cost and depreciated over the estimated useful lives ranging from one to five years. Depreciation and asset charges related to leased gaming equipment are recorded to cost of product lease, operation and royalty in the consolidated statements of operations.

Significant replacements and improvements are capitalized while other maintenance and repairs are expensed. The cost and accumulated depreciation of assets retired or otherwise disposed of are eliminated from the accounts and any resulting gain or loss is credited or charged to income.

Table of Contents

Revenue recognition

The Company s revenue recognition policy is to record revenue when all of the following criteria have been satisfied:

- Persuasive evidence of an arrangement exists;
- The price or fee to the customer is fixed or determinable;
- Collectability is reasonably assured;
- Delivery has occurred; and
- No significant contractual obligations remain.

Revenues are reported net of incentive rebates, discounts, sales taxes, and all other items of a similar nature. For products sold under arrangements with extended payment terms the probability of collection is evaluated based on a review of the customer s credit worthiness and a review of historic collection experience on contracts with extended payment terms. As a result of such review, the Company recognizes revenue on extended payment term arrangements when the Company has determined that collectability is reasonably assured and the fee is considered fixed and determinable.

Products placed with customers on a trial basis are recorded as revenue once the trial period has ended, the customer has accepted the games, and all other revenue recognition criteria have been satisfied. The Company s standard sales contracts do not contain right of return provisions and the Company has not experienced significant sales returns. Therefore, the Company has not recorded an allowance for sales returns. Amounts billed to customers prior to completing the earnings process are deferred until the revenue recognition criteria are satisfied.

Product Lease, Operation and Royalty Revenue. Product lease, operation and royalty revenue consists of gaming operations and royalty revenue that is earned from the renting or leasing of tangible products and the licensing of intangible products, such as proprietary table products. Gaming operations revenue consists of the operation of linked progressive systems and the rental of gaming devices, game content and the related systems placed with customers. Gaming devices include electronic gaming machines and live and electronic table products and utility products, including automatic card shufflers, deck checkers and roulette chip sorters. Fees under these arrangements are earned and recognized based on a share of money wagered, a share of the net winnings, or on a fixed daily or monthly rate. The fee entitles the customer to full use of the gaming device and includes maintenance, licensing of the game content software and connection to a linked progressive system, where applicable. In certain markets, the Company also charges a daily system connection fee for the customer to connect to a central determination system and/or back-office system. The Company does not consider these arrangements to have multiple revenue-generating activities as the services offered are a comprehensive solution in exchange for a fee and all of the products and services are delivered simultaneously. Royalty revenue is recognized based on a fixed monthly rate. Gaming operations and royalty revenue is recognized under general revenue recognition guidance as the deliverables provide the customer with rights to use tangible gaming devices and software that is essential to the functionality of the gaming devices.

Gaming Equipment and Systems Revenue

Gaming Equipment Revenue. Gaming Equipment revenue is generated from the sale of gaming devices and up-front licensing rights to game content, parts, and other ancillary equipment as well as from the sale of lifetime licenses to the Company s proprietary table games. Arrangements may also include sales of game content conversion kits which enable customers to replace game content without purchasing a new gaming device. Gaming equipment arrangements do not include maintenance and product support fees beyond a standard warranty period. The recognition of revenue from the sale of gaming devices occurs as title and risk of loss have passed to the customer and all other revenue recognition criteria have been satisfied. Revenue is recorded for the sale of lifetime licenses, under which the Company has no continuing obligation, on the effective date of the license.

As the combination of game content software and the tangible gaming device function together to deliver the product s essential functionality, revenue from the sale of gaming devices is recognized under general revenue recognition guidance. Game content conversion kits are considered software deliverables and are recognized in accordance with software revenue recognition guidance.

Systems Revenue. Systems revenue arrangements generally include a combination of systems software licenses, systems-based hardware products, maintenance and product support fees and professional services. The primary function of systems software licensed by the Company is to aid customers to more effectively run their business with marketing, data management and analysis, accounting, player tracking and security features.

Table of Contents

Revenue for systems software and maintenance and product support fees is recognized under software revenue recognition guidance. Although the systems software and certain systems-based hardware function together, the primary functionality of the systems software is derived from the software and the systems software is not essential to the functionality of the systems-based hardware.

The Company licenses systems software on a perpetual basis or under time-based licenses. Revenue from perpetual license software is recognized at the inception of the license term provided all revenue recognition criteria have been satisfied. Revenue from maintenance and product support fees sold with perpetual licenses is recognized over the term of the support period. The Company s time-based licenses are generally for twelve month terms and are bundled with software maintenance and product support fees. All revenue from such arrangements is recognized over the term of the license.

Systems-based hardware includes embedded software that is essential to the functionality of the hardware. Accordingly, revenue related to all systems-based hardware sales and related maintenance and product support fees are recognized under general revenue recognition guidance. Revenue from the sale of systems-based hardware is generally recognized upon delivery when title and risk of loss have passed to the customer and all other revenue recognition criteria are satisfied. However, in the case of arrangements involving a systems installation, revenue on the systems-based hardware is generally not recognized until the system has been installed and the customer has accepted the system. Hardware maintenance and product support fees are recognized on a straight-line basis over the term of the support period which is generally twelve months.

Software maintenance and product support provides customers with rights to unspecified software product upgrades, maintenance and patches released during the term of the support period. The Company s software maintenance and product support arrangements are generally for twelve month periods. Software maintenance and product support is recognized on a straight-line basis over the term of the support period.

Multiple Element Arrangements. The Company enters into revenue arrangements that may consist of multiple deliverables of its products and services. For example, customers may enter into arrangements with the Company for the implementation of systems software and the sale of gaming devices. Arrangements for the implementation of systems software will generally include a combination of systems software licenses, systems-based hardware products, maintenance and product support fees, and professional services. Certain gaming equipment arrangements may also include the sale of gaming devices and game content conversion kits.

Revenue arrangements with multiple deliverables are allocated to separate units of accounting if the deliverables meet both of the following criteria:

- The delivered items have value to the customer on a stand-alone basis. The items have value on a standalone basis if they are sold separately by any vendor or the customer could resell the delivered items on a standalone basis; and

- If the arrangement includes a general right of return relative to the delivered items, delivery or performance of the undelivered items is considered probable and substantially in the control of the Company.

At the inception of a multiple element arrangement, fees under the arrangement are allocated to the nonsoftware deliverables, and to the software deliverables as a group based on their relative selling price. Software deliverables are further subject to separation and allocation based on software revenue recognition guidance as described in the following paragraph. When applying the relative selling price method, a hierarchy is used for estimating the selling price based first on vendor-specific objective evidence (VSOE), then third-party evidence (TPE) and finally management s estimate of the selling price (ESP). Revenue for each unit of accounting is recognized when the relevant recognition criteria for each respective element has been met.

In allocating arrangement fees under the relative selling price hierarchy, the Company uses VSOE for all products which have been sold on a stand-alone basis. As TPE is generally not available, the Company uses ESP for products that are not sold on a stand-alone basis and for recently introduced products that are sold on a stand-alone basis but for which a history of stand-alone sales has not yet been developed. Following these guidelines, the Company uses either VSOE or ESP for gaming devices, system-based hardware products, maintenance and product support fees associated with perpetual licenses and professional services; and ESP for perpetual and time-based software licenses and maintenance and product support fees associated with time-based licenses.

The Company uses the residual method to recognize revenue allocated to software deliverables. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered element and is recognized as revenue. In arrangements in which the Company does not have VSOE of fair value of all undelivered software elements, revenue is deferred until delivery occurs or VSOE of fair value has been established for any remaining undelivered software elements. In the event the only undelivered software element is maintenance and product support for which VSOE of fair value does not exist, the revenue is recognized ratably over the maintenance and product support period.

Table of Contents

The establishment of VSOE requires judgment as to whether there is a sufficient quantity of items sold on a stand-alone basis and whether the prices demonstrate an appropriate level of concentration to conclude that VSOE exists. In determining ESP, management considers a variety of information including historic pricing and discounting practices, competitive market activity, internal costs, and the pricing and discounting practices of products sold in bundled arrangements.

Recently adopted accounting pronouncements

Effective September 30, 2012, new accounting guidance for testing indefinite-lived intangible assets permits an entity to first assess qualitative factors to determine whether the existence of events and circumstances indicate that it is more likely than not that the indefinite-lived intangible asset is impaired. The outcome of the assessment is used as a basis for determining whether it is necessary to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount in accordance with ASC Topic 350. The Company has not yet utilized this method in its evaluation of indefinite-lived intangible assets impairment.

On July 1, 2013, the Company adopted new accounting guidance for disclosures about offsetting assets and liabilities which requires an entity to disclose both gross and net information about derivatives, repurchase and reverse repurchase agreements, securities borrowings and lending transactions eligible for offset in the statement of financial position. This information is intended to enable users of the financial statements to understand the effect of these arrangements on the Company s financial position. The adoption of this guidance did not have a significant impact on the Company s consolidated results of operations, financial condition and cash flows.

On July 1, 2013, the Company adopted new accounting guidance to improve the reporting of reclassifications out of accumulated other comprehensive income (AOCI). Under the guidance, an entity is required to provide information about the amounts reclassified out of AOCI by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. The guidance did not change the requirements for reporting net income or other comprehensive income in the financial statements. The adoption of this guidance did not have a significant impact on the Company s consolidated results of operations, financial condition and cash flows.

Recently issued accounting pronouncements not yet adopted

In February 2013, the FASB issued new accounting guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date, including debt arrangements, other contractual obligations, and settled litigation and judicial rulings. The new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2013. The Company expects to adopt this guidance in fiscal year 2015 and does not believe it will have a significant impact on its consolidated results of operations, financial condition and cash flows.

The Company believes there is no additional new accounting guidance adopted but not yet effective that is relevant to the readers of our financial statements. However, there are numerous new proposals under development which, if and when enacted, may have a significant impact on its financial reporting.

2. BUSINESS COMBINATION

On November 25, 2013, the Company completed the acquisition of 100% of the outstanding common stock of SHFL entertainment, Inc. (SHFL) for total purchase consideration of $1.38 billion. The acquisition was funded primarily from proceeds of a new Term Loan B facility and borrowings from our existing revolving credit facility (see Note 7 to the unaudited condensed consolidated financial statements, *Long-Term Debt*). The acquisition has provided the Company with a more diversified suite of products and will increase its product development talent. Additionally, the acquisition is expected to achieve synergies, including, but not limited to, cost savings from economies of scale, more efficient supply chain and distribution channels and the acceleration of revenue through greater access to international markets.

Table of Contents

The total purchase consideration for SHFL was as follows:

		(in 000s)
Total purchase price for SHFL common stock (56,626 shares at $23.25 per share)	$	1,316,554
Payments in respect of SHFL stock options, restricted shares, restricted share units and restricted share performance units		46,099
Repayments of SHFL debt and other obligations		19,752
Total purchase consideration	$	1,382,405

The acquisition of SHFL was accounted for using the acquisition method of accounting, which requires, among other things, the assets acquired and liabilities assumed be recognized at their respective fair values as of the acquisition date. The excess of the purchase price over those fair values was recorded as goodwill, none of which is deductible for tax purposes. The goodwill recognized is attributable primarily to expected synergies and the assembled workforce of SHFL as described above.

The Company recognized acquisition-related costs of $21.7 million and $26.9 million for the three and six months ended December 31, 2013, respectively. These costs were recorded as selling, general and administrative in the statement of operations. The Company also incurred debt issuance costs of $22.5 million, which were recorded in other long-term assets as well as $10.5 million of original issue discount fees recorded as a discount to long-term debt.

The information below reflects preliminary allocation of the purchase price based on assumptions and estimates related to fair value that are subject to change as additional information may become available during the respective measurement periods (up to one year from the acquisition date). Specifically, the Company is still evaluating the fair value of certain tangible and intangible assets and finalizing the accounting for income taxes.

		(in 000s)
Current assets	$	172,199
Property, plant and equipment		31,409
Leased gaming equipment		34,647
Goodwill		821,423
Purchased intangible assets		510,627
Other assets		10,662
Total assets		1,580,967
Current liabilities		37,977
Deferred income tax liabilities		157,529
Other long-term liabilities		3,056
Total liabilities		198,562
Net assets acquired	$	1,382,405

Receivables acquired of $63.9 million (including approximately $16.1 million of trade receivables with contract terms greater than one year and $4.3 million of lease receivables) were valued at their fair value utilizing Level 3 inputs, which fair value approximates the gross contractual amounts receivable.

Inventory acquired totaling $40.6 million was valued at fair value utilizing Level 2 inputs based on model-based valuations for which all significant inputs and value drivers are observable.

The following table summarizes acquired tangible and intangible assets. These values are preliminary and may change as the purchase price allocation is finalized.

	Useful Life (Years)		Estimated Fair Value (in 000s)
Property, plant and equipment			
Land	Indefinite	$	3,965
Buildings and leasehold improvements	5 40		14,294
Furniture, fixtures and equipment	3 7		13,150
Property, plant and equipment		$	31,409
Leased gaming equipment			
Leased gaming equipment	3 5	$	34,647

The fair value of property, plant and equipment and leased gaming equipment was determined using market data for similar assets (Level 2).

Table of Contents

	Useful Life (Years)		Estimated Fair Value (in 000s)
Purchased intangible assets			
Computer Software	2 3	$	2,669
License Rights	12		1,958
Core technology and content (1)	4 18		456,000
Customer relationships	7		43,000
Trademark	5		7,000
Intangible assets		$	510,627

(1) Includes $46 million of in-process research and development (IPR&D) assets that are not yet subject to amortization until they reach commercial feasibility.

Electronic Gaming Machines (EGM) and Table Products content and IPR&D assets were valued using the multi-period excess earnings method, a form of the income approach (Level 3). This method calculates the value based on the risk-adjusted present value of the cash flows specific to the content and products, allowing for a reasonable return.

Trademark, core technology for the EGM and Electronic Table System (ETS) operating systems, and table products were valued using the relief-from-royalty method, a form of the income approach (Level 3). The relief-from-royalty method estimates the cost savings that accrue to the owner of an intangible asset that would otherwise be payable as royalties or license fees on revenues earned through the use of the asset. The royalty rate is based on an analysis of empirical, market-derived royalty rate for similar assets.

The customer relationships were valued using a with-or-without method, a form of the income approach (Level 3). In this method, fair value is measured by the lost profits associated with the period of time necessary to reacquire the customers. The method involves a comparison of the cash flows assuming as if the customer relationships were in place versus as if the customer relationships were to be created from scratch .

The following table includes the financial results for SHFL included in the condensed consolidated statements of operations since the acquisition date of November 25, 2013:

	Three and Six Months Ended December 31,			
	2013		2013	
	(in 000s)			
Revenue	$	29,413	$	29,413
Net Loss (1)	$	(493)	$	(493)

(1) Includes acquisition-related costs of $2.8 million and inventory charges of $3.1 million for both the three and six months ended December 31, 2013.

The following table includes unaudited pro forma consolidated financial information assuming the acquisition of SHFL occurred as of July 1, 2012. The pro forma financial information is for information purposes only and does not necessarily represent the results that may occur in the future. The pro forma amounts include the historical operating results of the Company and SHFL prior to the acquisition, with adjustments directly attributable to the acquisition. The pro forma results include increases to depreciation and amortization expense based on the purchased intangible assets and the step-up in basis associated with tangible assets acquired, increases to cost of gaming equipment and systems related to the step-up in basis associated with inventory as well as increases to interest expense, related to debt issued to fund the acquisition.

Also reflected in the six months ended December 31, 2012 is an adjustment for the impact of one-time acquisition costs related to the Company s financial advisory fees, legal fees, payroll and related expenses, debt fees, other consulting and professional fees, and accounting, valuation and advisory fees of $27.9 million; $21.7 million and $26.9 million of which have been removed from the three and six months ended December 31, 2013, respectively. All adjustments utilize an effective tax rate of 35.5%.

The pro forma amounts exclude $17.4 million of one-time acquisition costs related to SHFL s financial advisory and legal fees and $12.0 million in stock-based compensation associated with the acceleration of vesting of share based awards upon the change in control.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
	(in 000s, except per share amounts)			
Revenues	$ 334,773	$ 312,408	$ 657,833	$ 611,439
Net income attributable to Bally Technologies, Inc.	$ 22,318	$ 24,569	$ 56,265	$ 28,437
Basic earnings per share	$ 0.58	$ 0.61	$ 1.46	$ 0.70
Diluted earnings per share	$ 0.57	$ 0.59	$ 1.44	$ 0.68

Table of Contents

3. EARNINGS PER SHARE

Basic earnings per share are computed by dividing earnings by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share reflect the additional dilution from all potentially dilutive securities.

The computation of basic and diluted earnings per share applicable to the Company s common stock is as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
	(in 000s, except per share amounts)			
Net income attributable to Bally Technologies, Inc.	$ 21,211	$ 33,126	$ 58,995	$ 65,658
Weighted average shares outstanding	38,502	40,399	38,441	40,633
Dilutive effect of:				
Stock options, restricted stock units (RSU) and restricted stock	687	1,095	699	1,172
Weighted average diluted shares outstanding	39,189	41,494	39,140	41,805
Basic and diluted earnings per share attributable to Bally Technologies, Inc.				
Basic earnings per share	$ 0.55	$ 0.82	$ 1.53	$ 1.62
Diluted earnings per share	$ 0.54	$ 0.80	$ 1.51	$ 1.57

Certain securities were excluded from the diluted per share calculation because their inclusion would be anti-dilutive. Such securities consist of the following:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
	(in 000s)			
Stock options, RSU and restricted stock		119		177

4. ACCOUNTS AND NOTES RECEIVABLE

The Company has one portfolio segment, the gaming industry customer, and four classes of receivables including its trade receivables with a contract term less than one year, trade receivables with a contract term greater than one year, sales-type leasing arrangements, and notes receivable, which are related to development financing loans. Trade receivables with contract terms greater than one year relate to the sale of gaming equipment and systems transactions, and are generally collateralized by the related equipment sold, although the value of such equipment, if repossessed, may be less than the receivable balance outstanding. Sales-type leasing arrangements relate to gaming equipment and include options to purchase the gaming equipment at the end of the lease term at established prices. Customers with sales-type leasing arrangements typically have a long-standing credit history with the Company.

On November 25, 2013, the Company completed the acquisition of SHFL (see Note 2 to the unaudited condensed consolidated financial statements, *Business Combination*). As of December 31, 2013, there were $51.8 million in net current receivables and $8.4 million in net long-term accounts receivable related to SHFL.

Table of Contents

The Company s accounts and notes receivable were as follows:

	Accounts and Notes Receivable as of December 31, 2013			Accounts and Notes Receivable as of June 30, 2013		
(in 000s)	Ending Balance	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment	Ending Balance	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Contract term less than one year:						
Trade and other receivables, current	$ 191,074	$ 9,902	$ 181,172	$ 170,598	$ 1,589	$ 169,009
Contract term greater than one year:						
Trade receivables, current	93,275	61,528	31,747	82,600	63,193	19,407
Trade receivables, noncurrent	38,299	15,299	23,000	40,178	17,961	22,217
	131,574	76,827	54,747	122,778	81,154	41,624
Lease receivables, current	7,420	7,420		6,701	6,701	
Lease receivables, noncurrent	17,762	17,762		9,928	9,928	
	25,182	25,182		16,629	16,629	
Notes receivable, current	4,408	4,408		3,411	3,411	
Notes receivable, noncurrent	15,209	15,209		17,114	17,114	
	19,617	19,617		20,525	20,525	
Total current	296,177	83,258	212,919	263,310	74,894	188,416
Total noncurrent	71,270	48,270	23,000	67,220	45,003	22,217
Total	$ 367,447	$ 131,528	$ 235,919	$ 330,530	$ 119,897	$ 210,633

The activity related to the allowance for doubtful accounts for the six months ended December 31, 2013 is summarized below:

	Allowance for Doubtful Accounts						
(in 000s)	Beginning Balance as of June 30, 2013	Charge-offs	Recoveries	Provision	Ending Balance as of December 31, 2013	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Contract term less than one year:							
Trade and other receivables, current	$ (4,505)	$ 111	$ 71	$ (362)	$ (4,685)	$ (2,220)	$ (2,465)
Contract term greater than one year:							

Trade receivables, current	(10,308)	3	560	(843)	(10,588)	(8,007)	(2,581)
Trade receivables, noncurrent	(1,764)	12	1,231	(1,105)	(1,626)		(1,626)
	(12,072)	15	1,791	(1,948)	(12,214)	(8,007)	(4,207)
Lease receivables, current				(4)	(4)	(4)	
Lease receivables, noncurrent				(3)	(3)	(3)	
				(7)	(7)	(7)	
Notes receivable, current							
Notes receivable, noncurrent							
Total current	(14,813)	114	631	(1,209)	(15,277)	(10,231)	(5,046)
Total noncurrent	(1,764)	12	1,231	(1,108)	(1,629)	(3)	(1,626)
Total	$ (16,577)	$ 126	$ 1,862	$ (2,317)	$ (16,906)	$ (10,234)	$ (6,672)

20

Table of Contents

The activity related to the allowance for doubtful accounts for the six months ended December 31, 2012 is summarized below:

	Allowance for Doubtful Accounts						
	Beginning Balance as of June 30, 2012	Charge-offs	Recoveries	Provision (in 000s)	Ending Balance as of December 31, 2012	Ending Balance Individually Evaluated for Impairment	Ending Balance Collectively Evaluated for Impairment
Contract term less than one year:							
Trade and other receivables, current	$ (6,138)	$ 910	$	$ (288)	$ (5,516)	$ (2,447)	$ (3,069)
Contract term greater than one year:							
Trade receivables, current	(7,935)	56	503	(5,303)	(12,679)	(10,766)	(1,913)
Trade receivables, noncurrent	(1,279)	1,152		(622)	(749)	(62)	(687)
	(9,214)	1,208	503	(5,925)	(13,428)	(10,828)	(2,600)
Lease receivables, current							
Lease receivables, noncurrent							
Notes receivable, current							
Notes receivable, noncurrent	(1,750)			(806)	(2,556)	(2,556)	
	(1,750)			(806)	(2,556)	(2,556)	
Total current	(14,073)	966	503	(5,591)	(18,195)	(13,213)	(4,982)
Total noncurrent	(3,029)	1,152		(1,428)	(3,305)	(2,618)	(687)
Total	$ (17,102)	$ 2,118	$ 503	$ (7,019)	$ (21,500)	$ (15,831)	$ (5,669)

Gaming is a highly regulated industry requiring customers to obtain a gaming operator s license and verify with the applicable regulatory agency that they have the financial resources to operate a gaming establishment. Many of the Company s customers, including new casinos that have opened in recent years, are owned by existing multi-property customers that have established a favorable payment history with the Company. Customer accounts typically include a mix of trade receivables balances with terms for periods of 30 to 120 days and financing receivables resulting from extended payment terms.

The Company monitors the credit quality of its accounts receivable by reviewing an aging of customer invoices. Invoices are considered past due if a scheduled payment is not received within agreed upon terms. The Company s notes receivable are reviewed quarterly, at a minimum, for impairment. The Company also reviews a variety of other relevant qualitative information such as collection experience, economic conditions and specific customer financial conditions to evaluate credit risk in recording the allowance for doubtful accounts or as an indicator of an impaired loan.

The Company accrues interest, if applicable, on its accounts and notes receivables per the terms of the agreement. Interest is not accrued on past due accounts and notes receivable, or individual amounts that the Company has determined and specifically identified as not collectible.

The following summarizes the aging of past due receivables, excluding trade accounts receivable with a contract term less than one year, as of December 31, 2013:

	1 to 90 Days Past Due	91 to 180 Days Past Due	181 + Days Past Due	Total Past Due	Current	Total Receivable	Recorded Investment in Receivables on Nonaccrual Status	Recorded Investment 90 Days and Accruing
				(in 000s)				
Trade receivables	$ 7,314	$ 2,564	$ 7,864	$ 17,742	$ 113,832	$ 131,574	$ 17,742	$
Lease receivables	79		64	143	25,039	25,182	143	
Notes receivable					19,617	19,617		
Total	$ 7,393	$ 2,564	$ 7,928	$ 17,885	$ 158,488	$ 176,373	$ 17,885	$

Table of Contents

The following summarizes the aging of past due receivables, excluding trade accounts receivable with a contract term less than one year, as of June 30, 2013:

[redacted]								
Trade receivables	$ 9,636	$ 2,851	$ 6,869	$ 19,356	$ 103,422	$ 122,778	$ 19,356	$
[redacted]								
Notes receivable					20,525	20,525		
[redacted]								

The aging of customer invoices and note balances are based on contractually agreed upon payment terms, which in certain rare circumstances have been modified from the original financing terms. The modification of original financing terms are infrequent and generally do not represent a concession as they result only in a delay of payment that is typically insignificant to total trade, lease and notes receivable balances.

The Company provided development financing to certain customers in the form of notes receivable. There were no significant modifications of notes receivable during the period.

Impairment is recognized when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of a note arrangement. There were no recorded investments in impaired loans as of December 31, 2013 and June 30, 2013.

The fair value of accounts and notes receivable, net, is estimated by discounting expected future cash flows using current interest rates at which similar loans would be made to borrowers, with similar credit ratings and remaining maturities. As of December 31, 2013 and June 30, 2013, the fair value of the accounts and notes receivable, net, approximate the carrying value.

5. PROPERTY, PLANT AND EQUIPMENT AND LEASED GAMING EQUIPMENT

	December 31, 2013	June 30, 2013
	(in 000s)	
Land and land improvements	$ 5,899	$ 1,975
Buildings and leasehold improvements	43,459	29,582
Gaming equipment	32,590	30,552
Furniture, fixtures and equipment	51,249	33,544

Less accumulated depreciation		(66,744)		(60,556)
Property, plant and equipment, net	$	66,453	$	35,097
Leased gaming equipment	$	368,282	$	323,431
Less accumulated depreciation		(230,138)		(209,680)
Leased gaming equipment, net	$	138,144	$	113,751

On November 25, 2013, the Company completed the acquisition of SHFL (see Note 2 to the unaudited condensed consolidated financial statements, *Business Combination*). At December 31, 2013, there was $31.5 million in net property, plant and equipment and $34.7 million in net leased gaming equipment related to SHFL.

Table of Contents

6. GOODWILL AND INTANGIBLE ASSETS

Intangible assets consist of the following:

		December 31, 2013			June 30, 2013		
	Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Computer software	2 - 5	$ 44,067	$ (37,054)	$ 7,013	$ 39,484	$ (35,796)	$ 3,688
License rights	3 - 13	15,180	(9,099)	6,081	12,819	(7,215)	5,604
Trademarks	5 - 10	9,430	(2,370)	7,060	2,430	(2,239)	191
Core technology and content	4 18(1)	482,305	(27,434)	454,871	27,063	(21,887)	5,176
Customer relationships	7	42,770	(411)	42,359			
Contracts	2 - 10	10,943	(10,388)	555	10,943	(9,766)	1,177
Other intangibles	3 - 5	4,702	(915)	3,787	2,548	(808)	1,740
Total finite lived intangible assets		$ 609,397	$ (87,671)	$ 521,726	$ 95,287	$ (77,711)	$ 17,576
Trademark	indefinite	7,500		7,500	7,500		7,500
Total		$ 616,897	$ (87,671)	$ 529,226	$ 102,787	$ (77,711)	$ 25,076

(1) Includes $46 million of in-process research and development assets that are not yet subject to amortization until they reach commercial feasibility.

On November 25, 2013, the Company completed the acquisition of SHFL (see Note 2 to the unaudited condensed consolidated financial statements, *Business Combination*). At December 31, 2013, there was $504.0 million in net intangible assets related to SHFL.

Finite-lived intangible assets are amortized on a straight-line method. Total amortization expense related to finite lived intangible assets was $7.6 million and $2.8 million for the three months ended December 31, 2013 and 2012, respectively, which included computer software amortization expense of $0.6 million and $0.6 million for the three months ended December 31, 2013 and 2012, respectively.

Total amortization expense related to finite lived intangible assets was $9.7 million and $5.3 million for the six months ended December 31, 2013 and 2012, respectively, which included computer software amortization expense of $1.1 million and $1.2 million for the six months ended December 31, 2013 and 2012, respectively.

The weighted average life of the Company s total finite-lived intangible assets is 9.69 years, which includes average lives of 10.25 years for core technology and content and 7.0 years for customer relationships. The Company s indefinite-lived intangible asset of approximately $7.5 million was for one-time consideration given for a perpetual, world-wide license for the use of the Bally trademark in connection with the Company s business.

Future amortization of finite lived intangible assets is scheduled as follows:

Year Ended June 30,		**(in 000s)**
2014 (remaining six months of fiscal year)	$	32,705
2015		60,904
2016		62,613
2017		59,393
2018		63,947
Thereafter		242,164
Total	$	521,726

The changes in the carrying amount of goodwill for the three months ended September 30, 2013, are as follows:

		(in 000s)
Balance at June 30, 2013	$	172,162
Acquisition of SHFL		821,423
Foreign currency translation adjustment		(3,502)
Balance at December 31, 2013	$	990,083

No impairment charges for goodwill and intangible assets were necessary for the six months ended December 31, 2013 and 2012.

Table of Contents

7. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2013	June 30, 2013
	(in 000s)	
Revolving credit facility	$ 500,000	$ 240,000
Term loan A	353,125	364,375
Term loan B, net of discounts of $10,315 and $-0-, respectively	1,086,935	
Other, generally unsecured	180	