

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

**Intralot, Inc. and Subsidiaries**

December 31, 2023 and 2022

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Directors  
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, 2023 and 2022, 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, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with IFRS 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 IFRS 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 12, 2024

**Intralot, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**Years ended December 31,**

	<b>Note</b>	<u><b>2023</b></u>	<u><b>2022</b></u>
Revenue	14	\$ 204,406,545	\$ 197,101,579
Cost of sales	17	<u>126,040,175</u>	<u>119,658,498</u>
Gross profit		78,366,370	77,443,081
Selling and distribution expenses	15	(4,115,869)	(1,545,441)
Administrative expenses	15	<u>(41,798,900)</u>	<u>(40,762,523)</u>
Operating income		32,451,601	35,135,117
Other expense			
Finance expenses, net	16	(20,247,108)	(17,658,093)
Foreign currency loss		<u>(320,110)</u>	<u>(396,477)</u>
Total other expenses		<u>(20,567,218)</u>	<u>(18,054,570)</u>
Income before income taxes		11,884,383	17,080,547
Income tax expense	22	<u>(2,762,807)</u>	<u>(5,936,833)</u>
<b>Total profit after tax</b>		<u><b>\$ 9,121,576</b></u>	<u><b>\$ 11,143,714</b></u>
<b>Other comprehensive income after tax</b>			
Amounts that may be reclassified to profit:			
Exchange differences on consolidation		<u>\$ 32,551</u>	<u>\$ (38,129)</u>
Other comprehensive income (loss) after tax		<u>32,551</u>	<u>(38,129)</u>
Total comprehensive income after tax		<u><b>9,154,127</b></u>	<u><b>11,105,585</b></u>
Total profit (loss) after tax attributable to:			
Equity holders of Intralot, Inc.		10,228,912	11,551,389
Non-controlling interest	23	<u>(1,107,336)</u>	<u>(407,675)</u>
		<u><b>9,121,576</b></u>	<u><b>11,143,714</b></u>
Total comprehensive income (loss) after tax attributable to:			
Equity holders of Intralot, Inc.		10,261,463	11,513,260
Non-controlling interest		<u>(1,107,336)</u>	<u>(407,675)</u>
		<u><b>\$ 9,154,127</b></u>	<u><b>\$ 11,105,585</b></u>

The financial statements on pages 5 to 8 were approved and authorized for issue by Executive Management on April 12, 2024.

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

**Intralot, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**December 31,**

	Note	2023	2022
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible fixed assets, net	5	\$ 58,397,209	\$ 72,933,244
Right of use assets, net	13	16,299,318	14,309,067
Intangible assets, net	6	79,885,742	85,740,073
Other long-term assets	7	1,745,745	2,132,107
Total non-current assets		156,328,014	175,114,491
<b>CURRENT ASSETS</b>			
Inventory	8	22,074,151	19,421,031
Accounts receivable, net	3,9	28,437,061	33,681,102
Prepaid expenses and other current assets	10	6,131,638	4,464,631
Cash	3	38,138,089	26,973,655
Total current assets		94,780,939	84,540,419
Total assets		\$ 251,108,953	\$ 259,654,910
<b>LIABILITIES AND EQUITY</b>			
<b>NON-CURRENT LIABILITIES</b>			
Loans payable, less current installments	3,12	\$ 200,200,775	\$ 219,149,170
Lease liabilities, less current installments	3,13	11,055,530	10,095,959
Deferred tax liability	22	5,682,138	3,133,745
Total non-current liabilities		216,938,443	232,378,874
<b>CURRENT LIABILITIES</b>			
Accounts payable and other payables	3,11	18,643,469	14,374,324
Current portion of loans payable	3,12	16,602,791	13,545,751
Current portion of lease liabilities	3,13	3,777,218	3,363,056
Total current liabilities		39,023,478	31,283,131
<b>EQUITY</b>			
Share capital:			
Ordinary Voting Class A	18	68,142,128	68,142,128
Accumulated deficit		(69,161,597)	(69,390,509)
Foreign currency translation		239,029	206,478
Equity attributable to shareholders of Intralot, Inc.		(780,440)	(1,041,903)
Non-controlling interest	23	(4,072,528)	(2,965,192)
Total equity		(4,852,968)	(4,007,095)
Total liabilities and equity		\$ 251,108,953	\$ 259,654,910

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		Accumulated Deficit	Foreign Currency Translation	Total	Non- Controlling Interest	Total Equity
	Ordinary Voting Class A Shares	Amount					
<b>Balance, December 31, 2021</b>	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
<b>Balance, December 31, 2022</b>	2,551,380	\$ 68,142,128	\$ (69,390,509)	\$ 206,478	\$ (1,041,903)	\$ (2,965,192)	\$ (4,007,095)
Distribution to parent	-	-	(10,000,000)	-	(10,000,000)	-	(10,000,000)
Other comprehensive income	-	-	-	32,551	32,551	-	32,551
Profit after tax	-	-	10,228,912	-	10,228,912	(1,107,336)	9,121,576
<b>Balance, December 31, 2023</b>	2,551,380	\$ 68,142,128	\$ (69,161,597)	\$ 239,029	\$ (780,440)	\$ (4,072,528)	\$ (4,852,968)

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	2023	2022
<b>Cash flows from operating activities</b>			
Total profit after tax for the year		\$ 9,121,576	\$ 11,143,714
Adjustments to reconcile profit after tax to net cash flows:			
Bad debt expense recovery	9	(122,039)	(201,569)
Depreciation and amortization	5,6,13	40,613,721	38,031,770
Interest expenses, net	16	20,247,108	17,658,093
Income tax expense	22	2,762,807	5,936,833
(Gain) loss on disposal of tangible fixed assets	5	-	(347)
<b>Changes in operating assets and liabilities:</b>			
Inventory	8	(2,653,120)	(4,487,359)
Accounts receivable	9	5,366,080	971,058
Prepaid expenses and other current assets	10	(1,667,007)	(136,083)
Other long-term assets	7	386,362	(589,248)
Accounts payable and other payables	11	5,284,080	1,324,097
Income tax paid		(1,166,523)	(4,255,335)
Net cash provided by operating activities		78,173,045	65,395,624
<b>Cash flows from investing activities</b>			
Purchases of tangible fixed assets	5	(6,166,454)	(12,029,108)
Purchases of intangible assets	6	(10,272,667)	(8,379,304)
Proceeds from disposal of fixed assets		-	12,000
Interest received		648,003	64,956
Net cash used in investing activities		(15,791,118)	(20,331,456)
<b>Cash flows from financing activities</b>			
Interest expenses paid		(19,375,307)	(24,290,143)
Payments of borrowing costs		-	(4,301,746)
Proceeds from issuance of debt		-	235,091,261
Distributions to parent		(10,000,000)	(10,000,000)
Payment of lease liabilities		(4,400,752)	(3,326,719)
Principal payments on loans payable		(17,441,434)	(265,810,348)
Net cash used in financing activities		(51,217,493)	(72,637,695)
<b>NET INCREASE (DECREASE) IN CASH</b>		11,164,434	(27,573,527)
<b>Cash, beginning of year</b>		26,973,655	54,547,182
<b>Cash, end of year</b>		\$ 38,138,089	\$ 26,973,655
<b>Supplemental disclosures of non-cash investing and financing activity</b>			
Deferred tax on the distribution to parent		\$ -	-
Non-cash additions to operating lease ROU assets		\$ 5,774,485	6,856,124

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, 2023 that were mandatory for accounting periods beginning on January 1, 2023. The Company's assessment of the impact of these new and amended standards and interpretations is set out below.

IAS 8 (Amendments) Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendment did not have any impact on the Company's consolidated financial statements.

Based on management's assessment those standards, interpretations, and amendments do not have any impact on the Company's consolidated financial statements.

## **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, 2023 and 2022 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.

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***

During the year ended December 31, 2023 a reclassification was made to present foreign currency loss separately from administrative expenses and present it as a separate line on the consolidated statements of profit or loss and other comprehensive income.

### ***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). They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue.

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 accompanying consolidated statements of profit or loss and other comprehensive income. 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
Vehicle	

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 accompanying consolidated statements of profit or loss and other comprehensive income.

Research and development expenses of \$7,287,006 and \$5,433,398 were incurred during the years ended December 31, 2023 and 2022, respectively, and are included within cost of sales and administrative expenses in the accompanying consolidated statements of profit or loss and other comprehensive income.

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. 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, which is typically 3 to 10 years. Residual values and useful lives are reviewed annually and adjusted prospectively.

### ***Impairment of Non-Financial Assets***

Non-financial assets (i.e., tangible fixed assets, intangible assets, and capitalized leased assets) are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable (i.e., the higher of value in use and fair value less costs to sell).

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. As of December 31, 2023 or 2022, no long-lived assets were impaired.

### ***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 accompanying consolidated statements of profit or loss and other comprehensive income.

### ***Revenue Recognition***

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 and are included within the cost of sales and administrative expenses line in the consolidated statements of profit or loss and other comprehensive income.

### ***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. For the years ended December 31, 2023 and 2022, the Company recognized foreign exchange losses of \$320,110 and \$396,477, respectively, that are included in finance expenses, net in the consolidated statements of profit or loss and other comprehensive income.

### ***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***

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are incurred in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. There were no borrowing costs capitalized as part of the cost of the asset during the years presented.

### ***Major Customer***

During 2023 and 2022, the Company had three customers that accounted for 59.6% and 56.6% of total revenue, respectively. As of December 31, 2023 and 2022, two customers accounted for 46.2% and 53.4% of trade accounts receivable, respectively.

### ***Advertising Cost***

Advertising costs are expensed as incurred. Advertising costs totaled \$2,425,225 and \$1,247,977 for the years ended December 31, 2023 and 2022, respectively, and are included in administrative expenses in the consolidated statements of profit or loss and other comprehensive income.

### ***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	
	2023	2022
Accounts receivables	\$ 28,437,061	\$ 33,681,102
Cash	38,138,089	26,973,655
Total financial assets	<u>\$ 66,575,150</u>	<u>\$ 60,654,757</u>

  

Financial Liabilities	Financial Liabilities at Amortized Cost	
	2023	2022
Accounts payables and other payables	\$ 18,643,469	\$ 14,374,324
Loans payable	216,803,566	232,694,921
Lease liabilities	14,832,748	13,459,015
Total financial liabilities	<u>\$ 250,279,783</u>	<u>\$ 260,528,260</u>

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 \$38,138,089 and \$26,973,655 at December 31, 2023 and 2022, 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:

	<u>Change in Interest Rate</u>	<u>Effect On Profit Before Tax</u>
2023	1%	2,169,000
2022	1%	2,324,000

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, 2023 and 2022:

	<u>Less Than 1 Year</u>	<u>December 31, 2023</u>		<u>Total</u>
		<u>1 to 2 Years</u>	<u>2 Years and Thereafter</u>	
Accounts payable and other payables	\$ 18,643,469	\$ -	\$ -	\$ 18,643,469
Loans payable	16,602,791	14,375,000	185,825,775	216,803,566
Total	<u>\$ 35,246,260</u>	<u>\$ 14,375,000</u>	<u>\$ 185,825,775</u>	<u>\$ 235,447,035</u>
	<u>Less Than 1 Year</u>	<u>December 31, 2022</u>		<u>Total</u>
		<u>1 to 2 Years</u>	<u>2 Years and Thereafter</u>	
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	<u>\$ 27,920,075</u>	<u>\$ 12,394,966</u>	<u>\$ 206,754,204</u>	<u>\$ 247,069,245</u>

The Company had a working capital surplus of \$55,757,461 at December 31, 2023, has various outstanding commitments (see Note 20), and had comprehensive income of 9,154,127 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, NET**

The activity in tangible fixed assets is as follows:

	<u>Machinery</u>	<u>Buildings and Fixtures</u>	<u>Furniture and Fixtures</u>	<u>Transportation Equipment</u>	<u>Total</u>
Costs, 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	<u>(5,405)</u>	<u>-</u>	<u>-</u>	<u>(13,234)</u>	<u>(18,639)</u>
Balance, December 31, 2022	317,823,287	11,257,948	1,584,760	889,466	331,555,461
Additions	5,733,904	360,149	44,341	28,061	6,166,455
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2023	<u>\$ 323,557,191</u>	<u>\$ 11,618,097</u>	<u>\$ 1,629,101</u>	<u>\$ 917,527</u>	<u>\$ 337,721,916</u>

### Accumulated Depreciation

	Machinery	Buildings and Fixtures	Furniture and Fixtures	Transportation Equipment	Total
Costs, 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	<u>(5,405)</u>	<u>-</u>	<u>-</u>	<u>(13,234)</u>	<u>(18,639)</u>
Balance, December 31, 2022	247,716,801	8,614,955	1,427,580	862,882	258,622,218
Additions	20,275,195	339,834	78,376	9,084	20,702,489
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2023	<u>267,991,996</u>	<u>8,954,789</u>	<u>1,505,956</u>	<u>871,966</u>	<u>279,324,707</u>
Tangible Fixed Assets, Net Balance, December 31, 2022	<u>\$ 70,106,486</u>	<u>\$ 2,642,993</u>	<u>\$ 157,180</u>	<u>\$ 26,584</u>	<u>\$ 72,933,243</u>
Tangible Fixed Assets, Net Balance, December 31, 2023	<u>\$ 55,565,195</u>	<u>\$ 2,663,308</u>	<u>\$ 123,145</u>	<u>\$ 45,561</u>	<u>\$ 58,397,209</u>

In 2023, depreciation expense associated with tangible fixed assets in the amount of \$19,647,378 and \$1,055,111 is included in cost of sales and administrative expenses, respectively, in the accompanying consolidated statements of profit or loss and other comprehensive income.

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 and other comprehensive income.

### NOTE 6 - INTANGIBLE ASSETS, NET

The activity in intangible assets is as follows:

	Intangible Software Assets	Accumulated Amortization	Net Book Value
Balance, December 31, 2021	\$ 136,146,082	\$ 45,350,187	\$ 90,795,895
Additions	<u>8,379,304</u>	<u>13,435,126</u>	<u>(5,055,822)</u>
Balance, December 31, 2022	144,525,386	58,785,313	85,740,073
Additions	<u>10,272,667</u>	<u>16,126,998</u>	<u>(5,854,331)</u>
Balance, December 31, 2023	<u>\$ 154,798,053</u>	<u>\$ 74,912,311</u>	<u>\$ 79,885,742</u>

In 2023, amortization expense associated with intangible assets in the amount of \$11,735,338 and \$4,391,660 is included in cost of sales and administrative expenses, respectively, in the accompanying consolidated statements of profit or loss and other comprehensive income.

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 and other comprehensive income.

During the year ended December 31, 2023 and December 31, 2022, the total gross intangible software asset additions included internal developed intangible assets of \$4,343,395 and \$5,341,546, respectively.

#### NOTE 7 - OTHER LONG-TERM ASSETS

Other long-term assets at December 31, 2023 and 2022 is comprised of the following:

	<u>2023</u>	<u>2022</u>
Maintenance contracts	\$ 453,028	\$ 375,847
Deposits	<u>1,292,717</u>	<u>1,756,260</u>
Total other long-term assets	<u>\$ 1,745,745</u>	<u>\$ 2,132,107</u>

#### NOTE 8 - INVENTORY

A summary of inventory at December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Raw materials	\$ 6,263,473	\$ 3,492,270
Work-in-progress	2,877,263	3,410,848
Finished goods	2,062,193	1,423,721
Other lottery inventory (parts and paper)	<u>10,871,222</u>	<u>11,094,192</u>
Total inventory	<u>\$ 22,074,151</u>	<u>\$ 19,421,031</u>

For the years ended December 31, 2023 and 2022 the Company had an inventory reserve of \$5,915 and \$146,970, respectively.

For the years ended December 31, 2023 and December 31, 2022, the amount of inventories recognized as expense was \$5,655,640 and \$5,787,782, respectively. These expenses are included in cost of sales in the accompanying consolidated statements of profit or loss and other comprehensive income.

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, NET

Accounts receivable at December 31, 2023 and 2022 comprised of the following:

	<u>2023</u>	<u>2022</u>
Accounts receivable - trade	\$ 18,745,732	\$ 26,586,168
Accounts receivable - related parties	5,928,476	6,200,295
Contract assets	<u>3,762,853</u>	<u>894,639</u>
Total accounts receivable	<u>\$ 28,437,061</u>	<u>\$ 33,681,102</u>

As of December 31, 2023 and 2022, the provision for doubtful accounts of \$17,633 and \$352,938, respectively, was determined using the expected credit loss model and included consideration of accounts receivable, net on the consolidated statements of financial position. For the years ended December 31, 2023 and December 31, 2022, the Company had bad debt expense recovery of \$122,039 and \$201,569,

respectively, included in administrative expenses in the accompanying consolidated statements of profit or loss and other comprehensive income (Note 15).

The aging analysis of these receivables at December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Up to 3 months	\$ 22,390,699	\$ 27,060,265
3 to 6 months	39,456	853,086
6 to 12 months	159,399	586,988
Over 12 months	<u>5,847,507</u>	<u>5,180,763</u>
	<u>\$ 28,437,061</u>	<u>\$ 33,681,102</u>

#### **NOTE 10 - PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid and other current assets at December 31, 2023 and 2022 comprise of the following:

	<u>2023</u>	<u>2022</u>
Short-term portion of maintenance contracts	\$ 265,229	\$ 770,031
Prepaid insurance	1,238,763	1,192,566
Sales tax receivables	-	453,417
Income tax receivables	1,079,036	-
Other	<u>3,548,610</u>	<u>2,048,617</u>
Total prepaid expenses and other current assets	<u>\$ 6,131,638</u>	<u>\$ 4,464,631</u>

#### **NOTE 11 - ACCOUNTS PAYABLE AND OTHER PAYABLES**

Accounts payable and other payables at December 31, 2023 and 2022 were comprised of the following:

	<u>2023</u>	<u>2022</u>
Accounts payable - trade	\$ 9,315,260	\$ 6,568,005
Accounts payable - related parties	2,054,165	2,384,329
Other accrued liabilities	4,766,633	4,970,769
Contract liabilities	<u>2,507,411</u>	<u>451,221</u>
Total accounts payable and other payables	<u>\$ 18,643,469</u>	<u>\$ 14,374,324</u>

#### **NOTE 12 - LOANS PAYABLE**

##### **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"). On March 18, 2024 the Company signed an amendment to its existing Term Loan agreement extending the maturity of the Term Loan to 2026.

As of December 31, 2023 and 2022 the outstanding principal balance of the Term Loan was \$215,625,000 and \$227,125,000, including accrued interest of \$1,330,657 and \$1,167,541, respectively. Accrued interest amounts are included within current portion of loans payable in the accompanying consolidated balance sheets. The Company recognized interest expense related to the Term Loan of \$18,742,619 and

\$5,985,621, debt amortization expense of \$1,412,820 and \$602,878, and facility fees of \$138,407 and \$58,474, during the years ending December 31, 2023 and 2022, respectively which are included in finance expenses, net in the accompanying consolidated statements of profit or loss and other comprehensive income.

The interest rate at December 31, 2023 on the Term Loan was 8.445%, representing the sum of a base rate of 5.345% and a margin spread adjustment of 3.1%. The interest rate at December 31, 2022 on the Term Loan was 7.317%, representing the sum 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 debt issuance and transaction costs that were capitalized on the balance sheet and reflected as a reduction to debt. The issuance costs are amortized over the life of the loan using the effective interest method. and are included in finance expenses, net in the accompanying consolidated statements of profit or loss and other comprehensive income. As of December 31, 2023 and 2022 unamortized issuance costs were \$2,286,049 and \$3,698,869, respectively.

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.

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.

#### 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, 2021	\$ 9,383,105	\$ 78,859	\$ 1,981,380	\$ 11,443,344
Additions	1,043,392	5,812,822	-	6,856,214
Depreciation	<u>(1,450,499)</u>	<u>(2,370,856)</u>	<u>(169,136)</u>	<u>(3,990,491)</u>
Balance, December 31, 2022	8,975,998	3,520,825	1,812,244	14,309,067
Additions	1,124,157	4,650,328	-	5,774,485
Depreciation	<u>(1,390,476)</u>	<u>(2,236,711)</u>	<u>(157,047)</u>	<u>(3,784,234)</u>
Balance, December 31, 2023	<u>\$ 8,709,679</u>	<u>\$ 5,934,442</u>	<u>\$ 1,655,197</u>	<u>\$ 16,299,318</u>

In 2023 and 2022, interest expense associated with lease liabilities in the amount of \$680,754 and \$886,274, 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 2023 and 2022 were \$(84,841) and \$847,178, respectively, and are included in administrative expenses in the accompanying consolidated statements of profit or loss and other comprehensive income.

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

<b>Fiscal year ended December 31,</b>		
2024	\$	4,119,182
2025		3,313,939
2026		4,651,462
2027		1,200,704
2028 and thereafter		2,696,537

#### **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, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Contract assets	\$ 3,762,853	\$ 894,639
Contract liabilities	2,507,411	451,221

During the year ended December 31, 2023, the Company recognized as revenue the full amount of the beginning contract liability balance.

Revenues for the years ended December 31, 2023 and 2022 comprise the following:

	<u>2023</u>	<u>2022</u>
Management services revenue	\$ 177,595,881	\$ 172,191,992
Technology and support services revenue	<u>26,810,664</u>	<u>24,909,587</u>
Total revenues	<u>\$ 204,406,545</u>	<u>\$ 197,101,579</u>

#### **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 in the accompanying consolidated statements of profit or loss and other comprehensive income:

	<u>2023</u>	<u>2022</u>
Personnel expenses	\$ 16,897,785	\$ 17,342,739
Debt restructuring expense	-	1,258,288
Depreciation and amortization expenses	5,902,917	6,053,134
Systems expenses	1,360,295	1,247,853
Insurance expenses	1,381,096	302,159
Travel & entertainment	1,241,881	937,138
Audit & other third-party fees	5,848,625	5,897,436
Other expenses	9,288,340	7,925,042
Bad debt expense recovery	(122,039)	(201,266)
Total administrative expenses	<u>\$ 41,798,900</u>	<u>\$ 40,762,523</u>
Selling and distribution expenses	<u>\$ 4,115,869</u>	<u>\$ 1,545,441</u>
Total operating expenses	<u><u>\$ 45,914,769</u></u>	<u><u>\$ 42,307,964</u></u>

#### **NOTE 16 - FINANCE EXPENSES, NET**

Finance expenses, net consisted of the following:

	<u>2023</u>	<u>2022</u>
Finance expenses on KeyBank Loan	\$ 20,293,845	\$ 6,646,973
Interest on lease liabilities	680,754	886,274
Interest on bonds and bank fees	20,725	10,269,427
Interest on other loans payable	12	21,098
Interest income	(748,228)	(165,679)
Total finance expenses	<u><u>\$ 20,247,108</u></u>	<u><u>\$ 17,658,093</u></u>

#### **NOTE 17 - COST OF SALES AND EMPLOYEE BENEFIT EXPENSES**

Cost of sales comprise the following:

<i>Cost of Sales</i>	<u>2023</u>	<u>2022</u>
Merchandise and paper	\$ 17,057,049	\$ 17,024,842
Personnel and payroll	39,083,315	34,179,994
Systems and other cost of sales	69,899,811	68,453,662
Total cost of sales	<u><u>\$ 126,040,175</u></u>	<u><u>\$ 119,658,498</u></u>

Employee benefit expenses comprise:

	<u>2023</u>	<u>2022</u>
Wages and salaries	\$ 47,139,127	\$ 44,033,765
Defined Contribution pension cost	2,010,840	1,825,923
Other employee benefits	8,441,287	8,784,747
Social Security contribution and similar taxes	4,153,667	3,740,336
Total employee benefit expenses	<u><u>\$ 61,744,921</u></u>	<u><u>\$ 58,384,771</u></u>

#### **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





## 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:

<u>Future Commitments</u>		<u>2023</u>
2024	\$	1,507,929
2025		94,080
Total	\$	<u>1,602,009</u>

### **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 \$2,010,840 and \$1,825,923 related to the Plan in 2023 and 2022, respectively, which is included in cost of sales and administrative expenses within the accompanying consolidated statements of profit or loss and other comprehensive income.

## 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:

	<u>2023</u>	<u>2022</u>
Current tax expense (benefit)		
Current tax on profits for the year	\$ 211,281	\$ 2,080,129
Deferred tax expense		
Deferred tax expense	<u>\$ 2,551,526</u>	<u>\$ 3,856,704</u>
Total tax expense	<u>\$ 2,762,807</u>	<u>\$ 5,936,833</u>
	<u>2023</u>	<u>2022</u>
Income before income taxes	\$ 11,884,383	\$ 17,080,547
Statutory United States corporate income tax rate	21%	21%
Anticipated tax payment	2,495,720	3,586,915
State tax liability	432,193	2,379,627
Provision to tax return differences	(260,383)	(401,110)
Permanent differences	1,179,188	1,681,309
Prior period deferred tax true-up	524,925	(1,215,538)
Tax refund receivable	(1,334,274)	-
Research and development credit generated	(300,000)	(365,000)
Foreign income tax expense	120,860	82,474
Other, net	<u>(95,422)</u>	<u>188,156</u>
Net total income tax expense	<u>\$ 2,762,807</u>	<u>\$ 5,936,833</u>

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

	<u>2023</u>	<u>2022</u>
Accruals and reserves	\$ 6,453,462	\$ 6,942,397
Net operating losses carried forward	6,449,784	12,978,762
Deferred tax liabilities	(23,027,549)	(25,822,709)
R&D and other tax credits	<u>4,442,165</u>	<u>2,767,805</u>
Deferred tax liabilities, net	<u>\$ (5,682,138)</u>	<u>\$ (3,133,745)</u>
Deferred liability on consolidated statements of financial position	<u>\$ (5,682,138)</u>	<u>\$ (3,133,745)</u>

As of December 31, 2023, the Company's unrecognized net operating loss carryforwards expire as follows:

	NOL Amount
No Expiration	<u>\$ 27,184,947</u>
	<u>\$ 27,184,947</u>

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 and other comprehensive income. As of December 31, 2022, the Company had a deferred tax liability of \$3,133,745 included in the accompanying consolidated statements of financial position within accounts payable and other payables.

As of December 31, 2023, the Company had a deferred tax liability of \$5,682,138 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 within summarized financial information for DC09 below. Beginning in January 2023, management started accounting for DC Lottery related revenue and associated costs of sales in Intralot Inc. which had been previously recorded in DC09; therefore no revenue and cost of sales were reported in DC09. Summarized financial information in relation to DC09, before intragroup eliminations, is presented below together with amounts attributable to NCI.

	<u>2023</u>	<u>2022</u>
Assets		
Non-current assets	\$ 3,514,813	\$ 4,700,203
Current assets	3,946,101	3,922,762
Total non-current liabilities	(18,763,659)	(17,499,940)
Total current liabilities	(143,702)	(398,225)
Accumulated deficit	<u>\$ (11,446,447)</u>	<u>\$ (9,275,200)</u>
Accumulated non-controlling interest	\$ (4,072,528)	\$ (2,965,192)

For the years ending December 31, 2023 and 2022, DC09 had a total comprehensive loss of \$2,171,247 and \$799,363, respectively. Net loss attributable to NCI for the years ended December 31, 2023 and 2022 was \$1,107,336 and \$407,675, respectively.

#### **NOTE 24 - EVENTS AFTER THE REPORTING PERIOD**

In accordance with authoritative guidance, the Company evaluated all events or transactions that occurred after December 31, 2023 through April 12, 2024, the date these consolidated financial statements were available to be issued and determined that other than events disclosed in Note 12, no events or transactions would require either recognition or disclosure.