Consolidated Financial Statements and Report of Independent Certified Public Accountants

Intralot, Inc. and Subsidiaries

December 31, 2022 and 2021

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Intralot, Inc. and subsidiaries

Opinion
We have audited the consolidated financial statements of Intralot, Inc. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for opinion
We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to assess the Company's ability to continue as a going concern for at least, but not limited to, twelve months from the end of the reporting period; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise significant doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Atlanta, Georgia
April 27, 2023

Intralot, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Years ended December 31,

	Note	2022	2021
Revenue	14	$ 197,101,579	$ 206,576,730
Cost of sales	17	119,658,498	129,637,896
Gross profit		77,443,081	76,938,834
Selling & distribution expenses	15	(1,545,441)	(1,395,773)
Administrative expenses	15	(41,159,000)	(42,088,291)
Operating income		34,738,640	33,454,770
Other expense			
Finance expenses, net	16	(17,658,093)	(9,155,539)
Total other expenses		(17,658,093)	(9,155,539)
Income before income taxes		17,080,547	24,299,231
Income tax (expense) benefit	22	(5,936,833)	3,284,745
Total profit after tax		$ 11,143,714	$ 27,583,976
Other comprehensive income after tax			
Amounts that may be reclassified to profit:			
Exchange differences on consolidation		$ (38,129)	$ 244,607
Other comprehensive (loss) income after tax		(38,129)	244,607
Total comprehensive income after tax		11,105,585	27,828,583
Total profit (loss) after tax attributable to:			
Equity holders of Intralot, Inc.		11,551,389	27,875,411
Non-controlling interest	23	(407,675)	(291,435)
		11,143,714	27,583,976
Total comprehensive income (loss) after tax attributable to:			
Equity holders of Intralot, Inc.		11,513,260	28,120,018
Non-controlling interest		(407,675)	(291,435)
		$ 11,105,585	$ 27,828,583

The financial statements on pages 5 to 8 were approved and authorized for issue by Executive Management on April 27, 2023.

The accompanying notes are an integral part of these consolidated financial statements.

Intralot, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	Note	2022	2021
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets, net	5	$ 72,933,244	$ 81,522,033
Right of use assets, net	13	14,309,067	11,443,344
Intangible assets, net	6	85,740,073	90,795,895
Deferred tax asset	22	-	734,895
Other long-term assets	7	2,132,107	1,542,859
Total non-current assets		175,114,491	186,039,026
CURRENT ASSETS			
Inventory	8	19,421,031	14,933,672
Accounts receivable, net	3,9	33,681,102	34,450,591
Prepaid expenses and other current assets	10	4,464,631	4,328,548
Cash	3	26,973,655	54,547,182
Total current assets		84,540,419	108,259,993
Total assets		$ 259,654,910	$ 294,299,019
LIABILITIES AND EQUITY			
NON-CURRENT LIABILITIES			
Loans payable, less current installments	3,12	$ 219,149,170	$ 263,975,458
Lease liabilities, less current installments	3,13	10,095,959	8,531,899
Deferred tax liability	22	3,133,745	-
Total non-current liabilities		232,378,874	272,507,357
CURRENT LIABILITIES			
Accounts payable and other payables	3,11	14,374,324	15,229,603
Current portion of loans payable	3,12	13,545,751	10,277,028
Current portion of lease liabilities	3,13	3,363,056	1,397,711
Total current liabilities		31,283,131	26,904,342
EQUITY			
Share capital:			
Ordinary Voting Class A	18	68,142,128	68,142,128
Foreign currency translation		206,478	244,607
Accumulated deficit		(69,390,509)	(70,941,898)
Equity attributable to shareholders of Intralot, Inc.		(1,041,903)	(2,555,163)
Non-controlling interest	23	(2,965,192)	(2,557,517)
Total equity		(4,007,095)	(5,112,680)
Total liabilities and equity		$ 259,654,910	$ 294,299,019

The accompanying notes are an integral part of these consolidated financial statements.

Intralot, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended December 31,

	Share Capital Ordinary Voting Class A		Accumulated Deficit	Foreign Currency Translation	Total	Non-Controlling Interest	Total Equity
	Shares	Amount					
Balance, December 31, 2020	1,854,000	261,926,536	(98,817,309)	-	163,109,227	(2,266,082)	160,843,145
Shares issued to parent	697,380	64,856,334	-	-	64,856,334	-	64,856,334
Distribution to parent	-	(255,365,516)	-	-	(255,365,516)	-	(255,365,516)
Deferred tax on the distribution to parent	-	(3,275,226)	-	-	(3,275,226)	-	(3,275,226)
Other comprehensive income	-	-	-	244,607	244,607	-	244,607
Profit after tax	-	-	27,875,411	-	27,875,411	(291,435)	27,583,976
Balance, December 31, 2021	2,551,380	$ 68,142,128	$ (70,941,898)	$ 244,607	$ (2,555,163)	$ (2,557,517)	$ (5,112,680)
Distribution to parent	-	-	(10,000,000)	-	(10,000,000)	-	(10,000,000)
Other comprehensive income	-	-	-	(38,129)	(38,129)	-	(38,129)
Profit after tax	-	-	11,551,389		11,551,389	(407,675)	11,143,714
Balance, December 31. 2022	2,551,380	$ 68,142,128	$ (69,390,509)	$ 206,478	$ (1,041,903)	$ (2,965,192)	$ (4,007,095)

The accompanying notes are an integral part of these consolidated financial statements.

Intralot, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	Note	2022	2021
Cash flows from operating activities			
Total profit after tax for the year		$ 11,143,714	$ 27,583,976
Adjustments to reconcile profit after tax to net cash flows:			
Provisions for (recoveries) losses on accounts receivable	9	(201,569)	846,698
Depreciation and amortization	5,6,13	38,031,770	37,142,802
Interest expenses, net	16	17,658,093	9,155,539
Income tax expense (benefit)	22	5,936,833	(3,284,745)
(Gain) loss on disposal of tangible fixed assets	5	(347)	702,793
Changes in operating assets and liabilities:			
Inventory	8	(4,487,359)	5,027,010
Accounts receivable	9	971,058	2,206,603
Prepaid expenses and other current assets	10	(136,083)	(331,786)
Other long-term assets	7	(589,248)	2,919,949
Accounts payable and other payables	11	1,324,097	(11,419,452)
Income tax paid		(4,255,335)	(242,199)
Net cash provided by operating activities		65,395,624	70,307,188
Cash flows from investing activities			
Purchases of tangible fixed assets	5	(12,029,108)	(9,597,645)
Purchases of intangible assets	6	(8,379,304)	(6,825,328)
Proceeds from disposal of fixed assets		12,000	-
Interest received		64,956	-
Net cash used in investing activities		(20,331,456)	(16,422,973)
Cash flows from financing activities			
Interest expenses paid		(24,290,143)	(1,487,282)
Payments of borrowing costs		(4,301,746)	-
Proceeds from issuance of debt		235,091,261	11,931,000
Distributions to parent		(10,000,000)	(12,016,810)
Payment of lease liabilities		(3,326,719)	(1,789,051)
Principal payments on loans payable		(265,810,348)	(10,336,503)
Net cash used in financing activities		(72,637,695)	(13,698,646)
NET (DECREASE) INCREASE IN CASH		(27,573,527)	40,185,569
Cash, beginning of year		54,547,182	14,361,613
Cash, end of year		$ 26,973,655	$ 54,547,182
Supplemental disclosures of non-cash investing and financing activity			
Contribution from parent		$ -	64,856,334
Distribution to parent		$ -	(243,348,706)
Deferred tax on the distribution to parent		$ -	(3,275,226)
Non-cash additions to operating lease ROU assets		$ 6,856,124	5,021,292

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - NEW STANDARDS AND INTERPRETATIONS

New Standards, Interpretations and Amendments

Certain new accounting standards and interpretations have been published during the year ended December 31, 2022. These standards are not expected to have a material impact on the entity in the current or future reporting periods, and on foreseeable future transactions.

NOTE 2 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Principles of Consolidation

The consolidated financial statements of Intralot, Inc. and subsidiaries (collectively, “the Company” or “Intralot”) as of and for the years ended December 31, 2022 and 2021 include the accounts of Intralot, Inc. and its subsidiaries, DC09, LLC (“DC09”) and Intralot Tech, S.A. (“ITS”). All intercompany balances and transactions have been eliminated in consolidation.

Description of Business

Intralot, Inc. was incorporated in December 2001 under the laws of the state of Georgia, United States of America and is a majority-owned subsidiary of Intralot, S.A. ("ISA" or the “Parent”), a Greek company. The principal office of the Company is located in Duluth, Georgia. The Company installs online lottery terminals and provides gaming systems to the lottery industry in the United States of America (“US”), Canada and the Philippines. The Company maintains locations in Georgia, Montana, Idaho, New Mexico, Illinois, Ohio, Arkansas, Louisiana, New Hampshire, Wyoming, and the District of Columbia. During 2022, the Company closed its Vermont office.

Intralot, Inc. owns 49% of the equity interest of DC09, which is a limited liability company incorporated in January 2010 to manage the District of Columbia’s lottery. The Company has determined that it controls DC09 as it has the practical ability to direct the major activities and operations of DC09 in order to generate returns for Intralot through a two-thirds majority voting interest. Accordingly, Intralot accounts for DC09 as a subsidiary, consolidating its financial results for the reporting period.

Intralot, Inc. owns 100% of the equity interest of ITS which was incorporated in Athens, Greece in October of 2019. Accordingly, Intralot accounts for ITS as a subsidiary, consolidating its financial results for the reporting period.

Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, as issued by the International Accounting Standards Board (IASB). The accounting policies have been consistently applied to all the years presented, except for changes in accounting policies which resulted from adopting new and amended IFRS that are effective for the current or prior year as stated.

The consolidated financial statements are presented in US Dollars, which is also the Company’s functional currency.

The consolidated statements of profit or loss and other comprehensive income are presented with expenses analyzed by function.

Amounts are rounded to the nearest dollar, unless otherwise stated.

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except where otherwise stated.

Reclassifications

Certain reclassifications were made to prior period amounts to conform to current year presentations. Additional reclassifications mainly included an increase to the deferred tax liability on the consolidated statements of financial position and income tax expense on the consolidated statements of profit or loss and other comprehensive income related to adjusting the tax basis value of certain software, and right of use asset and lease liability balances in the consolidated statements of financial position.

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash at the bank and investments with high liquidity with original maturities less than 90 days, including a money market account which is not restricted from the standpoint of withdrawal or use.

For cash flow statement purposes, cash and cash equivalents include what is defined above, without the netting of outstanding bank overdrafts.

Financial Assets

The Company classifies its financial assets as financial assets at amortized cost, and there are no financial assets measured at fair value through profit and loss.

The Company's financial assets are comprised of accounts receivable and cash in the consolidated statements of financial position. These assets are typically non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. accounts receivable), but also incorporate other types of contractual monetary asset where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

The Company recognizes an allowance for expected credit losses ("ECL") in accordance with IFRS 9, which is based on lifetime expected credit losses. For accounts receivable, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized within administrative expenses in the consolidated statements of profit or loss. On confirmation that the accounts receivable will not be collectible, the gross carrying value of the asset is written off against the associated provision.

A key factor in recognizing expected credit losses over the life of a financial asset or over the next twelve months, is the credit risk significant deterioration after initial recognition or not, compared to the corresponding credit risk at the initial recognition of the financial asset. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, including forward-looking information. IFRS 9 makes a presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. However, this presumption can be rebut if there are reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days due.

Overall, as a result of the Company's customer-base, historical experience, and other reasonable and supportable information, the risk related to credit losses is immaterial to the Company's consolidated financial statements.

Financial Liabilities

The Company classifies its financial liabilities as financial liabilities at amortized cost, and there are no financial liabilities measured at fair value through profit or loss.

Financial liabilities include accounts payable and other payables, lines of credit, lease obligations, and loans payable. These items are initially recognized at fair value net of any transaction costs directly attributable to the issuance or generation of the payable. Interest bearing liabilities are subsequently measured at amortized costs using the effective interest method which ensures interest expense over the period of repayment is at a constant rate on the balance of the liability carried on the statements of financial position. Interest expense for interest bearing liabilities includes the amortization of the transaction costs along with the stated coupon on the note or line of credit while the liability is outstanding.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing the tangible assets and borrowing costs for long term construction assets if the recognition criteria are met, as well as any cost that can be directly attributed to bringing the item to the location and condition that is necessary for the item to operate in the manner intended by management. Expenditures for improvements and enhancements are capitalized while expenditures for maintenance and repairs are charged to expense when incurred.

Depreciation is provided on a straight-line basis over the estimated useful lives of tangible fixed assets as follows:

Tangible Fixed Assets:

Machinery	3 to 10 years
Buildings and fixtures	15 to 40 years
Furniture and fixtures	3 to 7 years
Transportation and equipment	3 to 7 years

Depreciation of equipment under leases is provided over the shorter of the estimated useful life of the equipment or the term of the lease.

An item of tangible fixed assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statements of comprehensive income in the year the item is derecognized. The assets' residual values and useful lives are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Research and Development

Research expenses are expensed as incurred. Development expenditures incurred by individual project is capitalized if, and only if, the Company can demonstrate all of the following:

The technical feasibility of completing the intangible asset so that it will be available for use or sale;

Its intention to complete the intangible asset and use or sell it;

Its ability to use or sell the intangible asset;

How the intangible asset will generate probable future economic benefits;

The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of development expenditures, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization over the period of expected future sales from the related project. The amortization expense is included within the cost of sales and administrative expenses line in the consolidated statements of profit or loss.

Research and development expenses of $5,433,398 and $4,581,093 were incurred during the years ended December 31, 2022 and 2021, respectively, and are included within cost of sales and administrative expenses in the accompanying consolidated statements of profit or loss.

The carrying value of capitalized development expenditures is reviewed for impairment annually when the asset is not yet in use or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

Intangible Assets

Intangible assets consist of intellectual property that is acquired individually or with groups of other assets and measured based on its fair value, purchased software that is acquired individually and capitalized at cost, as well as internally developed software and related costs.

Subsequent to initial recognition, intangible assets are valued at cost less accumulated amortization and any impairment in value. Amortization of intangible assets is provided on a straight-line basis over the shorter of the estimated useful life of the asset or the term of the associated contract, typically 3 to 10 years. Residual values and useful lives are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Impairment of Non-Financial Assets

Non-financial assets (i.e., tangible fixed assets and intangible assets) are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e., the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

If the recoverable amount of an asset (or cash-generating unit, which is the lowest level for which separate identifiable cash inflows exist) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

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 so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately. In the opinion of management, no long-lived assets were impaired as of December 31, 2022 or 2021.

Inventory

Inventory is initially recognized at cost, and subsequently valued at the lower of cost or net realizable value. Costs of inventory include the purchase amount and other costs incurred in bringing each product to its present location and condition and is determined using the first-in first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. In each reporting period, management examines the condition and age of inventory for slow-moving inventory or obsolescence, and provisions are made to reduce such items to estimated net realizable value, which are recognized in the consolidated statements of profit or loss.

Revenue Recognition

The Company is in the business of installing, implementing, and managing online lottery terminals and providing gaming systems to the lottery industry. The Company accounts for a contract when both parties to the contract have approved the contract, the rights of the parties and payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied, in an amount representing the consideration to which the Company expects to receive.

Management services - The primary performance obligation for each of the Company's lottery contracts within this category is the provision and management of the lottery terminals and all related services, and is satisfied as the services are performed over the term of the contract. The Company accounts for this as a single performance obligation, as the individual services are not separately identifiable in the context of the contract and are a combined output; therefore all contractual revenue is allocated to this single performance obligation. The Company applies the series guidance under IFRS 15 and utilizes the output method and the right-to-invoice practical expedient, in which the amount recognized corresponds directly with its performance to date. The transaction price for the lottery services is a percentage of the amount of total sales of lottery tickets pursuant to the terms of the contract. While the amounts are variable in nature as the amount of retail sales volumes in a period are not pre-defined, there is no estimation or uncertainty included in the amount recognized.

Technology and support services - Certain contracts also contain provisions for customers to use lottery equipment for the duration of the contract. This revenue is generally recognized on a straight-line basis over the contract term at a fixed transaction price explicitly stated in the contract. Additionally, stand-alone equipment sales of hardware and software within this category are recognized at the point in time of delivery when the customer obtains control of the asset. Associated implementation services and support are recognized over a period of time as the performance obligation is satisfied. Revenue is recorded net of any variable consideration in the period incurred.

Fair Value Measurement

If required, the fair value measurement of the Company’s financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the ‘fair value hierarchy’):

Level 1 - Quoted prices in active markets for identical items (unadjusted);

Level 2 - Observable direct or indirect inputs other than Level 1 inputs; and

Level 3 - Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur.

Leases

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have an original lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Foreign Currencies

Transactions in currencies other than United States dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing at the end of the reporting period. Profits and losses arising from changes in exchange rates are included in administrative expenses in the consolidated statements of profit or loss for the period and were losses of $396,477 and gains of $1,355,234 for the years ended December 31, 2022 and 2021, respectively.

Income Taxes

Deferred income tax is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for future tax benefits and credit carryforwards to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. 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 is realized, based on the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to offset such amounts in the same taxable entity and with the same taxing authority.

Borrowing Costs

The Company began capitalizing finance expenses on certain qualifying assets that take a substantial period of time to get ready for its intended use or sale. The Company capitalized $4,301,746 in finance expenses in 2022 related to its new debt agreement (Note 12). The Company did not capitalize finance expenses in 2021.

Major Customer

During 2022 and 2021, the Company had three customers that accounted for 56.6% and 65.5% of total revenue, respectively. As of December 31, 2022 and 2021, two customers accounted for 53.4% and 51.3% of trade accounts receivable, respectively.

Advertising Cost

Advertising costs are expensed as incurred. Advertising costs totaled $1,247,977 and $937,713 for the years ended December 31, 2022 and 2021, respectively, and are included in administrative expenses in the accompanying consolidated statements of profit or loss.

Non-Controlling Interest

The Company applies a policy of treating transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. For purchases of non-controlling interest, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity and attributed to the equity holders of Intralot, Inc. Gains or losses on disposals of non-controlling interests are recorded in equity.

NOTE 3 - FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The Company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Liquidity

The Company is exposed to risks that arise from its use of financial instruments. The following information describes the Company’s objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company’s exposure to financial instrument risks, its objectives, policies, and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated.

Principal Financial Instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are cash, accounts receivable, accounts and other payables, borrowings under lines of credit and loans payable, and lease liabilities.

Financial Instruments by Category:

Financial Assets		Financial Assets at Amortized Cost 2022	2021
Accounts receivables		$ 33,681,102	$ 34,450,591
Cash		26,973,655	54,547,182
	Total financial assets	$ 60,654,757	$ 88,997,773

Financial Liabilities		Financial Liabilities at Amortized Cost 2022	2021
Accounts payables and other payables		$ 14,374,324	$ 15,229,603
Loans payable		232,694,921	274,252,486
Lease liabilities		13,459,015	9,929,610
	Total financial liabilities	$ 260,528,260	$ 299,411,699

Due to their short-term nature, the carrying values of cash, accounts receivables and accounts payable and other payables approximate their fair value. For lease liabilities, the value is calculated as the present value of the sum of all future lease payments to be made over the lease term, which approximates the fair value. Due to market based floating interest rates, the carrying value of borrowings under lines of credit and loans payable approximates their fair value.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales. It is the Company's policy to assess the credit risk of new customers before entering into contracts. Each new customer is analyzed individually for creditworthiness before payment and delivery terms and conditions are offered. Further disclosures regarding accounts receivables are provided in Note 9.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted. The Company has cash at various US banks of $26,973,655 and $54,547,182 at December 31, 2022 and 2021, respectively. The Company monitors the credit ratings of counter parties regularly and at the reporting date does not expect any losses from non-performance by the counterparties.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows related to financial instruments will fluctuate due to changes in market interest rates. The Company is exposed to cash flow interest rate risk from long-term borrowings at a variable rate.

The Company manages interest rate risk through refinancing of long-term borrowings when considered appropriate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates. With all other variables held constant, the Company's profit before tax is affected by the impact on floating rate, as follows:

	Change in Interest Rate	Effect On Profit Before Tax
2022	1%	2,324,000
2021	1%	2,726,000

Interest rates on certain of the Company's borrowings are based on a floating rate, which resets on a periodic basis. The Company is in the process of evaluating the effects of interest rate benchmark reform on its consolidated financial statements but does not believe such reform will have a material impact or significantly change the Company's risk management strategy.

Liquidity Risk

Liquidity risk relates to the risk that the Company will encounter difficulty in meeting its financial obligations and arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments.

The following provides the expected cash outflows of non-derivative financial liabilities by contractual maturity (representing undiscounted cash flows) at December 31, 2022 and 2021:

	Less Than 1 Year	1 to 2 Years	2 Years and Thereafter	December 31, 2022
Accounts payable and other payables	$ 14,374,324	$ -	$ -	$ 14,374,324
Loans payable	13,545,751	12,394,966	206,754,204	232,694,921
Total	$ 27,920,075	$ 12,394,966	$ 206,754,204	$ 247,069,245

	Less Than 1 Year	1 to 2 Years	2 Years and Thereafter	December 31, 2021
Accounts payable and other payables	$ 15,229,603	$ -	$ -	$ 15,229,603
Loans payable	10,277,028	8,695,752	-	18,972,780
Bonds payable	-	-	255,279,706	255,279,706
Total	$ 25,506,631	$ 8,695,752	$ 255,279,706	$ 289,482,089

The Company had a working capital surplus of $53,257,288 at December 31, 2022, has various outstanding commitments (see Note 20), and had comprehensive income of 11,105,585 for the year then ended. The continuation of the Company's business is contingent upon, among other things, the ability to maintain satisfactory levels of future profitable operations and generating sufficient cash from operations to meet current and future obligations. Although there are no assurances, management believes the Company will be able to achieve these objectives, given its cash on hand combined with cash flow from continuing operations for at least, but not limited to, twelve months from the end of the reporting period.

Capital Disclosures

The Company monitors capital which comprises all components of equity (i.e. share capital, non-controlling interest, and retained earnings).

The Company's objectives when maintaining capital are:

To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of return capital to shareholders, issue new shares, or sell assets to reduce debt.

NOTE 4 - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, management evaluates its judgments, estimates and assumptions that mainly refer to provisions from impairment of receivables, provision for impairment of inventories, impairment of tangible and intangible assets as well as estimation of their useful lives, recognition of revenue and expenses, pending legal cases, and provision for income tax and recoverability of deferred tax assets. These judgments, estimates and assumptions are based on historical experience and other factors including expectations of future events that are considered reasonable under the circumstances.

The key judgments, estimates and assumptions concerning the future and other key sources of uncertainty at the reporting date and have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities in subsequent reporting periods are discussed throughout these notes to the consolidated financial statements.

NOTE 5 - TANGIBLE FIXED ASSETS

The activity in tangible fixed assets is as follows:

	Machinery	Buildings and Fixtures	Furniture and Fixtures	Transportation Equipment	Total
Costs Balance, December 31, 2020	$ 296,754,055	$ 10,835,483	$ 1,554,271	$ 1,092,797	$ 310,236,606
Additions	9,395,726	149,600	10,344	41,975	9,597,645
Disposals	(45,436)	-	-	(232,072)	(277,508)
Balance, December 31, 2021	306,104,345	10,985,083	1,564,615	902,700	319,556,743
Additions	11,724,347	272,865	20,145	-	12,017,357
Disposals	(5,405)	-	-	(13,234)	(18,639)
Balance, December 31, 2022	$ 317,823,288	$ 11,257,948	$ 1,584,760	$ 889,466	$ 331,555,461

Accumulated Depreciation

	Machinery	Buildings and Fixtures	Furniture and Fixtures	Transportation Equipment	Total
Costs Balance, December 31, 2020	$ 203,997,399	$ 8,041,976	$ 1,252,267	$ 1,089,472	$ 214,381,114
Additions	23,540,949	285,633	87,489	15,725	23,929,796
Disposals	(22,683)	-	-	(253,517)	(276,200)
Balance, December 31, 2021	227,515,665	8,327,609	1,339,756	851,680	238,034,710
Additions	20,206,541	287,346	87,824	24,436	20,606,147
Disposals	(5,405)	-	-	(13,234)	(18,639)
Balance, December 31, 2022	247,716,801	8,614,955	1,427,580	862,882	258,622,218
Tangible Fixed Assets, net	$ 70,106,486	$ 2,642,993	$ 157,180	$ 26,584	$ 72,933,244

In 2022, depreciation expense associated with tangible fixed assets in the amount of $19,819,506 and $786,736 is included in cost of sales and administrative expenses, respectively, in the accompanying consolidated statements of profit or loss.

In 2021, depreciation expense associated with tangible fixed assets in the amount of $22,855,789 and $1,074,007 is included in cost of sales and administrative expenses, respectively, in the accompanying consolidated statements of profit or loss.

NOTE 6 - INTANGIBLE ASSETS

The activity in intangible assets is as follows:

	Intangible Software Assets	Accumulated Amortization	Net Book Value
Balance, December 31, 2020	$ 129,320,754	$ 33,887,491	$ 95,433,263
Additions	6,825,328	11,462,696	(4,637,368)
Balance, December 31, 2021	136,146,082	45,350,187	90,795,895
Additions	8,379,304	13,435,126	(5,055,822)
Balance, December 31, 2022	$ 144,525,386	$ 58,785,313	$ 85,740,073

In 2022, amortization expense associated with intangible assets in the amount of $10,746,943 and $2,688,183 is included in cost of sales and administrative expenses, respectively, in the accompanying consolidated statements of profit or loss.

In 2021, amortization expense associated with intangible assets in the amount of $10,787,890 and $674,806 is included in cost of sales and administrative expenses, respectively, in the accompanying consolidated statements of profit or loss.

During the year ended December 31, 2022 and December 31, 2021, of the total gross intangible software asset additions, $5,341,546 and $6,102,091, respectively, was internally developed.

NOTE 7 - OTHER LONG-TERM ASSETS

Other long-term assets at December 31, 2022 and 2021 is comprised of the following:

	2022	2021
Maintenance contracts	$ 375,847	$ 530,048
Deposits	1,756,260	1,012,811
Total other long-term assets	$ 2,132,107	$ 1,542,859

NOTE 8 - INVENTORY

A summary of inventory at December 31, 2022 and 2021 is as follows:

	2022	2021
Raw materials	$ 3,492,270	$ 1,881,511
Work-in-progress	3,410,848	1,212,788
Finished goods	1,423,721	2,192,249
Other lottery inventory (parts and paper)	11,094,192	9,647,124
Total inventory	$ 19,421,031	$ 14,933,672

The Company had an inventory reserve of $146,970 for the years ended December 31, 2022 and 2021.

For the years ended December 31, 2022 and December 31, 2021, the amount of inventories recognized as expense was $5,787,782 and $8,651,875, respectively, included in cost of sales on the consolidated statements of profit or loss.

Inventory includes lottery terminals which may take additional months to assemble. Therefore, a portion of the Company's inventory may take more than one year to turn.

NOTE 9 - ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2022 and 2021 comprised of the following:

	2022	2021
Accounts receivable - trade	$ 26,586,168	$ 25,716,483
Accounts receivable - related parties	6,200,295	7,115,749
Contract assets	894,639	1,618,359
Total accounts receivable	$ 33,681,102	$ 34,450,591

The provision for doubtful accounts of $352,938 and $1,152,306 as of December 31, 2022 and 2021, respectively, was computed with reference to the expected credit loss model and included consideration of accounts receivable, net on the consolidated statements of financial position. For the year ended December 31, 2022, the Company had a recovery of accounts receivable bad debt expense in the amount of $201,569, included in administrative expenses on the consolidated statements of profit or loss (Note 15).

The aging analysis of these receivables at December 31, 2022 and 2021 is as follows:

	2022	2021
Up to 3 months	$ 27,060,265	$ 29,177,551
3 to 6 months	853,086	513,378
6 to 12 months	586,988	1,591,304
Over 12 months	5,180,763	3,168,358
	$ 33,681,102	$ 34,450,591

NOTE 10 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid and other current assets at December 31, 2022 and 2021 comprise of the following:

	2022	2021
Short-term portion of maintenance contracts	$ 770,031	$ 1,658,157
Prepaid insurance	1,192,566	1,215,525
Sales tax receivables	453,417	-
Other	2,048,617	1,454,866
Total prepaid expenses and other current assets	$ 4,464,631	$ 4,328,548

NOTE 11 - ACCOUNTS PAYABLE AND OTHER PAYABLES

Accounts payable and other payables at December 31, 2022 and 2021 were comprised of the following:

	2022	2021
Accounts payable - trade	$ 6,568,005	$ 5,355,919
Accounts payable - related parties	2,384,329	589,907
Other accrued liabilities	4,970,769	8,725,845
Contract liabilities	451,221	557,932
Total accounts payable and other payables	$ 14,374,324	$ 15,229,603

NOTE 12 - LOANS PAYABLE

Senior Secured Notes and Extra Facility

In January 2021 ISA entered into a Lock-Up Agreement (the “Lock-Up Agreement”) with an ad hoc group of noteholders (the “Ad Hoc Group”), holding in excess of 75% of senior notes ("Original Notes") outstanding principal of €250,000,000 issued by Intralot Capital Luxembourg (“ICL”), an entity under common control. The Lock-Up Agreement provided for the consensual exchange of the Original Notes with new notes to be issued by the Company having a total principal amount of $244,585,500 due in 2025, to be issued by the Company, if noteholders holding at least 90% in outstanding principal amount of the Original Notes would sign or accede to the Lock-Up Agreement.

Pursuant to the exchange offer, on August 3, 2021, the Company issued Senior Secured PIK Toggle Notes ("New Notes") with a nominal value of $242,111,911 due in September 2025 in exchange for Original Notes maturing in September 2021 with nominal value of €247,471,724 (corresponding to an 18% discount), which were then canceled. On the same date, August 3, 2021, the Company issued additional Senior Secured PIK Toggle Notes due in 2025 for cash proceeds of $11,931,000 ("Extra Facility"). The Extra Facility had the same terms as the New Notes. Interest is payable semi-annually for the New Notes and the Extra Facility at a rate between 7.09% and 8.87%. Capital then raised as part of the new bank loan (see paragraph below) was utilized to repay the total loans ($254,042,911) due on the New Notes and Extra Facility maturing in 2025.

KeyBank Credit and Security Agreement

On July 28, 2022, the Company entered into a Credit and Security Agreement with KeyBank National Association, as administrative agent, for a three year Term Loan of $230,000,000 plus a committed Revolving Credit Facility (RCF) of $50,000,000 (collectively, the "KeyBank Loan"). The capital raised was used to pay off the total loans ($254,042,911) maturing in 2025.

As of December 31, 2022, the outstanding principal balance of the Term Loan and RCF was $227,125,000 and $5,091,261, respectively. As of December 31, 2022, accrued interest on the Term Loan and RCF was $1,167,541 and $25,870, respectively. During the year ended December 31, 2022, the Company recognized interest expense related to the Term Loan of $5,985,621, debt amortization expense of $602,878 and facility fees of $58,474, included in finance expenses, net on the consolidated statements of profit or loss.

The interest rate at December 31, 2022 on the Term Loan and Revolver was 7.317%, made up of a base rate of 4.217% and a margin spread adjustment of 3.10%.

As part of the KeyBank Loan, the Company incurred $4,301,746 of issuance and transaction costs related to the loan. These amounts are capitalized on the balance sheet and reflect a reduction to debt, in accordance with IFRS. The issuance costs are amortized over the life of the loan using the effective interest method under IFRS, and are included in finance expenses, net on the consolidated statements of profit or loss. As of December 31, 2022, loan issuance costs, net of amortization was $3,698,869.

As part of the KeyBank Loan terms, the Company has pledged as collateral all of its existing and future personal property, investment property, instruments, contract rights, goods, chattel paper, documents, supporting obligations, letter-of-credit rights, all interests in its subsidiary entities, intangibles, inventory and equipment, and all cash and cash equivalents.

Related to the KeyBank Loan, for the year ended December 31, 2022, the Company incurred $1,258,288 in restructuring expenses, included in administrative expenses on the consolidated statements of profit or loss. These expenses were not directly attributable to issue the Term Loan or Revolver; therefore, these costs were expensed as incurred.

NOTE 13 - LEASES

The composition of right-of-use assets in the consolidated statement of financial position is as follows:

	Land and Buildings	Transportation Equipment	Machinery and Equipment	Total
Balance, December 31, 2020	$ 5,734,430	$ 300,451	$ 2,838,966	$ 8,873,847
Additions	5,021,292	-	-	5,021,292
Derecognition	(690,679)	(10,806)	-	(701,485)
Depreciation	(681,938)	(210,786)	(857,586)	(1,750,310)
Balance, December 31, 2021	9,383,105	78,859	1,981,380	11,443,344
Additions	1,043,392	5,812,822		6,856,214
Derecognition	-	-	-	-
Depreciation	(1,450,499)	(2,370,856)	(169,136)	(3,990,491)
Balance, December 31, 2022	$ 8,975,998	$ 3,520,824	$ 1,812,244	$ 14,309,067

In 2022 and 2021, interest expense associated with lease liabilities in the amount of $886,274 and $1,031,977, respectively, is included in finance expenses, net in the accompanying consolidated statement of comprehensive income. Expenses related to short-term leases and low value assets during 2022 and 2021 were $847,178 and $2,771,872, respectively, and are included in administrative expenses in the accompanying consolidated statements of profit or loss.

The maturity analysis for all future minimum payments (representing the undiscounted cash outflows) related to the Company's lease obligations is as follows:

Fiscal year ended December 31,	
2023	$ 3,947,633
2024	2,590,963
2025	3,592,589
2026	1,409,141
2027 and thereafter	3,891,706

NOTE 14 - REVENUES

Contract Balances

Contract assets (unbilled revenue) relate to performance obligations where control has transferred to the customer in advance of scheduled billings. Contract liabilities (deferred revenue) relate to performance obligations where consideration has been received in advance of control being transferred to the customer. Contract assets and liabilities for the years ended December 31, 2022 and 2021 consisted of the following:

	2022	2021
Contract assets	$ 894,639	$ 1,618,359
Contract liabilities	451,221	557,932

During the year ended December 31, 2022, the Company recognized as revenue the full amount of the beginning contract liability balance.

Revenues for the years ended December 31, 2022 and 2021 comprise the following:

	2022	2021
Management services revenue	$ 172,191,992	$ 182,472,187
Technology and support services revenue	24,909,587	24,104,543
Total revenues	$ 197,101,579	$ 206,576,730

NOTE 15 – ADMINISTRATIVE AND SELLING AND DISTRIBUTION EXPENSES

The following provides additional information on the nature of expense included in administrative and selling and distribution expenses on the consolidated statements of profit or loss:

	2022	2021
Personnel expenses	$ 17,342,739	$ 15,485,895
Debt restructuring expense	1,258,288	13,553,675
Depreciation and amortization expenses	6,053,134	1,850,415
Systems expenses	1,247,853	666,005
Insurance expenses	302,159	613,205
Travel & entertainment	937,138	887,555
Audit & other third-party fees	5,897,436	7,431,869
Other expenses	7,925,042	1,796,066
Foreign currency (gain)/loss	396,477	(1,355,234)
Other operating (income) expenses	(201,266)	1,158,840
Total administrative expenses	$ 41,159,000	$ 42,088,291
Selling & distribution expenses	$ 1,545,441	$ 1,395,773
Total operating expenses	$ 42,704,441	$ 43,484,064

NOTE 16 - FINANCE EXPENSES

Finance expenses, net consisted of the following:

	2022	2021
Interest on lease liabilities	$ 886,274	$ 1,031,977
Interest on bonds and bank fees	10,269,427	8,017,326
Finance expenses on KeyBank Loan	6,646,973	-
Interest on other loans payable	21,098	868,481
Interest income	(165,679)	(762,245)
Total finance expenses	$ 17,658,093	$ 9,155,539

NOTE 17 - COST OF SALES AND EMPLOYEE BENEFIT EXPENSES

Cost of sales comprise the following:

Cost of Sales	2022	2021
Merchandise and paper	$ 17,024,842	$ 26,677,083
Personnel and payroll	34,179,994	33,371,715
Systems and other cost of sales	68,453,662	69,589,098
Total cost of sales	$ 119,658,498	$ 129,637,896

Employee benefit expenses comprise:

	2022	2021
Wages and salaries	$ 44,033,765	$ 40,731,191
Defined Contribution pension cost	1,825,923	1,764,198
Other employee benefits	8,784,747	8,818,900
Social Security contribution and similar taxes	3,740,336	3,562,865
Total employee benefit expenses	$ 58,384,771	$ 54,877,154

Key Management Personnel Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors of the Company. The following table comprises the amounts provided to key personnel for the years ended December 31, 2022 and 2021, and is included in personnel and payroll expenses.

	2022	2021
Salary	$ 3,296,286	$ 3,121,392
Other long-term benefits	479,781	339,570
Total key management personnel compensation	$ 3,776,067	$ 3,460,962

NOTE 18 - SHARE CAPITAL

In 2021, as part of the debt restructuring discussed in Note 12, all shares historically owned by Intralot Global Holdings B.V. were acquired by Intralot US Holdings, B.V. ("US BV"), which is an ultimately owned subsidiary of the Parent.

On February 4, 2021, the Company's Board of Directors made a decision to issue 697,380 common shares in exchange for certain intercompany accounts payables for the total amount of $64,856,334. The transaction resulted in the increase of ISA's equity in the Company and reduction of intragroup accounts payable.

In August 2021, the Parent made a debt restructuring which resulted in non-cash distribution of $242,111,911 to Parent with corresponding increase in loans payable (Note 12).

On June 21, 2021, the Company, and ICL entered into a loan agreement in which the Company made available to ICL a loan facility equal to €10,000,000 million ($12,016,810) for general corporate purposes. Shortly after the loan was made available, the Parent's Board of Directors approved the loan forgiveness. The Company accounted for loan forgiveness as a transaction between entities under common control resulting in the reduction of the ISA's equity in the Company with corresponding reduction in the notes receivable. Additionally, this distribution resulted in the deferred tax asset of $3,275,226 to be paid by the Company on behalf of its Parent.

As of December 31, 2022, there were 5,000,000 Ordinary Voting Class A Shares authorized and 2,551,380 issued and outstanding. Also, as of December 31, 2022, there were 3,000,000 Class A Non-Voting Preferred Shares authorized and no shares issued or outstanding.

As of December 31, 2021, there were 5,000,000 Ordinary Voting Class A Shares authorized and 2,551,380 issued and outstanding. Also, as of December 31, 2021, there were 3,000,000 Class A Non-Voting Preferred Shares authorized and no shares issued or outstanding.

The Ordinary Voting Class A Shares have no par value.

On August 29, 2022, the Board of Directors of the Company authorized a cash dividend payable to the sole shareholder of $10 million, and on August 30, 2022, the dividend payment was executed.

NOTE 19 - RELATED-PARTY TRANSACTIONS

The Company's related party transactions are primarily with the Company's Parent and sister entities that are wholly owned by the Parent. These transactions are generally for operational items, including equipment and lottery parts, among others. As of December 31, 2022 and 2021, the following related party items are presented on the consolidated financial statements:

	2022					
	ICL	**ISA**	**US BV**	**VSC**	**Intralot Intl**	**Intralot Adriatic**
Consolidated Statements of Financial Position						
Accounts receivable, net	$ 600,841	$ -	$ 736,863	$ 4,862,591	$ -	$ -
Accounts payable and other payables	-	2,382,366	-	-	-	1,963
Loans payable, less current installments	1,236,812	-	-	-	-	-

	2021					
	ICL	**ISA**	**US BV**	**VSC**	**Intralot Intl**	**Intralot Adriatic**
Consolidated Statements of Financial Position						
Accounts receivable, net	$ 1,254,735	$ -	$ -	$ 5,861,014	$ -	$ -
Accounts payable and other payables	-	580,015	-	-	7,928	1,963
Loans payable, less current installments	1,236,800	-	-	-	-	-
Current portion of loans payable	-	330,985	-	-	-	-

Additionally, during the years ended December 31, 2022 and 2021, the Company provided a minority owner and the chief executive officer of DC09 remuneration totaling $511,411 and $633,176, respectively, which is recorded in administrative expenses on the accompanying consolidated statements of profit or loss.

NOTE 20 - COMMITMENTS AND CONTINGENCIES

Commitments

During December 2007, the Company entered into a contract with an independent third party to purchase various equipment, services and training. The contract is guaranteed by ISA. At a minimum, the Company is required to make the following payments over the remaining life of the contract:

Future Commitments		2022
2023	$	2,644,536
2024		1,447,449
2025		154,560
Total	$	4,246,545

Service Contract Arrangements

Service contracts and lottery systems generally provide for substantial related services such as software, maintenance, training, marketing, computer operators and certain operating supplies. The service contracts generally cover the life of the gaming contract. These contracts create future liability for the Company to provide those future services and incur certain costs, which are considered as part of the pricing of revenue contracts upon inception.

Legal Actions

The Company from time to time may be a defendant in legal actions generally incidental to its business. The Company reviews the status of each significant legal case on a periodic basis and assesses the potential risk, based partly on the view of legal department. If the potential loss from any litigation and legal matters is considered probable and the amount can be reliably estimated, the Company recognizes a liability for the estimated loss. In order to determine the probability and whether the risk can be estimated reliably, a considerable degree of judgment of management is required. When additional information becomes available, the Company reassesses the potential liability related to pending litigation and legal proceedings, and estimates for the probability of an unfavorable outcome and an assessment of potential loss may be revised. Such revisions in the estimates of the potential liability could have a material effect on the financial position and income statement of the Company. Although it is difficult to predict the ultimate outcome of any potential or threatened litigation, management believes that any ultimate liability will not materially affect the financial position and results of operations of the Company.

NOTE 21 - EMPLOYEE BENEFIT PLAN

The Company has a salary deferral profit sharing plan (“the Plan”) under Section 401(k) of the Internal Revenue Code covering substantially all full-time employees. The Plan calls for a matching contribution of up to 6% of employee compensation and an additional discretionary contribution as approved by the Board of Directors. The Company incurred expenses of $1,825,923 and $1,764,198 related to the Plan in 2022 and 2021, respectively, which is included in cost of sales and administrative expenses within the consolidated statements of profit or loss.

NOTE 22 - INCOME TAXES

The provision for income taxes recorded in the consolidated financial statements differs from the amount which would be obtained by applying the statutory income tax rate to the loss before income taxes as follows:

	2022	2021
Current tax expense (benefit)		
Current tax on profits for the year	$ 2,080,129	$ 721,211
Deferred tax expense (benefit)		
Deferred tax expense (benefit)	$ 3,856,704	$ (4,005,956)
Total tax expense (benefit)	$ 5,936,833	$ (3,284,745)

	2022	2021
Income before income taxes	$ 17,080,547	$ 24,299,231
Statutory United States corporate income tax rate	21%	21%
Anticipated tax payment	3,586,915	5,102,839
State tax liability	2,379,627	323,352
Provision to tax return differences	(401,110)	146,981
Permanent differences	1,681,309	2,603,809
Prior period deferred tax true-up	(1,215,538)	(3,135,230)
Change in valuation allowance	-	(8,840,800)
Research and development credit generated	(365,000)	(219,500)
Foreign income tax expense	82,474	152,075
Other, net	188,156	581,729
Net total income tax expense (benefit)	$ 5,936,833	$ (3,284,745)

The components of the Company's deferred tax assets related to deductible temporary differences, unused tax losses and unused tax credits are as follows:

	2022	2021
Accruals and reserves	$ 6,942,397	$ 5,916,751
Net operating losses carried forward	12,978,762	9,825,096
Deferred tax liabilities	(25,822,709)	(15,030,072)
R&D and other tax credits	2,767,805	-
Deferred tax (liabilities) assets, net	$ (3,133,745)	$ 711,775
Less: deferred tax (liability) in accounts payable and other payables	-	(23,120)
Deferred tax (liability) asset on consolidated statements of financial position	$ (3,133,745)	$ 734,895

As of December 31, 2022, the Company's unrecognized net operating loss carryforwards expire as follows:

	NOL Amount
No Expiration	$ 60,346,503
	$ 60,346,503

Net operating loss ("NOL") carryforwards and tax credits are subjected to review, and potential adjustment, by tax authorities. The Company's other deferred tax assets have no expiration period.

In 2022, the Company recognized additional deferred tax liabilities as a result of an increase to the tax basis related to certain software. Prior to 2022, no deferred taxes had been recognized with respect to book and tax basis differences for this software in accordance with applicable accounting standards. The increase to the tax basis resulted in the recognition of deferred taxes on the basis difference, which is a net deferred tax liability due to the shorter depreciation period for tax purposes. The effect of this change impacted the deferred tax liability line item on the consolidated statements of financial position and income tax expense on the consolidated statements of profit or loss.

As of December 31, 2021, the Company had a deferred tax liability of $23,120 included in the accompanying consolidated statements of financial position within accounts payable and other payables.

NOTE 23 - NON-CONTROLLING INTEREST

DC09 is a 49% owned subsidiary of the Company that has non-controlling interest (“NCI”). There are no significant statutory, contractual, or regulatory restrictions held by the NCI holders that limit the ability of the Company to access or use assets or settle liabilities. During May 2020, the Company entered into a Collateral Agreement with the minority owner of DC09. This agreement transferred $3,600,000 of the loan between Intralot, Inc. and DC09 to the minority owner. The assumption of the loan payable was treated as a contribution of capital by the minority owner and is reflected in the accumulated deficit on the DC09 balance sheet below. Summarized financial information in relation to DC09, before intragroup eliminations, is presented below together with amounts attributable to NCI.

Years ended December 31,

	2022	2021
Revenue	$ 9,633,854	$ 11,277,469
Cost of sales	9,412,321	11,360,630
Gross profit	221,533	(83,161)
Selling & distribution expenses	(266,602)	(68,400)
Administrative expenses	71	19,410
Operating income (loss)	(44,998)	(132,151)
Other expense		
Finance expenses, net	754,365	(439,290)
Total other expenses	754,365	(439,290)
Loss before income taxes	(799,363)	(571,441)
Income tax benefit (expense)	-	-
Total comprehensive loss	$ (799,363)	$ (571,441)
Net loss attributable to NCI	$ (407,675)	$ (291,435)

		2022		2021
Assets				
Non-current assets				
Tangible fixed assets, net	$	3,921,802	$	4,691,652
Intangible assets, net		688,663		476,747
Other long-term assets		89,738		204,543
Total non-current assets		4,700,203		5,372,942
Current assets				
Inventory		1,009,026		714,846
Accounts receivable, net		749,056		1,854,554
Prepaid expenses and other current assets		545,512		349,364
Cash		1,619,168		3,200,779
Total current assets		3,922,762		6,119,543
Total assets	$	8,622,965	$	11,492,485
Liabilities and Equity				
Non-current liabilities				
Loans payable, less current installments	$	17,195,467	$	18,131,074
Lease liabilities, less current installments		304,473		454,071
Total non-current liabilities		17,499,940		18,585,145
Current Liabilities				
Accounts payable and other payables		242,271		1,207,073
Current portion of loans payable		-		-
Current portion of lease liabilities		143,704		152,294
Income tax payable		12,250		12,500
Total current liabilities		398,225		1,371,867
Equity				
Share capital		1,000		1,000
Accumulated deficit		(9,276,200)		(8,465,527)
Total equity		(9,275,200)		(8,464,527)
Total liabilities and equity	$	8,622,965	$	11,492,485
Accumulated non-controlling interest	$	(2,965,192)	$	(2,557,517)

NOTE 24 - EVENTS AFTER THE REPORTING PERIOD

In accordance with authoritative guidance, the Company evaluated all events or transactions that occurred after December 31, 2022 through April 27, 2023, the date these consolidated financial statements were available to be issued and determined that no events or transactions that would require either recognition or disclosure had occurred.