NEOGAMES S. A.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

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NEOGAMES S.A.
Société anonyme
Registered office: 63-65, rue de Merl,
L-2146 Luxembourg
R.C.S. Luxembourg: B 186.309

Report of the Board of Directors
for the financial year ended 31 December 2022

The Board of Directors of the Company, NEOGAMES S.A. (the "**Company**") takes pleasure in presenting their annual report together with the financial statements of the Company for the year ended 31 December 2022.

Our Company

We are a technology-driven innovator and a global leader of iLottery and iGaming solutions and services for regulated lotteries and gaming operators, offering our customers a full-service suite of solutions, including proprietary technology platforms, a sportsbook platform, two dedicated game studios with an extensive portfolio of engaging games – one in lottery and one in casino games, and a range of value-added services.

As a global B2G and B2B technology and service provider to state lotteries and other lottery operators, we offer our customers a full-service solution that includes all of the elements required for the offering of lottery games, including Instants and DBGs, via personal computers, smartphones and handheld devices. These elements include technology platforms, a range of value-added services and a game studio with a large portfolio of games. The value-added services that we offer facilitate various aspects of the iLottery offering including regulation and compliance, payment processing, risk management, player relationship management and player value optimization. Our complete solution allows our customers to enjoy the benefits of marketing their brands and generating traffic to their iLottery sales channels.

With the strategic acquisition of Aspire in June 2022, NeoGames now offers an innovative sports betting platform from BtoBet, an advanced content aggregation solution from Pariplay, and a complete set of B2B gaming tech and managed services.

NeoGames was established as an independent company in 2014, following a spin-off from Aspire, a B2C and B2B service provider in the iGaming industry. Prior to the spin-off from Aspire, our management team was responsible for the iLottery business of Aspire, which derived the majority of its revenues from the sale of iLottery games to various lotteries in Europe. In 2014, we began to focus on the U.S. iLottery market, which opened in 2012 with the introduction of online lottery ticket sales in Illinois. In order to access this significant market opportunity, we partnered with Pollard, one of the leading vendors to the global lottery industry. In 2014, we signed our first turnkey solution contract in the United States with the MSL, as a sub-contractor to Pollard.

In July 2014 we formed NPI, a joint venture with Pollard, for the purpose of identifying, pursuing, winning and executing iLottery contracts in the North American lottery market. NPI combines the Company's technology and iLottery business and operational experience with Pollard's infrastructure, administrative capabilities and relationships with lotteries in North America. NPI is managed by an executive board of four members, consisting of two members appointed by NeoGames and two members appointed by Pollard. NPI has its own general manager and dedicated workforce and operates as a separate entity. However, it relies on NeoGames and Pollard for certain services, such as technology development, business operations and support services from NeoGames and corporate services, including legal, banking and certain human resources services, from Pollard.

Since its inception, NPI has secured iLottery contracts with the VAL, the NHL (as a sub-contractor to Intralot), the NCEL, the AGLC, the ALC and the Georgia Lottery. All of our iLottery business in North America is conducted through NPI, except in Michigan, where the contract is between the MSL and Pollard and we support the Michigan iLottery as a subcontractor of Pollard. We continue to conduct all of our business outside of North America through NeoGames.

Aspire Acquisition

On June 14, 2022 we completed our previously announced acquisition of Aspire for a total consideration amount of approximately $267.2 million in cash and 7,604,015 Swedish Depository Receipts of the Company ("SDRs"), each of which is convertible into one ordinary share of the Company. As of April 18, 2023, 48,672 SDRs have not yet been converted into Ordinary Shares and are expected to become fully converted by May 24, 2023, upon termination of the SDR program.

At the closing of the Aspire Tender Offer, we issued 7,604,015 SDRs, and paid approximately $267.2 million in cash to shareholders of Aspire.

At the closing of the Aspire Tender Offer, we entered into a senior facilities agreement with the Lenders (as defined below), consisting of a €187.7 million term loan, to partially fund the cash portion of the Aspire acquisition. The term loan, along with a €13.1 million overfund facility, has a six-year maturity and bears interest at a rate of EURIBOR plus 6.25 percent per annum. See Note 15 to our consolidated financial statements included elsewhere in this Annual Report and Item 5.B. "*Liquidity and Capital Resources – Financing for the Acquisition of Aspire*".

Our Customer Contracts

The core of our iLottery business model is our turnkey solution, which is our main iLottery revenue generator. Turnkey contracts generate long-term revenue streams that we believe we can increase over time, as in Michigan, to provide a strong return on investment.

We currently have, directly and through Pollard, Intralot and NPI, contracts to provide a turnkey solution to the MSL, the VAL, the NHL, the NCEL, the AGLC and Sazka and generate revenues from all these contracts. Our turnkey solution for the Michigan iLottery launched in August 2014, followed by our turnkey solution for Sazka, which launched in 2017. Our turnkey solutions for the NHL and NCEL were launched in September 2018 and October 2019, respectively, the VAL after a 2015 launch of an e-subscription program for DBG began operating a full iLottery program in July 2020 and our turnkey solution for the AGLC launched on September 30, 2020. The MSL Agreement was extended from December 2020 through July 2026. In 2022, we announced the entry into an agreement with the ALC for the provision of access to our game studio library of content through NPI, and a game content agreement with the Georgia Lottery. On June 28, 2022, we announced the entrance into a multi-year turnkey project with Intralot do Brasil, the lottery operator in Brazil's second largest state of Minas Gerais. The agreement marks the Company's entry into the Brazilian market with an end-to-end solution of iLottery and online sports betting. The agreement was the Company's first cooperation with BtoBet, the sports betting solution it acquired as part of the Aspire acquisition.

In addition to our long-term turnkey contracts, NeoGames currently has eight games contracts with European customers, and we believe that we will secure additional games contracts in the future and that our revenues from games contracts will become a more significant part of our overall revenues, positively impacting our profitability.

For the years ended December 31, 2022, 2021 and 2020, we generated 8.6%, 15.8% and 13.6% of our revenues, respectively, from our contracts with William Hill, which were assumed by and assigned to Caesars on June 30, 2022.

Our revenues from North America represented 26% and 79% of our revenues in the years ended December 31, 2022 and 2021, respectively.

For our iGaming business model, we are a leading B2B provider of iGaming solutions to a wide variety of partners, ranging from tier 1 operators to start-ups. A significant portion of our customers are marketing companies specializing in "smart" on-line marketing, mostly in European markets and aiming to expand to Latin America. We offer everything a company needs to operate a successful iGaming brand, including casino and sports betting. The revenues we generate from our iGaming partners are from four separate streams: a fixed set-up fee, a mark-up on supplier services, a share of adjusted net gaming revenues and royalty payments.

Company's share in profits of NPI

We own 50% of the equity of NPI and we record 50% of NPI's profit or loss as our profit or loss, as adjusted to compensate the Company for our games development and DBG sales.

Revenues

Revenues for the year ended December 31, 2022 were $165.7 million, an increase of $115.2 million, or 228.4%, compared to $50.5 million for the year ended December 31, 2021.

Revenues from our turnkey solution contracts decreased in 2022 by 0.51% to $29.7 million, compared to $29.9 million in 2021. The decrease was primarily driven by a 4.5% decrease in revenues from MSL partially offset by a 12.6% increase in revenues from Sazka.

Revenues from our games decreased by 14% in 2022 to $1.7 million, compared to $2 million in 2021. The decrease was primarily driven by the FX exchange impact on the EUR/USD rates of fixed priced contracts denominated in EUR combined with a reduction in volumes driven by our content in a few of our other main European accounts.

Revenues from our contracts with William Hill, which were assumed by and assigned to Caesars on June 30, 2022, and certain software services we provide to NPI and the Michigan Joint Operation, increased by 25% in 2022 to $23.1 million, compared to $18.6 million in 2021. This increase was primarily attributed to our support in the roll out of the NeoSphere solution in more than 13 additional U.S. states in 2022 and an increase in the scope of functionalities our solution was required to meet to support the contract with Caesars.

Revenues from Aspire contributed $112.1 to the overall 2022 revenues mix, which represents approximately 97% of the total year over year growth. See also Item 4.B. "*Business Overview - iGaming Revenues*" by category for further details.

Distribution expenses

Distribution expenses for the year ended December 31, 2022 were $97.6 million, an increase of $87.7 million, or 887%, compared to $9.9 million for the year ended December 31, 2021. The increase was primarily driven by inclusion of royalties in an aggregate amount of $86.4 million associated with charges due to Aspire operator partners. The remainder of the distribution expenses was comprised of the costs associated with operational fees linked to the delivery of the MSL Agreement, mainly attributed to processing and clearing fees as well as charges linked to the operation of our customer support unit.

Development expenses

Development expenses for the year ended December 31, 2022 were $10.3 million, an increase of $0.9 million, or 9.0%, compared to $9.4 million for the year ended December 31, 2021. The increase was primarily driven by additional resources added to our technology group following the acquisition of Aspire.

Selling and marketing expenses

Selling and marketing expenses for the year ended December 31, 2022 were $5.4 million, an increase of $3.8 million, or 246%, compared to $1.5 million for the year ended December 31, 2021. The increase was primarily driven by a return to incurring expenses for conventions, trade shows and traveling, which we resumed after the lessening of the COVID-19 pandemic related restrictions.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2022 were $23.3 million, an increase of $11 million, or 89%, compared to $12.3 million for the year ended December 31, 2021. The increase was primarily driven by additional $8.1 million corresponding to Aspire's portion of such expenses.

Business combination related expenses

Business combination expenses were $18 million for the year ended December 31, 2022, an increase of $14.2 million compared to $3.8 million for the year ended December 31, 2021. This increase was due to the execution and completion of the acquisition and integration of Aspire, including, but not limited to, investment banking fees, legal, accounting and consultancy expenses.

Depreciation and amortization

Depreciation and amortization for the year ended December 31, 2022 was $35.6 million, an increase of $21 million, or 144%, compared to $14.6 million for the year ended December 31, 2021. The increase was primarily driven by periodic amortization of the newly acquired intangible assets of Aspire at an aggregate amount of $17.3 million from close of the merger until December 31, 2022.

Interest expense with respect to funding from related parties

Interest expense with respect to funding from related parties for the year ended December 31, 2022 was $2.9 million, a decrease of $1.9 million, or 40%, compared to $4.8 million for the year ended December 31, 2021. The decrease was primarily driven by the repayments of loans generating the interest expenses, in March and June 2022.

Finance expenses

Finance expense for the year ended December 31, 2022 was $12.2 million, an increase of $10.7 million, or 715%, compared to $1.5 million for the year ended December 31, 2021. The increase was primarily driven by the charges associated with the Senior Facilities Agreement to fund the Aspire acquisition. For more information, see also Item 5.B “*Liquidity and Capital Resources*.”

Income taxes expense

Income taxes expense for the year ended December 31, 2022 was $1.5 million, an increase of $1.2 million, or 376%, compared to $0.3 million for the year ended December 31, 2021. The increase was primarily due to the inclusion of Aspire tax expenses after the closing of the acquisition.

Company’s share in profits of NPI

The Company share in the profits of NPI for the year ended December 31, 2022 was $22.1 million, an increase of $9.7 million compared to $12.4 million for the year ended December 31, 2021. This increase was primarily driven by increases in all accounts served by NPI, but principally the VAL, NCEL and AGLC, which experienced increases of 48%, 38% and 14%, respectively.

Research and Development, Patents and Licenses, Etc.

Our research and development expenses are primarily comprised of costs of our research and development personnel, contractor services in Ukraine and other development-related expenses. Research and development costs are expensed when incurred, except to the extent that such costs qualify for capitalization. We believe continued investments in research and development are important to maintain our competitive strengths and expect research and development costs to increase in absolute dollars, but to decrease as a percentage of total revenues. Research and development expenses were $10.2 million, $9.4 million and $7.5 million in 2022, 2021 and 2020, respectively.

Quantitative and qualitative disclosures about market risk

Our operations are exposed to a variety of financial risks: market risk including currency and interest rate risk, contractual risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Risk management is carried out by management under policies approved by our board of directors.

Further quantitative information in respect of these risks is presented throughout our consolidated financial statements included elsewhere in this Annual Report.

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

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

Currency Risk

We have exposure to foreign currency risk. See also Note 24 "Sensitivity Analysis to Currency Risks" of the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report, where we have included a breakdown of our monetary assets and liabilities by operating currency to provide better visibility to the currency environment we operate in.

The Lottery segment's functional currency is the USD while Aspire segments' functional currency is the EUR.

The Lottery segment has presence in Israel and therefore is exposed to the NIS. Our Israeli subsidiary has entered certain forward USD/NIS contracts to hedge its exposure associated with expenses nominated in NIS during 2022.

A significant portion of our business is denominated in EUR. which is the functional currency of Aspire. Financial assets denominated in EUR are mainly payment processors and trade receivables, which fund our working capital needs across the EU, as well as serve our quarterly interest payments on our Senior Facilities Agreement with Blackstone.

A significant portion of Aspire business is in GBP. This is mainly driven by our revenues generated in the UK and relating operating commitments: royalties to partners and gaming taxes with the UKGC.

Our board of directors carefully monitors exchange rate fluctuations and reviews their impact on our net assets and position. Exchange rates are negotiated with our main provider of banking services as and when needed.

Interest Rate Risk

Our senior financing facility with Blackstone is linked to EURIBOR and bears interest at a rate of EURIBOR plus 6.25 percent per annum. See Item 5.B. "*Liquidity and Capital Resources – Financing for the Acquisition of Aspire*".

Due to our specific exposure to interest rate risk (EURIBOR), we have not prepared any sensitivity analysis.

Contractual Risk

In the ordinary course of business, we contract with various parties. These contracts may include performance obligations, indemnities and contractual commitments and termination for convenience clauses. Also, in certain contracts we are committed to follow strict service-level agreement delivery commitments associated with heavy liquidated damages for events of failures. Our management monitors our performance under contracts with any relevant counterparties against such contractual conditions to mitigate the risk of material, adverse non-compliance.

Credit Risk

Credit risk is the financial loss if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from our cash and cash equivalents and trade and other receivables. The concentration of our credit risk is considered by counterparty, geography and currency.

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows, although there have been no such impairments over the review year. We use forward looking information in the analysis of expected credit losses for all instruments, which is limited to the carry value of cash and cash equivalents and trade and other balances. Our management considers the above measures to be sufficient to control the credit risk exposure.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations when due. This risk relates to our prudent liquidity risk management and implies maintaining sufficient cash. Ultimate responsibility for liquidity risk management rests with our board of directors. Our board of directors manages liquidity risk by regularly reviewing our cash requirements by reference to short-term cash flow forecasts and medium-term working capital projections prepared by management.

SUMMARY RISK FACTORS

Our business is subject to numerous risks and uncertainties, including those described in the section titled Item 3.D. “Key Information - Risk Factors,” in this Annual Report on Form 20-F. You should carefully consider these risks and uncertainties when investing in our Ordinary Shares. The principal risks and uncertainties affecting our business include the following:

- We have a concentrated customer base, and our failure to retain certain existing contracts with our customers could have a significant adverse effect on our business.
- Our inability to successfully integrate Aspire, or complete or integrate other future acquisitions, could limit our future growth or otherwise be disruptive to our ongoing business.
- A reduction in discretionary consumer spending could have a material adverse impact on our business.
- The growth of our business largely depends on our continued ability to procure new contracts.
- We incur significant costs related to the procurement of new iLottery and iGaming contracts, which we may be unable to recover in a timely manner, or at all.
- Intense competition exists in the iLottery and iGaming industries, and we expect competition to continue to intensify.
- We are dependent on Pollard with respect to our joint operation of the Michigan iLottery for the Michigan State Lottery.
- Conducting a business through a jointly-owned entity such as NPI entails risks that are commonly associated with joint ventures.
- Our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions.
- We operate in industries that are affected by technological improvements and evolving player preferences.
- We have incurred operating losses in the past, may incur operating losses in the future and may not be able to maintain sustainable profit margins.
- Our Founding Shareholders have significant influence over the nominations and elections of members of our board of directors and other matters submitted for shareholder approval.
- Our limited operating history in the iLottery and iGaming industries makes it difficult to evaluate our current business and future prospects.

- We are subject to substantial penalties for failure to perform.
- We rely on information technology and other systems and platforms, and any failures, errors, defects or disruptions in our systems or platforms could diminish our brand and reputation, subject us to liability, disrupt our business, affect our ability to scale our technical infrastructure and adversely affect our business.
- We rely on third-party service providers for key functions in our operations.
- If we fail to protect or enforce our intellectual property rights, our business could be materially affected.
- We rely on third-party intellectual property. We cannot guarantee that such intellectual property will continue to be available.
- The gaming industry is historically litigious with respect to intellectual property and there can be no assurance that our platforms will not infringe on the rights of others.
- We are exposed to costs associated with changes in levies and taxes.
- We are subject to taxation in multiple jurisdictions, which is complex and often requires making subjective determinations subject to scrutiny by, and disagreements with, tax regulators.
- Our operations in Kyiv, Ukraine have been negatively impacted as a result of Russia's invasion of Ukraine, and our business, financial condition and results of operations may be materially adversely affected if the impacts resulting from the conflict in Ukraine are exacerbated.
- Our platform contains third-party open source software components, which may pose particular risks to our proprietary software, technologies, products and services in a manner that could negatively affect our business.
- We are highly dependent on our key personnel. If we are not successful in attracting, motivating and retaining highly qualified personnel, we may not be able to successfully implement our business strategy.
- Generally, the competition for skilled technical and other personnel in Israel, Ukraine, Malta, Bulgaria and North Macedonia is intense, and as a result we may fail to continue to attract, recruit, develop and retain qualified employees, which could materially and adversely impact our business, financial condition and results of operations.
- We may not be able to service our debt under our financing agreements in connection with the Acquisition of Aspire, or we may otherwise be in breach of those arrangements.
- We may require additional capital to support our growth plans, and such capital may not be available on terms acceptable to us, if at all, and may result in shareholder dilution. This could impair our growth and materially and adversely affect our business.
- Our management team has limited experience managing a public company.
- We may become subject to litigation, from which we could incur significant monetary and reputational harm, irrespective of the merit of such claim or outcome of such litigation.
- Our results of operations may be adversely affected by fluctuations in currency values.
- Expansion into new markets may be important to the growth of our business in the future, and if we do not manage the business and economic risks of this expansion effectively, it could materially and adversely affect our business and results of operations.
- Our insurance may not provide adequate levels of coverage against claims.
- If we fail to detect fraud or theft, including by our employees and our customers and their players, our reputation may suffer which could harm our brand and negatively impact our business, financial condition and results of operations and subject us to investigations and litigation.
- We are subject to risks related to corporate social responsibility, responsible lottery and gaming, reputation and ethical conduct.
- The illegal gaming market could negatively affect our business.

- Termination of our relationship with Caesars, or failure to realize the anticipated benefits of such relationship could have an adverse effect on our business, prospects, financial condition and results of operations.
- The gaming and lottery industries are heavily regulated, and changes to the regulatory framework in the jurisdictions in which we operate could harm our existing operations.
- Failure by us or by our major shareholders to comply with regulations may result in the revocation or suspension of our or our customers' licenses to operate.
- We may fail to identify and support players who are suffering from gambling problems.
- Our efforts to block or limit access to our gaming platforms in certain countries, whether entirely or within certain states thereof, may prove inadequate.
- We may incur substantial costs in order to meet the varied and complex regulatory requirements to which we are subject in the different jurisdictions in which we operate.
- Negative publicity concerning our Company, our brands or the gambling industry in general could result in increased regulations and reputational harm.
- We are subject to laws and regulations related to data privacy, data protection and information security and consumer protection across different markets where we conduct our business, including in the United States and the European Union ("EU"), and we are also required to comply with certain industry standards including the Payment Card Industry Data Security Standard. Our actual or perceived failure to comply with such obligations could harm our business.
- We are subject to anti-money laundering laws and regulations in the United States, the European Union and the United Kingdom as well as other jurisdictions in which we operate.
- We are subject to economic and trade sanctions laws and regulations.
- We are subject to global anti-corruption laws, including the U.S. Foreign Corrupt Practices Act.
- Our revenue may be impacted, to a significant extent, by macroeconomic conditions, as well as by COVID-19 and similar health epidemics and contagious disease outbreaks.

Conditions in the jurisdictions where we operate could materially and adversely affect our business, including, for example, in connection with the ongoing war in Ukraine.

Acquisition of own shares
The Company did not acquire any own shares during the year and does not hold any own shares as at year end.

Luxembourg, 22 May 2023

On behalf of the Board of Directors

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2022	December 31, 2021
		U.S. dollars (in thousands)	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	41,179	66,082
Restricted deposits		489	9
Prepaid expenses and other receivables		5,789	2,661
Due from Aspire Group	4	-	1,483
Due from the Michigan Joint Operation and NPI	10	3,768	3,560
Trade receivables	6	38,537	3,724
Income tax receivable		536	-
		90,298	77,519
NON-CURRENT ASSETS			
Restricted deposits		149	154
Restricted deposits - Joint Venture	10	4,098	3,848
Property and equipment	7	3,992	2,159
Intangible assets	8	347,213	22,354
Right-of-use assets	11	7,973	7,882
Investment in Associates	28	4,770	-
Deferred taxes	23	2,451	1,839
		370,646	38,236
TOTAL ASSETS		460,944	115,755

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2022	December 31, 2021
		U.S. dollars (in thousands)	
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	12	16,042	8,069
Royalty payables		10,838	-
Client liabilities	13	6,927	-
Income tax payables		7,396	-
Gaming tax payables		10,133	
Lease liabilities	11	1,150	769
Capital notes and accrued interest due to Aspire Group	4	-	21,086
Contingent consideration on business combination and other	14	17,256	-
Employees' related payables and accruals		7,262	4,202
		77,004	34,126
NON-CURRENT LIABILITIES			
Loans and other due to Caesars, net	9	-	9,449
Liability with respect to Caesars' IP option	9	3,450	3,450
Loans from a financial institution, net	15	209,287	-
Company share of Joint Venture net liabilities, net	10	539	830
Lease liabilities	11	6,823	7,820
Accrued severance pay, net	16	1,033	286
Deferred taxes	23	17,469	-
		238,601	21,835
EQUITY			
Share capital		59	45
Reserve with respect to transaction under common control	2	(8,467)	(8,467)
Reserve with respect to funding transaction with related parties	2	20,072	20,072
Accumulated other comprehensive income		482	-
Share premium		173,908	70,812
Share based payments reserve	26	6,941	6,023
Accumulated losses		(47,656)	(28,691)
		145,339	59,794
TOTAL LIABILITIES AND EQUITY		460,944	115,755

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Note	2022	2021	2020
		For the year ended December 31,		
		U.S. dollars (in thousands)		
Revenues	18	165,698	50,463	49,202
Distribution expenses	20	97,579	9,889	6,685
Development expenses		10,278	9,428	7,452
Selling and marketing expenses		5,364	1,549	1,483
General and administrative expenses	21	23,306	12,300	7,496
Initial public offering expenses		-	-	2,796
Business combination related expenses	4	17,984	3,841	-
Depreciation and amortization	7,8,11	35,611	14,613	11,657
		190,122	51,620	37,569
Profit (loss) from operations		(24,424)	(1,157)	11,633
Interest expenses with respect to funding from related parties	4	2,867	4,811	4,343
Finance income	22	-	-	(21)
Finance expenses	22	12,238	1,501	747
The Company' share in profit of Joint Venture and associated companies	10a	22,110	12,446	1,393
Profit (loss) before income taxes expenses		(17,419)	4,977	7,957
Income taxes expenses	23	(1,546)	(325)	(1,443)
Net (loss) income		(18,965)	4,652	6,514
Other comprehensive income (loss):				
- Item that will not be reclassified to profit or loss - loss on fair value valuation of a financial asset through other comprehensive loss		(1,992)	-	-
- Item that will or may be reclassified to profit or loss - foreign operations financial statements translation adjustments		2,474	-	-
Other comprehensive income		482	-	-
Total comprehensive income (loss)		(18,483)	4,652	6,514
Net income (loss) per common share outstanding, basic ($)		(0.64)	0.18	0.29
Net income (loss) per common share outstanding, diluted ($)		(0.64)	0.17	0.27
Weighted average number of common shares outstanding, basic	25	29,716,281	25,302,350	22,329,281
Weighted average number of common shares outstanding, diluted	25	29,716,281	26,640,120	23,898,477

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)

	Share capital	Share premium	Accumulated losses	Share based payments reserve	Reserve with respect to funding transactions with related parties	Reserve with respect to transaction under common control	Accumulated other comprehensive Income	Non-Controlling Interests	Total equity (deficit)
	U.S. dollars (in thousands)								
Balance as of January 1, 2020	21	22,788	(39,857)	2,967	16,940	(8,467)	-	-	(5,608)
Changes in the year:									
Share based compensation	-	-	-	969	-	-	-		969
Benefit to the Company by an equity holder with respect to funding transactions	-	-	-	-	3,132	-	-		3,132
Recapitalization of share capital**	23	(23)	-	-	-	-	-		-
Issuance of ordinary shares, net of issuance cost, in an initial public offering,	-	45,810	-	-	-	-	-		45,810
Exercise of employee options to ordinary shares	-	33	-	(29)	-	-	-		4
Total comprehensive income for the year			6,514	-	-	-	-		6,514
Balance as of December 31, 2020	44*	68,608	(33,343)	3,907	20,072	(8,467)	-	-	50,821
Changes in the year:									
Share based compensation	-	-	-	3,448	-	-	-		3,448
Exercise of employee options to ordinary shares	1	2,204	-	(1,332)	-	-	-		873
Total comprehensive income for the year	-	-	4,652	-	-	-	-		4,652
Balance as of December 31, 2021	45*	70,812	(28,691)	6,023	20,072	(8,467)	-	-	59,794
Changes in the year:									
Share based compensation	-	-	-	2,994	-	-	-		2,994
Issuance of ordinary shares as a partial consideration for Aspire business combination (Note 4)	14	100,630	-	-	-	-	-	6,190	106,834
Commitment arrangement to acquire non-controlling interest options								(6,190)	(6,190)
Exercise of employee options to ordinary shares	-	2,466	-	(2,076)	-	-	-		390
Total comprehensive income (loss) for the year	-	-	(18,965)	-	-	-	482		(18,483)
Balance as of December 31, 2022	59*	173,908	(47,656)	6,941	20,072	(8,467)	482	-	145,339

* As of December 31, 2022 and 2021, 33,482,447 and 25,565,095 shares, no par value, authorized issued and fully paid, respectively.

** On November 10, 2020, the Company completed a 1: 8.234 (approximated) reverse split of its share capital by way of conversion of its then existing 181,003,584 shares into 21,983,757 shares.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31,		
	2022	2021	2020
	U.S. dollars (in thousands)		
Cash flows from operating activities:			
Net income (loss) for the period	(18,965)	4,652	6,514
Adjustments for:			
Amortization and depreciation	35,611	14,613	11,657
Income taxes expenses	1,546	325	1,443
Income taxes received (paid), net	6,419	(2,230)	(606)
Interest expenses with respect to funding including from related parties	11,170	4,811	4,343
Other finance expenses, net	3,935	1,501	726
Payments with respect to IP Option	373	613	478
Share based compensation	2,994	3,448	969
The Company’s share in profit of Joint Venture and associated companies, net	(22,110)	(12,446)	(1,393)
Proceeds from the Joint Venture and associated companies	21,141	12,251	3,021
Initial public offering expenses	-	-	2,430
Decrease (increase) in trade receivables	(2,093)	487	(1,286)
Business acquisition related expenses	17,984	3,667	-
Business acquisition related expenses paid	(21,234)	-	-
Decrease (increase) in prepaid expenses and other receivables	1,344	(1,048)	(541)
Increase in gaming tax payable	1,617	-	-
Increase in royalties payable	189	-	-
Decrease (increase) in Aspire Group	1,948	(1,427)	240
Increase in amounts due from the Michigan Joint Operation and NPI	(208)	(368)	(2,942)
Increase (decrease) in trade and other payables	(3,385)	(1,394)	2,083
Increase (decrease) in employees' related payables and accruals	(845)	640	979
Increase in client liabilities	666	-	-
Capital loss on disposal of property and equipment	113	-	-
Accrued severance pay, net	139	(98)	108
	57,314	23,345	21,709
Net cash generated from operating activities	38,349	27,997	28,223
Cash flows from investing activities:			
Purchase of property and equipment	(1,365)	(1,462)	(928)
Capitalized development costs	(26,536)	(17,010)	(13,128)
Restricted deposits - Joint Venture	(178)	(75)	(1,773)
Net change in deposits	(163)	13	112
Investment in Associate	(28)	-	-
Net cash used in Aspire business combination (note 4)	(197,674)	-	-
Net cash used in investing activities	(225,944)	(18,534)	(15,717)
Cash flows from financing activities:			
Loans from Caesars	-	-	2,500
Repayments of loans from Caesars	(11,000)	(1,500)	(2,500)
Repayments of capital notes to Aspire	(21,837)	-	-
Loans from a financial institution, net	204,200	-	-
Interest paid	(8,521)	(835)	(684)
Repayments for lease liabilities (principal and interest)	(1,075)	(1,686)	(1,455)
Exercise of employee options	390	873	4
Issuance of shares, net of issuance costs, other initial public offering expenses	-	-	43,380
Net cash generated from (used in) financing activities	162,157	(3,148)	41,245
Currency exchange differences on cash and cash equivalents	535	-	-
Net (decrease) increase in cash and cash equivalents	(25,438)	6,315	53,751
Cash and cash equivalents at the beginning of the year	66,082	59,767	6,016
Cash and cash equivalents at the end of the year	41,179	66,082	59,767

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL

A. Neogames S.A. (the “Company”) was incorporated in Luxemburg on April 10, 2014 under the laws of the Grand Duchy of Luxembourg in the form of a public company (société anonyme) with a registered office at 63-65, rue de Merl, L-2146 Luxembourg. On November 24, 2020, the Company completed an initial public offering on Nasdaq exchange. The Company shares are traded under the symbol “NGMS”. The Company’s principal shareholders, as of December 31, 2022 were Barak Matalon, Pinhas Zehavi, Elyahu Azur and Aharon Aran, that collectively owned the majority of Aspire Global Plc (“Aspire”) prior to the business combination described below (NeoGames and Aspire, collectively the Group). On September 16, 2021, Caesars Entertainment Organization Limited (“Caesars”) completed an underwritten public offering of ordinary shares including full exercise of the underwriters’ option to purchase additional ordinary shares leading to the sale of an aggregate of 3,975,947 Ordinary Shares through an underwritten filing and on March 14, 2022, Caesars consummated a block sale of its remaining shares and consequently is no longer beneficially owner of any securities of the Company (see also Note 9a).

B. The Company, together with its subsidiaries, a joint operation and a joint venture, is a leading global technology provider engaged in the development and operation of online lotteries and games (“Lottery”), allowing lottery operators to distribute lottery products via online sales channels while using the Company’s technology. The Company, together with a publicly traded Canadian Company, Pollard Banknote Limited (“Pollard”), develops, and operates and serves contracts across the United States of America (through a joint operation, the “Michigan Joint Operation”) and a joint venture - NeoPollard Interactive LLC (“NPI” or the “Joint Venture”) and across Europe also through its wholly owned subsidiary.

On June 14, 2022, the Company completed a business combination with Aspire Global plc (“Aspire”) (“Aspire Business Combination”) by acquiring 100% of its outstanding shares by year-end, for a total consideration of $367.8 million comprised of $267.2 million cash and newly issued Company’s shares valued at $100.6 million.
Aspire was incorporated in Gibraltar on December 17, 2003. On May 9, 2017, Aspire re-domiciled to Malta. Since July 11, 2017, until the acquisition by Neogames, Aspire’s shares were traded on Nasdaq First North Premier Growth Market in Stockholm, Sweden, under the ticker “ASPIRE.”

C. Aspire, together with its subsidiaries and associates, is a leading platform supplier, offering a full turnkey solution for iGaming operators. The Aspire group provides an advanced solution combining a robust platform, interactive games, a sportsbook and a set of comprehensive managed services. Gaming operators, affiliates and media companies benefit from flexible cross-platform solutions that include fully managed operations and customized integration of a vast games offering.

In 2019 and 2020, Aspire completed two business combinations of GMS Entertainment Ltd. a leading aggregator and game studio ("PariPlay" or " Games ") and BtoBet Limited ("BTOBET" or " Sport") a leading sportsbook provider by acquiring 100% of their outstanding shares, respectively.

Aspire’s group comprises three segments: Core, Games, and Sports:

- **Core:** Aspire Core allows operators to operate under their own local licenses or under Aspire’s licenses in numerous markets. Aspire’s platform partners have access to on-demand data analysis services in addition to a wide array of analytical tools. The platform is continuously updated with new features relating to regulation and ongoing compliance. The in-house regulation and compliance team monitors all operations, conducts ongoing training and provides partners with regulatory updates and marketing guidelines for their jurisdiction. The platform itself can be used exclusively or combined with a wide range of managed services such as customer support, CRM tools and financial services.

- **Games (Pariplay):** Aspire’s subsidiary PariPlay is a leading aggregator and content provider. PariPlay offers both a wide variety of proprietary games produced from in-house studios as well as a wide array of third-party games from suppliers, all integrated into one API and single integration, accompanied by engagement and retention tools on the aggregation platform.

- **Sports (BtoBet):** Aspire’s subsidiary BtoBet is a leading sportsbook provider. With the proprietary sportsbook, Aspire controls the IP in major elements of the value chain and can steer the complete roadmap. In addition, it also provides Aspire with great flexibility when it comes to adding new features and securing fast time to market.

NOTE 1 – GENERAL (Cont.)

D. Ukraine - As significant portion of our development team resides and works from Ukraine. The continuation of the local war may impact our ability to meet our long-term development delivery commitments although so far, the Company managed to mitigate the risk and no material impact has been observed on the delivery and stability of the development projects. That being stated, it is difficult to predict whether our ability to continue and develop our products in the same pace and launch new contracts in short delivery timelines may be affected by the situation in Ukraine.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of the financial statements, on a consistent basis, unless otherwise stated, are:

A. Accounting principles

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Profit or loss accounts are presented and analyzed by their nature rather than their function within the entity as such method provides reliable and more relevant information on the Company's operations. These financial statements are also in compliance with IFRS as endorsed by the European Union for all periods presented. Therefore, the Group is not considered for the purpose of the preparation of these 2022 consolidated financial statements in compliance with IFRS EU, as first-time adopter as defined in Appendix A of IFRS 1 EU.

Recently Adoption of New Accounting Pronouncements adopted by the European Union

In May 2020, the IASB issued *Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 9).* The amendments specify which fees an entity must include in its assessment to conclude if the refinancing of a finance liability is a extinguishment or a modification, clarifying that an entity must include only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The Company adopted this standard effective January 1, 2022. Adoption of this new standard did not have any impact on the Company’s results of operations and financial position.

In May 2020, the IASB issued *Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)*. The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The Company adopted this standard effective January 1, 2022. Adoption of this new standard did not have any impact on the Company’s results of operations and financial position.

In May 2020, the IASB issued *Reference to the Conceptual Framework (Amendments to IFRS 3).* The amendments refer to the 2018 Conceptual Framework instead of the 1989 Framework, and add a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; also add an explicit statement that an acquirer does not recognize assets acquired in a business combination. The Company adopted this standard effective January 1, 2022. Adoption of this new standard did not have any impact on the Company’s results of operations and financial position.

Future Adoption of New Accounting Pronouncements

In February 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8).* This standard provides clarifications to help entities distinguish between accounting policies and accounting estimates. This standard is effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted and the adoption of this guidance is not expected to have an impact on the Company’s results of operations and financial position.

In February 2021, the IASB issued *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).*

This standard provides clarifications to help preparers in deciding which accounting policies to disclose in their financial statements. This standard is effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted and the adoption of this guidance is not expected to have an impact on the Company’s results of operations and financial position.

In May 2021, the IASB issued *Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12).* This standard provides clarifications on how companies account for deferred tax on transactions such as leases and decommissioning obligations. This standard is effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is currently evaluating the impact this guidance may have on its results of operations and financial position.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In October 2022, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).* The amendments clarify the classification of liabilities arising from a loan arrangement as non-current and that liability is subject to the covenants which an entity is required to comply with within twelve months of the reporting date, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liability could become repayable within twelve months of the reporting period. This standard will be effective for the Company for annual reporting periods beginning on or after January 1, 2024, with early application permitted. The Company is currently evaluating the impact this guidance may have on its results of operations and financial position.

B. Comparative information

Comparative figures stated in the statements of comprehensive income (loss), financial position and cash flows have been reclassified to conform to the current year's presentation format for the purpose of adequate presentation.

C. Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. The consolidated financial statements present the results of the Company as though NeoGames S.A and its subsidiaries formed a single entity. Intercompany transactions and balances between NeoGames S.A and its subsidiaries are therefore eliminated in full.

D. Business combination

When the Group gained control on a business, the business combination has been accounted for based on the purchase accounting method. The Group measures the transferred consideration based on the fair value of the transferred assets (cash) and the shares issued. The identified assets, liabilities and components of non-controlling interests have been accounted for on their fair value on the acquisition date based on preliminary management assessment to be finalized within a year from the acquisition date.

Goodwill represents the excess of the cost of the business combination over the fair value of the identified assets and liabilities. Goodwill was allocated based on the initial recognition of the of the expected benefit from the business combination that gave rise to goodwill. Goodwill was allocated at the initial recognition to the Group's cash generating units ("CGUs") that have expected to benefit from the business combination that gave rise to the goodwill. When the consideration transferred includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the considerations transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments is recognized in the statement of the comprehensive income. Business combination related expenses have been recorded into statement of comprehensive income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect the new information obtained about the facts and circumstances that existed as of the acquisition date, if known, would have affected the amounts recognized as of that date.

E. Foreign currency

The financial statements of the Group are prepared in US dollars. The functional currency is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group’s transactions. Aspire group

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

functional currency is Euro ("Foreign operations"), while all other entities within the Group have the US dollar as their functional currency.

Balances in currencies other than US dollar are translated into US dollars in accordance with the principles set forth by International Accounting standard (IAS) 21 ("The Effects of Changes in Foreign Exchange Rates").

Transactions in currencies other than the functional currency ("Foreign currency") –
Each transaction denominated in Foreign currency has been recorded at the functional currency using the transaction date exchange rate.
At the end of the reporting period:
Financial assets and liabilities have been translated at the exchange rate applicable at the end of the reporting period while non-financial items have been translated at the exchange rate at the time of the transaction. Gains and losses from translation are recorded as finance income (expense).

Foreign operations –
The financial statements of Foreign operations have been translated into US dollar as follows:
Assets and liabilities related to the Foreign operations have been translated at the exchange rate applicable at the end of the reporting period.
Profit and loss items have been translated using quarterly average exchange rates.
Equity items except for accumulated other comprehensive income and retained earnings have been translated using transaction date exchange rate.
Retained earnings is based on opening balance plus profit and loss items which have been translated using quarterly average exchange rates.
The exchange differences have been recorded as other comprehensive income.

F. Transaction under common control

Acquisition of intangible assets under common control in 2014 was accounted for based on their book value as was accounted for by the seller, and the difference between the fair value of the consideration and the book value of the intangible assets was recorded as a capital reserve with respect to transaction under common control in the statement of changes in equity (deficit).

G. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, as well as funds attributed to players deposits reserves and deposits held at call with banks.

H. Restricted deposits

Restricted deposits mainly includes Joint Venture Restricted deposits (see note 10), pledges for leased premises.

I. Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value and subsequently measured at amortized cost based on the effective interest rate, as applicable.

Financial assets are classified into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Derivatives - Fair value through profit or loss
The Group uses derivative financial instruments to hedge certain currency cash flow exposures denominated in NIS. The derivative instruments used by the Group consist mainly of forward foreign exchange contracts. They are carried in the

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

statement of financial position at fair value with changes in fair value recognized in the consolidated statement of comprehensive income within finance income or expense.

Investment in shares of a publicly traded company - Fair value through other comprehensive loss
The fair value is based on its stock market price (Level 1), whereby any gains or losses are recognized in other comprehensive income (loss).

Amortized cost
These assets comprise principally of trade receivables, cash and cash equivalents and deposits.

Trade receivables

Trade receivables are initially recognized at transaction price and subsequently measured at amortized cost and principally comprise amounts due from Lottery and gaming operator customers across all of our business units. The Company has applied the standard simplified approach and has calculated the Expected credit losses based on lifetime of expected credit losses, with de-minimis results. Bad debts (if any) are written off when there is objective evidence that the full amount may not be collected. Aspire’s trade receivables principally represent amounts due from payment processors that remit funds on behalf of customers and other types of contractual monetary asset and cash.

Other types of financial assets 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 which are initially recognized at fair value and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Financial liabilities are classified into one of the categories discussed below. The Group’s accounting policy for each category is as follows:

Derivatives - see above within financial assets.

Other financial liabilities - amortized cost
Other financial liabilities include mainly loans, trade and other payables:
Loans are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing loans are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position.
Trade and other payables are initially recognized at fair value and subsequently carried at amortized cost.

J. Investment in a joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to that arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the consent of all parties to the joint control. The consolidated financial statements include the Company’s interest in any assets held jointly by the Michigan Joint Operation, and the Company’s share of revenues and expenses of the Michigan Joint Operation.

K. Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets only. The Company’s investment in a joint venture is accounted for based on the equity method. Under the equity method, the investment is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company’s share of the profit and losses of the joint venture.

L. Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not control or joint control over those policies. The Group’s investment in its associates is accounted for using the equity method. Under the equity

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

method, the investment in an associate is initially recognized at cost plus direct transaction costs. The carrying amount of the investment is adjusted to recognize changes in the company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. In cases where equity losses exceed the investment, they are not recognized unless the Group is obligated and has a share in those losses. After the application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on the investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss in the Statement of Comprehensive Income.

M. Employee benefits

The Group employs personnel in Israel, United states, Malta, Ukraine, Bulgaria, Gibraltar, India, North Macedonia and Italy.

The Israeli subsidiaries have adopted the general authorization in accordance with Section 14 of the Severance Pay Law, 1963 ("Section 14"), according to which deposits to the pension funds and/or policies of insurance companies exempt the subsidiary from additional payments. However, the Group's liabilities for severance pay, attributed to certain employees that are not subject to Section 14 are computed on the basis of the employee's most recent salary as of the end of the period date, in accordance with the Severance Pay Law, and are partially covered by monthly deposits with insurance policies and/or other funds in favor of the employees and the remaining are accrued for in the consolidated financial statements.
As most of NGS's the Israeli subsidiaries employees are covered by Section 14, and due to immateriality, the Group does not use actuarial estimates and calculations for severance obligations. The Group accounts for such employees who are not subject to Section 14, by measuring accruals on the full amounts assuming that all of these employees will be terminated as of the end of the period date of each period (shut-down method).

The Bulgarian, Gibraltarian and India-based subsidiaries applied the same concept as described above, and by depositing funds on a monthly basis those subsidiaries are exempt from any additional payments as well.
The majority of the employees in Ukraine and North Macedonia are not entitled by their employment scheme and local regulation to severance pay.

N. Provisions and contingent liabilities

Provisions, which are liabilities of uncertain timing or amounts, are recognized when the Company has a legal or constructive obligation as a result of past events, if it is probable that an outflow of funds will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Where the Group has a possible obligation as a result of a past event that may, but probably will not, result in an outflow of economic benefits, no provision is made.

Disclosures are made of the contingent liability (which its likelihood to succeed is not remote) including, where practicable, an estimate of the financial effect, uncertainties relating to the amount or timing of outflow of resources and the possibility of any reimbursement.

Where time value is material, the amount of the related provision is calculated by discounting the cash flows at a pre-tax rate that reflects market assessments of the time value of money and any risks specific to the liability.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

O. Property and equipment

Property and equipment comprise of data center (servers), computers, leasehold improvements, office furniture and equipment and are stated at cost less accumulated depreciation and any accumulated impairment.

Depreciation is calculated to write off the cost of fixed assets to their residual amounts on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, are:

	%
Computers and computers equipment	25-50
Office furniture and equipment	7
Leasehold improvements	Over the shorter of the term of the lease or useful lives

Subsequent expenditures are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in profit or loss.

The depreciation method and the estimated useful life of an asset are reviewed at least each year-end and the changes are accounted for as a change in accounting estimate on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

P. Intangible assets

Intangible assets acquired through business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are recognized initially at their fair value at the acquisition date (which is regarded as their cost).
Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Internally generated intangible assets

Intangible assets of the Company comprise development costs capitalization, which are amortized over their useful life and reviewed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least at each year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated prospectively as a change in accounting estimates.

Research expenditures are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Company's intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- How the intangible asset will generate future economic benefits.
- The availability of adequate technical, financial and other resources to complete the intangible asset; and
- The ability to measure reliably the respective expenditure asset during its development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit.
The useful life of capitalized development costs is between 3-8 years and they are amortized on a straight-line basis over the expected useful lives of the assets concerned.

Q. Goodwill

Goodwill is initially recognized and measured as set out above Note 2d.

Goodwill is not amortized but is reviewed for impairment at least annually as of year-end. CGUs to which goodwill have been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognized for goodwill is not reversed in a subsequent period. See Notes 8 and 19.

R. Impairment of non-financial assets

The Company evaluates the need to record an impairment of the carrying amount of fixed assets and intangible assets whenever events or changes in the circumstances indicate that the carrying amount is not recoverable. If the carrying amount of the above assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of the net sale price and value in use. In measuring value in use, the expected cash flows are discounted using a pre-tax discount rate that reflects the specific risks of the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income (loss). In case of appreciation in the following accounting periods, the impairment charge can be reserved into the statement of comprehensive income up to the depreciated/amortized asset to be recalculated then.

S. Revenue recognition

Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer.

Revenue is recognized in the accounting periods in which the transactions occurred after deduction of certain promotional bonuses granted to customers and VAT, and after adding the fees and charges applied to customer accounts and is measured at the fair value of the consideration received or receivable.

In instances of revenue split arrangements where the Company is the principal in the transaction, revenue is recognized on a gross basis and the third-party revenue portion related to the sale is recognized within distribution expenses as royalties, while in cases where the Company acts as an agent between the customer and the vendor, revenue is recognized net of costs:
Net gaming revenues (bets minus wins and certain promotional bonuses) are presented, net of distribution expenses in an arrangement whereby the partner (website owner) is the principal, while the Company provides operational services (platform, processing, reporting etc.) as its agent (service provider). In most arrangements, the Company is the principal.
Royalties from licensing of technological platforms and provision of proprietary games content are presented net of third-party games charges in an arrangement whereby the lottery customer controls and is accountable for the third-party games and the relating commercial terms with the third-party games vendors, while the Company is its agent as a platform aggregator. In most arrangements, the Company is the principal and provides comprehensive solution.

To determine whether the Group is an agent or principal, management consider whether the Group obtain control of the services or products before they are transferred to the customer. In making this evaluation, several factors are

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

considered, most notably whether we have primary responsibility for fulfillment to the customer, as well as pricing discretion.

The Group generates its revenues through four streams:

- Royalties from licensing of technological platforms and provision of proprietary games content (which are recognized in the accounting periods in which the gaming transactions occur).
- Fees from access to intellectual property rights (which are recognized over the useful periods of the intellectual property rights).
- Fees from development services (which are recognized in the accounting periods in which services are provided)
- Fees from online activities including net gaming revenues, processing charges and other similar charges (which are recognized in the accounting periods in which the gaming transactions occur).

T. Segment Reporting

Segmental results are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker.

The Company's operating segments identified are: Lottery, Core, Sports and Games. See Notes 1 and Note 19.

U. Reserve with respect to funding transactions with related parties

Transactions with related parties are accounted for based on fair value. Any difference between the nominal value and the fair value that arises in transactions with related parties are recorded directly into equity to a "Reserve with respect to funding transactions with related parties".

V. Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income (loss) over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income (loss) over the remaining vesting period. Where the terms and conditions of options are modified after they vest, the increase in the fair value of the options measured and recorded in the consolidated statement of comprehensive income (loss) immediately after the modification.

The Company recognizes stock based compensation for the estimated fair value of restricted share units ("RSUs"). The Company measures compensation expense for the RSUs based on the market value of the underlying stock at the date of grant.

W. Distribution expenses

Distribution expenses include royalties, content, gaming duties, payment processing and other related.

Gaming duties relate to gaming taxes imposed by various EU countries.

X. Finance income and expenses

Finance income and finance expenses are comprised of interest including loans as well as related parties funding, net currencies exchange rates differences, interest on lease liabilities and banks charges. See Note 22.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Y. Income taxes

Provision for income taxes is calculated in accordance with the tax legislation and applicable tax rates in force at the end of the reporting year in the countries in which the Company and its subsidiaries have been incorporated. A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising from:

- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries and joint operations where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date, and that amount is expected to apply when the deferred tax liabilities/assets are settled/recovered.

The Company recognized deferred tax assets, if any, only when their recoverability is more likely than not.

The company adopted IFRIC 23, Uncertainty over Income Tax Positions (“IFRIC 23”), for the year ended December 31, 2022, which provides guidance on accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- The company to determine whether uncertain tax treatments should be considered separately or collectively based on which approach provides better predictions of the resolution.
- The company to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- The company, if it is not probable that the uncertain tax treatment will be accepted, to measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Z. Fair value measurement hierarchy

The Group measures certain financial instruments, including derivatives, at fair value at the end of each reporting period. Fair value is the price that would be received or paid in an orderly transaction between market participants at a particular date, either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for that asset or liability accessible to the Company.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

AA. Income (loss) per share

Basic income (loss) per share

Basic income (loss) per share is calculated by dividing the income (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for ordinary shares issued during the year, if applicable.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Diluted income (loss) per share

Diluted income (loss) per share adjusts the figures used in the determination of basic income (loss) per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of options takes place as expected; and the addition of the shares to be derived from realization must have a dilutive effect.

BB. Leases

The Company accounts for its leases under IFRS 16, according to which:

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) or low value assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. The lease liability is presented as a separate line in the consolidated statement of financial position, including the separation between current and non-current.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost, less accumulated depreciation and impairment losses.
In profit or loss, amortization expenses of the right-of-use asset and interest expenses in respect of the lease liability recognized. In the statement of cash flows, payments in respect of the principal portion of the lease liability classified as financing activity and payments in respect of the interest portion of the lease liability classified in accordance with the Company's policy regarding classification of interest payments as financing activity**.**

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements under IFRS requires the Company to make estimates and judgments that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Included in this note are accounting policies and/or estimates that cover areas for which the directors and management require judgments and/or assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the future. These policies together with references to the related notes to the financial statements, which include further commentary on the nature of the estimates and judgments made, can be found below:

Revenues presentation – gross vs. net:
The Group applies judgment in determining whether it is acting as a principal or an agent where it provides services and third-party games to business partners and other customers. In making these judgments the Group determined whether the nature of its promise is a performance obligation to provide the specified services itself (the entity is a principal) or to arrange for the other party to provide those services (i.e. the entity is an agent). See also Note 2s.

Funding transactions with related parties:
The fair values of the funding transactions with related parties, the reserve relating to the funding transactions with related parties and the related interest expenses are recorded based on discounted cash flow of the anticipated repayments, calculated using a market interest rate determined by a a third-party appraiser. For further details, see Note 9.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Cont.)

Business combination – preliminary purchase price allocation and goodwill impairment evaluation:
With respect to Aspire Business Combination preliminary purchase price allocation and year-end goodwill impairment evaluation and with the assistance of a third-party appraiser, the Group applied certain assumptions and judgments in the preparation of discounted cash flows primarily with respect to intangible assets and CGUs, see Notes 4 and 19.

Contingent consideration on business combination:
The Group calculated the contingent consideration on BTOBET business combination based on the 2022 results and its understanding of the relating agreement. For further details, see Note 14.

Capitalization of development costs:
Costs relating to internally generated intangible assets are capitalized if the criteria for recognition as assets are met. The initial capitalization of costs is based on management's judgment that technological and economic feasibility criteria are met. In making this judgment, Management considers the progress made in each development project and its latest forecasts for each project. For further details, see Note 8.

Income taxes:
The Group operates substantially in many countries. The applicability of corporate income taxes of those jurisdictions and/or the allocation of the Group's taxable income to those jurisdictions are subject to management's assessments and judgments after consultations with the Group's tax advisors. For further details, see Notes 2Y and 23.

Share based payments:
The compensation expenses of stock options are vested over service periods. Stock based compensation expenses were recorded based on the fair values of the options, using the Black-Scholes model and its underlying assumptions.

NOTE 4 - BUSINESS COMBINATION

ASPIRE GROUP:

On June 14, 2022, the Company completed a business combination of Aspire, in consideration for $267.2 million in cash and $100.6 million issuance of 7,604,015 Company's new shares valued at 13.2 closing price per share on Nasdaq on that day.

Details of the preliminary purchase price allocation of the fair value of the identifiable assets, goodwill, liabilities, and non-controlling interests are as follows (U.S. dollars in millions):

Identified assets and liabilities acquired:	
Cash	69.5
Trade receivables	31.9
Prepaid expenses and other receivables	4.6
Investment in Associates	3.9
Tax receivable	3.4
Property and equipment	1.6
Intangibles (Note 8)	147.3
Deferred taxes	(18.4)
Trade and other payables	(13.2)
Royalty payable	(10.4)
Contingent consideration on business combination	(9.9)
Gaming tax payables	(8.2)
Client liabilities	(6.1)
Other assets and liabilities, net	2.1
Total identified assets and liabilities acquired	**198.1**
Goodwill (Note 8)	**175.9**
Non-controlling interests	**(6.2)**
Total consideration	**367.8**

NOTE 4 - BUSINESS COMBINATION (Cont.)

The non-controlling interests were valued at fair value, assigned in the preliminary price allocation to PariPlay CGU, see also Notes 3 and 19.

The main factors which derived goodwill recognition at this transaction are existing intangible assets such as qualified management and staff, which have not met the stand-alone recognition criteria as well as potential synergy premium. The goodwill was allocated to each of Aspire reporting segments which are also the applicable cash generating units. see Note 19.

For the years ended December 31, 2022 and 2021, the Company recorded business combination related expenses of $18.0 million and $3.8 million, respectively.

For the year ended December 31, 2022, Aspire's revenues of $112.1 million and net loss of $6.3 million, respectively, were included in the consolidated statement of comprehensive income (loss).

The hypothetical revenues and net loss of the combined company assuming that the business combination had been completed on 1 January 2022 are as follows:

	For the year ended December 31,
	2022
	U.S. dollars in millions
Revenues	259.8
Net loss	28.4

On August 6, 2015, the Company entered into a services agreement with Aspire pursuant to which the Company has provided Aspire with certain dedicated development, maintenance and support services necessary for the operation of Aspire's business (the "Transition Service Agreement").

On July 8, 2015, the Company entered into a cost allocation agreement with Aspire (mainly with respect to the office lease in the reported periods) pursuant to which each party has agreed to bear certain costs that are then recovered on a pass through basis from the other party, including a sublease to the Company's Israeli offices, provided to the Company by Aspire until 2022 (the "Cost Allocation Agreement").

In March 2022, the Company paid the outstanding capital notes and accrued interest due to Aspire totaling to $22.4 million.

As described above, in the reported periods, the Company provided and received certain services from the Aspire Group, such as research and development services and administrative services as follows:

	For the year ended December 31,		
	2022	2021	2020
	U.S. dollars in thousands		
Revenues generated from the Transition Services Agreement	767	1,617	2,430
Expenses derived by the Cost Allocation Agreement:			
Labor (included in general and administrative expenses)	130	251	66
Rent (included in depreciation and interest with respect to right of use)	50	1,198	1,064
Other (included in general and administrative expenses)	137	230	160
Total expenses	317	1,679	1,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - CASH AND CASH EQUIVALENTS

	As of December 31,	
	2022	2021
	U.S. dollars in thousands	
Cash at bank	36,707	66,082
Funds attributed to player deposit reserves	4,472	-
	41,179	66,082

NOTE 6 - TRADE RECEIVABLES

	As of December 31,	
	2022	2021
	U.S. dollars in thousands	
Payment processors receivables	15,067	-
Trade receivables*	23,470	3,724
	38,537	3,724

*The balance as of December 31, 2022, included $3 million overdue more than 90 days but less than one year.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

	Computers and computers equipment	Office furniture and equipment	Leasehold improvements	Total
	U.S. dollars in thousands			
Cost:				
Balance as of January 1, 2022	3,283	351	1,284	4,918
Aspire business combination	1,085	243	279	1,607
Foreign operations financial statements translation adjustments	(21)	17	33	29
Disposals	(144)	(8)	(306)	(458)
Additions during the year	479	341	545	1,365
	4,682	944	1,835	7,461
Accumulated depreciation:				
Balance as of January 1, 2022	2,568	44	154	2,766
Foreign operations financial statements translation adjustments	(74)	3	31	(40)
Disposals	(141)	(6)	(198)	(345)
Additions during the year	901	50	137	1,088
	3,254	91	124	3,469
Net Book Value:				
As of December 31, 2022	1,428	853	1,711	3,992
As of December 31, 2021	715	314	1,130	2,159

NOTE 8 - INTANGIBLE ASSETS

	Capitalized development costs and technology acquired	Customer relationship	Trade Names	Goodwill	Total
	U.S. dollars in thousands				
Cost:					
Balance at beginning of the period	75,208	-	-	-	75,208
Business combination	76,596	61,228	9,512	175,880	323,216
Additions	26,536	-	-		26,536
Foreign operations financial statements translation adjustments	2,367	1,622	252	4,986	9,227
As of December 31, 2022	180,707	62,850	9,764	180,866	434,187
Accumulated amortization:					
Balance at beginning of the period	52,854	-	-	-	52,854
Amortization	23,038	9,830	705	-	33,573
Foreign operations financial statements translation adjustments	18	494	35	-	547
As of December 31, 2022	75,910	10,324	740	-	86,974
Net Book Value:					
As of December 31, 2022	104,797	52,526	9,024	180,866	347,213

Goodwill impairment evaluation

As of December 31, 2022, the Company conducted a goodwill impairment evaluation (derived from Aspire business combination), with the assistance of a third-party appraiser. The conclusion of this evaluation was that the recoverable amounts determined as values in use are not lower than their carrying amounts and therefore no impairment of goodwill is required. The value in use for each cash generating unit was determined based on its estimated future cash flows expected for the specific period and fixed growth rate for the period onward. Details with respect to the significant assumptions used are as follows:

Cash generating units	Aspire Core (Core)	PariPlay (Sports)	BtoBet (Games)
The amount of value in use exceeded the carrying value as of December 31, 2022 - U.S. dollars in millions	30.0	8.2	16.9
Specific cash flow period (years)	7	9	9
The pre-tax discount rate used	19.4%	20.7%	18.8%
Change in the pre-tax discount rate used, resulting in value in use equal the carrying value as of December 31, 2022	3.0%	1.4%	3.1%
Fixed growth rate	3%	3%	3%
The fixed growth (negative growth) rate to be used, resulting in value in use equal the carrying value as of December 31, 2022	(7.4)%	(3.6)%	(13.8)%

NOTE 9 - RELATED PARTIES

A. CAESARS:

On June 18, 2018, the Company entered into a license agreement with WHG (International) Ltd. ("WHG"), an affiliate of Caesars. Pursuant to the license agreement, the Company has granted WHG a sub-license to use the NeoSphere Platform (the "Licensed IP") for a period of four years which was extended for a period of additional three years through 2026, to operate in the US iGaming market and additional jurisdictions agreed to by the parties. It was also agreed that Caesars will compensate the Company for the right to use the Licensed IP as well as costs associated with adjustments ("Developed IP") required to be made to the Licensed IP so that the Licensed IP would be deemed complaint with specific market requirements and other market practices. Upon a change in control of the Company, WHG has the option (the "IP Option") to convert the license into a perpetual license for a payment of £15.0 million. The Company has also agreed to provide WHG with the IP Option following the completion of a four-year period from the date of the term sheet. The fair value of the IP Option liability was valued with the assistance of a third-party appraiser to be approximately $3.45 million.

The Company's total revenues from this license agreement in the year ended December 31, 2022 and 2021 amounted to approximately $14.3 million and $7.9 million, respectively. The outstanding amounts due under this license agreement as of December 31, 2022 and 2021 amounted to approximately $2.8 million and $0.8 million, respectively, and are included in trade receivables.

During 2018, the Company borrowed $4.0 million with a stated annual interest rate of 5.0% (the "First Loan") and $2.0 million with a stated annual interest rate of 1.0% from the credit facility being made available by Caesars pursuant to the Investment and Framework Shareholders' Agreement dated August 6, 2015. During 2019, the Company borrowed a total of $6.5 million with a stated annual interest rate of 1.0% from this credit facility. All three loans were due in August 2020; however, all the loans were extended in 2020 as described below.

In February 2020, the parties agreed to extend the original repayment schedule such that, all principal loan amounts are due for a full repayment (interest plus principal) on June 15, 2023 and the First Loan is due for repayment on June 30, 2021. The implied benefit of $2.5 million (reflecting the extension of the original repayment schedule) was accounted for as a modification of debt in accordance with IFRS 9, with a related party and therefore recorded in "Reserve with respect to funding transactions with related parties" in the statement of changes in equity (deficit) and was amortized as additional interest expense over the remaining period of the loans.

On September 18, 2020, the Company borrowed $2.5 million from the credit facility to partially early repay the principal of the First Loan. The loan bears an annual interest rate of 1.0%, which is below market interest rate, and is due in full on June 15, 2023. Therefore, the $0.6 million difference in discounted cash flows to be paid for the outstanding amount based on the market annual interest rate of 12% amounted to $1.9 million, and its face value was recorded directly into the statement of changes in equity (deficit) under "Reserve with respect to funding transactions with related parties" as "Benefit to the Company by an equity holder with respect to funding transactions" and will be amortized as additional interest expense over the period of the loan.

The difference in the interest rates between the calculated annual market interest rate of 12% and interest due on these loans was recorded as loan discounts to be amortized over the funding repayment period as additional finance expenses. Accordingly, the Company recorded interest expenses on the loans based on the fair value market interest rate of $1.5 million, $1.2 million and $1.4 million in 2022, 2021 and 2020, respectively.

During 2021, the Company paid $1.5 million. During 2022, the Company pre-paid the outstanding loan amount for a total of $11.3 million.

B. Consultancy Agreement:

On June 1, 2015, Barak Matalon, a member of the Company's board of directors and owner of more than 5% of the Company's ordinary shares, entered into a consultancy service agreement with the Company and Aspire Group that calls for a monthly payment of NIS 45,000 (plus VAT) in consideration of services being rendered by Mr. Matalon to the Company. There was also a similar agreement with Aspire which ceased on December 31, 2022.

The consulting fees included, for the years ended December 31, 2022, 2021 and 2020 amounted to $240 thousand, $195 thousand and $158 thousand, respectively, and are included within general and administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - INVESTMENT IN A JOINT VENTURE AND JOINT OPERATION

A. JOINT VENTURE

NPI has been included in the consolidated financial statements using the equity method (see Note 1). Summarized financial information:

	As of December 31,	
	2022	2021
	U.S. dollars (in thousands)	
Current assets	25,812	23,303
Non-current assets	1,278	1,501
Current liabilities	(26,644)	(24,075)
Non-current liabilities	(2,132)	(2,839)
Net assets (liabilities) (100%)	(1,686)	(2,110)
Net assets (liabilities) (50%)	(843)	(1,055)
Adjustments	304	225
Company share of Joint Venture net liabilities	(539)	(830)

	For the year ended December 31,		
	2022	2021	2020
	U.S. dollars (in thousands)		
Revenues	84,533	64,032	18,032
Distribution expenses	49,093	44,970	16,116
Selling, general and marketing expenses	1,044	993	776
Depreciation	340	385	405
Net and total profit (100%)	34,056	17,684	735
Net and total profit (50%)	17,028	8,842	367
Adjustments	4,557	3,604	1,026
Share in profits of NPI	21,585	12,446	1,393
Distribution from NPI	21,294	12,251	3,021

In addition to the above, with respect to the development services provided to NPI by the Company, in 2022, 2021 and 2020, the Company recorded revenues totalling to $5.7 million, $7.6 million and $4.4 million, respectively. The adjustments mostly represent royalty commissions earned by NPI on games developed and provided by the Group, whereby the Group's share of the underlying results is higher than 50%.

As of December 31, 2022 and 2021, the restricted deposits outstanding amounts of $4.1 and $3.8 million, respectively held by Pollard on behalf of NPI to secure performance and facilities bonds with respect to NPI's prospective and existing contracts.

The outstanding amount due from NPI was $3.1 million and $2.4 million as of December 31, 2022 and 2021, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - INVESTMENT IN A JOINT VENTURE AND JOINT OPERATION (Cont.)

B. MICHIGAN JOINT OPERATION

The Michigan Joint Operation has been included in the consolidated financial statements as a share of Company's interest in assets held jointly, and its share of revenues and expenses (see Note 1).

Below are the Michigan Joint Operation's revenues and operating expenses, 50% of which represent the Company's interest and were included in the Company's statement of comprehensive income (loss):

	For the year ended December 31,		
	2022	2021	2020
	U.S. dollars (in thousands)		
Revenues (100%)	40,606	42,491	49,779
Total operating expenses (100%)	(24,342)	(26,047)	(22,021)

In addition to the above-stated revenues, with respect to the development services provided to the Michigan Joint Operation by the Company, in 2022, 2021 and 2020, the Company recorded revenues totaling $1.4 million, $1.4 million each year. Further, the Company recorded additional royalty revenues with respect to games development efforts invested to enhance the Michigan Joint Operation's games portfolio during 2022, 2021 and 2020, totaling $1.5 million, $1.6 million and $1.9 million, respectively, which were also eliminated from Company's share in Michigan Joint Operation's total operating expenses as stated in the above table.

As of December 31, 2022, and 2021, Company's share interest in Joint Operator's assets was $489 thousand and $667 thousand, respectively, and mostly comprised of property and equipment, net.

The outstanding amount due from with the Joint Operation was $1.3 million as of December 31, 2022 and 2021.

NOTE 11 - LEASE COMMITMENTS

On July 11, 2021, the Company renewed the lease agreement for its office in Israel through April 15, 2027. The annual lease payment and related expenses aggregated to approximately $1 million.

The Group also has leases of offices in Ukraine, Malta, Bulgaria, India, Gibraltar and Macedonia, however most of which has short-term commitment. The total combined annual rent charges for all premises are approximately $0.5 million.

NOTE 12 - TRADE AND OTHER PAYABLES

	As of December 31,	
	2022	2021
	U.S. dollars (in thousands)	
Accrued expenses	7,076	5,440
Trade payables	7,689	1,371
Other payables	1,277	1,258
	16,042	8,069

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - CLIENT LIABILITIES

Client liabilities represent amounts due to customers including net deposits received, undrawn winnings and certain promotional bonuses. The carrying amount of client liabilities approximates their fair value, which is based on the net present value of expected future cash flows.

NOTE 14 - CONTINGENT CONSIDERATION ON BUISNESS COMBINATION AND OTHER

Contingent consideration on business combination:

On October 9, 2020, Aspire completed a business combination of BTOBET, in consideration for cash plus performance based contingent consideration of seven times BTOBET 2022's EBIT, minus the consideration already paid. The contingent based consideration was determined by management at Euro 8.2 million, and a notice was served to the former BTOBET shareholders in March 2023. Further an additional provision of approximately Euro 2 million was recorded in the preliminary purchase price allocation, see Note 4 above.

Other:

On March 17, 2020, PariPlay granted to its executive officer 111 options to buy 9.9% of its shares on a fully diluted basis, to be vested over 2 years of employment. The exercise price of each option is GBP 1.0 and they will expire in 10 years. During the fourth quarter of 2022, the Company committed to buy his options in consideration for Euro 5.8 million, to be paid in 2023.

NOTE 15 - LOANS FROM FINANCIAL INSTITUTIONS, NET

In June 2022, the Group borrowed Euro 200.8 million to fund partially the cash consideration of Aspire business combination under Senior Facilities Agreement. The funding is comprised of a Euro 187.7 million loan and a Euro 13.1 million revolving credit facility, net of 2.5% set-up fees. The facilities maturity date is June 2028, however the revolving credit facility has an option for early repayment.

The loans bear interest at a rate of EURIBOR Plus 6.25 percent per annum to be paid quarterly. The interest expenses incurred and paid for the year ended 2022 are $7.8 million. The set-up fees amounted to Euro 5.0 million to be expensed over the borrowing period, whereby in 2022, the Company recorded additional interest expenses of $0.5 million with respect to that.

The loans carrying amounts approximate their fair value.

The Senior Facilities Agreement contains customary representations and warranties, affirmative and negative covenants (including covenants in respect of financial indebtedness, disposals, security, permitted holding company activity, dividends and share redemption, acquisitions and mergers and conduct of the Aspire Tender Offer), indemnities and events of default, each with appropriate carve-outs and materiality thresholds. In addition, the Company given a customary guarantee in favor of the Lenders under the terms of the Senior Facilities Agreement.

In connection with the debt financing documented by the Senior Facilities Agreement, the Company and certain of its subsidiaries have granted, certain guarantees in favor of the Lenders. Additionally, the Company and certain of its subsidiaries have granted, security in favor of the Lenders over shares (and other ownership interests) owned in certain subsidiaries, certain bank accounts, certain material intercompany receivables, certain material intellectual property and, substantially all their assets (subject to customary exceptions).
Further, the loans are subject to a financial performance covenant of net debt to EBIDTA ratio at each reporting period, which was met as of December 31, 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 - EMPLOYEE BENEFIT LIABILITIES

	As of December 31,	
	2022	2021
	U.S. dollars (in thousands)	
Non- current		
Accrued severance pay	3,848	2,807
Less - funds	(2,815)	(2,521)
	1,033	286
Current		
Accrued vacation	953	679
Accrued recuperation	9	9
	962	688

NOTE 17- SHARE BASED PAYMENTS

Options:

Options have been granted under the Company's 2015 Plan, which was adopted on January 29, 2015 and amended thereafter (the “2015 Plan”).

Our board of directors determined the terms and conditions of the options granted including the vesting terms and the exercise price. The terms and conditions are set forth in the applicable options agreement. The terms and conditions of individual options may vary.

In 2020, the Company ceased granting options under the 2015 Plan. Any options granted under the 2015 Plan that expire have been and will be added to the pool of the 2020 Plan. The 2015 Plan continues to apply to all previously granted options.

Restricted Shares Units (RSUs):

RSUs have been granted under the Company's 2020 Incentive Award Plan and vested in four equal annual installments.

On October 22, 2021, the Company granted 140,336 RSUs to certain employees to be vested partially from January 2023 and partially from August 2023. The fair value of the awards was determined based on the Company's grant date share price and amounted to $5.3 million.

On March 7, 2022, the Company granted 190,535 RSUs to certain employees to be vested partly from March 2023. The fair value of the awards was determined based on the Company's grant date share price and amounted to $3.0 million.

On November 4, 2022, the Company granted 3,600 RSUs to certain employees to be vested from January 2023. The fair value of the awards was determined based on the Company's grant date share price and amounted to $0.1 million.

As of December 31, 2022, the outstanding RSUs are 289,097 of which 35,276 vested and exercisable.

As of December 31, 2022, the Company had unrecognized share-based compensation expenses related to options and RSUs of $3.4 million, which is expected to be recognized over a weighted average period of approximately 3.6 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17- SHARE BASED PAYMENTS (Cont.)

The following table summarizes option activities for the years ended December 31, 2022, 2021 and 2020:

	2022		2021		2020	
	Weighted average exercise price ($)	Number	Weighted average exercise price ($)	Number	Weighted average exercise price ($)	Number
Outstanding at January 1,	3.03	1,133,886	2.02	1,708,020	1.48	1,632,220
Granted during the year	-	-	57.56	15,000	9.92	111,129
Exercised during the year	1.41	(278,061)	1.5	(581,240)	1.40	(12,473)
Forfeited during the year	1.40	(6,436)	1.88	(7,894)	1.73	(22,856)
Outstanding at December 31,	3.57	849,389	3.03	1,133,886	2.02	1,708,020
Vested and exercisable at December 31,	3.90	698,753	2.00	798,262	1.52	1,203,456

NOTE 18 - REVENUES

	For the year ended December 31,		
	2022	2021	2020
	U.S. dollars (in thousands)		
Turnkey contracts	29,729	29,882	32,252
Games	1,709	1,994	2,006
Total royalties	31,438	31,876	34,258
Development and other services from Aspire (See also Note 4)	767	1,617	2,430
Development and other services from NPI (See also Note 10)	5,651	7,578	4,404
Development and other services from Michigan Joint Operation (See also Note 10)	1,449	1,433	1,413
Total Development and other services	7,867	10,628	8,247
Access to IP rights (Caesars only, see also Note 9)	14,293	7,959	6,697
Total Lottery revenues	**53,598**	**50,463**	**49,202**
Core	80,475	-	-
Games	18,265	-	-
Sports	13,360	-	-
Total Aspire revenues	**112,100**	**-**	**-**
Total Revenues	**165,698**	**50,463**	**49,202**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 – SEGMENTS

	For the year ended December 31, 2022					
	Lottery	Core	Games	Sports	Eliminations	Total
	U.S. dollars (in thousands)					
Revenues	53,598	80,475	18,265	13,360	-	165,698
Revenues (inter-segment)	988	-	5,876	369	(7,233)	-
Total Revenues	54,586	80,475	24,141	13,729	(7,233)	165,698
The Company' share in profit of Joint Venture and associate	21,585	525	-	-	-	22,110
Segment results	**18,660**	**6,695**	**5,785**	**2,157**	**-**	**33,297**
Depreciation and amortization	16,888	14,058	2,956	1,709	-	35,611
Other unallocated expenses:						
Finance expenses, net						12,238
Interest expenses with respect to funding from related parties						2,867
Loss before income taxes						(17,419)

	As of December 31, 2022				
	Lottery	Core	Games	Sports	Total
	U.S. dollars (in thousands)				
Trade Name	-	7,545	-	1,479	9,024
Customer relationship	-	21,412	21,290	9,824	52,526
Capitalized development costs and technology acquired	26,752	55,998	13,557	8,490	104,797
Goodwill	-	70,185	76,970	33,711	180,866
Total	26,752	155,140	111,817	53,504	347,213

Revenues by geography:

	For the year ended December 31, 2022
	U.S. dollars (in million)
United States	43.2
UK and Ireland	65.1
Nordics	3.3
Rest of Europe	31.7
Rest of World	22.4
Net assets (liabilities) (100%)	165.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 - DISTRIBUTION EXPENSES

	For the year ended December 31,		
	2022	2021	2020
	U.S. dollars (in thousands)		
Royalties (partners)	53,079	-	-
Third-party games	15,831	-	-
Processing fees	10,254	4,341	3,962
Gaming duties net of partners share (which offset the royalties expenses mentioned above)	4,913	-	-
Third party technological support	4,711	-	-
Labor and related	4,694	1,502	1,335
Call center	734	992	728
Other	3,363	3,054	660
	97,579	9,889	6,685

NOTE 21 - GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December		
	2022	2021	2020
	U.S. dollars (in thousands)		
Labor and related	9,304	5,209	3,151
Professional fees	6,915	3,476	1,983
Directors and officers insurance	2,473	1,370	126
Rent and related	1,085	454	328
Office refreshments and related	1,209	632	414
Other	2,320	1,159	1,494
	23,306	12,300	7,496

NOTE 22 - OTHER FINANCE EXPENSES AND INCOME, NET

	For the year ended 31 December		
	2022	2021	2020
	U.S. dollars (in thousands)		
Finance expenses:			
Interest on financial institutions loans	8,303	-	-
Currency exchange rate differences, net	1,814	637	197
Interest on lease liabilities	540	786	461
Bank charges	268	46	89
Interest, mainly on contingent consideration on business combination (Note 14)	535	32	-
Loss on derivatives	778	-	-
	12,238	1,501	747

NOTE 23 – TAXATION

A. Tax rates applicable to the Group significant tax jurisdictions

Luxembourg: The Company is tax registered in Luxemburg and is subject to the Luxemburg corporation tax at 24.94% in 2019 thereafter on profits derived from activities carried out in Luxemburg. The estimated carry forward losses as of December 31, 2021 was $22 million, the Company has not recorded relating deferred income taxes asset as its recoverability was not more likely than not. All the Company's tax years are subject to examination.

Israel: On May 18, 2021, the Israeli Tax Authority issued a pre-ruling, pursuant to which it confirmed that effective the contribution date of certain intellectual property rights relating to the online lottery business of the Company to NeoGames Systems Ltd. ("NGS") as mentioned above through December 31 2025, NGS has been considered a "preferred technological enterprise" for Israeli tax purposes, and therefore, subject to the conditions set forth in the ruling and applicable law, and entitled to certain tax benefits, including under certain circumstances a reduced corporate tax rate of 12% to 16% as well as deductible amortization over 8 years of the value of the intangible assets (i.e., $57 million). As a result of the ruling as well as an achievement of taxable income at the Group level as well as more likely than not consistent future expectation, the Group recorded deferred tax assets primarily with respect to the part of the temporary differences on the intangible assets mentioned above.

Other Israeli subsidiaries are subject to Israeli corporate tax rate of 23% in 2022 thereafter. Considering the statute of limitation, Aspire Global Marketing Solutions Ltd 2018's tax year and NGS 2016's tax year are final and the following tax years are subject to examination.

USA: Group US subsidiaries, Joint Venture and Joint Operator are subject to US federal income taxes rate of 21% in 2019 thereafter as well as certain states income taxes rates. All Group US subsidiaries tax years are subject to examination.

Malta: Group Maltese subsidiaries are subject to a corporate tax rate in Malta of 35%. According to the Maltese tax regime, however, a certain portion of the Maltese tax payable amounts is refundable upon meeting certain criteria defined under the Maltese tax ordinance inter alia for dividend distributions. Aspire Maltese subsidiaries filed a consolidated tax return for 2021 and planning to do so also onward.

The Company's other subsidiaries are subject to different corporate tax rates.

B. Income taxes expenses included in the statements of net income (loss)

	For the year ended December 31,		
	2022	2021	2020
	U.S. dollars (in thousands)		
Current taxes	3,555	2,121	1,224
Deferred taxes	(2,013)	(1,628)	81
Taxes with respect to previous years	4	(168)	138
	1,546	325	1,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23 – TAXATION (Cont.)

C. Deferred taxes

	Deferred taxes assets due to Intangible	Intangible assets and other acquired in business combination	Employee benefits	Total
	U.S. dollars (in thousands)			
January 1, 2020	-	-	292	292
Changes during 2020	-	-	(81)	(81)
December 31, 2020	-	-	211	211
Changes during 2021	1,722	-	(94)	1,628
December 31, 2021	1,722	-	117	1,839
Business combination	52	(18,492)	-	(18,440)
Changes during 2022	220	1,453	340	2,013
Foreign operations financial statements translation adjustments	-	(430)	-	(430)
December 31, 2022	1,994	(17,469)	457	(15,018)

D. Reconciliation of the theoretical income taxes expenses (benefit) to the actual income taxes expenses (benefit):

Reconciliation between the theoretical income taxes expenses (benefit), assuming all income is taxed at the statutory tax rate applicable to income of the Company and the actual income taxes expenses as reported in the statements of operations is as follows:

	For the year ended December 31,		
	2022	2021	2020
	U.S. dollars (in thousands)		
Profit (loss) before income taxes expenses (benefit)	(17,419)	4,977	7,957
The Company's statutory tax rate	25%	25%	25%
Theoretical income taxes expenses (benefit) on the above amount at the Company's tax rate	(4,355)	1,244	1,989
Non-deductible expenses	8,295	2,090	1,328
Losses in respect of which no deferred taxes were recorded	-	1,616	-
Carry forward losses utilized in which no deferred taxes were recorded in previous years	-	-	(1,932)
Recognition of deferred taxes during the year, with respect to prior years temporary differences	(1,837)	(2,769)	-
Taxable income and other temporary differences accounted for in lower tax rates	(561)	(1,688)	(80)
Current income taxes with respect to previous years	4	(168)	138
	1,546	325	1,443

NOTE 24 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to a variety of financial risks, which result from its financing, operating and investing activities. The objective of financial risk management is to minimize exposures in these financial risks and to mitigate a negative impact on the Company's financial performance and position. The Company's financial instruments are its cash and cash equivalents, deposits, trade and other receivables, loans, client liabilities, lease liabilities, trade and other payables and employee benefit liabilities. The Company actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties and principals. The risks arising from the Company's financial instruments are mainly credit risks and currency risk. The risk management policies employed by the Company to manage these risks are discussed below.

A. Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the end of the reporting year.

The Group closely monitors the activities of its counterparties enabling it to ensure the prompt collection of customer balances. Furthermore, the Company engages only with reputable processors and customers (partners, operators and lotteries). The Group maintains its cash and cash equivalents at reputable well-known international banks.

Following Aspire Business Combination, as of December 31, 2022, the Group had one processor (11%) balance exceeding 10% of total consolidated trade receivables. Further revenues from Michigan Joint Operations (see Note 10B) for the year ended reflects 13% of the consolidated revenues (exceeded 10% of consolidated revenues in 2021 and 2020 as well).

B. Market risk

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company has discretion to hedge some or all of its forecast operational costs in Israel up to 12 months. Currency exposures are monitored by the Company monthly.

Sensitivity analysis to the currency risk

Any change in the currency exchange rates will cause a corresponding change in the related asset or liability and accordingly will affect the statement of comprehensive income (loss).

NOTE 24 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont.)

The table below summarizes the balances of the Group's financial instruments, by currency, as of December 31, 2022, in U.S. dollars (in thousands):

	USD	EUR	NIS	CZK	GBP	Other	Total
Financial assets							
Cash and cash equivalents	4,420	13,321	1,979	919	15,292	5,248	41,179
Restricted Cash	330	256	14	-	11	27	638
Other Receivables	32	1,934	436	-	124	407	2,933
Restricted deposits - Joint Venture	2,075	178	-	-	-	1,845	4,098
Trade receivables	3,482	20,731	-	4,636	5,029	4,369	38,247
Due from the Michigan Joint Operation and NPI	3,768	-	-	-	-	-	3,768
Income tax receivable	-	393	143	-	-	-	536
Monetary assets	**14,107**	**36,813**	**2,572**	**5,555**	**20,456**	**11,896**	**91,399**
Financial liabilities							
Trade and other payables	(3,312)	(5,306)	(1,077)	(2,552)	(2,722)	(1,073)	(16,042)
Lease liabilities	-	(54)	(7,739)	-	(97)	(83)	(7,973)
Employees' related payables and accruals	-	(2,871)	(3,749)	-	-	(642)	(7,262)
Liability with respect to Caesars' IP option	(3,450)	-	-	-	-	-	(3,450)
Loans from a financial institution, net	-	(209,287)	-	-	-	-	(209,287)
Accrued severance pay, net	-	(518)	(515)	-	-	-	(1,033)
Deferred taxes	-	(17,469)	-	-	-	-	(17,469)
Royalty payable	-	(10,838)	-	-	-	-	(10,838)
Income tax payable	(1,321)	(4,223)	(1,471)	(365)	-	(16)	(7,396)
Gaming tax payables	-	(1,439)	-	-	(8,694)	-	(10,133)
Client liabilities	(20)	(1,190)	-	-	(3,172)	(2,545)	(6,927)
Monetary liabilities	**(8,103)**	**(253,195)**	**(14,551)**	**(2,917)**	**(14,685)**	**(4,359)**	**(297,810)**
Net	**6,004**	**(216,382)**	**(11,979)**	**2,638**	**5,771**	**7,537**	**(206,411)**

NOTE 24 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont.)

Interest risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in interest rates. The Company's interest on loans from the financial institutions is linked to the EURIBOR.

The Company has not presented a sensitivity analysis of the impact on its statement of comprehensive income of potential movements in interest rates, as in the opinion of the directors, the change in the fair value of its financial assets or liabilities would be negligible.

C. Liquidity risk

The Company monitors its liquidity in order to ensure that sufficient liquid resources are available to allow it to meet its obligations.

The following table details the contractual maturity analysis of the Company's financial liabilities and interest to be incurred (representing undiscounted contractual cash-flows):

	As of December 31, 2022			
	In 3 months	Between 3 months and 1 year	More than 1 year	Total
	U.S. dollars (in thousands)			
Loans and interest	3,103	9,413	244,162	256,678
Lease liabilities	-	1,150	6,823	7,973
Trade and other payables	16,042	-	-	16,042
Royalty payables	10,838	-	-	10,838
Client liabilities	6,927	-	-	6,927
Total	36,910	10,563	250,985	298,458

NOTE 25 – INCOME (LOSS) PER SHARE

	For the year ended December 31,		
	2022	2021	2020
	U.S. dollars (in thousands)		
Basic and diluted earnings per share:			
Net income (loss) attributable to equity holders of the company	(18,965)	4,652	6,514
Weighted average number of issued ordinary shares	29,716,281	25,302,350	22,329,281
Dilutive effect of share options and RSUs	-	1,337,771	1,569,196
Weighted average number of diluted ordinary shares	29,716,281	26,640,120	23,898,477
Income (loss) per share, basic ($)	(0.64)	0.18	0.29
Income (loss) per share, diluted ($)	(0.64)	0.17	0.27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 26 – RESERVES

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Share based payments reserve	Fair value of the vested employees' options to purchase Company shares.
Reserve with respect to transaction under common control	The reserve represents the difference between the fair value of the consideration and the book value of the intangible assets as was accounted for by the seller, with respect to the 2014's acquisition under common control.
Reserve with respect to funding transactions from related parties	See Notes 4 and 9

NOTE 27 – EMPLOYEES

As of December 31, 2022, the Company had 216 employees located in Israel (2021: 154), 8 employees located in the United States (2021: 2), 172 employees located in Malta (2021: nil), 99 employees located in Bulgaria (2021: nil), 158 employees located in North Macedonia (2021: nil), and additional 42 team members spread across other EU Member States (2021: nil). Additionally, as of December 31, 2022, the Company had 39 dedicated contractors located in India (2021: nil), and 383 dedicated contractors and employees hired by our Ukrainian subsidiaries (2021: 211), of which, prior to Russia's invasion of Ukraine in February 2022, approximately 107 left Ukraine to neighboring countries.

NOTE 28 – FEES PAID TO THE AUTHORIZED AUDIT FIRMS

The aggregate fees billed to the Company for professional services provided by Zift Haft, Certified Public Accountants (Isr.), BDO member Firm and its affiliated firms ("BDO") and Atwell S.à r.l. ("Atwell") were as follows for the years ended December 31:

	2022 (USD)	2021 (USD)
	U.S. dollars (in thousands)	
Audit fees	656	375
Audit-Related fees	170	-
Tax fees	282	170
Total	1,108	545

- **Audit fees** - The fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and procedures performed with respect to the prospectuses.

- **Audit-Related fees -** The fees for attestation services with respect to the acquisition of Aspire and for NPI.

- **Tax fees –** The tax fees for tax compliance and tax related services.

The Audit Committee considered the compatibility of the non-audit-related services provided by, and fees paid to, BDO and Atwell in the years ended December 31, 2022 and 2021 and determined that such services and fees are compatible with the independence of BDO and Atwell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29 – FEES PAID TO THE BOARD OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Our independent directors receive both cash and equity compensation for service on our board of directors. Our compensation program for independent directors is designed to meet the following objectives:

- to provide fair compensation to directors commensurate with the time commitments, responsibilities and strict gaming licensing requirements that must be maintained for service on our Board;
- to attract and retain experienced, highly-qualified individuals to serve on our Board; and
- to provide a compensation program that aligns the interest of directors with shareholders by providing a significant portion of annual compensation in the form of equity.

The amount of compensation paid to our independent directors for the 2022 financial year was as follows: Mr. John E. Taylor Jr. received cash compensation of approximately $126,000 and the board of directors has approved equity compensation in the form of a grant of 14,168 restricted share units, subject to approval by shareholders at the next shareholders meeting, with a cliff vesting of all such restricted share units on June 30, 2024; Mr. Laurent Teitgen received cash compensation of approximately $25,000 and the board of directors has approved equity compensation in the form of a grant of 3,542 restricted share units, subject to approval by shareholders at the next shareholders meeting, with a cliff vesting of all such RSUs on June 30, 2024 and; Ms. Lisbeth McNabb, who resigned from our board of directors effective on April 21, 2023, received cash compensation of $67,000.

NOTE 30 – SUBSIDIARIES AND ASSOCIATES

Details of the Group's subsidiaries, associates and branches as at the end of 2022 are set out below:

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
NeoGames S.A.	Luxemburg	100%	Parent entity
NeoGames Connect s.a.r.l.	Luxemburg	100%	Holding company
Neogames Systems Ltd.	Israel	100%	Intellectual property owner as well as Israel employer
Neogames US LLP	United States	100%	North America distributer
NG Connect Ltd	Malta	100%	Holding company
NG Malta Branch	Malta	100%	Dormant
NeoGames Solutions LLC	United States	100%	North America Licensor
Neogames S.R.O	Czech Republic	100%	Czech Republic licensor
Neogames Ukraine	Ukraine	100%	Provides development services to Neogames Systems Ltd.
NeoPollard Interactive LLC	United States	50%	See Note 1
Aspire Global International Limited	Malta	100%	Maltese-licensed B2C trading company
AG Software Ltd	Malta	100%	Maltese-licensed B2B trading company
Aspire Global Marketing Solutions Ltd	Israel	100%	Provides certain marketing support and development services to Aspire Global Plc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 30 – SUBSIDIARIES AND ASSOCIATES (Cont.)

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
AG Communications Limited	Malta	100%	B2B trading company holding B2C licenses in Denmark and United Kingdom
AG 7 Limited	Malta	100%	B2B trading company
Utopia Management Group Ltd	British Virgin Islands	100%	Provides certain marketing and acquisition services
ASG Technologies Ltd	British Virgin Islands	100%	Acts as a nominee with respect to the registration of certain domains owned by the Group
Aspire Global Ukraine	Ukraine	100%	Provides customer support and development services to Aspire Global Plc.
Novogoma Ltd	Malta	83%	Dormant
Neolotto Ltd	Malta	37.6%	Dormant
Minotauro Media Limited	Ireland	30%	Engaged in the business of marketing and promoting online gaming services via its domain names
Marketplay Ltd*	Malta	49.9%	Engaged in the business of marketing and promoting online gaming services via its domain names
NEG Group Limited	Malta	25%	Dormant
Vips Holdings	Malta	13%	Dormant
GMS Entertainment Limited ("GMS")	Isle of man	100%	Engaged in developing and licensing real money gaming games and systems in global regulated markets
BtoBet Limited	Gibraltar	100%	Engaged in developing and licensing real money sports betting and systems in global regulated markets
Cylnelish, Sociedad, Limitda	Spain	100%	Provides certain marketing support services to Aspire Global Plc.
Aspire Global US Inc.	USA	100%	US Trading company
BNG Investment Group Ltd.,**	British Virgin Islands	25%	Engaged in developing and licensing real money bingo games and systems in global regulated markets

* Market Play Limited is the company that launched Mr. Play, a casino and sports betting brand. Aspire provides the technology and is a significant shareholder in the venture, holding 49.9% of its shares, along with various investors. Aspire had invested €2.5 million and acquired shares from the other shareholders for €1 million. According to a purchase price allocation, the excess has been allocated to goodwill. During Q1 2022, Aspire granted Market Play Limited a five-year loan in the amount of €2.5M, bearing annual interest of 5.0% payable every 6 months.
In 2022, the Group recognized its share of Market Play Limited's profit of €0.6 million.

**On December 10, 2021, Aspire signed an agreement to acquire 25% of bingo supplier END 2 END for USD 1.75 million in cash with an option to acquire all of the shares exercisable after three to five years. This provides Aspire with access to a real omni channel technology and a proprietary offering in one of the biggest verticals in the iGaming industry.

NOTE 31 – SUBSEQUENT EVENTS

On May 15, 2023, the Company entered into a Business Combination Agreement (the "Business Combination Agreement") with Aristocrat Leisure Limited ("Aristocrat"), a company organized under the laws of Australia, and Anaxi Investments Limited, a Cayman Islands company and wholly owned indirect subsidiary of Aristocrat. Pursuant to the Business Combination Agreement each issued and outstanding ordinary share of the Company prior to the effective time of the merger (other than certain exceptions) shall be converted to the right to receive $29.50. The parties' obligation to consummate the transactions set forth in the Business Combination Agreement are subject to the satisfaction or waiver of certain conditions including shareholders and regulatory approvals.