Intralot Australia Pty Ltd

ACN 114 435 531

Annual report for the financial year ended 31 December 2017

General purpose financial report
for the year ended 31 December 2017

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Directors' report

The directors of Intralot Australia Pty Ltd submit herewith the annual financial report of the company for the financial year ended 31 December 2017. In order to comply with the provisions of the *Corporations Act 2001*, the names of the directors of the company during or since the end of the financial year are:

Name

- B Karvela
- A Baoustanos
- B Forrest
- A Markopoulos (resigned 12 April 2018)
- A Kerastaris (appointed 21 December 2017)
- G Mitchell (appointed 12 April 2018)

The above named directors held office during and since the end of the financial year unless otherwise stated.

Principal activities

The principal activities of the company in the course of the financial year was the supply and maintenance of lottery hardware/software in the state of Western Australia.

Intralot Gaming Services Pty Ltd (IGS), a subsidiary of the company has the principal activity of providing the electronic monitoring and YourPlay systems for all hotel and club gaming machines in Victoria.

Review of operations

The profit after tax of the group and company for the financial year was $9,394,683 (2016: $14,493,549) and $4,203,837 (2016: $6,538,040) respectively.

Changes in state of affairs

There was no significant change in the state of affairs of the company during the financial year.

Subsequent events

There has not been any other matter or circumstance occurring subsequent to the end of the financial year, that has significantly affected, or may significantly affect, the operations of the entity, the results of those operations, or the state of affairs of the entity in future financial years.

Future developments

The Company expects to maintain the present status and level of operations in the state of Western Australia. Intralot Gaming Services Pty Ltd (IGS), a subsidiary of the company expects to maintain the present status and level of operations from its principal activities.

Dividends

No dividends have been declared or paid during the current financial year (2016: $nil)

Indemnification of officers and auditors

During the financial year, Intralot S.A (ultimate parent of Intralot Australia Pty Ltd) paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the financial year.

Auditor's independence declaration

The auditor's independence declaration is included on page 3 of the annual report pursuant to s.295 of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors.

On behalf of the Directors

G Mitchell
Director

Melbourne, 30 April 2018

Deloitte.

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The Board of Directors
Intralot Australia Pty Ltd
Level 4, 650 Lorimer Street
PORT MELBOURNE VIC 3207

30 April 2018

Dear Board Members

Intralot Australia Pty Ltd

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Intralot Australia Pty Ltd.

As lead audit partner for the audit of the financial statements of Intralot Australia Pty Ltd for the financial year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Gerard Belleville
Partner
Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited

Deloitte.

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Independent Auditor's Report to the members of Intralot Australia Pty Ltd

Opinion

We have audited the financial report of Intralot Australia Pty Ltd (the "Company") and its subsidiaries (the "Group"), which comprises the statement of financial position as at 31 December 2017 , the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company and Group's financial position as at 31 December 2017 and of their financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards - Reduced Disclosure Regime and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 auditor independence requirements of 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Member of Deloitte Touche Tohmatsu Limited

Other Information

The directors are responsible for the other information. The other information comprises the directors' report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards- Reduced Disclosure Regime and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors' either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 this financial report.

Deloitte.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

- Conclude on the appropriateness of director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE TOUCHE TOHMATSU

Gerard Belleville
Partner
Chartered Accountants
Melbourne, 30 April 2018

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company.

Signed in accordance with a resolution of the directors made pursuant to s.295 of the *Corporations Act 2001*.

G Mitchell
Director

Melbourne, 30 April 2018

Statement of profit or loss and other comprehensive income for the financial year ended 31 December 2017

	Notes	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Continuing operations					
Revenue	4	26,188,965	26,906,241	2,580,567	3,654,858
Cost of sales		(1,150,582)	(1,939,682)	(1,098,554)	(1,797,496)
Other gains/(losses)		(177,508)	109,353	7,835	(5,722)
Other income		-	-	111,316	350,081
Employee benefits expenses	5	(5,201,728)	(6,291,352)	(797,030)	(1,357,671)
Administration expenses		(7,710,291)	(3,065,631)	(245,006)	(337,103)
Occupancy expenses		(534,174)	(530,996)	(46,163)	(46,333)
Depreciation and amortisation expense	5	(2,742,006)	(2,456,286)	(38,236)	(36,074)
Travel and accommodation expenses		(74,313)	(134,706)	(11,598)	(81,672)
Finance costs		(479,626)	(1,272,897)	(479,626)	(1,105,351)
Other expenses		(716,460)	(715,426)	-	-
Profit/(loss) before tax		7,402,277	10,608,618	(16,495)	(762,483)
Income tax (expense)/benefit	6(a)	(2,223,195)	(3,187,162)	4,731	228,430
Profit/(loss) for the year from continuing operations		5,179,082	7,421,456	(11,764)	(534,053)
Discontinued operations					
Profit for the year from discontinued operations	7	4,215,601	7,072,093	4,215,601	7,072,093
Profit for the year		9,394,683	14,493,549	4,203,837	6,538,040
Other comprehensive income for the year		-	-	-	-
Total comprehensive profit for the year		9,394,683	14,493,549	4,203,837	6,538,040

The accompanying notes form part of these financial statements.

Statement of financial position at 31 December 2017

	Notes	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Current assets					
Cash and cash equivalents	20(a)	3,140,369	2,565,415	548,140	785,702
Trade and other receivables	8	2,773,627	3,896,210	2,528,634	6,094,763
Loans to related parties		-	-	-	3,770,097
Other financial assets	9	1,391,670	1,443,847	1,391,670	1,443,847
Inventories	10	78,801	83,994	-	11,715
Other assets	11	527,534	2,427,900	370,219	2,282,500
Total current assets		7,912,001	10,417,366	4,838,663	14,388,624
Non-current assets					
Trade and other receivables	8	5,773,495	-	5,773,495	-
Other financial assets	9	-	1,399,645	-	1,399,645
Property, plant and equipment	12	5,814,472	7,432,001	3,353	37,381
Other intangible assets	13	9,881,204	10,780,009	3,621	581
Investment		-	-	12	12
Deferred tax asset	6(b)	667,091	608,984	719,983	778,777
Total non-current assets		22,136,262	20,220,639	6,500,464	2,216,396
Total assets		30,048,263	30,638,005	11,339,127	16,605,020
Current liabilities					
Trade and other payables	14	7,240,669	14,982,585	1,023,376	8,169,531
Current tax liabilities		906,172	2,134,076	906,172	2,134,076
Provisions	15	1,902,563	2,311,875	1,429,484	1,843,127
Total current liabilities		10,049,404	19,428,536	3,359,032	12,146,734
Non-current liabilities					
Provisions	15	119,277	724,570	-	682,028
Total-non-current liabilities		119,277	724,570	-	682,028
Total liabilities		10,168,681	20,153,106	3,359,032	12,828,762
Net Assets/(Deficiency in net assets)		19,879,582	10,484,899	7,980,095	3,776,258
Equity					
Issued capital	19	53,063,352	53,063,352	53,063,352	53,063,352
Accumulated losses		(33,183,770)	(42,578,453)	(45,083,257)	(49,287,094)
Total Equity		19,879,582	10,484,899	7,980,095	3,776,258

The accompanying notes form part of these financial statements.

Statement of changes in equity for the financial year ended 31 December 2017

Group

	Issued capital $	Accumulated losses $	Total $
Balance at 1 January 2016	53,063,352	(57,072,002)	(4,008,650)
Profit for the year	-	14,493,549	14,493,549
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	14,493,549	14,493,549
Balance at 31 December 2016	53,063,352	(42,578,453)	10,484,899
Profit for the year	-	9,394,683	9,394,683
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	9,394,683	9,394,683
Balance at 31 December 2017	53,063,352	(33,183,770)	19,879,582

Parent

	Issued capital $	Accumulated losses $	Total $
Balance at 1 January 2016	53,063,352	(55,825,134)	(2,761,782)
Profit for the year	-	6,538,040	6,538,040
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	6,538,040	6,538,040
Balance at 31 December 2016	53,063,352	(49,287,094)	3,776,258
Profit for the year	-	4,203,837	4,203,837
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	4,203,837	4,203,837
Balance at 31 December 2017	53,063,352	(45,083,257)	7,980,095

The accompanying notes form part of these financial statements.

Statement of cash flows
for the financial year ended 31 December 2017

	Notes	Group 2017 $	Group 2016 $	Parent 2017 $	Parent 2016 $
Cash flows from operating activities					
Receipts from customers		33,154,255	32,145,491	12,398,624	13,987,147
Receipts – lottery closure		-	10,000,000	-	10,000,000
Prizes paid		-	(1,528,242)	-	(1,528,242)
Lottery tax and licence fees paid		(1,093,764)	(1,539,957)	(1,093,764)	(1,539,957)
Other payments to suppliers and employees		(25,702,730)	(20,647,638)	(9,908,841)	(7,916,613)
Interest and other costs of finance paid		(481,276)	(5,214,944)	(481,276)	(759,893)
Interest received		408,463	616,127	400,711	614,585
Income tax paid		(5,315,892)	-	(5,315,892)	-
Net cash provided by/(used in) operating activities	20(b)	969,056	13,830,837	(4,000,438)	12,857,027
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		33,247	37,276	27	32,027
Payments for property, plant and equipment		(185,471)	(102,685)	(2,735)	(2,313)
Payments for intangible assets		(241,878)	(164,646)	(4,513)	-
Net cash (used in)/provided by investing activities		(394,102)	(230,055)	(7,221)	29,714
Cash flows from financing activities					
Amounts received from/(advanced to) related party		-	-	3,770,097	(3,770,097)
Proceeds from related party loans		-	-	-	-
Repayment of related party loans		-	(14,764,544)	-	(10,691,556)
Net cash (used in)/provided by financing activities		-	(14,764,544)	3,770,097	(14,461,653)
Net increase/(decrease) in cash and cash equivalents		574,954	(1,163,762)	(237,562)	(1,574,912)
Cash and cash equivalents at the beginning of the year		2,565,415	3,729,177	785,702	2,360,614
Cash and cash equivalents at end of the year	20(a)	3,140,369	2,565,415	548,140	785,702

The accompanying notes form part of these financial statements.

1. General information

Intralot Australia Pty Ltd is a proprietary company limited by shares, incorporated and operating in Australia. The parent entity of Intralot Australia Pty Ltd is Intralot Global Holdings B.V., a company incorporated and domiciled in Netherlands; and the ultimate parent entity is Intralot S.A, a company incorporated and domiciled in Greece.

Intralot Australia Pty Ltd's registered office and its principal place of business are as follows:

Level 4, 650 Lorimer Street
PORT MELBOURNE, VIC 3207

2. Adoption of new and revised Accounting Standards

2.1 New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 January 2017.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company include:

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016*

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Group's financial statements.

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after
AASB 9 '*Financial Instruments*'	1 January 2018
AASB 15 'Revenue from Contracts with Customers', *AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15' and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15*	1 January 2018
AASB16 'Leases'	1 January 2019
AASB 2017-3 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016	1 January 2018
AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments	1 January 2019

The potential effect of the revised Standards/Interpretations on the Group's financial statements has not yet been determined.

3. Significant accounting policies

Statement of compliance
The financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards- Reduced Disclosure Regime, and comply with other requirements of the law.

For the purpose of preparing the general purpose financial statements, the company is a for-profit entity. The financial report was authorized for issue by the directors on 30 April 2018.

Basis of preparation
The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Critical accounting judgments and key sources of estimation uncertainty
In the application of the company's accounting policies, which are described below, the directors are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

Property, plant and equipment

As described in note 3(l), the company reviews the estimated useful lives of property, plant and equipment at each reporting period. No changes to the useful lives were determined during the current year.

Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at reporting date:

- future increases in salaries and wages and future on cost rates;
- experience of employee departures and period of service (long service leave).

Going concern
These financial statements have been prepared on a going concern basis that presumes that funds will be available to finance future operations and that the assets will be realised and the liabilities settled in the normal course of business. For the year ended 31 December 2017 the statement of financial position for the Group discloses a net current asset deficiency of $2,137,403 (2016:$ 9,011,170). The ability of the Group and the Company to continue as a going concern is dependent on the continued financial support of the ultimate parent entity, Intralot S.A., an Athens listed company incorporated in Greece.

Support from Intralot S.A. has been provided in the form of a letter which agrees to provide continuing financial support to the Group to the extent necessary to enable it to pay its debts as and when they become due and payable and this support is available for a minimum period of 12 months from the date of this financial report.

3. Significant accounting policies (cont'd)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where consolidated entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(b) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss and other comprehensive income over the period of the borrowing using the effective interest rate method.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(d) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

(e) Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories, 'held-to-maturity' investments and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. Significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

Held-to-maturity investments
Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held to maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. Significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

Impairment of financial assets (cont'd)
The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets
The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments
Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3. Significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.
- A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139
- 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

Other financial liabilities
Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(f) Intangible assets

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. Significant accounting policies (cont'd)

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(i) Impairment of tangible and intangible assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. Significant accounting policies (cont'd)

(j) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Company as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.
Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(k) Income tax

The Company is part of a tax-consolidated group under Australian taxation law, of which Intralot Australia Pty Limited is the head entity. As a result, Intralot Gaming Services Pty Limited is subject to income tax through its membership of the tax-consolidated group. The consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the members of the tax-consolidated group (including Intralot Gaming Services Pty Limited) using the 'separate taxpayer within group' approach, with deferred taxes being allocated by reference to the carrying amounts in the financial statements of each member entity and the tax values applying under tax consolidation. Current tax liabilities and assets and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts. Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Intralot Gaming Services Pty Limited and Intralot Australia Pty Limited have agreed to pay a tax equivalent payment to or from the head entity equal to the tax liability or asset assumed by the head entity for that period as noted above. Such amounts are reflected in amounts receivable from or payable to the head entity. Accordingly, the amount arising under the tax funding arrangement for each period is equal to the tax liability or asset assumed by the head entity for that period and no contribution from (or distribution to) equity participants arises in relation to income taxes

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

3. Significant accounting policies (cont'd)

(k) Income tax (cont'd)

Deferred tax (cont'd)

Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. Significant accounting policies (cont'd)

(l) Plant and equipment

Furniture and fixtures are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on furniture and fixtures. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The depreciation rates used for each class of depreciable assets are:

Computer equipment	6.7 - 33%
Plant and equipment	10 - 20%

(m) Provisions

Provisions are recognised when the company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(n) Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

	Group		Parent	
	2017 $	2016 $	2017 $	2016 $
4. Revenue				
Sale of goods and rendering of services	26,089,090	26,807,083	2,576,759	3,647,556
Interest received	11,560	7,536	3,808	5,994
Other revenue	88,315	91,622	-	1,308
	26,188,965	26,906,241	2,580,567	3,654,858
5. Profit/(loss) for the year before tax from continuing operations				
Profit/(loss) for the year has been arrived at after (charging)/crediting the following items of expense and other income:				
Employee benefits expense				
Superannuation expense	(415,256)	(479,078)	(60,632)	(73,762)
Other employee benefits	(4,786,472)	(5,812,274)	(736,398)	(1,283,909)
Total Employee benefits expense	(5,201,728)	(6,291,352)	(797,030)	(1,357,671)
Depreciation and amortisation	(2,742,006)	(2,456,286)	(38,236)	(36,074)
Remuneration of auditors for audit services	(129,850)	(126,300)	(27,500)	(27,600)
The auditor is Deloitte Touche Tohmatsu				
6(a). Income taxes relating to continuing operations				
Current tax				
In respect of the current year	(2,355,784)	(2,134,076)	(10,957)	473,407
Deferred tax				
In respect of the current year	132,589	(1,053,087)	15,688	(244,977)
Income tax (expense)/benefit	(2,223,195)	(3,187,162)	4,731	228,430
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statement as follows:				
Profit/(loss) before income tax from continuing operations	7,402,277	10,608,618	(16,495)	(762,483)
Income tax (expense)/benefit calculated at 30%	(2,220,683)	(3,182,585)	4,949	228,745
Tax effect of non-deductible expenses	(2,512)	(4,577)	(218)	(315)
Income tax (expense)/benefit	(2,223,195)	(3,187,162)	4,731	228,430

	Group		Parent	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
6(b). Deferred tax balances				
Deferred tax assets	1,135,636	1,352,246	863,238	1,162,614
Deferred tax liabilities	(468,545)	(743,262)	(143,255)	(383,837)
	667,091	608,984	719,983	778,777

2017 Group

Deferred tax (liabilities)/assets in relation to:	Opening balance	Recognised in profit or loss	Closing balance
Intangible assets	(359,424)	34,132	(325,292)
Unearned income	201,060	80,302	281,362
Provisions	910,934	(304,382)	606,552
Trade receivables	-	67,951	67,951
Finance lease receivable	(383,836)	240,582	(143,254)
Accruals	64,525	(749)	63,776
Other	175,725	(59,729)	115,996
	608,984	58,107	667,091

2017 Parent

Deferred tax (liabilities)/assets in relation to:	Opening balance	Recognised in profit or loss	Closing balance
Unearned income	201,060	29,215	230,275
Provisions	757,547	(328,702)	428,845
Trade receivables	-	67,951	67,951
Finance lease receivable	(383,837)	240,582	(143,255)
Accruals	28,282	(8,111)	20,171
Other	175,725	(59,729)	115,996
	778,777	(58,794)	719,983

	Group		Parent	
	2017 $	2016 $	2017 $	2016 $

7. Discontinued operations

Surrender of Victorian Lottery Licence

Intralot Australia Pty Ltd has surrendered the Category 2 Public Lottery Licence on 31 January 2015. The comparative profit and cash flows from discontinued operations have been classified as discontinued in the prior year. Final settlements have been included as discontinued operations in the current year.

Profit for the year from discontinued operations

Revenue	-	-	-	-
Other gains	6,167,154	10,642,476	6,167,154	10,642,476
Expenses	(144,867)	(539,485)	(144,867)	(539,485)
Profit before tax	6,022,287	10,102,991	6,022,287	10,102,991
Attributable income tax	(1,806,686)	(3,030,898)	(1,806,686)	(3,030,898)
Profit for the year from discontinued operations	4,215,601	7,072,093	4,215,601	7,072,093

Cash flows from discontinued operations

Net cash inflows from operating activities	37,278	8,882,590	37,278	8,882,590
Net cash inflows from investing activities	-	-	-	-
Net cash outflows from financing activities	-	(10,691,556)	-	(10,691,556)
Net cash inflows/(outflows)	37,278	(1,808,966)	37,278	(1,808,966)

8. Trade and other receivables

Current				
Trade receivables	2,709,917	3,574,448	418,601	860,164
Related party receivables	23,020	23,020	2,094,212	5,176,225
Other debtors	40,690	298,742	15,821	58,374
	2,773,627	3,896,210	2,528,634	6,094,763
Non-current				
Trade receivables	5,773,495	-	5,773,495	-

Trade receivables are non-interest bearing with credit terms generally settled within 7 days depending on the nature of the sales transaction. A provision for doubtful debts is recognised when there is objective evidence that an individual trade receivable is impaired. Doubtful debt expenses are included within other expenses in the statement of profit or loss and other comprehensive income. All trade receivables that are not impaired are expected to be received within credit terms.

9. Other financial assets

Current				
Financial lease receivable	1,391,670	1,443,847	1,391,670	1,443,847
Non-Current				
Financial lease receivable	-	1,399,645	-	1,399,645

	Group		Parent	
	2017 $	**2016 $**	**2017 $**	**2016 $**
10. Inventories				
Finished goods	78,801	83,994	-	11,715
11. Other assets				
Accrued income	97,061	2,106,842	97,061	2,106,841
Prepayments	430,473	321,058	273,158	175,659
	527,534	2,427,900	370,219	2,282,500
12. Property, plant and equipment				
Computer equipment at cost	11,280,012	11,889,531	368,015	795,503
Accumulated depreciation	(5,619,564)	(4,940,946)	(364,662)	(791,963)
	5,660,448	6,948,585	3,353	3,540
Plant and equipment at cost	913,123	936,342	192,707	218,990
Accumulated depreciation	(759,099)	(452,926)	(192,707)	(185,149)
	154,024	483,416	-	33,841
Total property, plant and equipment	5,814,472	7,432,001	3,353	37,381

12. Property, plant and equipment (cont'd)

Group 2017

Cost	Computer equipment $	Plant and equipment $	Total $
Balance at 1 January 2017	11,889,531	936,342	12,825,873
Additions	158,043	27,428	185,471
Disposals	(767,562)	(50,647)	(818,209)
Transfers	-	-	-
Balance at 31 December 2017	11,280,012	913,123	12,193,135
Accumulated depreciation			
Balance at 1 January 2017	(4,940,946)	(452,926)	(5,393,872)
Depreciation	(1,262,357)	(338,966)	(1,601,323)
Disposals	583,739	32,793	616,532
Transfers	-	-	-
Balance at 31 December 2017	(5,619,564)	(759,099)	(6,378,663)
Carrying amount as at 31 December 2017	5,660,448	154,024	5,814,472

Parent 2017

Cost	Computer equipment $	Plant and equipment $	Total $
Balance at 1 January 2017	795,503	218,990	1,014,493
Additions	2,735	-	2,735
Disposals	(430,223)	(26,283)	(456,506)
Transfers	-	-	-
Balance at 31 December 2017	368,015	192,707	560,722
Accumulated depreciation			
Balance at 1 January 2017	(791,963)	(185,149)	(977,112)
Depreciation	(2,922)	(33,841)	(36,763)
Disposals	430,223	26,283	456,506
Transfers	-	-	-
Balance at 31 December 2017	(364,662)	(192,707)	(557,369)
Carrying amount as at 31 December 2017	3,353	-	3,353

	Group		Parent	
	2017 $	2016 $	2017 $	2016 $
13. Other intangible assets				
Software at cost	14,296,514	14,054,636	318,017	313,504
Accumulated amortisation	(4,415,310)	(3,273,627)	(314,396)	(312,923)
	9,881,204	10,780,009	3,621	581

13. Other intangible assets (cont'd)

Group 2017

Cost	Other intangible assets $	Total $
Balance at 1 January 2017	14,054,636	14,054,636
Additions	241,878	241,878
Disposals	-	-
Transfers	-	-
Balance at 31 December 2017	14,296,514	14,296,514
Accumulated depreciation		
Balance at 1 January 2017	(3,273,627)	(3,273,627)
Depreciation	(1,140,683)	(1,140,683)
Disposals	-	-
Transfers	-	-
Balance at 31 December 2017	(4,415,310)	(4,415,310)
Carrying amount as at 31 December 2017	9,881,204	9,881,204

Parent 2017

Cost	Other intangible assets $	Total $
Balance at 1 January 2017	313,504	313,504
Additions	4,513	4,513
Disposals	-	-
Transfers	-	-
Balance at 31 December 2017	318,017	318,017
Accumulated depreciation		
Balance at 1 January 2017	(312,923)	(312,923)
Depreciation	(1,473)	(1,473)
Disposals	-	-
Transfers	-	-
Balance at 31 December 2017	(314,396)	(314,396)
Carrying amount as at 31 December 2017	3,621	3,621

14. Trade and other payables

	Group		Parent	
	2017 $	2016 $	2017 $	2016 $
Trade payables	188,622	673,948	-	123,415
Goods and services tax payable	216,094	205,065	21,757	13,253
Unearned income	937,876	841,165	767,584	670,202
Other creditors and accruals	345,240	391,033	88,477	136,012
Related party payables	5,552,837	12,871,374	145,558	7,226,649
	7,240,669	14,982,585	1,023,376	8,169,531

	Group		Parent	
	2017 $	2016 $	2017 $	2016 $
15. Provisions				
Current				
Employee benefits	656,563	672,375	183,484	203,627
Leasehold make-good	153,000	-	153,000	-
Onerous lease payable (see note 16)	1,093,000	1,639,500	1,093,000	1,639,500
	1,902,563	2,311,875	1,429,484	1,843,127
Non-current				
Employee benefits	119,277	42,542	-	-
Leasehold make-good	-	150,906	-	150,906
Onerous lease payable (see note 16)	-	531,122	-	531,122
	119,277	724,570	-	682,028
16. Onerous lease payable				
Balance brought forward	2,170,622	3,204,857	2,170,622	3,204,857
Deduction arising from payments	(1,093,000)	(1,093,000)	(1,093,000)	(1,093,000)
Additional provisions from unwinding of discounting	15,378	58,765	15,378	58,765
Balance carried forward	1,093,000	2,170,622	1,093,000	2,170,622
17. Financial Instruments				
Financial assets - amortised cost				
Cash and bank balances	3,140,369	2,565,415	548,140	785,702
Loans and receivables (including trade and other receivables)	9,074,656	7,723,755	8,672,348	13,547,005
Financial liabilities - amortised cost				
Amortised cost (including trade and other payables)	7,240,669	14,982,585	1,023,376	8,169,531

	Group		Parent	
	2017 $	2016 $	2017 $	2016 $

18. Key management personnel

The aggregate compensation made to directors and other members of key management personnel of the group is set out below:

Compensation to directors and other members of key management personnel of the group	225,388	452,056	225,388	452,056

19. Issued capital

53,063,352 fully paid ordinary shares (2016: 53,063,352)	53,063,352	53,063,352	53,063,352	53,063,352

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

20. Cash and cash equivalents

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	3,140,369	2,565,415	548,140	785,702

(b) Reconciliation of profit for the year to net cash flows from operating activities

Profit for the year	9,394,683	14,493,549	4,203,837	6,538,040
Depreciation and amortisation	2,742,006	2,456,286	38,236	36,074
Net foreign exchange loss/(gain) on related party loans	-	54,557	-	-
Loss/(gain) on sale or disposal of property, plant and equipment	168,430	(36,162)	(24)	(32,027)
Changes in net assets and liabilities:				
(Increase)/decrease in assets:				
Trade and other receivables	(4,650,912)	310,861	(2,207,367)	4,361,162
Other financial assets	1,451,822	1,232,209	1,451,822	1,232,209
Inventories	5,193	13,441	11,715	-
Other assets	1,900,366	1,836,770	1,912,281	1,695,246
Deferred tax asset	(58,107)	4,083,984	58,794	3,275,875
Increase/(decrease) in liabilities:				
Trade and other payables	(7,741,916)	(11,753,867)	(7,146,156)	(5,372,380)
Current tax liability	(1,227,904)	2,134,076	(1,227,904)	2,134,076
Provisions	(1,014,605)	(994,867)	(1,095,672)	(1,011,248)
Net cash provided by/(used in) operating activities	969,056	13,830,837	(4,000,438)	12,857,027

	Group		Parent	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**

21. Related party disclosures

The immediate parent of the Company is Intralot Global Holdings B.V. The ultimate parent company is Intralot SA.

	Sales to related parties			
	2017	2016	2017	2016
	$	$	$	$
Intralot Gaming Services Pty Ltd	-	-	111,316	350,081

	Purchases from related parties			
	2017	2016	2017	2016
	$	$	$	$
Intralot SA	7,200,061	2,489,999	1,398,904	1,484,727
Intralot Gaming Services Pty Ltd	-	-	129,720	164,061

The following balances were outstanding at the end of the reporting period

	Amounts owed by related parties			
	2017	2016	2017	2016
	$	$	$	$
Intralot Gaming Services Pty Ltd	-	-	2,071,192	8,923,302
Intralot Inc	23,020	23,020	23,020	23,020

	Amounts owed to related parties			
	2017	2016	2017	2016
	$	$	$	$
Intralot SA	5,450,893	12,774,172	31,945	6,963,466
Intralot Gaming Services Pty Ltd	-	-	11,669	165,981
Intralot Inc	101,944	97,202	101,944	97,202

Terms and conditions of transactions with related parties

Sales and fees charged to related parties together with purchases and fees charged by related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding receivable or payable balances at year end are, unless noted otherwise, unsecured, interest free and settlement occurs in cash.

	Group		Parent	
	2017 $	2016 $	2017 $	2016 $

22. Commitments for expenditure

Operating leases

Operating leases relate to property rentals on the Williamstown Road and the lease is for 5 year term.

No later than 1 year	76,036	380,180	76,036	380,180
Later than 1 year and not later than 5 years	-	76,036	-	76,036
Later than 5 years	-	-	-	-
	76,036	456,216	76,036	456,216

23. Guarantees

The company has provided bank guarantees to a number of entities in connection to the provision of services and other commercial arrangements. These guarantees amount to $15,165,000 (2016: $15,165,000) of which $15,000,000 (2016: $15,000,000) is supported by Intralot S.A.

24. Subsidiaries

Name of subsidiary	A.C.N
Intralot Gaming Services Pty Ltd	136 875 673

25. Contingent assets, liabilities and commitments

Intralot Gaming Services Pty Ltd (IGS) entered into an agreement with Intralot SA to licence IGS to use the software in order to deliver services under IGS's agreement with the Victorian Minister for Gaming for the provision of Pre-Commitment Services. Pursuant to the agreement between Intralot SA and IGS, should IGS be required to make the software available to the State of Victoria or another party nominated by the State of Victoria an advance is required to be made to Intralot SA of $5m for 10 years of such licencing.

At the date of this report no events have occurred that crystallise this liability.

26. Subsequent Events

There has not been any other matter or circumstance occurring subsequent to the end of the financial year, that has significantly affected, or may significantly affect, the operations of the entity, the results of those operations, or the state of affairs of the entity in future financial years.