UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

or

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____to _____

COMMISSION FILE NUMBER: 001-36689

INSPIRED ENTERTAINMENT, INC.
(Exact name of registrant as specified in its charter)

Delaware	**47-1025534**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

250 West 57th Street, Suite 415
New York, New York 10107
(646) 565-3861
(Address, including zip code, of principal executive offices
and telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	**Trading Symbol**	**Name of each exchange on which registered**
Common Stock, par value $0.0001 per share	INSE	The Nasdaq Stock Market LLC
Preferred Stock Purchase Rights		The Nasdaq Stock Market LLC

Securities registered under Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Date File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of the chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 126-2 of the act): Yes ☐ No ☒

The aggregate market value of the registrant’s common stock, other than shares held by persons who may be deemed to be affiliates of the registrant, computed by reference to the closing sales price for the registrant’s common stock on June 30, 2019, the last business day of the registrant’s most recently completed second fiscal quarter, as reported on the Nasdaq Capital Market, was approximately $74 million. For the purpose of this disclosure, executive officers, directors and holders of 10% or more of the registrant’s common stock are considered to be affiliates of the registrant.

As of March 25, 2020, there were 23,021,843 shares of the registrant’s common stock, par value $0.0001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s proxy statement relating to the 2020 annual meeting of stockholders are incorporated by reference in Part III. The proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after the conclusion of the registrant’s fiscal year ended December 31, 2019. If such proxy statement is not filed on or before April 29, 2020, the information called for by Part III will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements and other information set forth in this report, including in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere herein, may relate to future events and expectations, and as such constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the Securities Act of 1933, as amended (the “Securities Act”). Our forward-looking statements include, but are not limited to, statements regarding our business strategy, plans and objectives and our expected or contemplated future operations, results, financial condition, beliefs and intentions. In addition, any statements that refer to projections, forecasts or other characterizations or predictions of future events or circumstances, including any underlying assumptions on which such statements are expressly or implicitly based, are forward-looking statements. The words “anticipate”, “believe”, “continue”, “can”, “could”, “estimate”, “expect”, “intend”, “may”, “might”, “plan”, “possible”, “potential”, “predict”, “project”, “scheduled”, “seek”, “should”, “would” and similar expressions, among others, and negatives expressions including such words, may identify forward-looking statements.

Our forward-looking statements reflect our current expectations about our future results, performance, liquidity, financial condition, prospects and opportunities, and are based upon information currently available to us, our interpretation of what we believe to be significant factors affecting our business and many assumptions regarding future events. Actual results, performance, liquidity, financial condition, prospects and opportunities could differ materially from those expressed in, or implied by, our forward-looking statements. This could occur as a result of various risks and uncertainties, including the following:

- the effect and impact of the ongoing global coronavirus (COVID-19) pandemic on our business with respect to the potential duration of the pandemic, the various Government-ordered emergency measures including travel restrictions, social distancing and/or shelter in place orders and closure of retail venues and the remediation plans put in place by each Government to potentially mitigate these effects, the detail, scope and application of which are still largely unknown;
- our ability to compete effectively in our industries;
- the effect of evolving technology on our business;
- our ability to renew long-term contracts and retain customers, and secure new contracts and customers;
- our ability to maintain relationships with suppliers;
- our ability to protect our intellectual property;
- our ability to protect our business against cybersecurity threats;
- government regulation of our industries;
- our ability to successfully grow by acquisition as well as organically;
- fluctuations due to seasonality;
- our ability to attract and retain key members of our management team;
- our need for working capital;
- our ability to secure capital for growth and expansion;
- changing consumer, technology and other trends in our industries;
- our ability to successfully operate across multiple jurisdictions and markets around the world;
- changes in local, regional and global economic and political conditions; and
- other factors.

In light of these risks and uncertainties, and others discussed in this report, there can be no assurance that any matters covered by our forward-looking statements will develop as predicted, expected or implied. Readers should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason. We advise you to carefully review the reports and documents we file from time to time with the U.S. Securities and Exchange Commission (the “SEC”).

PART I

ITEM 1. BUSINESS.

Subsequent Events

Investors and potential investors are advised to review this annual report on Form 10-K in light of ongoing events. As with other businesses worldwide, we are experiencing severe disruption to our business as a result of the COVID-19 pandemic and the far-reaching actions of the governments of various countries where we do, and hope to do, business, as well as countries sourcing our supply chain.

The World Health Organization has declared COVID-19 to be a global pandemic. There have been a number of government-imposed emergency measures in many of the jurisdictions in which we operate in response to the pandemic. The duration of these measures are unknown, but include the closure of all retail venues (including pubs, bookmakers, holiday parks, and adult gaming centers), restrictions on all non-essential travel, social distancing, bans on public mobility and shelter in place measures. Retail operations of our customers in Italy, Greece, the U.S and the UK have closed and are no longer generating revenues for us. Our Interactive business, which includes Virtual Sports products, to the extent delivered online, remain operational.

Although there have been a number of government-supported initiatives (across our various geographies) proposed to ease the burden on businesses and employees, including employee retention schemes, credit relief and tax deferrals, there is still much uncertainty regarding the scope of these initiatives or their respective impact on our business.

While the situation is fluid, we have already experienced adverse effects on our business, which we are currently working to mitigate. Since mid-March, we have drawn down the full amount of GBP20.0 million (equivalent to $24.8 million at current exchange rates) on our revolving credit facility to provide additional near-term liquidity and cancelled or delayed material capital expenditures. Most recently, we implemented furloughs, reduced work hours and compensation levels, as well as additional measures across our entire business. The objective of these actions has been to lower our future cash expenditures for the period in which these initiatives remain in place.

Though we have seen an increase in our virtual/interactive business since the government-mandated closures, depending on the duration of the pandemic and government-mandated restrictions, as well as government-sponsored remediation regimes, the effects of these events are potentially catastrophic for the worldwide economy, including our business. However, the dynamic nature of the pandemic and government restrictions, as well as evolving potential for relevant, government sponsored business stimuli and creditor relief plans are neither quantifiable nor predictable as of this Report.

Overview

We are a global business-to-business gaming technology company, supplying Virtual Sports (which includes Interactive, comprising the offering of our SBG and Virtual Sports content via our remote gaming server) and Server Based Gaming (“SBG”) products to regulated lottery, betting and gaming operators worldwide through an “omni-channel” distribution strategy. We provide end-to-end digital gaming solutions on our proprietary and secure network, which accommodates a wide range of devices, including land-based gaming machine terminals, mobile devices such as smartphones and tablets and online computer applications.

Our Virtual Sports business designs, develops, markets and distributes ultra-high-definition games that create an always-on sports wagering experience. We believe we have a strong position in the supply of Virtual Sports gaming products, with a wide product offering available. As of December 31, 2019, our Virtual Sports products were available in more than 44,000 retail channels and on more than 300 websites. Our products are installed in over 35 gaming jurisdictions worldwide, including the UK, Italy, Greece, Morocco, and the U.S.

Our SBG business designs, develops, markets and distributes a broad portfolio of more traditional games through our digital network architecture. Our SBG products are offered through over 32,000 digital terminals in gaming and lottery venues around the world, with approximately 2,900 additional terminals contracted for deployment.

Our Virtual Sports products are typically offered to operators on a participation basis, whereby we receive a portion of the gaming revenues generated, plus an upfront software license fee. Our SBG products are typically offered directly to land-based and online casino gaming operators, either: (i) through product sales or (ii) on a participation basis. Because our SBG products are fully digital, they can interact with a central server and are provided on a “distributed” basis, which allows us to realize a number of benefits, including that we are able to access a wider geographic footprint through the internet and proprietary networks. We offer SBG products that are compliant with all requirements in the UK (B2/B3), Italy (’6B), Greece (G2S) and Illinois (G2S).

On October 1, 2019, we completed an acquisition of a number of entities from Novomatic (UK) Limited, a leading international supplier of gaming equipment and solutions. As a leading supplier of Category B1, B3, C and D gaming terminals as well as other coin operated products to pubs, arcades, motorway service areas and holiday resorts in the UK, this acquisition diversifies Inspired’s gaming products and adds popular content across a complementary customer base with very little overlap of existing customers. These entities together are hereinafter referred to as the “Acquired Businesses”. As of December 31, 2019, the Acquired Businesses operated approximately 19,000 gaming machines located in pubs, adult gaming centers, holiday parks and other route operations, and approximately 35,000 devices across a variety of amusement entertainment solutions and self-service betting terminals.

Our customer base includes regulated operators of lotteries, licensed sports bookmakers, gaming and bingo halls, casinos and regulated online operators, adult gaming centers, pubs, holiday parks, and motorway service areas. Some of our key customers include William Hill, SNAI, Sisal, Lottomatica, Betfred, Paddy Power Betfair, Genting, Bet365, Sky Bet, Fortuna, the Greek Organisation of Football Prognostics S.A. (OPAP S.A.), GVC Holdings Plc (including Ladbrokes Coral), the Pennsylvania Lottery, Bourne Leisure, Greentube, Stonegate, Mitchells & Butler, Marstons PLC, Greene King, JD Wetherspoon PLC, Park Dene Resort, Centre Parcs Resorts and Novomatic. Geographically, more than half of our revenues are derived from, and more than half of our non-current assets (excluding goodwill, which is not allocated by region) are attributed to, our UK operations, with the remainder of our revenues derived from, and non-current assets attributed to, Italy, Greece and the rest of the world.

The majority of our products, other than the products of the Acquired Businesses, are provided through multiple channels over a digital network. However, the Acquired Businesses manufacture and sell “analog” machines. All of our products are designed to operate within applicable gaming and lottery regulations and all of our customers are regulated gaming or lottery operators or are otherwise licensed to operate our products.

The gaming industry is heavily regulated. We and our products, as applicable, are licensed, authorized or certified, as applicable, in a number of major gaming and lottery jurisdictions. Our key licenses, authorizations and certifications include those from the Gambling Commission of Great Britain, the Italian gaming authorities and the Greek gaming authorities, as well as the Licensing Authority of Gibraltar, the Alderney Gambling Control Commission, the Belgian Commission, Autorité Des Marchés Financiers (Quebec) and state regulators in various jurisdictions in the United States. We are a member of key industry associations, including the Gaming Standards Association, the Betting and Gaming Council (BGC), the British Amusement Catering Trades Association (BACTA) and the Gambling Business Group (GBG).

Our Products

We have historically operated our business in two business segments – Virtual Sports (which includes Interactive) and Server Based Gaming – representing our different products and services. Since October 2019, our business also includes the Acquired Businesses. Our Interactive business comprises the offering of our SBG and Virtual Sports content via our remote gaming server. Our products in both the Virtual Sports and Server Based Gaming categories offer innovative games, available through a variety of distribution channels, including digital SBG terminals, mobile gaming products, computer and online gaming products and services and electronic table games (“ETG”). We believe our omni-channel distribution is an important differentiator of our products in the market, allowing us to update our game and operating software remotely and keep pace with fast-evolving requirements in game play, security, technology and regulations.

Virtual Sports offers ultra-high-definition games that create an always-on sports wagering experience, while SBG offers more traditional casino games such as slots, roulette and other table games. Our Virtual Sports game portfolio includes titles such as V-Play Soccer, V-Play Football, V-Play Basketball, Virtual Grand National and V-Play NFLA, as well as greyhounds other horse racing products, tennis, motor racing, cycling, cricket, speedway, golf and darts. We offer a comprehensive array of sports titles in Virtual Sports.

Our SBG game portfolio includes a broad selection of leading omni-channel slots titles including the Centurion™, game family and Super Hot Fruits™ featuring Sizzling Hot spins game family. These games offer customers a wide range of volatilities, return-to-player and other special features. We also offer a range of more traditional casino games through its SBG network, such as roulette, blackjack and numbers games. Certain product and company names referred to herein are trademarks™ or registered® trademarks of their respective holders.

Virtual Sports

We believe we are one of the leading suppliers of Virtual Sports gaming products in the world. We offer a wide range of sports and numbers games to more than 44,000 retail channels and more than 100 websites. Our customers are many of the largest operators in lottery, gaming and betting worldwide. We are contracted to supply Virtual Sports and other digital games to mobile and online operators in the UK, the U.S. states of Nevada, Pennsylvania and New Jersey, Gibraltar and other regulated, EU sectors, including Italy, Greece, Denmark and other jurisdictions such as China and Morocco. Virtual Sports can be adapted to function in sports betting, lottery, or gaming environments and is therefore available to a wide range of customers in both public and private implementations.

Our Virtual Sports product comprises a complex software and networking package that provides fixed odds wagering on an ultra-high definition computer rendering of a simulated sporting event, such as soccer, football or basketball. Players can bet on the simulated sporting event, in both a streaming and on-demand environment, overcoming the relative infrequency of live sporting events. We have developed this product using an award-winning TV and film graphics team with advanced motion capture techniques.

In addition to soccer, football, basketball, our virtual sports products also include tennis, speedway (track motorcycle racing), motorcar racing (single seater style and stock cars), velodrome cycle racing, greyhound and horse racing, , darts and cricket, as well as various lottery ball draw and other numbers games. We have also licensed the use of images of certain sports figures in our games, including with the NFL Alumni. We also entered into a partnership with CARM productions and Aintree Race Course to create the Virtual Grand National, which aired on live UK television in 2017, 2018 and 2019.

The Virtual Sports events are capable of being offered to millions of their customers, through land-based, online and mobile platforms, many of them available 24 hours per day, 7 days per week, and often concurrently within the same location or interactive platform. We have launched a remote game server Virtual Sports product, which enables the provision of on-demand Virtual Sports events alongside the scheduled events Virtual Sports events that during 2019 predominated in our product offerings.

In addition to on-demand Virtual Sports, our Virgo RGS™ offers a wide range of premium slots from feature-rich bonus games to European-style casino free spins, and table games incorporating well-known first and third-party brands including 20p Roulette, Jagr's Super Slot and Desperados Wild Megaways™. Inspired releases several new titles per month and new games can be seamlessly deployed to the full estate of operators via its Virgo RGS™. Inspired's Virgo RGS™ is integrated with a number of leading casino brands, including William Hill, Ladbrokes Coral, Bet365, Bwin, Paddy Power, Betfair, Sky Vegas, Bet Victor, Rank, Leo Vegas, Mr Green and Aspire Global. We are also now live with six North American operators: Caesars, Resorts, Mohegan and Golden Nugget in New Jersey and with British Columbia Lottery Corporation and Loto Quebec in Canada.

Server Based Gaming (SBG)

Our SBG products are capable of offering games through over 32,000 digital terminals in gaming and lottery venues around the world. Because our SBG products are fully digital, they can interact with a central server and are provided on a "distributed" basis, which allows us to realize a number of benefits, including that we are able to access a wider geographic footprint through the internet and proprietary networks.

We have a strong market position in the UK, where our SBG terminals account for a material portion of all SBG terminal placements and we offer over 100 games. We are also a material supplier to Italy and Greece. We offer SBG terminals such as the Flex4k curved screen, Storm HD, Eclipse, Valor™, Optimus and Blaze, each offering a different size terminal, graphics, technology and price proposition.

We are able to distribute games to devices via different Game Management Systems ("GMSs"), each tailored to a specific operator and sector type. Our CORE™ system is designed for distributed street-gaming sectors and uses Inspired or third-party cabinets in combination with *Inspired Inside* hardware, and gaming content from Inspired and a wide portfolio of independent game developers. CORE-CONNECT is our American Gaming Association G2S standard-based Video Lottery Terminal ("VLT") platform, currently deployed in the Greek VLT sector. Our Virgo remote gaming server ("RGS") is also used to power our web-based and mobile content delivery platform. This system, and the HTML5-based games that are deployed on it, mean that we can offer a genuine omni-channel game experience.

Acquired Businesses

The Acquired Businesses manufacture Category B, C and D gaming machines, arcade machines and other coin-operated machines to the UK pubs and leisure sectors. This includes Prismatic, a premium digital gaming terminal with both B3 and Cat C multi-game menus. Key gaming titles include Reel King®, Shenanigan's and Little Devils®. European focused titles include Golden Winner, Grand Slam and Dice Spinner. In addition, the business has developed a range of Cat D and Redemption Games for the Leisure sector. These feature globally recognized brands, including Monopoly from Hasbro, Deal or No Deal from Endemol and Pac Man from Bandai.

In addition to manufacturing, the Acquired Businesses operate and service a network of approximately 19,000 gaming machines located in pubs, adult gaming centers, holiday parks and other route operations, and approximately 35,000 devices across a variety of amusement entertainment solutions and self-service betting terminals.

Our Strategy

We are focused on executing on key strategies to achieve long-term growth in revenues, profit and cash flow. We seek to achieve our targets by delivering innovative and differentiated products that provide value to our customers and exciting experiences to their players in multiple jurisdictions throughout the world. We place great emphasis on developing creative solutions, in terms of game content and play, that deliver and sustain superior performance primarily for networked and distributed gaming. This networked strategy often allows us to update our games and operating software remotely, keeping pace with evolving requirements in game play, security, technology and regulations.

Our key strategic priorities are as follows:

Extend our positions in each of the sectors in which we operate by developing new products which can, in many cases, be utilized across multiple sectors.

We continually invest in new product development in each of the business segments in which we operate. We believe these investments can benefit our existing and prospective customers by making new products and services available to them and bringing exciting entertainment experiences to their players. Our digital approach, which connects our content to a wide range of devices and is compatible with a wide range of protocols and regulatory standards, allows us to distribute our content across multiple sectors in which we operate on a cost-efficient basis. We have continued to focus on channels where we believe there is considerable growth available – especially mobile, where we can deploy our RGS products. We believe our technological approach allows us to quickly adapt to changes in player preferences.

Continue to invest in games and technology in order to grow our existing customers' revenues.

Over the last three years, a substantial portion of our annual revenue has been recurring and based on long-term contracts with customers. These contracts are in the participation-based portion of our business, where our revenues typically grow in line with the growth of our customers' gaming revenues from our products. We work closely with our customers to assist in the optimization of their operations so they can achieve growth in their revenues generated by our products, which we believe is to our benefit. Accordingly, we continually invest in new game and technology offerings that we believe will enable our customers to keep their offerings fresh and allow them to offer their players new forms of entertainment. In some instances, we must develop new software and content to comply with, or mitigate the impact of, new regulatory requirements. We believe our game development is a key aspect of our strategy and we intend to continue this strategic priority for each of the businesses in which we operate.

Add new customers by expanding into underpenetrated markets while further penetrating existing markets.

We believe that our historical growth has been driven by our entry into new geographies, and supplemented by increasing our share in existing markets. We expect to continue to focus on North American VLTs, Virtual Sports and Interactive for such expansion. We believe North America is a major gaming market in which we currently have limited participation, but where our products are well positioned, or can be positioned, for future success.

Pursue targeted mergers and acquisitions to expand our product portfolio and distribution footprint.

In addition to growing our business organically, we have pursued, and continue to pursue, merger and acquisition opportunities that we believe will help strengthen and scale our operations and take further advantage of our competitive position. Our management team shares a combination of operating, investing, financial and transactional experience that we believe will serve the Company well as it seeks to identify opportunities for value-adding acquisitions and negotiate and close on beneficial acquisition transactions. For example, in October 2019, we completed the acquisition of the Acquired Businesses. We believe such acquisition added increased scale to our business while supplementing key technologies and content within our portfolio.

Our Competitive Strengths

We intend to execute our strategy by leveraging the following competitive strengths:

Significant Base of Operations with Recurring Revenue from Long-Term Relationships

Over the last three years, a substantial portion of our annual revenue has been recurring and based on long-term contracts with customers. Our customers include major blue-chip lottery, sports betting and gaming operators (both land-based and online) within regulated sectors worldwide. Many of our customer relationships in the UK and European sectors are long-standing and in excess of 10 years.

Strong Position in Virtual Sports

Our Virtual Sports products currently generate over $10 billion in player wagers per year. Inspired's award-winning Virtual Sports products offer a wide range of betting markets and what we consider to be superior graphics. Our Virtual Sports revenue is fast growing and high margin, and complements our recurring-revenue base, which is itself growing.

History of Strong Content Development

We deploy over 100 new games, variants and 3rd party titles per year across our GMSs and RGS systems. Many of our recent game launches, including Maximus Gold Cash™, Rainbow Cashpots™, and Mighty Hot Wilds™ (a consistent top performer in the Greek sector) have been omni-channel, offering a premium player experience across multiple platforms.

Networked, Distributed Digital Gaming Platform

Our proprietary digital gaming platform has been developed internally by our development teams. We offer products that are compliant with all requirements in each of the sectors in which we operate. Our digital, distributed gaming platform is able to deliver our content and user experience to devices ranging from gaming terminals to mobile devices.

Our ability to execute the strategy above is necessarily affected by the ongoing COVID-19 pandemic and, its as yet unknown effects on the business. In the immediate term, we are highly focussed on managing our cash flow and liquidity, as well as focussing on the parts of our business that remain operational in order to maximise near term revenues from those business lines.

We have recently taken measures intended to mitigate some of the effects of the COVID-19 pandemic, including a restructuring of the composition and pay levels of our workforce.

Experienced Management Team

Our seasoned management team is led by our Executive Chairman, Lorne Weil, who is known as a gaming industry innovator and whose past leadership includes growing a diversified global gaming technology company both organically and through extensive acquisitions and joint ventures further bolstering the business. Other members of the Company's Office of the Executive Chairman (the "OEC") are our President and Chief Operating Officer, Brooks H. Pierce; our Executive Vice President and Chief Strategy Officer, Daniel B. Silvers; our Executive Vice President and Chief Financial Officer, Stewart F.B. Baker; and our General Counsel, Carys Damon. The OEC executes the day-to-day management of the Company. Our management team has broad and deep experience in the gaming industry, working with lotteries, casino operators, betting platforms, and online operators. The members of the OEC have decades of collective experience in the gaming industry, including relationships with customers around the world, helping them build and sustain revenue growth. In addition, the members of the OEC have centered their careers on identifying, acquiring and integrating, through the implementation of value creation initiatives, complementary businesses.

Industry Overview

We operate within the global gaming and lottery industry. Global gaming and lottery growth has been resilient in the face of economic cycles over the last decade. According to H2 Gambling Capital, the industry has grown at a 3.0% compounded annual growth rate from 2009 to 2019, driven by increased consumer spend and the introduction of new regulated sectors.

During this period, digital online and mobile gaming and lottery have grown at a faster pace. According to H2 Gambling Capital, this portion of the industry has grown at a 10.7% compound annual growth rate, driven by rapid growth in the deployment of digital games and technologies, including many of our products, into land-based venues in the primary sectors in which we operate, where regulators have supported the transition to digital, online and retail channels.

We believe that the overall global gaming and lottery industry will continue to grow, with more robust growth in the digital gaming and lottery sectors. We believe the industry is content driven and, much like music, videogames and motion pictures, will continue to be transformed by the propagation of digitally-networked technologies.

As a gaming and lottery business-to-business supplier focused on digital products and technologies, we believe we are well-positioned to benefit from these trends.

Influencers of Digital Adoption

We believe the digital segment of the global gaming and lottery industry will continue to grow, including as a result of the following factors:

Governments: Opening of new gaming territories. Many national and state governments operating in developed economies in Europe and the United States are suffering from structural funding deficits. The regulation and liberalization of gaming and lottery is frequently relied upon to raise new sources of revenue for these governments. In most cases, we believe such liberalization does not favor buildouts of large new destination resort casinos, but rather focuses on smaller "EDGE" venues with lottery, gaming and sports betting, combined with online or mobile gaming.

Digital Multi-Channel Offerings: Replacement of legacy analog machines with larger volume of smart digital devices, including retail and mobile. In many established sectors, as existing gaming sectors mature, governments and regulatory authorities have implemented regulations to upgrade the established terminal base to digital operation.

Smartphones and Mobile Devices: Rapid adoption of gaming and lottery applications on growing volume. In certain sectors, mobile play on sports betting and gaming now exceeds such play on personal computers. According to H2 Gambling Capital, mobile gaming revenues in such sectors exhibited a 24.8% compounded annual growth rate between 2009 and 2019. Mobile gaming and lottery is now expanding in other sectors, and mobile play has recently been approved in other sectors for gaming or lottery.

In addition to the foregoing, we believe there are significant benefits for our customers in adopting digitally networked gaming and lottery technologies. We believe our digitally-enabled products allow operators to remotely manage their operations with minimal disruption to their businesses. The system centralization enabled by digital operations offers flexibility to rotate or change games, tailor game availability to time-of-day, target specific player demographics and take advantage of seasonal and themed marketing opportunities. New games often can be phased in without the interim revenue declines often associated with replacing games on traditional slot machines. In addition, digital operations permit more games per terminal, enabling operators to test new games and new suppliers, seek to appeal to a broader base of players with minimal cost or risk, commission games from third-party party suppliers on an open game interface and reduce procurement risk. Moreover, digital operations can significantly reduce the need for on-site repairs, improve terminal up-time and should extend terminal life cycles as well as the time period over which capital costs can be depreciated.

Regulatory Framework

We conduct business in a number of different jurisdictions, of which Great Britain and Italy have historically contributed the most significant recurring revenues. The gaming regulator responsible for our activities in Great Britain is the Gambling Commission of Great Britain (the "UK Gambling Commission" or the "Gambling Commission"). In Italy, the operation of gaming machines and remote gaming is regulated by L'Agenzia delle dogane e dei Monopoli ("ADM"). In addition, we are licensed or certified (as applicable) by the Greek gaming authorities and in a number of other jurisdictions by regulators such as the Licensing Authority of Gibraltar, the Alderney Gambling Control Commission, the Belgian Commission, Autorité Des Marchés Financiers (Quebec) and state regulators in various jurisdictions in the United States.

Great Britain

In the British sector, we supply and distribute Category B3 gaming machines (with maximum betting stakes for players of £2) and ETG machines to third parties who are licensed to operate such machines in bricks-and-mortar premises. We also supply virtual racing software to local retail venues and to online operators who are licensed to target the British sector. We also supply our Interactive product to remote operators who are licensed to target the British sector. The provision of our products and services in relation to the British sector is authorized by a series of licenses issued by the UK Gambling Commission, namely remote and non-remote Gaming Machine Technical (Full) operating licenses, a remote casino operating license, a remote and non-remote gambling software license and a remote general betting standard (virtual events) license.

British Betting and Gaming Laws and Regulations. The Gambling Act 2005 (the "GA05") is the principal legislation in Great Britain governing gambling (other than in relation to the National Lottery, which is governed by separate legislation). The GA05 applies to both land-based gambling (referred to as "non-remote" gambling) and online and mobile gambling (referred to as "remote" gambling). On March 20 2020, the British Government closed all pubs, betting shops, arcades and holiday parks for an indefinite period as one of several measures to prevent the spread of COVID-19.

The GA05 provides that it is an offense to make a gaming machine available for use without an appropriate operating license. There are a number of different categories of licensable gaming machines (the GA05 provides for category A to D machines, although no category A machines are currently in operation); each category is subject to different levels of maximum stakes and prize limits. In addition, there are limits on the numbers and types of gaming machines that can be operated from licensed premises: for example, a licensed betting office is permitted to house up to four category B2 to D machines, while a large casino may house up to 150 category B to D machines (subject to satisfying certain ratios of machines to gaming tables).

Gaming machine suppliers are required to hold an operating license in order to manufacture, supply, install, adapt, maintain or repair a gaming machine or part of a gaming machine. Gaming machine suppliers must also comply with the Gaming Machine Technical Standards published by the Gambling Commission in relation to each category of machine, and such machines must meet the appropriate testing requirements.

In relation to remote gambling, the GA05 (as amended by the Gambling (Licensing and Advertising) Act 2014 provides that it is an offense to "provide facilities" for remote gambling either (a) using "remote gambling equipment" situated in Great Britain, or (b) which are used by players situated in Great Britain, in each case without a remote gambling operating license. It is also an offense to manufacture, supply, install or adapt gambling software in Great Britain without an appropriate gambling software license.

A remote gambling operating license holder providing facilities for remote gambling to British players is required to use gambling software manufactured and supplied by the holder of a gambling software license (and to failure to do so is an offence). Where gambling software is used or supplied for use in relation to the British sector, it must satisfy the Remote Gambling and Software Technical Standards published by the Gambling Commission.

The holder of a British gambling operating license is subject to a variety of ongoing regulatory requirements, including but not limited to the following:

- Shareholder disclosure: An entity holding a gambling license must notify the Gambling Commission of the identity of any shareholder holding 3% or more of the equity or voting rights in the entity (whether held or controlled either directly or indirectly).

- Change of corporate control: Whenever a new person becomes a "controller" (as defined in section 422 of the Financial Services and Markets Act 2000) of a company limited by shares that holds a gambling operating license, the licensed entity must apply to the Gambling Commission for permission to continue to rely on its operating license in light of the new controller. A new controller includes any person who holds or controls (directly or indirectly, including ultimate beneficial owners who hold their interest through a chain of ownership) 10% or more of the equity or voting rights in the licensed entity (or who is otherwise able to exercise "significant influence" over it). The Gambling Commission must be supplied with specified information regarding the new controller (which, in the case of an individual, includes detailed personal disclosure) and this information will be reviewed by the Gambling Commission to assess the suitability of the new controller to be associated with a licensed entity. If the Gambling Commission concludes that it would not have issued the operating license to the licensed entity had the new controller been a controller when the application for the operating license was made, the Gambling Commission is required to revoke the operating license. It is possible to apply for approval in advance from the Gambling Commission prior to becoming a new controller of a licensed entity.

- Compliance with the License Conditions and Codes of Practice (LCCP): The LCCP is a suite of license conditions and code provisions which attach to operating licenses issued by the Gambling Commission. The provision of gambling facilities in breach of a license condition is an offense under the GA05. Certain specified “Social Responsibility” code provisions are accorded the same weight as license conditions in this regard (whereas breach of an “ordinary” code provision is not an offense in itself, but may be evidence of unsuitability to continue to hold a gambling license). The LCCP imposes numerous operational requirements on licensees, including compliance with the Gambling Commission’s Remote Gambling and Software Technical Standards, segregation of customer funds, the implementation of a variety of social responsibility tools (such as self-exclusion), anti-money laundering measures, age verification of customers and a host of consumer protection measures. The Gambling Commission regularly reviews and revises the LCCP.

- Regulatory returns and reporting of key events: The LCCP requires licensees to submit quarterly returns to the Gambling Commission detailing prescribed operational data. Licensees are also required to notify the Gambling Commission as soon as practicable and in any event within 5 working days of becoming aware of the occurrence of certain specified “key events” which, in summary, are events which could have a significant impact on the nature or structure of the licensee’s business. Licensees are also required to notify suspicion of offenses and suspicious gambling activity.

- Personal licenses: Key management personnel are required to maintain personal licenses authorizing them to discharge certain responsibilities on behalf of the operator. These personal licenses are subject to renewal every five years. Personal licenses are subject to compliance with certain license conditions.

Italy

We operate two different gaming businesses in Italy. We supply video lottery terminals (“VLTs”), including the terminal machines themselves, the related online platforms and the games available on the machines, to brick-and-mortar gaming halls. On March 11 2020, the Italian Government closed all bricks and mortar gaming halls for an indefinite period as one of several measures to prevent the spread of COVID-19. We also supply Virtual Sports products, including online platforms and games, to betting shops and online platforms. Our businesses are operated through the Italian branches of certain of our UK subsidiaries. These branches hold police licenses and are enrolled in the Register of Gestori, as further described below. We supply our Italian VLTs and Virtual Sports products only to operators licensed under Italian gaming laws and regulations.

Our VLT and Virtual Sports platforms must be connected over the internet to servers operated by the ADM. Information regarding gaming sessions and the amounts wagered and won is provided in real time through the ADM servers, in order to enable the ADM to monitor the operation of machines and games and to verify the amount of taxes due.

Italian Betting and Gaming Laws and Regulations. Operators of betting premises offering VLTs (including the entities managing the networks connecting such VLTs to ADM servers), and operators of betting premises or online platforms offering Virtual Sports products, must hold an Italian gaming license. No gaming license is required in order to supply VLTs or Virtual Sports products to such operators. Such VLT platforms, machines and games, and Virtual Sports platforms and games, must be certified and approved by SOGEI, an entity authorized to conduct such certifications, and approved by the Italian Ministry of Finance. Such certifications and approvals must be obtained by such operators, rather than the suppliers of such VLT platforms, machines and games, and Virtual Sports platforms and games.

Suppliers of gaming machines, including VLTs, must hold a police license (as prescribed by article 86, paragraph 3, of the Italian United Text of Public Security Law (TULPS) provided by the Royal Decree 18 June 1931, No. 773) and be enrolled in a registry prescribed by article 1, paragraph 82 of Law No. 220/2010 (known as the “Register of Gestori”). If a supplier of gaming machines is not enrolled in the Register of Gestori, any agreement it enters into regarding the supply of gaming machines is null and void. In addition, if the enrollment is not renewed, existing agreements regarding the supply of gaming machines become null and void. Enrollment in the Register of Gestori is subject to, among other things, a review of the suitability of the applicant business entity and its directors. In the event of a change of control of the entity enrolled in the Register of Gestori (but not of such entity’s direct or indirect parent entities), the details of such change must be notified to the ADM and suitability must be reconfirmed.

Suppliers of Virtual Sports products are not required to hold a police license, be enrolled in the Register of Gestori or otherwise be licensed or registered.

Greece

In Greece, we supply VLTs, including the terminal machines themselves, the related online platforms and the games available on the machines, to brick-and-mortar gaming locations operated by OPAP, the country's sole licensed operator of gaming machines. We supply such VLTs under a certification provided by the Hellenic Gaming Commission (the "HGC"). We also supply Virtual Sports products within retail venues operated by OPAP and via self-service betting terminals within OPAP venues. On March 13 2020, the Greek Government closed all bricks and mortar gaming halls for an indefinite period as one of several measures to prevent the spread of COVID-19.

Greek Betting and Gaming Laws and Regulations. According to articles 25(b) and 44 par. 2 of Law 4002/2011 as in force, as well as according to HGC's Decision No 225/2/25.10.2016, all suppliers of gaming machines in Greece must be certified by the HGC in order to legally supply, sell, lease, offer or distribute any VLT or virtual game or any other game of chance (i.e. games including wagers or bets and the result of which games depends, even partly, on the influence of luck). Suppliers are divided into two types, manufacturers and importers/distributors (according to articles 47 and 48 of the aforementioned HGC's Decision). In order for a manufacturer to receive certification, it must satisfy the HGC as to its corporate and financial status and must not have been denied a gaming license or certification in any other country. In order for an importer/distributor to receive certification, it must satisfy the HGC as to its corporate and financial status, must not have been denied a gaming license or certification in any other country and must have the approval of the manufacturer to supply its products in the Greek sector.

Gaming Regulation and Changes in Ownership

In all of the jurisdictions in which we are subject to gaming regulations, regulators require us to keep them informed as to our ownership structure and composition and, to varying extents and in various circumstances, require us to disclose certain information regarding the persons who directly or indirectly hold our shares. Depending on the regulator, we may need to provide such information not only when we first seek licenses or certifications, but also when material changes (measured at different levels) occur in the ownership of our shares. As a result, material changes in our shareholdings may be subject to special procedures in order to ensure the continuation of our gaming licenses and certifications.

Content Development

We continually invest in new product development in each of our Virtual Sports and Server Based Gaming business segments. Inspired has a full stack game development structure, combining its own leading technology frameworks together with some of the industry's best math, art, creative and production personnel, along with a select few external development teams to deliver the best in omni-channel mobile and VLT games. We deploy over 100 new games, variants and 3rd party titles per year across our GMSs and RGS systems. Many of our recent game launches, including Maximus Gold Cash™, Rainbow Cashpots™, and Mighty Hot Wilds™ (a consistent top performer in the Greek sector) have been omni-channel, offering a premium player experience across multiple platforms. In Virtual Sports we combine graphical assets and software that controls those assets to schedule events and generate results via a random number generator, as well as supplying on demand versions of our content. We account for our development costs as software development costs and these are typically amortized over a two-year period.

Suppliers

Our principal supply arrangements concern the supply of our SBG terminal components, content provision and outsourced labor. We work closely with our key suppliers to ensure a high level of quality of goods and services is obtained and have worked with many of these suppliers for many years. We have achieved significant cost savings through centralization of purchases.

Customers

Our customer base includes regulated operators of lotteries, licensed sports bookmakers, gaming and bingo halls, casinos and regulated online operators. We typically implement design and content variations to customize their terminals and player experiences. Our license agreements with customers for the provision of SBG content and Virtual Sports products include provisions to protect our intellectual property rights in our games and other content.

Operations and Employees

Our operations include game production, platform and hardware design, production, testing, and distribution; the maintenance, management, and extension of our centralized network for product distribution and product monitoring; the delivery and, in certain circumstances, maintenance of SBG terminals; gaming machine engineering, assembly, repair and storage; parts supply; change and release management; remote operational services; problem management; business development; market account management; and general administration and management, including Finance, Legal, People (Human Resources), Investor Relations, Marketing and Communications, Quality, Compliance and Information Security.

As at December 31 2019, we had approximately 1,700 full time employees. Of those employees, over 600 were dedicated to delivering our digital gaming platforms, content and manufacturing. Approximately 100 of our employees were assigned to the ongoing operation of our network, through which we supply and maintain our products. Approximately 750 of our employees were involved in UK field operations. Our management, sales and administration teams accounted for approximately 250 employees. We have been in the process of consolidating a number of offices and functions as part of our integration project which will result in an overall reduction in employees.

Intellectual Property

Our intellectual property consists principally of the propriety software we develop to operate our network and in the design and distribution of our games. We depend upon agreements relating to trade secrets and proprietary know-how to protect our rights in this intellectual property. We require all our employees, contractors and other collaborators to enter into agreements that prohibit the disclosure of our confidential information to other parties. In addition, it is our policy to require our employees, contractors and other collaborators who have access to proprietary and trade secret material to enter into agreements that require them to assign any and all intellectual property rights to us that arise as a result of their work on our behalf. We also require our employees to review and acknowledge our trade secret policies regarding how we handle trade secrets. These agreements, acknowledgements and policies may not provide adequate protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure in violation of these agreements, and may not be sufficient to secure for us the value in such developments that they are designed to secure.

We also hold certain patents, trademarks, design rights and other intellectual property rights in respect of our products, systems, web domains, and other intellectual property. We also rely on certain products and technologies that we license from third parties. Proprietary licenses typically limit our use of intellectual property to specific uses and for specific time periods.

Competition

We operate in a highly competitive industry, and in highly competitive business segments. We face competition from a number of worldwide businesses, many of which have substantially greater financial resources and operating scale than we do. Such competition could adversely affect our ability to win new contracts and sales and renew existing contracts. We operate in a period of intense price-based competition in some key sectors, which could affect the profitability of the contracts and sales we do win. In certain sectors, our businesses also face competition from suppliers, operators or licensees who offer products for internet gaming in illegal or unregulated sectors, but are still able or permitted to supply products and compete with us in regulated sectors. These competitors often have substantially greater financial resources and operating scale than we do. Our principal competitors include, among others, certain businesses that have vertically integrated gaming machine and retail betting operations and businesses that operate in both regulated and unregulated sectors and thereby effectively subsidize their regulated operations with unregulated operations.

Seasonality

Our revenues are subject to a number of variations. Equipment sales and software license revenues usually reflect a limited number of large transactions, which may not recur on an annual basis. Consequently, revenues and operating results can vary substantially from period to period as a result of the timing of equipment sales and software licensing. In addition, revenues may vary depending on the timing of contract awards and renewals, changes in customer budgets and general economic conditions. However, our revenues are not subject to regular seasonal variations of the sort often related to seasonal consumer behavior, except that income from the Acquired Businesses is generally strongest in the spring and summer and predominantly in Leisure Parks, in Italy and Greece we experience reductions in revenue in the summer and in the UK, Italy and Greece we experience increases in revenue around customers' pay dates.

Corporate Information

We maintain a website at www.inseinc.com. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act are available free of charge through the Investors link on our website as soon as reasonably practical after they are electronically filed with or furnished to the SEC. Also available on our website are our Code of Ethics, as well as the charters of the audit, compensation and nominating and corporate governance committees of the Board of Directors. Information on our website is not incorporated into this report.

ITEM 1A. RISK FACTORS.

Our business is subject to a high degree of risk. You should carefully read and assess our discussion of the risk factors facing our business, below. Any of these risks could materially and adversely affect our business, operating results, financial condition and prospects, and cause the value of our common stock to decline, which could cause investors in our common stock to lose all or part of their investments.

Risks Relating to Our Business and Industry

The ongoing coronavirus (COVID-19) pandemic is adversely affecting our business.

Our business has been and will be affected by the rapidly expanding coronavirus (COVID-19) pandemic. Our ability to offer land-based gaming generally has been affected by the closure, for an indeterminate period of time, of all venues that offer gaming in the jurisdictions in which we operate (including, but not limited to, the UK, Greece and Italy, from which we derive a substantial portion of our income). In addition, the economic impact of the pandemic may result in the permanent closure of certain venues and/or a decrease in the willingness or ability of consumers to engage in gambling activities, both during and possibly after the pandemic The pandemic may also adversely affect a broad range of our operations, including our ability to obtain and ship our products, our ability to continue to develop new products and services as well as the ability of our customers to pay outstanding amounts due to us. The emergency measures with respect to employment announced by the governments in the UK and Italy (where the Company has employees) are being followed by the Company but there is a risk that the measures may take longer to implement by the government than the Company anticipates and there is a possibility that the further detail with respect to those emergency measures to be announced is contrary to assumptions made by the Company. Moreover, the emergency measures may not provide any significant measure of support for the Company.

As a result of office closures relating to the COVID-19 outbreak, together with other unusual factors, we identified a material weakness in connection with the preparation of our financial statements. Despite the implementation of enhanced controls going forward, there can be no assurance that we do not experience a similar incident in the future if we stay on government ordered lockdown with furloughed staffs.

During March 2020, we closed our offices due to the COVID-19 outbreak. As a result, our employees have been working remotely since such time and we anticipate that they will continue to do so until the COVID-19 outbreak subsides. As described In Item 9A herein, we have identified a material weakness in our financial control system that arose in connection with the preparation of our year-end financial statements and the related review processes, associated with such office closures and other unusual factors. Despite the implementation of enhanced controls going forward, there can be no assurance that we do not experience a similar incident in the future if we stay on government ordered lockdown with furloughed staffs.

We operate in a highly competitive industry and our success depends upon our ability to effectively compete with numerous worldwide businesses.

We face competition from a number of businesses, including worldwide businesses, many of which have substantially greater financial resources and operating scale than we do. Such competition could adversely affect our ability to win new contracts and sales and renew existing contracts. We operate in a period of intense price-based competition in some key sectors, which could affect the profitability of the contracts and sales we do win.

In certain sectors, our businesses also face competition from suppliers, operators or licensees who offer products for internet gaming in illegal or unregulated sectors, but are still able or permitted to supply products and compete with us in regulated sectors. These competitors often have substantially greater financial resources and operating scale than we do.

If we cannot successfully compete in our industry and business segments, our business, results, financial condition and prospects could suffer.

We are heavily dependent on our ability to renew our long-term contracts with our customers and we could lose substantial revenue if we are unable to renew certain of these contracts.

Generally, our Virtual Sports contracts are for initial terms of three to five years, but longer in certain territories, with renewals at the customer's option. Generally, our SBG terminal contracts within the Acquired Businesses are for terms of four to six years (although in certain cases they are longer), but certain customers have options for early termination under certain circumstances or to reduce machines volumes in certain circumstances, and we may face pressure to renew or upgrade terminals during the lives of these contracts, which could adversely affect revenues or our return on capital and leave us with surplus terminals. At any given time, we have multiple substantial customer contracts that have years to run and others that may be nearing expiration or renewal, which we may lose if we cannot compete effectively to retain their business.

There can be no assurance that current contracts will be extended or that we will be awarded contract extensions or new contracts as a result of competitive bidding processes or otherwise. The termination, expiration or failure to renew one or more of our contracts could cause us to lose substantial revenue.

Changes in applicable gambling regulations or taxation regimes may affect the revenues or profits generated by the contracts we enter into with our customers. Many of the contracts have with our customers are on revenue-sharing (net of gaming taxes) terms, and therefore changes which adversely affect our customers may also adversely affect us. In addition, any such changes may cause our customers to seek to renegotiate their contracts, may alter the terms on which such customers are prepared to renew their contracts and may affect their ability or willingness to renew their contracts.

We rely on a relatively small number of customers for a significant portion of our sales, and the loss of, or material reduction in, sales to any of our top customers could have an adverse effect on our business, results of operations, financial condition and prospects.

Certain key customers, including certain UK, Italian and Greek SBG terminal customers and certain Virtual Sports customers, make a significant contribution to our revenues and profitability. Our top ten customers generated approximately 60% of total revenues in the year ended December 31, 2019. During the year ended December 31, 2019, two customers represented at least 10% of revenues, accounting for 14% and 13% of the Company's revenues' We expect that these customers will continue to represent a significant portion of our sales in the future. However, the loss of any of our top customers, whether through contract expiry and non-renewal, breach of contract or other adverse factors could materially adversely affect our revenues or return on capital and leave us with surplus terminals. Moreover, if any of these customers experience reduced revenue, such reduction could adversely affect any revenue-sharing arrangements we have with those customers, reduce our own revenues and adversely affect our financial results.

We are dependent on our relationships with key suppliers to obtain equipment and other supplies for our business on acceptable terms.

We have achieved significant cost savings through our centralization of equipment and non-equipment purchases. However, as a result, we are exposed to the credit and other risks of a group of key suppliers. While we make every effort to evaluate our counterparties prior to entering into long-term and other significant procurement contracts, we cannot predict the impact on our suppliers of the current economic environment and other developments in their respective businesses. Insolvency, financial difficulties, supply chain delays or other factors may result in our suppliers not being able to fulfill the terms of their agreements with us. Further, such factors may render suppliers unwilling to extend contracts that provide favorable terms to us, or may force them to seek to renegotiate existing contracts with us. In addition, our business has signed a number of significant contracts whose performance depends upon third party suppliers delivering equipment on schedule for us to meet its contract commitments. Failure of the suppliers to meet their delivery commitments could result in us being in breach of and subsequently losing those contracts. Although we believe we have alternative sources of supply for the equipment and other supplies used in our business, concentration in the number of our suppliers could lead to delays in the delivery of products or components, and possible resultant breaches of contracts that we have entered into with our customers; increases in the prices we must pay for products or components; problems with product quality or components coming to the end of their life; and other concerns.

Our ability to bid on new contracts may be dependent upon our ability to fund any required up-front capital expenditures through our cash from operations, the incurrence of indebtedness or the raising of additional equity capital.

Our SBG terminal contracts in the UK, Italy and Greece and terminal contracts within the Acquired Businesses often require significant up-front capital expenditures for terminal assembly, software customization and implementation, systems and equipment installation and telecommunications configuration. Historically, we have funded these up-front costs through cash flows generated from operations and external borrowings. Our ability to continue to procure new contracts, including in new jurisdictions, will depend upon, among other things, our liquidity levels at the time or our ability to obtain additional debt or equity funding at commercially acceptable terms to finance the initial up-front costs. If we do not have adequate liquidity or are unable to obtain other funding for these up-front costs on favorable terms or at all, we may not be able to bid on certain contracts, which could restrict our ability to grow and have an adverse effect on our ability to retain existing contracts and therefore on future profitability. Certain contracts within the Acquired Businesses also require injections of capital expenditure during the term for new or replacement hardware.

The UK Government's reduction of maximum permitted bets to £2 on B2 Gaming Machines from April 2019, along with other recent UK gambling rules, has had, and, together with potential new legislation and rules that may be considered in the UK, could have, a material negative impact on our business.

Effective as of April 1, 2019, the maximum stakes limit at fixed-odds betting terminals was required to be reduced from £100 to £2. As a result of this change, a number of LBO operators commenced a rationalization of their retail operations, which among other measures has included closure of certain LBO shops. The rationalization is likely to continue for the foreseeable future, and to have a negative impact on our business.

In January 2020, the U.K. Gambling Commission announced (i) a ban, which will come into effect on April 14, 2020, on the ability of gambling businesses to allow consumers in Great Britain to use credit cards to gamble in all online and offline gambling products, with the exception of non-remote lotteries, and (ii) changes to license conditions which will require all online gambling operators to participate in a multi-operator self-exclusion scheme, GAMSTOP, which will allow consumers to self-exclude from multiple online operators with one request. These license condition changes will be effective March 31, 2020. We will continue to assess the impact of these matters on our UK business. Furthermore, the U.K Gambling Commission has announced that it intends to review the UK Gambling Act. The timing of such review and the potential outcomes of such review are not currently known but new legislation or regulations could adversely affect our business.

Our business depends on our ability to prevent or mitigate the effects of a cybersecurity attack.

Our information technology may be subject to cyber-attacks, security breaches or computer hacking including a widespread ransomware attack encrypting corporate IT equipment, a directed motivated attack against us or a data breach or cyber incident happening to a third-party network and affecting us. Regardless of our efforts, there may still be a breach and the costs to eliminate, mitigate or address the aforementioned threats and vulnerabilities before or after a cyber incident could be significant. Any such breaches or attacks could result in interruptions, delays or cessation of service, and loss of existing or potential suppliers or customers. In addition, breaches of our security measures and the unauthorized dissemination of sensitive personal, proprietary or confidential information about the Company, our business partners or other third parties could expose us to significant potential liability and reputational harm. We could also be negatively impacted by existing and proposed laws and regulations, and government policies and practices related to cybersecurity, data privacy, data localization and data protection.

Our business depends upon the protection of our intellectual property and proprietary information.

We believe that our success depends, in part, on protecting our intellectual property in the UK and in other countries. Our intellectual property includes certain trademarks relating to our systems, as well as certain patents and proprietary or confidential information that is not subject to patent or similar protection. Our intellectual property protects the integrity of our games, systems, products and services, which is a core value of the industries in which we operate. Protecting our intellectual property can be expensive and time-consuming, may not always be successful depending on local laws or other circumstances, and we also may choose not to pursue registrations in certain countries. Competitors may independently develop similar or superior products, software, systems or business models. In cases where our intellectual property is not protected by an enforceable patent, or other intellectual property protection, such independent development may result in a significant diminution in the value of its intellectual property.

There can be no assurance that we will be able to protect our intellectual property. We enter into confidentiality or license agreements with our employees, vendors, consultants and, to the extent legally permissible, our customers, and generally control access to, and the distribution of, our game designs, systems and other software documentation and other proprietary information, as well as the designs, systems and other software documentation and other information we license from others. Despite our effort to protect these proprietary rights, parties may try to copy our gaming products, business models or systems, use certain of our confidential information to develop competing products, or independently develop or otherwise obtain and use our gaming products or technology, any of which could have an adverse effect on our business. Policing unauthorized use of our technology is difficult and expensive, particularly because of the global nature of our operations. The laws of some countries may not adequately protect our intellectual property.

There can be no assurance that our business activities, games, products and systems will not infringe upon, misappropriate of otherwise violate the proprietary rights of others, or that other parties will not assert infringement or misappropriation claims against us. Any such claim and any resulting litigation, should it occur, could subject us to significant liability for costs and damages and could result in invalidation of our proprietary rights, distract management, and/or require us to enter into costly and burdensome royalty and licensing agreements. Such royalty and licensing agreements, if required, may not be available on terms acceptable to us, or may not be available at all. In the future, we may also need to file lawsuits to defend the validity of our intellectual property rights and trade secrets, or to determine the validity and scope of the proprietary rights of others. Such litigation, whether successful or unsuccessful, could result in substantial costs and diversion of resources.

We also rely on certain products and technologies that we license from third parties. Proprietary licenses typically limit our use of intellectual property to specific uses and for specific time periods. There can be no assurance that these third-party licenses, or the support for such licenses, will continue to be available to us on commercially reasonable terms. In the event that we cannot renew and/or expand existing licenses, we may be required to discontinue or limit our use of the products that include, incorporate, or rely on licensed intellectual property.

Data privacy and security laws and regulations in the jurisdictions in which we do business could increase the cost of our operations and subject us to possible sanctions and other penalties

Our business is subject to a number of federal, state, local and foreign laws and regulations governing data privacy and security, including with respect to the collection, storage, use, transmission and protection of personal information. In particular, the European Union (the “EU”) has adopted strict data privacy regulations. Following recent developments, such as the EU’s General Data Protection Regulation (“GDPR”) coming into force in May 2018, data privacy and security compliance in the EU are increasingly complex and challenging. Failure to comply with such restrictions could subject us to criminal and civil sanctions and other penalties. GDPR continues to apply in the UK throughout the withdrawal period during 2020. The GDPR in particular has broad extraterritorial effect and imposes a strict data protection compliance regime with penalties of up to the greater of 20 million Euro and 4% of worldwide revenue.

Our results of operations fluctuate due to seasonality and other factors and, therefore, our periodic operating results are not guarantees of future performance.

Our revenues are subject to a number of variations. Equipment sales and software license revenues usually reflect a limited number of large transactions, which may not recur on an annual basis. Consequently, revenues and operating results can vary substantially from period to period as a result of the timing of equipment sales and software licensing. In addition, revenues may vary depending on the timing of contract awards and renewals, changes in customer budgets and general economic conditions. A proportion of our revenues are subject to regular seasonal variations of the sort often related to seasonal consumer behavior, income from the Acquired Businesses is generally strongest in the spring and summer and predominantly in Leisure Parks and in Italy and Greece we experience reductions in revenue in the summer and in the UK, Italy and Greece we experience increases in revenue around customers’ pay dates.

Our industry is subject to strict government regulations that could limit our existing operations and have a negative impact on our ability to grow.

In certain jurisdictions, forms of wagering, betting and lottery may be expressly authorized and governed by law and in other jurisdictions forms of wagering, betting and lottery may be expressly prohibited by law. If expressly authorized, such activities are typically subject to extensive and evolving governmental regulation. Gaming regulatory requirements vary from jurisdiction to jurisdiction. Therefore, we are subject to a wide range of complex gaming laws, rules and regulations in the jurisdictions in which we are licensed or may seek to be licensed. Most jurisdictions require that we are licensed or authorized, that our key personnel and certain of our security holders are found to be suitable or are licensed, and that our products are reviewed, tested and certified or approved before placement. If a license, approval, certification or finding of suitability is required by a regulatory or national authority and we fail to seek or do not receive the necessary approval, license, certification or finding of suitability, or if it is revoked, then we may be prohibited from distributing our products for use in the respective jurisdiction. Additionally, such prohibition could trigger reviews of our Company by regulatory bodies in other jurisdictions and adversely affect our ability to obtain or retain the required licenses and approvals in those jurisdictions.

The regulatory environment in any particular jurisdiction may change in the future, and any such change could have an adverse effect on our results of operations or business in general. Moreover, there can be no assurance that the operation of Server Based Gaming terminals, Video Lottery Terminals or other Terminals, Virtual Sports betting, betting online, lottery or other forms of wagering systems will be approved, certified or found suitable by additional jurisdictions or that those jurisdictions in which these activities are currently permitted will continue to permit such activities in their existing forms (stricter regulations, including regulation relating to age verification, could come into force which could have adverse impacts on the Company) or at all. While we believe that we have the means to continue to develop procedures and policies designed to comply with and monitor the requirements of evolving laws, there can be no assurance that law enforcement agencies, governmental agencies or gaming regulatory authorities, whether in existing or new jurisdictions, will not seek to restrict our business or otherwise institute enforcement proceedings or other legal claims against the Company. Moreover, in addition to the risk of such enforcement actions or claims, we are also at risk from loss of business reputation in the event of any potential legal or regulatory investigation whether or not we are ultimately accused of or found to have committed any violations.

We supply our products to operators of gaming venues, platforms and websites who typically must themselves be licensed by gaming regulators. If any one of these operators fails to maintain its gaming licenses, or violates gaming laws or regulations, our business may suffer, due to our loss of a viable customer and, in instances where we have a revenue-sharing arrangement with the operator, due to our loss of our shares of the revenue generated by that operator’s business.

We supply certain of our products to operators who operate gaming websites. Some of those operators may take bets from customers in sectors where no gaming laws or regulations exist and where the provision of online gaming is effectively unregulated. Although the Company seeks to ensure that its customers only take bets in sectors where online gaming is legal, if any of those operators is subjected to investigatory or enforcement action for acting otherwise, this could result in the operator suffering interventions ranging from special conditions being applied to its licenses, license suspension or license loss, or the operator otherwise withdrawing from or curtailing its activities in its sector. Any such developments could adversely affect such operator’s revenues and in turn adversely affect our earnings from such operator. The Company may itself be subject to investigatory or enforcement action (if and to the extent that local laws or the laws of other jurisdictions in which the Company operates impose liability on suppliers for the activities of the customers that they supply or for receiving funds that are deemed to be illegal because of such activities). We seek to protect ourselves against any such liability for the activities of the operators that we supply, including by contractually requiring those operators not to operate in certain territories and only supplying operators who we have reviewed to determine whether they uphold the requisite standards of regulatory and legal compliance. Nonetheless, there is a risk that we may fail to undertake sufficient due diligence, fail to receive accurate information on which to conduct due diligence, or become subject to investigatory or enforcement action should we or any of our customers be accused of breaching any regulations or laws. Any such action may adversely affect our standing with gaming regulators and our ability to obtain and retain required licenses and other approvals in other jurisdictions.

We may be required to obtain and maintain licenses and certifications from various state and local jurisdictions in order to operate certain aspects of our business and we and our key personnel and certain security holders may be subject to extensive background investigations and suitability standards. We may also become subject to regulation in any other jurisdiction where our customers are permitted to operate in the future. Licenses and ongoing regulatory compliance can be costly. There can be no assurance that we will be able to obtain new licenses or renew any of our existing licenses, and the loss, denial or non-renewal of any of our licenses could have an adverse effect on our business. Generally, regulatory authorities have broad discretion when granting, renewing or revoking approvals and licenses. Our failure, or the failure of any of our key personnel, systems or machines, in obtaining or retaining a required license or approval in one jurisdiction could have a negative impact on our ability (or the ability of any of our key personnel, systems or gaming machines) to obtain or retain required licenses and approvals in other jurisdictions. The failure to obtain or retain a required license or approval in any jurisdiction would decrease the geographic area where we may operate and generate revenues, decrease our share in the gaming marketplace and put us at a disadvantage compared with our competitors. In addition, the levy of substantial fines or forfeiture of assets could significantly harm our business, financial condition and results of operations.

Some jurisdictions also require extensive personal and financial disclosure and background checks from persons and entities beneficially owning a specified percentage of equity securities of licensed or regulated businesses. The failure of beneficial owners of our common stock to submit to such background checks and provide required disclosure could jeopardize our business. In light of these regulations and the potential impact on our business, our second amended and restated certificate of incorporation provides for the prohibition of stock ownership by persons or entities who fail to comply with informational or other regulatory requirements under applicable gaming law, who are found unsuitable to hold our stock by gaming authorities or whose stock ownership adversely affects our ability to obtain, maintain, renew or qualify for a license, contract, franchise or other regulatory approval from a gaming authority. The licensing procedures and background investigations of the authorities that regulate our businesses and the proposed amendment may inhibit potential investors from becoming significant stockholders or inhibit existing stockholders from retaining or increasing their ownership.

Our businesses are subject to a number of federal, state, local and foreign laws and regulations governing data privacy and security, including with respect to the collection, storage, use, transmission and protection of personal information and other consumer data. In particular, the EU has adopted strict data privacy regulations. Following recent developments such as the European Court of Justice's 2015 ruling that the transfer of personal data from the EU to the U.S. under the EU/U.S. Safe Harbor was an invalid mechanism of personal data transfer, the adoption of the EU-U.S. Privacy Shield as a replacement for the Safe Harbor, and the upcoming effective date of the EU's General Data Protection Regulation, data privacy and security compliance in the EU are increasingly complex and challenging. The scope of data privacy and security regulations continues to evolve, and we believe that the adoption of increasingly restrictive regulations in this area is likely within the U.S. and other jurisdictions. Compliance with data privacy and security restrictions could increase the cost of our operations and failure to comply with such restrictions could subject us to criminal and civil sanctions as well as other penalties.

We are subject to the provisions of the UK Bribery Act 2010, the U.S. Foreign Corrupt Practices Act and other anti-corruption laws. The UK Bribery Act generally prohibits giving a financial or other advantage to another person with the intention of inducing that person to improperly perform a relevant function or activity. The U.S. Foreign Corrupt Practices Act generally prohibits U.S. persons and companies and their agents from offering, promising, authorizing or making improper payments to foreign government officials for the purpose of obtaining or retaining business. Certain of these anti-corruption laws also contain provisions that require accurate record keeping and further require companies to devise and maintain an adequate system of internal accounting controls. Because a significant percentage of our revenue derives from foreign sources, and our business activities involve continuing relationships with governmental regulators, there exists a risk that certain provisions of these anti-corruption laws may be breached. We are also subject to anti-money laundering and anti-terrorist financing laws and regulations, and to economic and trade sanctions programs administered by the Office of Foreign Assets Control (OFAC) in the United States relating to our ability to engage in transactions with entities that are domiciled in countries or territories subject to comprehensive OFAC trade sanctions (currently, Cuba, Iran, North Korea, Syria, and Crimea), or that are included on OFAC's list of Specially Designated Nationals and Blocked Persons. Although we have policies and controls in place that are designed to ensure compliance with these laws, if those controls are ineffective or an employee or intermediary fails to comply with the applicable regulations, we may be subject to criminal and civil sanctions as well as other penalties. Any such violation could disrupt our business and adversely affect our reputation, results of operations, cash flows and financial condition.

We review and develop our internal compliance programs in an effort to ensure that we comply with legal requirements imposed in connection with our business activities. The compliance program is run on a day-to-day basis by our in-house legal department with compliance and technical advice provided by our compliance manager and outside professionals. There can be no assurance that such steps will prevent the violation of one or more laws or regulations, or that a violation by us or an employee will not result in the imposition of administrative, civil and even criminal sanctions, monetary fines or suspension or revocation of one or more of our licenses.

Our industry is subject to regulations that set parameters for levels of gaming or wagering duty, tax, stake, prize and return to player.

In most jurisdictions in which we operate or expect to seek to operate, the level of duty or taxation, the stake, prize and return to player of wagering, betting and lottery games and the speed at which players can participate in gaming are defined in government regulations which are subject to change. Those regulations may also affect the premises in which gaming activities may take place (i.e., by limiting the number of gaming machines which may be housed in a licensed gaming location, or by restricting the locations in which licensed gaming premises may be situated). Once authorized, such parameters are subject to extensive and evolving governmental regulation. Moreover, such gaming regulatory requirements vary from jurisdiction to jurisdiction. Therefore, we are subject to a wide range of complex gaming parameters in the jurisdictions in which we are licensed. If a key parameter is changed, such as the level of taxation or duty or the maximum stake or prize or return to player of a game, then it may be to the detriment of our business, financial condition, results and prospects or we may be unable to distribute our products profitably.

Our business is subject to evolving technology.

The sectors for our products are affected by changing technology, new regulations and evolving industry standards. Our ability to anticipate or respond to such changes and to develop and introduce new and enhanced products and services on a timely basis will be a significant factor in our ability to expand, remain competitive, attract new customers and retain existing contracts. For example, some of our contracts with customers require that the technology being licensed by the customer remain compliant with applicable regulations. Because regulatory changes cannot always be foreseen, such contractual requirements can from time-to-time result in us having to incur unforeseen costs to adapt our technology to changes in regulation.

Generally, there can be no assurance that we will achieve the necessary technological advances, have the financial resources, introduce new products or services on a timely basis or otherwise have the ability to compete effectively on a technological basis in the sectors we serve.

Our business competes on the basis of the stability, security and integrity of our software, networks, systems, games and products.

We believe that our success depends, in significant part, on providing secure products and systems to our vendors and customers with high levels of uptime, quality and availability. Attempts to penetrate security measures may come from various combinations of customers, retailers, vendors, players, employees and others. Our ability to monitor and ensure quality of our products is continually reviewed and enhanced. There can be no assurance that our business might not be affected by a security breach, virus, Denial of Service attack, or technical error, failure or lapse which could have an adverse impact on our business.

Additionally, we maintain a large number of games and terminals and jackpot systems, which rely on algorithms and software designed to pay out winnings to players at certain ratios. Our systems, testing and processes to monitor and ensure the payout of games are continually reviewed and enhanced, and are additionally reviewed and tested by third-party expert test houses. There can be no assurance that our business might not be affected by a malicious or unintentional breach or technical error, failure or lapse which could have an adverse impact on payout ratios which would consequently have an adverse effect on our business in the form of lost revenues or penalty payments to players or customers. Gaming regulators may take enforcement action against us (including the imposition of significant fines) where the payout ratios fall below the ratios advertised to customers, or our software, networks, systems, games and/or products otherwise suffer from technical error, failure or lapse.

We may be adversely affected by disruptions to our transaction gaming and lottery systems, as well as disruptions to our internal enterprise and information technology systems.

Our operations are dependent upon our transactional gaming, lottery and information technology systems. We rely upon such systems to manage customer systems on a timely basis, to coordinate our sales and installation activities across all of our locations and to manage invoicing. A substantial disruption in our transactional gaming, lottery and information technology systems for any prolonged time period (arising from, for example, system capacity limits from unexpected increases in our volume of business, outages, computer viruses, unauthorized access or delays in its service) could result in delays in serving our customers, which could adversely affect our reputation and customer relationships and could result in monetary penalties pursuant to the terms of customer contracts. Our systems might be damaged or interrupted by natural or man-made events or by computer viruses, physical or electronic break-ins, or similar disruptions affecting the Internet and our disaster recovery plan may be ineffective at mitigating the effects of these risks. Such delays, problems or costs could have an adverse effect on our financial condition, results of operations and cash flows.

Gaming opponents persist in their efforts to curtail legalized gaming, which, if successful, could limit our existing operations.

Legalized gaming is subject to opposition from gaming opponents, including in the UK, Italy and other sectors where we are active. There can be no assurance that this opposition will not succeed in either preventing the legalization of gaming in jurisdictions where these activities are presently prohibited or prohibiting or limiting the expansion or continuance of gaming where it is currently permitted, in either case to the detriment of our business, financial condition, results and prospects.

Our directors and key personnel are subject to the approval of certain regulatory authorities, which, if withheld, would require us to sever our relationship with non-approved individuals, which could adversely impact our operations.

Our members, managers, directors, officers and key employees must also be approved by certain government and state regulatory authorities. If such regulatory authorities were to find a person occupying any such position unsuitable, we would be required to sever our relationship with that person. We may thereby lose key personnel which would have a negative effect on our operations. Certain public and private issuances of securities and certain other transactions by us also require the approval of certain state regulatory authorities. Further, our gaming regulators can require us to disassociate ourselves from suppliers or business partners found unsuitable by the regulators. The regulatory environment in any particular jurisdiction may change in the future and any such change could have an adverse effect on our results of operations. In addition, we are subject to various gaming taxes, which are subject to increase at any time.

Licensing and gaming authorities have significant control over our operations and ownership, and could cause us to redeem certain stockholders on potentially disadvantageous terms.

Regulatory authorities have broad powers to request detailed financial and other information, to limit, condition, suspend or revoke a registration, gaming license or related approval and to approve changes in our operations. Some jurisdictions also require extensive personal and financial disclosure and background checks from persons and entities beneficially owning a specified percentage of equity securities of licensed or regulated businesses. For example, in the UK, an entity holding a gambling license must notify the Gambling Commission of the identity of any stockholder holding, directly or indirectly, 3% or more of its equity or voting rights, and must apply for permission to continue to rely on its operating license whenever a new person acquires, directly or indirectly, 10% or more of its equity or voting rights. The failure of beneficial owners of our common stock to submit to such background checks and provide required disclosure could jeopardize our business. Our second amended and restated certificate of incorporation provides that, to the extent required by the gaming authority making the determination of unsuitability or to the extent the board of directors determines, in its sole discretion, that a person is likely to jeopardize the Company’s or any affiliate’s application for, receipt of, approval for, right to the use of, or entitlement to, any gaming license, shares of our capital stock that are owned or controlled by an unsuitable person or its affiliates are subject to mandatory redemption by us. The redemption price may be paid in cash, by promissory note, or both, as required, and pursuant to the terms established by, the applicable gaming authority and, if not, as we elect. Such a redemption could occur on terms or at a time that a stockholder believes to be disadvantageous.

Changes in laws or regulations, or a failure to comply with, or liabilities under, any laws and regulations, may adversely affect our business, investments and results of operations.

We are subject to laws and regulations enacted by national, regional, state and local governments, including non-U.S. governments. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application may also change from time to time and those changes could have an adverse effect on our business, investments and results of operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, or liabilities thereunder, could have an adverse effect on our business and results of operations.

Certain of our executive officers and directors are affiliated with entities engaged in business activities similar to those conducted by us (or may enter into similar business activities in the future) and, accordingly, may have conflicts of interest in determining whether a particular business opportunity should be presented to us or to another entity.

Certain of our executive officers and directors are affiliated with entities that are engaged in businesses similar to the ones we operate (or may enter into similar business activities in the future). As a result, any of them may become aware of business opportunities which may be appropriate for presentation to us and to other entities to which they owe certain fiduciary or contractual duties. Accordingly, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented — to us or to another entity. These conflicts may not be resolved in our favor and a potential business opportunity may be presented to another entity prior to its presentation to us. Our second amended and restated certificate of incorporation provides that we renounce our interest in any corporate opportunity offered to any director or officer unless such opportunity is expressly offered to such person solely in his or her capacity as a director or officer of our Company and such opportunity is one that we are legally and contractually permitted to undertake and would otherwise be reasonable for us to pursue.

We are a holding company and conduct all of our operations through our subsidiaries.

We are a holding company and derive all of our operating income from our subsidiaries. Other than any cash we retain, all of our assets are held by our direct and indirect subsidiaries. We rely on the earnings and cash flows of our subsidiaries, which are paid to us by our subsidiaries, if and only to the extent available, in the form of dividends and other payments or distributions, to meet our debt service obligations. The ability of our subsidiaries to pay dividends or make other payments or distributions to us will depend upon their respective operating results and may be restricted by, among other things, the laws of their jurisdiction of organization (which may limit the amount of funds available for the payment of dividends and other distributions to us), the terms of existing and future indebtedness and other agreements of our subsidiaries and the covenants of any future outstanding indebtedness we or our subsidiaries incur.

Our inability to complete future acquisitions of gaming and related businesses and successfully integrate the Acquired Businesses or businesses we acquire in the future could limit our future growth, if any.

We continue to pursue expansion and acquisition opportunities in gaming and related businesses. We are also in the process of integrating the Acquired Businesses. We could face significant challenges in managing and integrating the expanded or combined operations including acquired assets, operations and personnel. There can be no assurance that acquisition opportunities will be available on acceptable terms or at all or that we will be able to obtain necessary financing or regulatory approvals to complete potential acquisitions. Our ability to succeed in implementing our strategy will depend upon the ability of our management to identify, complete and successfully integrate commercially viable acquisitions. Acquisition transactions may disrupt our ongoing business and distract management from other responsibilities. Any future acquisition transactions involving the use of company stock would dilute our existing stockholders and earnings per share.

Our business may be affected by changes in general and local economic and political conditions.

The demand for our services is sensitive to general and local economic conditions over which we have no control, including changes in the levels of consumer disposable income and geographic exposure to macro-economic trends and taxation. In addition, the economic stability of certain Eurozone countries where we conduct or intend to conduct business may become affected by sovereign debt crises or other general and local economic and political conditions. Adverse changes in economic conditions may affect our business generally or may be more prevalent or concentrated in particular sectors in which we operate. Any deterioration in economic conditions or the continuation of uncertain economic conditions could have an adverse effect on our business, financial condition, results of operations and prospects. Other economic risks which may adversely affect our performance include high interest rates, inflation and volatile foreign exchange markets, and effects arising from Great Britain’s exit from the European Union (“Brexit”).

The performance of our business may also be subject to political risks in certain jurisdictions where we operate, including change of government, political unrest, war or terrorism.

Our revenues can vary substantially from period to period and you should not rely upon our periodic operating results as indications of future performance.

Our revenues are subject to variations. Wagering equipment sales and software license revenues usually reflect a limited number of large transactions, which may not recur on an annual basis. Consequently, revenues and operating results can vary substantially from period to period as a result of the timing of major equipment sales and software license revenue. In addition, revenues may vary depending on the timing of contract awards and renewals, changes in customer budgets and general economic conditions. Revenues may also vary based on adverse sequences of payouts of prizes, unusual jackpot wins, and other variations in game margin.

Our business could also be affected by natural or man-made disasters such as floods, storms or terrorist attacks. We have taken steps to have disaster recovery plans in place but there can be no assurance that such an event would not have a significant adverse impact on our business.

We have operations in a variety of countries, which subjects us to additional risks.

We are a global business and derived substantially all of our revenue outside the United States during the year December 31, 2019. In the year ended December 31, 2019, we earned approximately 68% UK, 11% Italy, 13% Greece, 8% rest of world. Our business in foreign markets subject us to risks customarily associated with such operations, including:

- foreign withholding taxes on, or bank regulatory restrictions on expatriating, our subsidiaries’ earnings that could reduce cash flow available to meet our required debt service and other obligations;

- the complexity of foreign laws, regulations and markets;

- the impact of foreign labor laws and disputes;

- potential risks relating to our ability to manage our foreign operations, monitor our customers’ activities or our partners’ activities which may subject us to risks involving such other entities’ financial condition or to inconsistent interests or goals;

- recent gaming tax increases in Italy;

- other economic, tax and regulatory policies of foreign governments; and

- the ability to attract and retain key personnel in foreign jurisdictions.

Our consolidated financial results are significantly affected by foreign currency exchange rate fluctuations. Foreign currency exchange rate exposures arise from current transactions and anticipated transactions denominated in currencies other than U.S. Dollars, and from the translation of foreign currency balance sheet accounts into GBP-denominated or USD-denominated balance sheet accounts. Exposure to currency exchange rate fluctuations exists and will continue because a significant portion of our revenues are denominated in currencies other than the USD, particularly GBP and the Euro. Exchange rate fluctuations have in the past adversely affected operating results and cash flows and may continue to adversely affect results of operations and cash flows and the value of assets.

As a result of the geographic concentration of our operations in the UK, Italy and Greece, our operating results and cash flow depend significantly on economic conditions and the other factors listed above in these sector areas. There can be no assurance that we will be able to operate on a continuing successful basis in these sectors or in any combination of different geographical sectors.

Our business could be negatively affected by ownership changes and consolidation in the gaming industry.

Because a substantial part of our revenue is recurring in nature, our medium to long term results of operations, cash flows and financial condition could be negatively affected if any of our customers were sold to or merged with other customers, or if consolidation in the gaming industry were otherwise effected. Consolidation among gaming operators could result in our customers using more products and services of our competitors or reducing their spending on our products, or could otherwise cause downward pricing pressures, any of which outcomes could negatively affect our business.

We may not be able to capitalize on the expansion of interactive gaming or other trends and changes in the gaming and lottery industries, including due to laws and regulations governing these industries, and other factors.

We participate in new and evolving aspects of the interactive gaming and lottery industries. Part of our strategy is to take advantage of the liberalization of regulations covering these industries on a global basis. These industries involve significant risks and uncertainties, including legal, business and financial risks. The fast-changing environment in these industries can make it difficult to plan strategically and can provide opportunities for competitors to grow their businesses at our expense. Consequently, our future results of operations, cash flows and financial condition are difficult to predict and may not grow at the rates we expect.

Laws relating to internet gaming are evolving. To varying degrees, governments have taken steps to change the regulation of internet wagering through the implementation of new or revised licensing and taxation regimes, including the possible imposition of sanctions on unlicensed providers. We cannot predict the timing, scope or terms of the implementation or revision of any such state, federal or foreign laws or regulations, or the extent to which any such laws and regulations may facilitate or hinder our strategy.

In jurisdictions that authorize internet gaming, we cannot assure that we will be successful in offering our technology, content and services to internet gaming operators, because we expect to face intense competition from our traditional competitors in the gaming and lottery industries as well as a number of other domestic and foreign competitors (and, in some cases, the operators themselves), many of which have substantially greater financial resources or experience in this area than we do.

Know-your-customer and geo-location programs and technologies supplied by third parties are an important aspect of certain internet and mobile gaming products and services, because they can confirm certain information with respect to players and prospective players, such as age, identity and location. Payment processing programs and technologies, typically provided by third parties, are also a necessary feature of interactive wagering products and services. These programs and technologies are costly, and our use of them may have an adverse impact on our results of operations, cash flows and financial condition. Additionally, we cannot assure that products or services containing these programs and technologies will be available to us on commercially reasonable terms, if at all, or that they will perform accurately or otherwise in accordance with required specifications.

Our business is capital intensive and our ability to retain customers may be influenced by our ability to deploy additional capital.

Customers of our server based gaming products may request us to incur capital expenditures to provide gaming terminals to support their land-based operations. While we seek to obtain what we believe to be satisfactory rates of return on such investments, these capital expenditures can be meaningful and may be concentrated within short periods of time. To the extent that we have insufficient access to capital or liquidity at the time that a customer, or prospective customer, makes such a request, we may be at a competitive disadvantage in retaining or attracting such customer. Such a circumstance could have an adverse effect on our business, financial condition, results of operations or prospects.

We may be subject to claims arising from the operations of our various businesses for periods prior to the dates we acquired them.

We may be subject to claims or liabilities arising from the ownership or operation of the Acquired Businesses, and other businesses we have acquired, for the periods prior to our acquisition of them, including environmental, employee-related and other liabilities and claims not covered by insurance.

Our success depends upon our key personnel.

Our business results depend largely upon the continued contributions of various members of our management team, as well as certain key technical specialists, game designers, operational experts and other developers and operators of key intellectual property and processes. If we lose the services of one or more members of our management team or key employees, our business, financial condition and results of operations, as well as the market price of our securities, could be adversely affected.

The long-term performance of our business relies on our ability to attract, develop and retain talented personnel and our labor force while controlling our labor costs.

To be successful, we must attract, develop and retain highly qualified and talented personnel who have the experience, knowledge and expertise to successfully implement our key business strategies. We also must attract, develop and retain our labor force while maintaining labor costs. We compete for employees, including sales people, regional management, executive officers and others, with a broad range of employers in many different industries, including large multinational firms, and we invest significant resources in recruiting, developing, motivating and retaining them. The failure to attract and retain key employees, or to develop effective succession planning to assure smooth transitions of those employees and the knowledge, customer relationships and expertise they possess, could negatively affect our competitive position and our operating results. Further, if we are unable to cost-effectively recruit, train and retain sufficient skilled personnel, we may not be able to adequately satisfy increased demand for our products and services, which could adversely affect our operating results.

Restrictions in our existing borrowings, including covenants set forth in our existing debt facilities, or any other indebtedness we may incur in the future, could adversely affect our business, financial condition, or results of operations, and our ability to make distributions to stockholders and the value of our common stock.

Our existing borrowings, and any other indebtedness we may enter into, may limit our ability to, among other things:

- incur or guarantee additional debt;
- make distributions or dividends on or redeem or repurchase shares of common stock;
- make certain investments and acquisitions;
- make capital expenditures;
- incur certain liens or permit them to exist;
- enter into certain types of transactions with affiliates;
- acquire, merge or consolidate with another company; and
- transfer, sell or otherwise dispose of all or substantially all of our assets.

The provisions of our existing borrowings may affect our ability to obtain future financing and pursue attractive business opportunities and our flexibility in planning for, and reacting to, changes in business conditions.

In connection with the Acquisition on September 27, 2019, we refinanced the business with an effective date of October 1, 2019. The new debt consisted of two senior secured five year term loans of £140m and €90m together with a secured revolving facility loan in an original principal amount of £20m. The SFA Loans will bear interest at LIBOR or EURIBOR as applicable, plus a margin (based on Inspired's consolidated total net leverage ratio) ranging from 5.00% to 7.25%. With respect to the RCF Loan, a commitment fee of 30% of the then applicable margin accrues on any unutilized portion of the RCF Loan. Any accrued commitment fee is payable quarterly in arrears and, with respect to any commitment under the RCF Loan that is cancelled, at the time the cancellation is effective. The covenants include restrictions regarding the incurrence of liens, the incurrence of indebtedness by Inspired's subsidiaries and fundamental changes, subject to certain exceptions in each case. The SFA requires that Inspired maintain a maximum consolidated total net leverage ratio of 4.1x (subject to a step down to 3.0x on and after June 30, 2021). The ratio is calculated based on earnings before interest, taxes, depreciation and amortization, as adjusted pursuant to the SFA. The SFA also restricts capital expenditures based on fixed annual limits, which grow pro rata with respect to consolidated EBITDA acquired pursuant to any permitted acquisition of a company or business, (subject to the ability to carry forward the unused part of such limit in any given year into the immediately following year, to carry back up to 50% of such limit into the then current year from the immediately succeeding year and to fund capital expenditures from certain specified funding sources in which case such expenditure does not count towards the annual limit) applicable from the financial year ending December 31, 2019 to the financial year ending December 31, 2026. The SFA does not include a minimum interest coverage ratio or other financial covenants. The outstanding principal amount of the Term Loans is payable on October 1, 2024. The outstanding principal amount of each advance under the RCF Loan is payable on the last day of the interest period relating to such advance, unless such advance is rolled over on a cashless basis in accordance with customary rollover provisions contained in the SFA.

Failure to comply with the provisions of our existing borrowings or any other indebtedness we may enter into, including the covenants set forth in our existing debt facilities, could result in a default or an event of default that could enable our lenders or other debt holders to declare the outstanding principal of that debt, together with accrued and unpaid interest, to be immediately due and payable. In addition, some of our debt could be subject to cross-acceleration terms, pursuant to which repayment of that debt would be accelerated if the repayment of other debt we owe is accelerated. If the payment of some or all of our debt is accelerated, our assets may be insufficient to repay such debt in full.

We may have future capital needs and may not be able to obtain additional financing on acceptable terms.

Economic and credit market conditions, the performance of the gaming industry and our financial performance, as well as other factors, may constrain our financing abilities. Our ability to secure additional financing, if available, and to satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, the availability of credit, economic conditions and financial, business and other factors, many of which are beyond our control.

We may require additional financing to fund our operations and growth. The failure to secure additional financing could have an adverse effect on our continued development or growth. None of our officers, directors or stockholders is required to provide any financing to us.

We may be unable to develop sufficient new products and product lines and integrate them into our existing business, which may adversely affect our ability to compete; our expansion into new sectors may present competitive and regulatory challenges that differ from current ones.

Our business depends in part on our ability to identify future products and product lines that complement existing products and product lines and that respond to our customers' needs. We may not be able to compete effectively unless our product selection keeps up with trends in the sectors in which it competes or trends in new products. In addition, our ability to integrate new products and product lines into our existing business could affect our ability to compete. Furthermore, the success of new products and product lines will depend upon market demand and there is a risk that new products and product lines will not deliver expected results, which could adversely affect our future sales and results of operations. Our expansion into new sectors may present competitive, distribution and regulatory challenges that differ from current ones. We may be less familiar with new product categories and may face different or additional risks, as well as increased or unexpected costs, compared to existing operations.

Risks Relating to Our Status as a Public Company and Ownership of Our Common Stock

We may be required to recognize impairment charges related to goodwill, identified intangible assets and property and equipment or to take write-downs or write-offs, restructuring or other charges that could have a significant negative effect on our financial condition, results of operations and stock price, which could have an adverse effect on your investment.

We are required to test goodwill and any other intangible asset with an indefinite life for possible impairment on the same date each year and on an interim basis if there are indicators of a possible impairment. We are also required to evaluate amortizable intangible assets and property and equipment for impairment if there are indicators of a possible impairment. There is significant judgment required in the analysis of a potential impairment of goodwill, identified intangible assets and property and equipment. If, as a result of a general economic slowdown, deterioration in one or more of the sectors in which we operate or impairment in our financial performance and/or future outlook, the estimated fair value of our long-lived assets decreases, we may determine that one or more of our long-lived assets is impaired. An impairment charge would be determined based on the estimated fair value of the assets and any such impairment charge could have an adverse effect on our financial condition and results of operations.

Even though these charges may be non-cash items and would not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about the Company or our securities. In addition, charges of this nature may cause us to be unable to obtain future financing on favorable terms or at all.

The liquidity of the trading markets for our securities and other factors may adversely affect the price of our securities.

The price of our securities may be affected by the light volume of the trading markets for our securities as well as a variety of other factors including due to general economic conditions and forecasts, our general business condition and the release of our financial reports. If our results do not meet the expectations of investors or securities analysts, the market price of our securities may decline. In addition, fluctuations in the price of our securities could contribute to the loss of all or part of your investment. Any of the factors listed below could have an adverse effect on the price of our securities, and our securities may trade at prices significantly below the price you paid for them. In such circumstances, the trading price of our securities may not recover and may experience a further decline.

Factors affecting the trading price of the Company’s securities may include:

- market conditions affecting the gaming industry;
- quarterly variations in our results of operations;
- changes in government regulations;
- the announcement of acquisitions by us or our competitors;
- changes in general economic and political conditions;
- volatility in the financial markets;
- results of our operations and the operations of others in our industry;
- changes in interest rates;
- threatened or actual litigation and government investigations;
- the determination by the UK Government, announced in November 2018, to reduce maximum permitted bets on B2 gaming machines in the UK to £2 effective as of April 2019;
- the addition or departure of key personnel;

- actions taken by our stockholders, including the sale or disposition of their shares of our common stock; and
- differences between our actual financial and operating results and those expected by investors and analysts and changes in analysts' recommendations or projections.

Broad market and industry factors may materially harm the market price of our securities irrespective of our operating performance. The stock market in general, and NASDAQ in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our securities, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies which investors perceive to be similar to the Company could depress our stock price regardless of our business, prospects, financial condition or results of operations. A decline in the market price of our securities also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future.

Depending on the number of shares you hold and other factors, you may not be able to sell your shares at the times you prefer at desirable market prices.

Our warrants trade in over-the-counter markets operated by OTC Markets Group which may limit the ability of investors to effect transactions in the warrants.

Our warrants could expire worthless, the terms could be amended and we may redeem them at a time that is disadvantageous to holders.

Our warrants have an exercise price of $5.75 per one-half of one share ($11.50 per whole share), subject to adjustment, and may be exercised only for a whole number of shares of our common stock. There is no guarantee that the warrants will be in-the-money when warrant holders choose to exercise their warrants and they may expire worthless.

In addition, the warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and us provides that the terms of the warrants may be amended without the consent of any holder in order to cure any ambiguity, correct any defective provision or to add or change a provision with respect to a matter or question that the parties may deem necessary or desirable and that the parties deem not to adversely affect the interest of the holders. Other modifications or amendments, including to increase the warrant exercise price or shorten the period of exercise, would require the approval of the holders of at least 65% of the then outstanding warrants.

We also have the ability to redeem our warrants upon 30 days' notice of redemption at a redemption price of $0.01 per warrant, provided that (i) the last reported sale price of our common stock equals or exceeds $24.00 per share on any 20 trading days within the 30 trading-day period ending on the third business day before we send the notice of such redemption and (ii) on the date we give notice of redemption and during the entire period thereafter until the time the warrants are redeemed, there is an effective registration statement under the Securities Act covering the shares of our common stock issuable upon exercise of the warrants and a current prospectus relating to them is available unless we have notified holders in the notice of redemption that we have elected to require the warrants to be exercised on a cashless basis. Redemption of the outstanding warrants could force holders:

- to exercise their warrants and pay the exercise price therefor at a time when it may be disadvantageous for them to do so;
- to sell their warrants at the then-current market price when they might otherwise wish to hold their warrants; or
- to accept the nominal redemption price if their warrants remain unexercised on the redemption date regardless of the market value of the shares underlying the warrants at the time of the redemption.

The redemption rights that we have under the warrant agreement do not extend to the private warrants provided they continue to be held by the initial purchasers or their permitted transferees.

Concentration of ownership of the Company may have the effect of delaying or preventing a change in control and sales of substantial amounts of our shares may impact the market price of our shares.

Our largest stockholder, Landgame S.à.r.l, holds approximately 29.3% of the outstanding common stock of the Company and is party to a stockholders agreement with us that provides it with the right to designate two of the seven members of our board of directors. In addition, under the same stockholders agreement, another one of our stockholders, Hydra Industries Sponsor LLC (the “Hydra Sponsor”), has the right to nominate one director, and affiliates of Macquarie Group Limited (the “Macquarie Sponsor”) have the right, jointly with the Hydra Sponsor, to nominate two directors. As a result, these stockholders have the ability to exert influence over our business and may support or make decisions with which other stockholders may disagree and that could have the effect of delaying or preventing a change of control or adversely affecting the market price of our common stock.

If Landgame S.à.r.l or other of our stockholders sell substantial amounts of their shares in the public market, the market price of our common stock could decrease significantly. The perception in the public market that our stockholders might sell shares of common stock could also depress our market price. A decline in the price of the shares of our common stock could impede our ability to raise capital through the issuance of additional shares or other equity securities. Moreover, any such decline could result in our common stock trading at prices significantly below the price you paid.

We do not currently intend to pay dividends on our common stock.

We do not currently expect to pay cash dividends on our common stock and have not paid cash dividends on our common stock to date. Any future dividend payments are within the absolute discretion of our board of directors and will depend upon, among other things, our results of operations, working capital requirements, capital expenditure requirements, financial condition, level of indebtedness, contractual restrictions with respect to payment of dividends, business opportunities, anticipated cash needs, provisions of applicable law and other factors that our board of directors may deem relevant.

Our business and stock price may suffer if securities or industry analysts do not publish or cease publishing research or reports about the Company, our business, or our sector, or if they change their recommendations regarding our common stock adversely, the price and trading volume of our common stock could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our sector, or our competitors. If securities or industry analysts do not continue to cover the Company, our stock price and trading volume would likely be negatively affected. If any of the analysts who may cover the Company change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, the price of our common stock would likely decline. If any analyst who may cover the Company were to cease coverage of the Company or fail to regularly publish reports on the Company, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

We may issue a significant number of shares of our common stock or other securities from time to time.

We may issue shares of our common stock or other securities from time to time as consideration for, or to finance, future acquisitions and investments or for other capital needs. We cannot predict the size of future issuances of our shares or the effect, if any, that future sales and issuances of shares would have on the market price of our common stock. If any such acquisition or investment is significant, the number of shares of common stock or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be substantial and may result in additional dilution to our stockholders. We may also grant registration rights covering shares of our common stock or other securities that we may issue in connection with any such acquisitions and investments.

Anti-takeover provisions contained in our second amended and restated certificate of incorporation and bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our second amended and restated certificate of incorporation and bylaws contain provisions that could have the effect of delaying or preventing changes in control or changes in our management without the consent of our board of directors. These provisions include:

- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death, or removal of a director with or without cause by stockholders, which prevents stockholders from being able to fill vacancies on our board of directors;
- the ability of our board of directors to determine whether to issue shares of our preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- limiting the liability of, and providing indemnification to, our directors and officers;
- the Court of Chancery of the State of Delaware as the exclusive forum for adjudication of disputes;
- controlling the procedures for the conduct and scheduling of stockholder meetings; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of the Company.

These provisions, alone or together, could delay hostile takeovers and changes in control of the Company or changes in our board of directors and management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock. In addition, we adopted a stockholder rights plan in August 2017 in the form of a Rights Agreement, which could have the effect of making it uneconomical for a third party to acquire us on a hostile basis. Such plan is currently set to expire in August 2020. Any provision of our second amended and restated certificate of incorporation or bylaws, the Stockholders' Rights Agreement or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

Risks Relating to Economic and Political Conditions

Volatility or disruption in the financial markets could materially adversely affect our business and the trading price of our common stock.

Our business relies on stable and efficient financial markets. Any disruption in the credit and capital markets could adversely impact our ability to obtain financing on acceptable terms. Volatility in the financial markets could also result in difficulties for financial institutions and other parties that we do business with, which could potentially affect the ability to access financing under existing arrangements. We are exposed to the impact of any global or domestic economic disruption, including any potential impact of the decision by the United Kingdom to exit the EU and the sovereign debt crises in certain Eurozone countries where we do business. Our ability to continue to fund operating expenses, capital expenditures and other cash requirements over the long term may require access to additional sources of funds, including equity and debt capital markets, and market volatility and general economic conditions may adversely affect our ability to access capital markets. In addition, the inability of our vendors to access capital and liquidity with which to maintain their inventory, production levels and product quality and to operate their businesses, or the insolvency of our vendors, could lead to their failure to deliver merchandise. If we are unable to purchase products when needed, our sales could be materially adversely affected. Accordingly, volatility or disruption in the financial markets could impair our ability to execute our growth strategy and could have an adverse effect on the trading price of our common stock.

Currency exchange rate fluctuations could result in lower revenues, higher costs and decreased margins and earnings.

We conduct purchase and sale transactions in various currencies, which increases our exposure to fluctuations in foreign currency exchange rates globally. Additionally, there has been, and may continue to be, volatility in currency exchange rates as a result of the United Kingdom’s June 23, 2016 referendum in which voters approved Brexit and subsequent entry into and ratification of a withdrawal agreement as of January 29, 2020. It is possible that sovereign debt crises in certain Eurozone countries could lead to the abandonment of the Euro and the reintroduction of national currencies in those countries. International revenues and expenses generally are derived from sales and operations in various foreign currencies, and these revenues and expenses could be affected by currency fluctuations, specifically amounts recorded in foreign currencies and translated into USD for consolidated financial reporting, as weakening of foreign currencies relative to the USD will adversely affect the USD value of the Company’s foreign currency-denominated sales and earnings. Currency exchange rate fluctuations could also disrupt the business of the independent manufacturers that produce our products by making their purchases of raw materials more expensive and more difficult to finance. Foreign currency fluctuations could have an adverse effect on our results of operations and financial condition.

We may hedge other foreign currency exposures to lessen and delay, but not to completely eliminate, the effects of foreign currency fluctuations on our financial results. Since the hedging activities are designed to lessen volatility, they not only reduce the negative impact of a stronger USD or other trading currency, but they also reduce the positive impact of a weaker USD or other trading currency. Our future financial results could be significantly affected by the value of the USD in relation to the foreign currencies in which we conduct business. The degree to which our financial results are affected for any given time period will depend in part upon our hedging activities, and there can be no assurance that our hedging activities will be effective.

Global economic conditions could have an adverse effect on our business, operating results and financial condition.

The uncertain state of the global economy continues to affect businesses around the world, most acutely in emerging markets and developing economies. If global economic and financial market conditions do not improve or deteriorate, the following factors could have an adverse effect on our business, operating results and financial condition:

- Slower consumer spending may result in reduced demand for our products, reduced orders from retailers for our products, order cancellations, lower revenues, higher discounts, increased inventories and lower gross margins;

- In the future, we may be unable to access financing in the credit and capital markets at reasonable rates in the event we find it desirable to do so;

- We conduct transactions in various currencies, which increases our exposure to fluctuations in foreign currency exchange rates relative to the USD. Continued volatility in the markets and exchange rates for foreign currencies and contracts in foreign currencies could have a significant impact on our reported operating results and financial condition;

- Continued volatility in the availability and prices for commodities and raw materials we use in our products and in our supply chain could have an adverse effect on our costs, gross margins and profitability;

- If operators or distributors of our products experience declining revenues or experience difficulty obtaining financing in the capital and credit markets to purchase our products, this could result in reduced orders for our products, order cancellations, late retailer payments, extended payment terms, higher accounts receivable, reduced cash flows, greater expense associated with collection efforts and increased bad debt expense;

- If operators or distributors of our products experience severe financial difficulty, some may become insolvent and cease business operations, which could negatively affect the sale of our products to consumers; and

- If contract manufacturers of our products or other participants in our supply chain experience difficulty obtaining financing in the capital and credit markets to purchase raw materials or to finance capital equipment and other general working capital needs, it may result in delays or non-delivery of shipments of our products.

International hostilities, terrorist or cyber-terrorist activities, natural disasters, pandemics, and infrastructure disruptions could prevent us from effectively serving our customers and thus adversely affect our results of operations.

Acts of terrorist violence, cyber-terrorism, political unrest, armed regional and international hostilities and international responses to these hostilities, natural disasters, including hurricanes or floods, global health risks or pandemics or the threat of or perceived potential for these events could have a negative impact on us. These events could adversely affect our customers' levels of business activity and precipitate sudden significant changes in regional and global economic conditions and cycles. These events also pose significant risks to our employees and our physical facilities and operations around the world, whether the facilities are ours or those of our third-party service providers or customers. By disrupting communications and travel and increasing the difficulty of obtaining and retaining highly skilled and qualified personnel, these events could make it difficult or impossible for us to deliver products and services to our customers. Extended disruptions of electricity, other public utilities or network services at our facilities, as well as system failures at our facilities or otherwise, could also adversely affect our ability to serve our customers. We may be unable to protect our employees, facilities and systems against all such occurrences. We generally do not have insurance for losses and interruptions caused by terrorist attacks, conflicts and wars. If these disruptions prevent us from effectively serving our customers, our results of operations could be adversely affected.

We face risks and uncertainty arising from the United Kingdom's withdrawal from the European Union.

Following from the United Kingdom's public referendum vote to exit from the European Union in June 2016, a withdrawal agreement was signed by both the United Kingdom and European Union and formally ratified as of January 29, 2020. Under the terms of the agreement, the terms of a trade deal are to be negotiated between officials from the European Union and United Kingdom by no later than December 31, 2020, failing which trade between the UK and the European Union will fall back to basic World Trade Organization terms. The effects of Brexit will depend upon any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. As with other businesses operating in the UK and Europe, the measures could potentially have corporate structural consequences, adversely affect manufacturing and other costs, adversely change tax benefits or liabilities in these or other jurisdictions and could disrupt some of the markets and jurisdictions in which we operate. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. In addition, the announcement of Brexit has caused significant volatility in global stock markets and currency exchange rate fluctuations, including the strengthening of the USD against some foreign currencies, and the Brexit negotiations may continue to cause significant volatility. The progress and outcomes of further trade deal negotiations also may create global economic uncertainty, which may cause customers and potential customers to monitor their costs and reduce their budgets for products and services. Any of these effects of Brexit, among others, could materially adversely affect the business, business opportunities, results of operations, financial condition and cash flows of our Company.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

As of December 31, 2019, the Company occupied approximately 400,000 square feet of leased space in the United Kingdom, 3,300 square feet of leased space elsewhere in Europe, 2,000 square feet in New York and 4,000 square feet in Kochi, India. The primary locations were as follows:

- Approximately 11,000 square feet of office space on one floor in Burton-on-Trent, East Midlands, UK.
- Approximately 10,500 square feet of office space on two floors in Manchester, UK.
- Approximately 120,000 square feet of administrative offices, workshop and warehousing in Bridgend, South Wales, UK.
- Approximately 11,000 square feet of office space across two leases in the same property in Leeds, Yorkshire, UK.
- Approximately 2,000 square feet of offices on one floor in Rome, Italy.
- Approximately 4,000 square feet of office space on one floor in Kochi, India.
- Approximately 2,000 square feet of office space on one floor in New York (increased to 3,200 as of the first quarter of 2020).

During the first half of 2020, we plan to consolidate the UK property estate and reduce the overall UK estate by 130,000 square footage.

During this same period, we also plan to complete the following:

- Open a new office in Burton-on-Trent, East Midlands of approximately 40,000 square feet to replace 3 offices in the same geographical location.
- Open a new office in Kochi, India of approximately 17,000 square feet to replace the current office in the same geographical location.

ITEM 3. LEGAL PROCEEDINGS.

From time to time, the Company is involved in legal matters arising in the ordinary course of business. While the Company believes that such matters are currently not material, there can be no assurance that matters arising in the ordinary course of business for which the Company is, or could be, involved in litigation, will not have an adverse effect on its business, financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common stock is listed and traded on the Nasdaq Capital Market under the symbol "INSE". Our public warrants trade on the over-the-counter markets operated by OTC Markets Group under the symbol "INSEW".

Holders

As of March 25, 2020, there were 64 holders of record of our common stock and 11 holders of record of our warrants.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 6. SELECTED FINANCIAL DATA.

Not required.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the financial statements and related notes thereto included elsewhere in this report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual future results could differ materially from the historical results discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" included elsewhere in this report.

Forward-Looking Statements

We make forward-looking statements in this Annual Report on Form 10-K. These forward-looking statements relate to expectations for future financial performance, business strategies or expectations for our business, and the timing and ability for us to complete currently contemplated or future acquisitions. Specifically, forward-looking statements may include statements relating to:

- the future financial performance of the Company;
- the market for the Company's products and services;
- expansion plans and opportunities, including currently contemplated or future acquisitions or additional business combinations; and
- other statements preceded by, followed by or that include words such as "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "forecast", "intend", "may", "might", "plan", "possible", "potential", "predict", "project", "proposed", "scheduled", "seek", "should", "target", "would" or similar expressions, among others.

These forward-looking statements are based on information available as of the date hereof, and current expectations, forecasts and assumptions that involve a number of judgments, risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause our actual results or performance to differ include:

- the effect and impact of the ongoing global coronavirus (COVID-19) pandemic on our business with respect to the potential duration of the pandemic, the various Government-ordered emergency measures including travel restrictions, social distancing and/or shelter in place orders and closure of retail venues and the remediation plans put in place by each Government to potentially mitigate these effects, the detail, scope and application of which are still largely unknown;
- our ability to compete effectively in our industries;
- the effect of evolving technology on our business;
- our ability to renew long-term contracts and retain customers, and secure new contracts and customers;
- our ability to maintain relationships with suppliers;
- our ability to protect our intellectual property;
- government regulation of our industries;
- income trends with respect to B2/B3 gaming machines in the United Kingdom ("UK") following a substantial reduction of maximum permitted bets, which came into effect on April 1, 2019;
- our ability to successfully grow by acquisition as well as organically;

- our ability to attract and retain key members of our management team;
- our need for working capital;
- our ability to secure capital for growth and expansion;
- changing consumer, technology and other trends in our industries;
- our ability to successfully operate across multiple jurisdictions and sectors around the world;
- changes in local, regional and global economic and political conditions;
- our ability to effectively integrate the operations of businesses we acquire, and to grow and expand such operations; and
- other factors.

Subsequent Events

Investors and potential investors are advised to review this annual report on Form 10-K in light of ongoing events. As with other businesses worldwide, we are experiencing severe disruption to our business as a result of the COVID-19 pandemic and the far-reaching actions of the governments of various countries where we do, and hope to do, business, as well as countries sourcing our supply chain.

The World Health Organization has declared COVID-19 to be a global pandemic. There have been a number of government-imposed emergency measures in many of the jurisdictions in which we operate in response to the pandemic. The duration of these measures are unknown, but include the closure of all retail venues (including pubs, bookmakers, holiday parks, and adult gaming centers), restrictions on all non-essential travel, social distancing, bans on public mobility and shelter in place measures. Retail operations of our customers in Italy, Greece, the U.S and the UK have closed and are no longer generating revenues for us. Our Interactive business, which includes Virtual Sports products, to the extent delivered online, remain operational.

Although there have been a number of government-supported initiatives (across our various geographies) proposed to ease the burden on businesses and employees, including employee retention schemes, credit relief and tax deferrals, there is still much uncertainty regarding the scope of these initiatives or their respective impact on our business.

While the situation is fluid, we have already experienced adverse effects on our business, which we are currently working to mitigate. Since mid-March, we have drawn down the full amount of GBP20.0 million (equivalent to $24.8 million at current exchange rates) on our revolving credit facility to provide additional near-term liquidity and cancelled or delayed material capital expenditures. Most recently, we implemented furloughs, reduced work hours and compensation levels, as well as additional measures across our entire business. The objective of these actions has been to lower our future cash expenditures for the period in which these initiatives remain in place.

Additionally, the Board has determined to (i) indefinitely delay the payment of accrued executive bonuses for the year ended December 31, 2019 and (ii) waive cash payments of Board retainers due to be disbursed during the second quarter of 2020. The Executive Chairman has also voluntarily withdrawn his Employment Agreement from consideration at our upcoming annual meeting of stockholders and we are examining arrangements with all debtors. In addition, the Office of the Executive Chairman have consented to temporary reductions in base pay, as described in Item 9B below.

Though we have seen an increase in our virtual/interactive business since the government-mandated closures, depending on the duration of the pandemic and government-mandated restrictions, as well as government-sponsored remediation regimes, the effects of these events are potentially catastrophic for the worldwide economy, including our business. However, the dynamic nature of the pandemic and government restrictions, as well as evolving potential for relevant, government sponsored business stimuli and creditor relief plans are neither quantifiable nor predictable as of this Report.

Overview

We are a global business-to-business gaming technology company, supplying Server Based Gaming (“SBG”) and Virtual Sports (which includes Interactive) systems to regulated lottery, betting and gaming operators worldwide through an “omni-channel” distribution strategy. We provide end-to-end digital gaming solutions on our proprietary and secure network, which accommodates a wide range of devices, including land-based gaming machine terminals, mobile devices such as smartphones and tablets and online computer and social applications.

Our key strategic priorities are to:

- Extend our strong positions in each of Virtual Sports, Interactive and SBG by developing new omni-channel products;
- Continue to invest in games and technology in order to grow our existing customers’ revenues;
- Add new customers by expanding into underpenetrated sectors and newly regulated jurisdictions; and
- Pursue targeted mergers and acquisitions to expand our product portfolio and/or distribution footprint.

Our most recent fiscal year ended on December 31, 2019. On September 24, 2018, our Board of Directors determined, in accordance with our bylaws and the recommendation of the Audit Committee of our Board of Directors, to change our financial year, so that it begins on January 1 and ends on December 31 of each year, commencing on January 1, 2019. Subsequent to this change in financial year, we filed a transition report on Form 10-Q, covering the transition period of October 1, 2018 to December 31, 2018. Accordingly, this Form 10-K covers our financial year as amended, being the period from January 1, 2019 to December 31, 2019. Comparatives are shown for the calendar year period from January 1, 2018 to December 31, 2018, as shown in the accompanying reconciliation table.

On October 1, 2019, the Company completed the acquisition of the Gaming Technology Group ("NTG") of Novomatic UK Ltd., a division of Novomatic Group, a leading international supplier of gaming equipment and solutions.

Our business is being and will continue to be adversely affected by the rapidly expanding nature of the coronavirus (COVID-19) pandemic. All venues offering land-based gaming, including our products, are closed for an indeterminate period of time in the jurisdictions in which we operate through governmental mandate. In addition, the extent of a significant economic impact from the pandemic may result in a decrease in the willingness or ability of consumers to engage in gambling activities. Land-based customers globally, and the United States, United Kingdom, Greece and Italy specifically, are impacted by the COVID-19 pandemic due to the closure of venues. There is also a possibility that player behavior may change following any resolution of the pandemic, including that consumers may spend less time or wager smaller amounts at gambling facilities. The pandemic is adversely affecting a broad range of our operations, including our ability to obtain and ship our products, our ability to continue to develop new products and services and the ability of our customers to pay outstanding amounts due to us. As a result of the significant reductions in revenue and other changes to our business, at least in the short term (which also affects other companies in our industry), we are working to protect our existing available liquidity by pro-actively managing capital expenditures and working capital as well as identifying both immediate and longer term opportunities for cost savings.

We expect, due to closures of land-based venues, that there could be a meaningful increase in our online revenues from slots and virtual sports but it is not possible to quantify any potential impact at this time. Prior to any COVID-19 impact, we would have expected this part of our business to account for approximately 10% of Company revenue during 2020.

As part of these efforts to preserve liquidity, the Company drew all remaining availability (£18.0 million ($23.8 million using rates prevailing at December 31, 2019)) under its £20 million ($26.4 million using rates prevailing at December 31, 2019) revolving credit facility on March 13, 2020.

Business Segments

We report our operations in three business segments, SBG, Virtual Sports (which includes Interactive, an operating segment which does not exceed the quantitative thresholds in Accounting Standards Committee ("ASC" 280-10-50-12), and Acquired Businesses (which is comprised of the aforementioned NTG business, acquired on October 1, 2019), representing our different products and services. We evaluate our business performance, resource allocation and capital spending on an operating segment level, where possible. We use our operating results and identified assets of each of our operating segments in order to make prospective operating decisions. Although our revenue and cost of sales (excluding depreciation and amortization) are reported exclusively by segment, we do include unallocated items in our consolidated financial statements for certain expenses including depreciation and amortization as well as selling, general and administrative expenses. Unallocated balance sheet line items include items that are a shared resource and therefore not allocated between operating segments.

In this report, we have changed how certain selling, general and administrative expenses are split between segments, reducing the allocation of costs within "Corporate Functions", which management believes provides a more informed allocation. As such, we have restated the segment splits for the comparative prior periods in line with the revised allocations, to give a clear comparison with the current period. Commentary within this section refers to changes from the restated segment numbers.

Our SBG business segment designs, develops, markets and distributes a broad portfolio of games through our digital network architecture. Our SBG customers include UK licensed betting offices ("LBOs"), casinos, gaming hall operators, bingo operators and regulated operators of lotteries, as well as government-affiliated operators.

Our Virtual Sports business segment designs, develops, markets and distributes ultra-high-definition games that create an always-on sports wagering experience. Our Virtual Sports customers include virtual sports retail and digital operators, including regulated betting operators, lotteries, casinos, online operators and other gaming and lottery operators in the UK, continental Europe, Africa, Asia and North America. Our Interactive business segment (reported as part of Virtual Sports) comprises the offering of our SBG and Virtual Sports content via our remote gaming servers.

Our Acquired Businesses design, develop, market and distribute a broad portfolio of games through our digital network architecture. In addition, it operates analog gaming and amusement machines for certain customers, including UK pubs, adult gaming centers, motorway service stations and holiday resorts.

Revenue

We generate revenue in three principal ways: on a participation basis, on a fixed rental fee basis and through product sales and software license fees. Participation revenue includes a right to receive a share of revenue generated from (i) our Virtual Sports products placed with operators; (ii) our SBG terminals placed in gaming and lottery venues; (iii) licensing our game content and intellectual property to third parties; and (iv) our games on third-party online gaming platforms that are interoperable with our game servers.

The revenue recognition processes we applied prior to adoption of ASC 606 align with the recognition and measurement guidance of the new standard. Therefore, adoption of ASC 606 did not require a cumulative adjustment to opening equity.

SBG

Revenue from SBG terminals, access to our content and SBG platform, including electronic table gaming products is recognized based upon a contracted percentage of the operator’s net winnings from the terminals’ daily use. Where this is not the case, revenue is based upon a fixed daily or weekly usage fee. We recognize revenue from these arrangements in accordance with the series guidance in ASC 606 over time on a daily basis over the term of the arrangement, or when not specified over the expected customer relationship period. Hardware sales take the form of a transfer of ownership of our developed gaming terminals, and are recognized at a point in time upon delivery.

Virtual Sports

Virtual sports retail revenue, which includes the provision of virtual sports content and services to retail betting outlets, and virtual sports online and mobile revenue, which includes the provision of virtual sports content and services to mobile and online operators, is based upon a contracted percentage of the operator’s net winnings or a fixed rental fee. We recognize revenue for these fees over time on a daily or weekly basis in accordance with the series guidance in ASC 606 over the term of the arrangement. These arrangements also typically include a perpetual license billed up front, granted to the customer for access to our gaming platform and content. As these up-front bills represent payment for future services, revenue from the licensing of perpetual licenses is recognized ratably over time, or when not specified, over the expected customer relationship period. Revenue from the development of bespoke games licensed on a perpetual basis to mobile and online operators is recognized at a point in time on delivery and acceptance by the customer.

Acquired Businesses

Revenue from gaming and amusement terminals, access to our content and SBG platform, including electronic table gaming products is recognized based upon a contracted percentage of the operator’s net winnings from the terminals’ daily use. Where this is not the case, particularly in the pub rental sector, revenue is based upon a fixed daily or weekly usage fee. We recognize revenue from these arrangements in accordance with the series guidance in ASC 606 over time on a daily basis over the term of the arrangement, or when not specified over the expected customer relationship period. Hardware sales take the form of a transfer of ownership of our developed gaming terminals, and are recognized at a point in time upon delivery.

Geographic Range

Geographically, more than half of our revenue is derived from, and more than half of our non-current assets are attributed to, our UK operations, with the remainder of our revenue derived from, and non-current assets attributed to, Italy, Greece and the rest of the world.

For the twelve months ended December 31, 2019, we earned approximately 68% of our revenue in the UK, 13% in Greece, 11% in Italy and the remaining 8% across the rest of the world. During the twelve months ended December 31, 2018, we earned approximately 63%, 17%, 13% and 7% of our revenue in those regions, respectively.

Foreign Exchange

Our results are affected by changes in foreign currency exchange rates as a result of the translation of foreign functional currencies into our reporting currency and the re-measurement of foreign currency transactions and balances. The impact of foreign currency exchange rate fluctuations represents the difference between current rates and prior-period rates applied to current activity. The largest geographic region in which we operate is the UK and the British pound (“GBP”) is considered to be our functional currency. Our reporting currency is the U.S. dollar (“USD”). Our results are translated from our functional currency of GBP into the reporting currency of USD using average rates for profit and loss transactions and applicable spot rates for period-end balances. The effect of translating our functional currency into our reporting currency, as well as translating the results of foreign subsidiaries that have a different functional currency into our functional currency, is reported separately in Accumulated Other Comprehensive Income.

During the twelve months ended December 31, 2019, we derived approximately 32% of our revenue from sales to customers outside the UK, compared to 37% during the twelve months ended December 31, 2018.

In the section “Results of Operations” below, currency impacts shown have been calculated as the current-period average GBP:USD rate less the equivalent average rate in the prior period, multiplied by the current period amount in our functional currency (GBP). The remaining difference, referred to as functional currency at constant rate, is calculated as the difference in our functional currency, multiplied by the prior-period average GBP:USD rate. This is not a U.S. GAAP measure, but is one which management believes gives a clearer indication of results. In the tables below, variances in particular line items from period to period exclude currency translation movements, and currency translation impacts are shown independently.

Non-GAAP Financial Measures

We use certain financial measures that are not compliant with U.S. GAAP (“Non-GAAP financial measures”), including EBITDA and Adjusted EBITDA, to analyze our operating performance. In this discussion and analysis, we present certain non-GAAP financial measures, define and explain these measures and provide reconciliations to the most comparable U.S. GAAP measures. See “Non-GAAP Financial Measures” below.

Results of Operations

The following discussion and analysis of our results of operations has been organized in the following manner:

- a discussion and analysis of the Company’s results of operations for the year ended December 31, 2019, compared to the twelve-month period ended December 31, 2018; and

- a discussion and analysis of the results of operations of our SBG and Virtual Sports business segments for the twelve-month period ended December 31, 2019, compared to the year ended December 31, 2018, including KPI analysis; and

- a discussion and analysis of the results of operations of our Acquired Business segments for the period commencing with the consummation of the acquisition on October 1, 2019 and ended December 31, 2019.

- a discussion and analysis of the Company’s results of operations for the three-month period ended December 31, 2018, compared to the same period in 2017; and

- a discussion and analysis of the results of operations of our SBG and Virtual Sports business segments for the three-month period ended December 31, 2018, compared to the same period in 2017, including KPI analysis.

We changed our financial year-end from September 30 to December 31, effective for the fiscal year ended December 31, 2019, with our previous fiscal year-end was September 30, 2018. Subsequent to this change in financial year, we filed a transition report on Form 10-Q, covering the transition period of October 1, 2018 to December 31, 2018. As a result, we have provided results for the twelve-month period ended December 31, 2018 for comparative purposes. The results for the twelve months ended December 31, 2018 are unaudited.

The three-month financial periods presented consist of a 92-day period for each of 2018 and 2017. The balance sheet date for both 2018 and 2017 is December 31. Each of the foregoing periods is herein referred to as a “three-month period.”

Our results are affected by changes in foreign currency exchange rates, primarily between our functional currency (GBP) and our reporting currency (USD). In the twelve-month periods ended December 31, 2019 and 2018, the average GBP:USD rates were 1.28 and 1.34, respectively. In the three-month periods ended December 31, 2018 and 2017, the average GBP: USD rate was 1.29 and 1.34, respectively.

In the discussion and analysis below, certain data may vary from the amounts presented in our consolidated financial statements due to rounding.

Twelve Months ended December 31, 2019 compared to Twelve Months ended December 31, 2018

(In millions)	For the Twelve-Month Period ended Audited Dec 31, 2019	For the Twelve-Month Period ended Unaudited Dec 31, 2018	Variance 2019 vs 2018	Variance 2019 vs 2018 %	Variance: Functional Currency at Constant rate	Variance: Functional Currency	Variance: Currency Movement
Revenue:							
Service	$ 134.9	$ 130.6	$ 4.3	3.3%	$ 10.2	7.8%	$ (5.9)
Hardware	18.5	10.1	8.4	82.7%	9.2	92.0%	(0.8)
Total revenue	**153.4**	**140.7**	**12.7**	**9.0%**	**19.4**	**13.8%**	**(6.8)**
Cost of sales, excluding depreciation and amortization:							
Cost of service	(23.5)	(23.4)	(0.1)	0.4%	(1.2)	4.9%	1.1
Cost of hardware	(12.6)	(7.9)	(4.7)	59.9%	(5.4)	69.6%	0.7
Selling, general and administrative expenses	(72.6)	(59.0)	(13.6)	23.0%	(16.8)	28.4%	3.2
Stock-based compensation	(9.0)	(5.8)	(3.2)	55.0%	(3.6)	61.6%	0.4
Impairment expense	-	(7.7)	7.7	(100.0)%	7.9	(100.0)%	(0.2)
Acquisition and integration related transaction expenses	(6.7)	(0.3)	(6.4)	1821.9%	(7.0)	1973.8%	0.7
Depreciation and amortization	(42.0)	(41.9)	(0.1)	0.3%	(2.0)	4.8%	1.9
Net operating Income (Loss)	**(13.0)**	**(5.3)**	**(7.7)**	**147.0%**	**(8.6)**	**159.9%**	**0.9**
Other income (expense)							
Interest income	0.1	0.2	(0.1)	(67.3)%	(0.1)	(66.4)%	(0.0)
Interest expense	(27.8)	(19.8)	(8.0)	40.2%	(9.3)	47.0%	1.3
Change in fair value of earnout liability	(2.3)	5.7	(8.0)	(139.6)%	(8.0)	(142.0)%	(0.0)
Change in fair value of derivative liability	3.0	(4.9)	7.9	(160.1)%	8.3	(161.3)%	(0.4)
Loss from equity method investee	(0.1)	-	(0.1)	N/A	(0.1)	N/A	0.0
Other finance income (expense)	3.2	3.2	(0.0)	(0.2)%	0.1	2.1%	(0.1)
Total other income (expense), net	**(23.9)**	**(15.6)**	**(8.2)**	52.6%	**(9.0)**	**56.9%**	**0.8**
Net loss from continuing operations before income taxes	(36.9)	(20.9)	(16.0)	76.5%	(17.6)	83.1%	1.7
Income tax expense	(0.1)	(0.2)	0.1	(57.0)%	0.1	(48.1)%	0.0
Net loss	**$ (37.0)**	**$ (21.1)**	**$ (15.9)**	**75.2%**	**$ (17.5)**	**81.8%**	**$ 1.7**
Exchange Rate - $ to £	*1.28*	*1.34*					

Revenue

Total reported revenue for the twelve months ended December 31, 2019 increased by $12.7 million, or 9.0%, to $153.4 million on a reported basis. Adverse currency movements accounted for $6.8 million. On a functional currency at constant rate basis, revenue increased by $19.4 million, or 13.8%, with service revenue increasing by $10.2 million and hardware revenue increasing by $9.2 million. The change in total reported revenue was comprised of a decrease of $18.8 million in SBG revenue, a decrease of $0.4 million in Virtual Sports revenue, offset by an increase in revenue of $32.9 million from the new Acquired Businesses segment. This was offset by $1.0 million in intercompany eliminations.

SBG revenue, which is included in total reported revenue, above, decreased by $15.0 million on a functional currency at constant rate basis, or 14.5%, comprised of a reduction in service revenue of $19.0 million and a $4.0 million increase in hardware sales.

SBG service revenue decreased by $22.1 million on a reported basis, of which $3.1 million was attributable to adverse currency movements. On a functional currency at constant rate basis, SBG service revenue decreased by $19.0 million, or 20.4%, to $71.0 million. This was primarily due to a decrease in revenue in the UK LBO sector of $16.2 million, of which $15.6 million was driven by the Triennial Implementation and $0.5 million due to the expiry of a service contract. Additionally, there was a revenue reduction in the Greek sector of $0.9 million driven by a reduction in software license sales of $6.0 million, partly offset by the continued terminal rollout which drove additional income of $5.1 million. Revenue in the Italian sector decreased by $2.2 million due mainly to a 1.7% tax rate increase on gross stakes driving a $2.9 million reduction as well as a decline in gross win per unit per day that resulted in a $0.2 million revenue decline. This was partly offset by $0.5 million from additional unit volume, $0.3 million from an increase in license sales and $0.2 million from a full year of revenue share terms changes with two major customers.

SBG hardware revenue increased by $3.4 million to $13.5 million, on a reported basis, despite adverse currency movements of $0.7 million. On a functional currency at constant rate basis, SBG hardware revenue increased by $4.0 million. The increase in hardware revenue was driven by 328 “Flex” cabinet sales to two major customers in the UK Bingo & AGC sectors of $2.5 million, the sale of 116 Valor™ terminals in the North American sector of $1.7 million, additional sales of 467 SSBTs in the UK LBO sector of $2.0 million, the sale of 32 Flex terminals to a UK LBO customer of $0.3 million and 75 Sabre Hydra™ sales to a major customer in the UK ETG sector of $1.3 million. These were partly offset by nil margin sales of 600 “Flex” cabinet sales to a major UK LBO customer of $4.0 million.

Virtual Sports reported revenue decreased by $0.4 million. A $1.7 million decrease occurred due to adverse currency movements. On a constant currency basis, Virtual Sports revenue increased by $1.3 million, or 3.5%, of which $2.1 million was driven by an increase in Virtual Sports land-based and Scheduled Online Virtual recurring revenue and $0.4 million was driven by an increase in Interactive recurring revenue. There was an additional $0.9 million increase from non-recurring revenue. This was partly offset by $1.3 million from a major customer that experienced a decline in retail venues, the rephasing of an annual contract and a decline in general trading as well as $0.8 million due to a reduction in revenue from long-term Virtual Sports licenses that have now come to an end.

Acquired Businesses revenue accounted for $27.6 million of service revenue and $5.3 million of hardware revenue, reflecting its ownership by the Company for the period from October 1, 2019 through December 31, 2019. $8.6 million was generated from rental fees from Category C gaming machines within the Pub business in the UK, which includes 8,590 Category C digital and analog gaming machines. An additional $5.6 million in revenue was generated through the UK leisure parks business and $6.2 million generated from machine rentals to UK MSAs and AGCs.

Cost of sales, excluding depreciation and amortization

Cost of sales, excluding depreciation and amortization, which includes machine cost of sales, consumables, content royalties and connectivity costs, increased by $4.8 million, or 15.4%, on a reported basis, to $36.1 million. On a functional currency at constant rate basis, cost of sales increased by $6.5 million, or 20.9%. Of this increase, $1.5 million was attributable to an increase in SBG hardware; gross margin for SBG hardware increased from 22.3% to 32.5% in the period, primarily due to sales of the Valor™ cabinet and additional ETGs, which yield higher gross profits per machine, $7.3 million was attributable to the acquisition of the Acquired Businesses (comprised of $3.5 million in service costs and $3.8 million in hardware costs), offset by a decrease in cost of service for Virtual Sports of $1.3 million. This was partly offset by favorable currency movements of $1.7 million.

Selling, general and administrative expenses

SG&A expenses increased by $13.6 million, or 23.0%, on a reported basis, to $72.6 million, This included $3.2 million of favorable currency movements. On a functional currency at constant rate basis, SG&A increased by $16.8 million, or 28.4%. This increase was driven by incremental selling, general and administrative expenses of $20.1 million from Acquired Businesses. This was partly offset by labor savings of $4.0 million (of which $4.9 million was made in conjunction with Post Triennial Implementation), facilities cost savings of $1.1 million, IT-related cost savings of $0.5 million and other cost savings of $0.2 million. This was partly offset by an increase in the costs of group restructure of $0.5 million (removed from Adjusted EBITDA) and a decrease in net labor capitalization and manufacturing recoveries of $1.7 million due to mix of projects and lower factory throughput as a result of fewer machines being built.

Stock-based compensation

During the year ended December 31, 2019, the Company recorded an expense of $9.0 million with respect to outstanding awards. Of this expense, $6.0 million related to costs from awards made under the 2016 Long Term Incentive Plan, $2.8 million from awards made under the 2018 Plan and $0.3 million related to costs from the vesting of awards in December 2019. The entirety of this cost related to recurring costs, with the 2018 Plan awards impacted by movements in the stock price between the award granting date and May 14, 2019, the date the scheme was formally approved by stockholders. Following approval, the cost was no longer impacted by stock price movements being charged by the same method as all other award plans. During the year ended December 31, 2018, the charge for stock-based compensation was $5.8 million. Of this expense, $5.6 million related to costs from awards made under the 2016 Long Term Incentive Plan and $0.2 million from awards made under the 2018 Plan. The entirety of this cost is related to recurring costs.

Acquisition and integration related transaction expenses

Acquisition related transaction expenses increased by $6.4 million, on a reported basis, to $6.7 million. The entirety of the 2019 and 2018 period expenses were related to work in respect of potential acquisitions, with the 2019 expenses relating to the acquisition and third-party integration fees linked exclusively to the acquisition and integration of NTG.

Impairment expense

Impairment expense decreased by $7.7 million as there was no charge in the current period, but a $7.7 million expense in the prior period. This expense in the prior period was considered to be outside the normal course of business. Following a review of key strategic plans and therefore future priority areas by the Office of the Executive Chairman, the carrying value of these assets were deemed to be in excess of their current fair value.

Depreciation and amortization

Depreciation and amortization increased by $0.1 million, or 0.3%, on a reported basis, to $42.0 million. This included the impact of favorable currency movements of $1.9 million.

On a functional currency at constant rate basis, depreciation and amortization increased by $2.0 million, or 4.8%. This increase was driven by incremental depreciation and amortization of $5.9 million from Acquired Businesses. This was partially offset by a $4.2 million decrease of depreciation and amortization in SBG and Virtual Sports. This was driven by lower machine and machine-related depreciation of $3.8 million and lower amortization of $0.4 million, driven by lower amortization of platforms and games. The machine and machine-related depreciation decrease was driven by lower depreciation in the UK ($4.3 million) and Italy ($1.2 million) due to machines being fully depreciated, which was partly offset by additional depreciation in Greece of $1.7 million due to the additional volume of machines.

Net operating loss

During the period, net operating loss increased by $7.7 million from a loss of $5.3 million to a loss of $13.0 million on a reported basis. On a functional currency at constant rate basis, net operating loss increased by $8.6 million, mainly due to the increase in revenue, more than offset by increases in cost of sales and SG&A expenses, including a $0.9 million favorable currency movement. The net impact of the Triennial Implementation in the UK for the period (included in the above) was $8.7 million.

Interest expense

Interest expense increased by $8.1 million in the year, to $27.8 million, on a reported basis. Of the $27.8 million, $16.4 million related to debt interest and $9.4 million related to the amortization of capitalized debt fees. $5.4 million of the $16.4 million and $0.8 million of the $9.4 million related to the new debt with the remaining amounts relating to the previous debt including a $7.3 million expense writing off the remainder of the debt fees capitalized under the previous debt. Of the $8.1 million increase in the current year, $1.3 million was due to a favorable currency movement. On a functional currency at a constant rate basis, interest expense increased $9.3 million, or 47.0%, compared to the prior year. This was due to higher amortization of capitalized debt fees of $9.0 million (including the expense of $7.3 million as a result of the debt refinancing in connection with the acquisition of the Acquired Businesses in the year), higher debt interest costs of $4.3 million and favorable bank currency movements of $0.5 million were offset by savings of $4.8 million of PIK interest (no longer incurred following the debt refinancing in August 2018).

Change in fair value of earnout liability

Due solely to changes in the share price ($6.51 at March 25, 2019 and $4.80 at December 31, 2018) the charge in the year ended December 31, 2019 from a change in the fair value of earnout liability was $2.3 million. On March 25, 2019, the shares relating to the earnout liability were issued. In the prior year, due to changes in share price, the corresponding figure was a $5.7 million gain.

Change in fair value of derivative liability

Change in fair value of derivative liability decreased by $7.9 million, on a reported basis, to a $3.0 million credit for the year ended December 31, 2019, arising from the fair valuing of the cross-currency swaps executed in August 2018 in connection with the debt refinancing of the Company. This represents the unhedged amount of the cross-currency swap. For the year ended December 31, 2018, the change in fair value of derivative liability was a $4.9 million charge. Of this, $6.5 million represented the unhedged amount of the cross-currency swap with a $1.6 million gain for derivative awards which were converted to stock-based compensation awards in March 2018. On October 1, 2019 as part of the refinancing of the group, the cross-currency swaps were terminated.

Other finance income

Other finance income for the year ended December 31, 2019 was a credit of $3.2 million, unchanged from the prior year. Changes in exchange rates resulted in a loss of $3.3 million in retranslating the debt balance. This was offset by a $3.2 million gain from the GBP:USD cross-currency swap entered into to mitigate this impact, accounted for under hedge accounting, and a $0.1 million higher pension interest gain.

Income tax expense

Our effective tax rate for the period ended December 31, 2019 was 0.2%, and our effective tax rate for the period ended December 31, 2018 was 1.0%.

Net loss

On a reported basis, net loss increased by $15.9 million, from a loss of $21.1 million to a loss of $37.0 million in the period ended December 31, 2019. On a functional currency at constant rate basis net loss increased by $17.5 million, mainly due to the decrease in operating income driven by the increase in acquisition and integration related transaction expenses, plus increases in interest expense and change in fair value of earnout liability. This was partly offset by an $8.3 million positive change in fair value of derivative liabilities.

Twelve Months ended December 31, 2019 compared to Twelve Months ended December 31, 2018 (unaudited) – Server Based Gaming Segment

We generate revenue from our SBG business segment through product sales (both hardware and software) and long-term participation agreements, which include access to our SBG platform and selection of game titles, usually over a term of between three and five years but longer in certain territories. Our participation contracts are typically structured to pay us a percentage of net win (defined as net revenue to our operator customers, after deducting player winnings, free bets or plays and any relevant regulatory levies) from SBG terminals placed in our customers' facilities, which include retail outlets, casinos and other gaming operations, or from SBG gaming software used by customers' players through mobile or online devices. Typically, we recognize revenue from these arrangements on a daily basis over the term of the contract.

Revenue growth for our SBG business is principally driven by the number of operator customers we have, the number of SBG machines in operation, the net win performance of the machines and the net win percentage that we receive pursuant to our contracts with our customers.

SBG Segment, Key Performance Indicators

SBG	For the Twelve-Month Period ended		Variance	
	Audited Dec 31, 2019	Unaudited Dec 31, 2018	2019 vs 2018	%
End of period installed base (# of terminals) (1)	32,698	34,577	(1,879)	(5.4)%
Average installed base (# of terminals) (2)	34,151	32,371	1,780	5.5%
Customer Gross Win per unit per day (3)	£ 84.05	£ 111.34	£ (27.29)	(24.5)%
Customer Net Win per unit per day (3)	£ 59.69	£ 79.28	£ (19.59)	(24.7)%
Inspired Blended Participation Rate	6.2%	6.1%	0.1%	

(1) Includes 1,341 machines operated by the Acquired Businesses in twelve-month period ended December 31st, 2019 and 2,001 machines in twelve-month period ended December 31st, 2018. Post acquisition of NTG, the revenue generated from these machines became intercompany and is thus eliminated on consolidation.

(2) Includes 1,848 machines operated by the Acquired Businesses in twelve-month period ended December 31st, 2019 and 1,937 machines in twelve-month period ended December 31st, 2018. Post acquisition of NTG, the revenue generated from these machines became intercompany and is thus eliminated on consolidation.

(3) Includes all SBG terminals in which the company takes a participation revenue share across all territories

In the table above:

"End of Period Installed Base" is equal to the number of deployed SBG terminals at the end of each period that have been placed on a participation basis. SBG participation revenue, which comprises the majority of SBG service revenue, is directly related to the terminal installed base. This is the medium by which customers generate revenue and distribute a revenue share to the Company. To the extent all other "KPI "and certain other factors" being equal" remain constant, the larger the installed base, the higher the Company's revenue will be for that period. Management gives careful consideration to this KPI in terms of driving growth across the segment.

Revenue is derived from the performance of the installed base as described by the Gross and Net Win KPIs.

If the End of Period Installed Base is materially different from the Average Installed Base (described below), we believe this gives an indication as to potential future performance. The End of Period Installed Base is particularly useful for assessing new customers or sectors, to indicate the progress being made with respect to entering new territories or jurisdictions.

"Average Installed Base" is the average number of deployed SBG terminals during the period. Therefore, it is more closely aligned to revenue in the period. This measure is particularly useful for assessing existing customers or sectors to provide comparisons of historical size and performance.

"Customer Gross Win per unit per day" is a KPI used by our internal decision makers to (i) assess impact on the Company's revenue, (ii) determine changes in the strength of the overall market and (iii) evaluate the impacts of regulatory change and our new content releases on our customers. Customer Gross Win per unit per day is the average per unit cash generated across all SBG terminals in which the Company takes a participation revenue share across all territories in the period, defined as the difference between the amounts staked less winnings to players divided by the Average Installed Base in the period, then divided by the number of days in the period.

SBG revenue share income accrued in the period is derived from Customer Gross Win accrued in the period after deducting gaming taxes (defined as a regulatory levy paid by the Customer to government bodies) and applying the Company's contractual revenue share percentage.

Our internal decision makers believe Customer Gross Win measures are meaningful because they represent a view of customer operating performance that is unaffected by our revenue share percentage and allow management to (1) readily view operating trends, (2) perform analytical comparisons and benchmarking between customers and (3) identify strategies to improve operating performance in the different sectors in which we operate.

"Customer Net Win per unit per day" is Customer Gross Win per unit per day after giving effect to the deduction of gaming taxes.

"Inspired Blended Participation Rate" is the Company's average revenue share percentage across all terminals where revenue is earned on a participation basis, weighted by Customer Net Win per unit per day.

Our overall SBG revenue from terminals placed on a participation basis can therefore be described as the product of the Average Installed Base, the Customer Net Win per unit per day, the number of days in the period, and the Inspired Blended Participation Rate, to give "participation revenue".

SBG Segment, key events that affected results for the Twelve Months ended December 31, 2019

During the period Customer Gross Win per unit per day in the total UK sector (including non-LBO UK sectors) decreased by 24.9%. This was due mainly to the Triennial Implementation in the UK. The revenue impact of this regulatory change was in line with our expectations.

During the period, an additional 1,152 SSBTs were sold and deployed in the UK LBO sector, of which 526 were sold in the fourth quarter. In addition to hardware sales margin, these terminals also generate a recurring service fee.

During the third quarter of 2019, the Company secured an extension to supply hardware, platform, content and service into the UK LBO sector with our largest customer for an additional three years. This agreement runs to the end of 2022 and includes minimal capital expenditure in exchange for a slight reduction in revenue share versus current terms.

In the UK Casino sector, we sold 278 "Flex" B3 terminals split between two major customers. These terminals will also generate a recurring software rental fee and content revenue share to the Company in future periods.

In the UK Electronic Table Games (ETG) sector, we sold 205 Sabre Hydra ™ terminals to a major Casino customer with a further 150 on the order book for the second part of 2020.

During the period, first time sales were recorded in the North American sector. Hardware sales of 116 Valor™ terminals were made in Illinois.

We were awarded a further 580 contracted terminals in Greece, 380 of which are our new "Valor VIP" cabinet bringing the total number of our contracted terminals in Greece to 8,940. Our SBG rollout into the Greek sector continued with a further 2,106 terminals being deployed on site.. Despite increased density, the performance of our Greek terminals continues to be strong relative to our competitors.

In Italy, customer Net Win per unit per day (in EUR) decreased by €13, or 29.3%, primarily due to an increase in the average revenue tax of 1.7% from 6.9% in 2018 to 8.6% in 2019 as well as a decline in Gross Win per unit per day (EUR).

Our end of period Installed Base of terminals showed a decrease of 1,879, or 5.4%, to 32,698. This was due to 700 shop closures (representing a decrease of 2,800 terminals) by a major customer in the UK LBO sector resulting from the Triennial Implementation, however this happened in the third and fourth quarters and therefore had less of an impact on the average installed base. Growth of over 2,100 VLT's in the Greek sector partly offset the decline in the UK.

Customer Gross Win per unit per day (in our functional currency, GBP) decreased by 24.5% across the entire estate, driven mainly by the reduction in maximum permitted bets on B2 gaming machines in the UK and the impact of our SBG installations in Greece, as our Greek machines return a lower daily Customer Gross Win compared to our UK machines. These impacts, along with a 1.7% average increase in the Italian revenue tax rate, partly offset by reduced tax in the UK LBO sector post triennial, led to a Net Win per unit per day decrease on total SBG of 24.7%. Our blended participation rate increased by 0.1% to 6.2% in 2019.

SBG Segment, Twelve Months ended December 31, 2019 compared to Twelve Months ended December 31, 2018

Server Based Gaming

(In millions)	For the Twelve-Month Period ended Audited Dec 31, 2019	Unaudited Dec 31, 2018	Variance 2019 vs 2018		Variance: Functional Currency at Constant rate	Functional Currency	Currency Movement
Revenue:							
Service	$ 71.0	$ 93.2	$ (22.1)	(23.8)%	$ (19.0)	(20.4)%	$ (3.1)
Hardware	13.5	10.1	3.4	33.5%	4.0	40.4%	(0.7)
Total revenue	**84.5**	**103.3**	**(18.8)**	**(18.2)%**	**(15.0)**	**(14.5)%**	**(3.8)**
Cost of sales, excluding depreciation and amortization:							
Cost of service	(17.6)	(18.8)	1.2	(6.6)%	0.1	(0.7)%	1.1
Cost of hardware	(9.1)	(7.9)	(1.2)	15.9%	(1.5)	18.8%	0.2
Total cost of sales	**(26.7)**	**(26.7)**	**(0.0)**	**0.0%**	**(1.3)**	**5.0%**	**1.3**
Selling, general and administrative expenses	(23.6)	(30.8)	7.2	(23.2)%	6.0	(19.5)%	1.1
Impairment expense	-	(4.7)	4.7	(100.0)%	4.8	(100.0)%	(0.1)
Stock-based compensation	(1.7)	(1.1)	(0.6)	56.3%	(0.7)	63.1%	0.1
Depreciation and amortization	(29.1)	(34.3)	5.2	(15.1)%	3.8	(11.2)%	1.3
Net operating Income (Loss)	**$ 3.4**	**$ 5.7**	**$ (2.3)**	**(41.0)%**	**$ (2.3)**	**(40.7)%**	**$ (0.0)**
Exchange Rate - $ to £	*1.28*	*1.34*					

SBG segment revenue

In the period revenue decreased by $18.8 million, to $84.5 million, on a reported basis. Adverse currency movements accounted for $3.8 million. On a functional currency at constant rate basis, SBG revenue decreased by $15.0 million, or 14.5%.

Service revenue decreased by $22.1 million on a reported basis, of which $3.1 million was attributable to adverse currency movements. On a functional currency at constant rate basis, SBG service revenue decreased by $19.0 million, or 20.4%, to $71.0 million. This was primarily due to a decrease in revenue in the UK LBO sector of $16.2 million, of which $15.6 million was driven by the Triennial Implementation and $0.5 million due to the expiring of a service contract.

Additionally, there was a reduction in the Greek sector of $0.9 million driven by a reduction in software license sales of $6.0 million, partly offset by the continued terminal rollout which drove additional income of $5.2 million.

Revenue in the Italian sector decreased by $2.2 million on a functional currency at constant rate basis due mainly to a 1.7% tax rate increase on gross stakes driving a $2.9 million reduction as well as a decline in gross win per unit per day that resulted in a $0.2 million revenue decline. This was partly offset by $0.5 million from additional unit volume, $0.3 million from an increase in license sales and $0.2 million from a full year of revenue share terms changes with two major customers. Revenue in UK Other increased by $0.5 million due to a one-off contract sale during the period of $0.7 million and additional revenue of $0.2 million driven by terminal upgrades with one customer, partly offset by an expiry of a service contract of $0.2 million and lower ETG software sales of $0.2 million.

UK LBO Customer Gross Win per unit per day decreased by 24.9% due to the Triennial Implementation. The revenue impact of this regulatory change was in line with our expectations, improving consecutively each quarter since the Triennial Implementation launched on April 1, 2019. The decline in Gross Win for the fourth quarter was 21.1%, a significant improvement over the third quarter impact of 37.5% and the second quarter impact of 41.1%. The vast improvement in the fourth quarter is a result of 700 closures of the lower end shops in our largest customer and new game content going live across the full UK LBO estate.

Hardware revenue increased by $3.4 million to $13.5 million, on a reported basis, despite adverse currency movements of $0.7 million. On a functional currency at constant rate basis, SBG hardware revenue increased by $4.0 million. The increase in hardware revenue was driven by 328 “Flex” cabinet sales to two major customers in the UK Bingo & AGC sectors of $2.5 million, our first 116 terminal sale of the Valor™ cabinet in the North American sector of $1.7 million, additional sales of 467 SSBTs in the UK LBO sector of $2.0 million, the sale of 32 Flex terminals to a UK LBO customer of $0.3 million and 75 “Sabre Hydra” sales to a major customer in the UK ETG sector of $1.3 million. These are partly offset by nil margin sales of 600 “Flex” cabinet sales to a major UK LBO of $4.0 million.

SBG segment operating income. Cost of sales (excluding depreciation and amortization) remained flat, on a reported basis. Favorable currency movements of $1.3 million offset a $1.3 million increase in cost of sales on a functional currency at constant rate basis.

The above was driven by an increase in hardware cost of sales of $1.5 million due to Flex sales in the UK Bingo & AGC sectors of $2.2 million, SSBT & Flex sales in the UK LBO sector of $1.9 million, Valor™ sales in North America of $0.9 million and Sabre Hydra™ sales in the ETG sector of $0.6 million. These were partly offset by nil margin Flex sales in the UK LBO sector of $4.0 million from the previous period that did not recur in 2019.

Service costs decreased by $0.1 million on a functional currency at constant rate basis. This was driven by a reduction in UK consumables of $1.0 million due to the Triennial Implementation and lower spares costs and content costs in Italy of $0.6 million, mostly offset by an increase in Greek SBG service costs of $1.0 million driven by the increase in terminals as the Greece rollout continued and increased UK LBO content costs of $0.5 million.

SG&A expenses decreased by $7.2 million to $23.6 million, on a reported basis. This included $1.1 million of favorable currency movements. This resulted in a functional currency at constant rate decrease of $6.0 million attributable to staff-related cost savings of $5.8 million (of which approximately $4.4 million was made in conjunction with the Triennial Implementation), facilities cost savings of $0.5 million, lower IT-related costs of $0.4 million driven by lower headcount, lower costs of group restructure of $0.2 million and other cost savings of $0.8 million. This was partly offset by $1.9 million lower labor capitalization and manufacturing recoveries due to lower headcount, mix of projects and lower factory throughput as a result of fewer machines being built in the period.

An impairment expense in the prior period, considered to be outside of the normal course of business, amounted to $4.7 million, due to the review of key strategic areas by the Office of the Executive Chairman. This resulted in a functional currency at constant rate decrease of $4.7 million.

Depreciation and amortization decreased by $5.2 million, to $29.1 million on a reported basis. Of this amount, $1.3 million was due to favorable currency movements. On a functional currency at constant rate basis, the decrease was $3.8 million, from lower machine and machine-related depreciation. The lower machine and machine-related depreciation was driven by lower depreciation in the UK ($4.3 million) and Italy ($1.2 million) due to machines being fully depreciated, partly offset by the additional machine and machine-related depreciation in Greece of $1.7 million due to the additional terminals in the Greek sector.

Operating income decreased by $2.3 million, to $3.4 million, on a reported basis. On a functional currency at constant rate basis, SBG operating income increased by $2.3 million. This was primarily due to the decrease in revenue, partly offset by lower SG&A expenses, impairment expense and depreciation and amortization.

SBG Segment, Recurring Revenue

Set forth below is a breakdown of our SBG recurring revenue. SBG recurring revenue consists principally of SBG participation revenue.

(In £ millions)	For the Twelve-Month Period ended Audited Dec 31, 2019	For the Twelve-Month Period ended Unaudited Dec 31, 2018	Variance 2019 vs 2018	Variance 2019 vs 2018 %
SBG Recurring Revenue	£ 66.0	£ 77.2	£ (11.2)	(14.5)%
Total SBG Revenue				
SBG Participation Revenue	£ 46.2	£ 57.5	£ (11.3)	(19.6)%
SBG Other Fixed Fee Recurring Revenue	£ 1.3	£ 1.9	£ (0.5)	(27.6)%
Total SBG Recurring Revenue	£ 47.6	£ 59.4	£ (11.8)	(19.9)%
SBG Recurring Revenue as a Percentage of Total SBG Revenue	72.1%	76.9%	(4.8)%	

In the table above:

"SBG Participation Revenue" includes our share of revenue generated from (i) our SBG terminals placed in gaming and lottery venues; and (ii) licensing of our game content and intellectual property to third parties.

"SBG Other Fixed Fee Recurring Revenue" includes service revenue in which the Company earns a periodic fixed fee on a contracted basis.

"Total SBG Recurring Revenue" is equal to SBG Participation Revenue plus SBG Other Fixed Fee Recurring Revenue.

SBG Segment, Service Revenue by Region

Set forth below is a breakdown of our SBG service revenue by geographic region. SBG service revenue consists principally of SBG participation revenue.

Server Based Gaming Service Revenue by Region *(In millions)*	For the Twelve-Month Period ended Audited Dec 31, 2019	For the Twelve-Month Period ended Unaudited Dec 31, 2018	Variance 2019 vs 2018	Variance 2019 vs 2018 %	Variance: Functional Currency at Constant rate	Variance: Functional Currency	Variance: Currency Movement
Service Revenue:							
UK LBO	$ 39.1	$ 57.0	$ (17.9)	(31.5)%	$ (16.2)	(28.4)%	$ (1.8)
UK Other	6.0	5.8	0.2	4.0%	0.5	8.8%	(0.3)
Italy	7.9	10.5	(2.6)	(24.4)%	(2.2)	(21.3)%	(0.3)
Greece	17.4	19.0	(1.6)	(8.6)%	(0.9)	(4.6)%	(0.8)
Rest of the World	0.7	0.9	(0.2)	(26.1)%	(0.2)	(22.6)%	(0.0)
Total service revenue	**$ 71.0**	**$ 93.2**	**$ (22.1)**	**(23.8)%**	**$ (19.0)**	**(20.4)%**	**$ (3.2)**
Exchange Rate - $ to £	*1.28*	*1.34*					

Results of Operations –
Twelve Months ended December 31, 2018 compared to Twelve Months ended December 31, 2019 –
Virtual Sports Segment

Our Virtual Sports products create a form of simulated sports betting in both a streaming and on-demand environment, overcoming the relative infrequency of live sporting events on which players can wager. We generate revenue from our Virtual Sports segment by licensing to our operator customers the software related to our Virtual Sports products, which consists of a complex graphics and networking software package that provides fixed-odds wagering on an ultra-high definition computer rendering of a virtual sporting event, such as soccer or boxing. Our customers pay us for the use of this software through either a fixed license fee per period, or on a participation basis based on the volume of customer net win. We also generate revenue by providing upfront services to our customers. Revenue growth for our Virtual Sports segment is driven by the number of customers, the number of player end-points and the customer net win attributable to our products.

Our customers for Virtual Sports include regulated betting operators, lotteries, casinos, online operators and other gaming and lottery operators in the UK, continental Europe, Asia, Africa and North America. Virtual Sports can be adapted to function in a sports betting, lottery, or gaming environment and is therefore available to a wide range of customers in both public and private implementations.

Virtual Sports Segment, Key Performance Indicators

	For the Twelve-Month Period ended		Variance	
	Audited	Unaudited	2019 vs 2018	
Virtuals	**Dec 31, 2019**	**Dec 31, 2018**		**%**
No. of Live Customers at the end of the period	111	100	11	11.0%
Average No. of Live Customers	105	93	12	12.7%
Total Revenue (£'m)	£ 29.0	£ 28.0	£ 1.0	3.5%
Total Virtual Sports Recurring Revenue (£'m)	£ 26.1	£ 25.5	£ 0.7	2.6%
Total Revenue £'m - Retail	£ 16.2	£ 17.2	£ (1.0)	(6.0)%
Total Revenue £'m - Scheduled Online Virtuals	£ 10.0	£ 8.3	£ 1.7	20.6%
Total Revenue £'m - Interactive	£ 2.8	£ 2.5	£ 0.3	12.5%
Average Revenue Per Customer per day (£)	£ 756	£ 823	£ (67)	(8.2)%

In the table above:

"No. of Live Customers at the end of the period" and "Average No. of Live Customers" represent the number of customers from which there is Virtual Sports revenue at the end of the period and the average number of customers from which there is Virtual Sports revenue during the period, respectively.

"Total Revenue (£000)" represents total revenue for the Virtual Sports segment, including recurring and upfront service revenue. Total revenue is also divided between "Total Revenue (£000) – Retail," which consists of revenue earned through players wagering at Virtual Sports venues, "Total Revenue (£000) – Scheduled Virtuals," which consists of revenue earned through players wagering on Virtual Sports online, and "Total Revenue (£000) – Mobile RGS," which consists of revenue earned through our Mobile RGS product.

"Average Revenue per Customer per day" represents total revenue for the Virtual Sports segment in the period, divided by the Average No. of Live Customers, divided by the number of days in the period.

Virtual Sports Segment, Recurring Revenue

	For the Twelve-Month Period ended		Variance	
	Audited	Unaudited	2019 vs 2018	
(In £ millions)	**Dec 31, 2019**	**Dec 31, 2018**		**%**
Virtual Sports Recurring Revenue				
Total Virtual Sports Revenue	£ 29.0	£ 28.0	£ 1.0	3.5%
Recurring Revenue - Retail and Scheduled Online Virtuals	£ 23.5	£ 22.4	£ 1.1	4.9%
Recurring Revenue - Interactive	£ 2.7	£ 2.4	£ 0.3	12.9%
Total Virtual Sports Recurring Revenue	£ 26.2	£ 24.8	£ 1.4	5.7%
Virtual Sports Recurring Revenue as a Percentage of Total Virtual Sports Revenue	90.4%	88.6%	1.9%	

For definitions of the terms used in the table above, see the definitions provided above.

Virtual Sports segment, key events that affected results for the Twelve Months ended December 31, 2019

US

In the second phase of our Pennsylvania strategy we launched our proprietary Derby Cash™ Horse Racing product in over 8,500 venues in November. This has shown significant year on year growth since launch.

During the period we signed a new contract with British Columbia Lottery Corporation to supply Virtuals on demand, slots and table content via our proprietary Virgo platform.

We have signed an exclusive worldwide license deal with the NFL Alumni to utilize the name, brand, image, persona and likeness of the NFLA members to be commercially used in virtual football games

In our Virtual Interactive division, we launched with Bet365 in New Jersey, a key launch for our US strategy.

In the Interactive division we have deployed our proprietary V-Play On-Demand and slot content to Caesars and Golden Nugget, New Jersey and Lotto Quebec, Canada. Performance has been strong since launch.

Europe

During the year we renewed our contract with Bet365 for a further three years to provide scheduled Virtuals online with the world's largest online sports betting company with over 35 million customers worldwide.

In UK Retail, we deployed our Rush Bingo product on a dedicated channel to the Betfred estate of approximately 1,600 venues, which has seen significant growth throughout the year.

In Ireland Retail we deployed a fourth channel of Horse Racing with Boylesports across the full estate, this is driving year on year growth.

In the UK and Ireland, we launched our Quick 6 Bingo and two-minute Power Spin Roulette products across the full Paddy Power estate of over 750 venues We also renewed the Flutter Group contract for a further three years including Paddy Power and Betfair brands.

Our Virtual Interactive division launched our proprietary V-Play Basketball™ product with Bet Victor which has become very popular. We also deployed our proprietary 1st Down ™ and Head 2 Head Football ™ products with Bet365 on two additional channels and launched two streams of our V Play Football™ product with The Stars Group brand Betstars.

During the second quarter, our Interactive division launched new content, including Bear Money™ and Book of the Irish™, across the estate, which have performed strongly. In the third quarter we launched new content, Rainbow Cashpots™ and Mighty Hot Wilds™, which have both performed well. In the final quarter we launched our first product under the licensing deal with Jaromir Jagr, Jagr's Super Slot™ and three additional key titles, Book of Christmas™, Desperado's Wild™ and Mega Cherry™ that have all performed well.

Rest of World

We launched Rush Football 2™ with the Moroccan Lottery via the Intralot platform in approximately 200 venues and increased to 400 venues by the end of the year. The Moroccan venues are amongst our most successful worldwide and the addition of these extra venues has driven growth in the quarter and is expected to drive growth through 2020.

Awards

In February, the Gaming International Awards were held at ICE 2019 and Inspired was named Virtual Supplier of the Year.

The EGR B2B awards were held in June where Inspired was awarded Virtual Sports Supplier of the Year.

The Average Number of Live Customers during the twelve-month period increased by twelve overall, from 93 to 105, including 17 new Interactive customers.

Virtual Sports segment, Twelve Months ended December 31, 2019 compared to Twelve Months ended December 31, 2018

Virtual Sports	**For the Twelve-Month Period ended**				**Variance**		
	Audited Dec 31,	**Unaudited Dec 31,**	**Variance**		**Functional Currency at Constant**	**Functional**	**Currency**
(In millions)	**2019**	**2018**	**2019 vs 2018**		**rate**	**Currency**	**Movement**
Service Revenue	**$ 37.0**	**$ 37.4**	**$ (0.4)**	**(1.0)%**	**$ 1.3**	**3.5%**	**$ (1.7)**
Cost of Service	(3.2)	(4.6)	1.4	(30.9)%	1.3	(27.6)%	0.2
Selling, general and administrative expenses	(8.7)	(11.3)	2.6	(22.8)%	2.3	(19.9)%	0.3
Impairment expense	-	(3.0)	3.0	(100.0)%	3.0	(100.0)%	(0.0)
Stock-based compensation	(1.4)	(1.0)	(0.4)	42.9%	(0.5)	49.4%	0.1
Depreciation and amortization	(5.5)	(6.1)	0.7	(10.7)%	0.4	(6.3)%	0.3
Net operating Income (Loss)	**$ 18.2**	**$ 11.5**	**$ 6.8**	**59.5%**	**$ 7.8**	**68.4%**	**$ (1.0)**
Exchange Rate - $ to £	*1.28*	*1.34*					

Virtual Sports segment revenue. In the period, on a reported revenue basis, revenue decreased by $0.4 million with a $1.7 million decrease from adverse currency movement. On a functional currency at constant rate basis, Virtual Sports revenue increased by $1.3 million, or 3.5%, driven by a $2.1 increase in Virtual Sports land-based and Schedule Online Virtual recurring revenue. This consisted of growth in Scheduled Online Virtuals of $1.1 million, followed by UK and Ireland retail increasing $0.9 million, $0.3 million from Belgium and Denmark retail and $0.4 million from new business in Morocco. This was offset by a $0.4 million decline in Italy and a $0.2 million decline in Finland from the changing of a fixed price contract.

Interactive revenue in the period increased by $0.4 million due to new customers and content launches. This was offset by adverse results from the point of consumption tax increase in the UK, regulatory changes in Sweden and uncontrollable external delays in new territories from longer than expected regulatory requirements and testing processes.

A further $0.9 million of Virtual Sports growth in the year was driven by non-recurring revenue consisting of $0.7 million from the recognition of historical revenues previously unreported from a major customer and $0.2 million from an increase in one-time sales. This was partly offset by $1.3 million from a major customer that experienced a decline in retail venues, the rephasing of an annual contract and a decline in trading as well as $0.8 million due to a reduction in revenue from long-term Virtual Sports licenses that have now come to an end.

Virtual Sports segment operating income. Cost of service decreased by $1.4 million to $3.2 million on a reported basis. Of this decrease, $0.2 million arose from favorable currency movements. On a functional currency at constant rate basis, cost of service decreased by $1.3 million, due to lower third party royalty payments primarily driven by lower revenues in the year from a major customer and a decline in royalties.

SG&A expenses decreased by $2.6 million, on a reported basis. Of this decrease, $0.3 million arose from favorable currency movements. This resulted in a functional currency at constant rate decrease of $2.3 million in the period largely driven by staff-related cost savings of $0.7 million and lower Italian tax-related costs of $0.5 million.

Depreciation and amortization decreased by $0.7 million to $5.5 million, on a reported basis. Of this increase, 0.3 million arose from favorable currency movements. This resulted in a functional currency at constant rate decrease of $0.4 million, driven by additional depreciation of platforms and games going live including Tyson, World Leaders and Rush Bingo.

Operating profit increased by $6.8 million on a reported basis to $18.2 million. On a functional currency at constant rate basis, operating profit increased by $7.8 million driven by an increase in revenue, a decrease in cost of service, lower SG&A expenses and lower impairment expense. This was partly offset by a $1.0 million decrease from adverse currency movements.

Acquired Businesses segment, key events that affected results for the Three Months ended December 31, 2019 (since consummation of acquisition)

We generate revenue from our Acquired Businesses segment through the manufacturing, marketing, and rental of our gaming machines and gaming software. We manufacture gaming machines for rental to UK pubs, adult gaming centers, bowling alleys, motorway service stations, and UK leisure parks, as well as for sale. We receive rental fees for machines, typically on a long-term contract basis, on both a participation and fixed fee basis, with our digital Category C pub machines typically contracted on a fixed fee basis. Our participation contracts are typically structured to pay us a percentage of net win (defined as net revenue to our operator customers, after deducting player winnings, free bets or plays and any relevant regulatory levies) from gaming terminals placed in our customers' facilities. Typically, we recognize revenue from these arrangements on a daily basis over the term of the contract.

The Acquired Businesses also generate revenue from UK leisure parks, where we supply gaming arcades, as well as non-gaming amusement machines. In addition, we also supply non-gaming amusement machines in pubs and other facilities on a fixed rental basis.

Revenue growth for our Acquired Businesses is principally driven by the number of operator customers we have, the number of gaming machines in operation, and the increase in weekly rental income that we receive pursuant to our contracts with our customers.

Acquired Businesses segment, Key Performance Indicators

	For the Three-Month Period ended							
	Audited		Unaudited		Variance			
	Dec 31,		Dec 31,		2019 vs 2018			
Acquired Business		**2019**		**2018**				**%**
Pub Digital Cat C Gaming Machines - Average installed base (# of terminals)		5,413		3,769		1,644		43.6%
Inspired Pubs Revenue per Digital Cat C Gaming Machine per week	£	68.46	£	61.43	£	7.03		11.4%
Pub Analogue Digital Cat C Gaming Machines - Average installed base (# of terminals)		3,177		4,615		(1,438)		(31.2)%
Inspired Pubs Revenue per Analogue Cat C Gaming Machine per week	£	42.81	£	42.14	£	0.67		1.6%
End of Period % of Digital Cat C Gaming Machines in Pub Market		66.2%		47.7%		18.5%		
Total Leisure Parks Revenue (Gaming and Non Gaming) (£'m)	£	4.3	£	3.8	£	0.6		14.6%
AGC and MSA Gaming Machines - Average installed base (# of terminals)[1]		4,948		5,955		(1,007)		(16.9)%
Inspired AGC and MSA Revenue per Gaming Machine per week	£	75.09	£	61.26	£	13.83		22.6%

[1] Adult Gaming Centers and Motorway Service Area machines

In the table above:

End of period installed base and Average installed base represent the number of gaming machines installed from which there is participation or rental revenue at the end of the period or as an average over the period

Revenue per machine unit per week represents the average weekly participation or rental revenue recognized by Inspired during the period.

The % Digital Cat C represents the percentage of the Company's UK pub gaming machine estate located with that is digital.

Acquired Businesses segment, key events that affected results for the Twelve Months ended December 31, 2019

On October 1, 2019, the Company completed the acquisition of the Gaming Technology Group ("NTG") of Novomatic UK Ltd., a division of Novomatic Group, a leading international supplier of gaming equipment and solutions. As per ASC 280, the Company reports the results of this acquisition as a business segment denoted as "Acquired Businesses." Because the Company completed the transaction on October 1, 2019, it can only report the results since that date, which comprises the three months ended December 31, 2019.

Acquired Businesses segment, Three Months ended December 31, 2019

Acquired Business *(In millions)*		**For the Three-Month Period ended Unaudited Dec 31, 2019**
Revenue:		
Service	$	27.6
Hardware		5.3
Total revenue		**32.9**
Cost of sales, excluding depreciation and amortization:		
Cost of service		(3.5)
Cost of hardware		(3.8)
Total cost of sales		**(7.3)**
Gross Profit		
Service		24.1
Hardware		1.5
Total gross profit		**25.6**
Selling, general and administrative expenses		(20.1)
Stock-based compensation		-
Depreciation and amortization		(5.9)
Net operating Income (Loss)	**$**	**(0.4)**
Exchange Rate - $ to £		*1.29*

Acquired Businesses Segment Revenue

In the fourth quarter, revenue was $32.9 million, of which $27.6 million was service revenue and $5.3 million was hardware revenue stemming from growth in the digital pub conversion and the strong fourth quarter in the leisure parks.

Acquired Businesses Service Revenue was $27.6 million in the fourth quarter, of which approximately $8.6 million was generated from Category C gaming machines within the Pub business. The Company's average installed base within the Pub business included 8,590 Category C gaming machines. Digital gaming machines accounted for 66.2% of the total Category C gaming machines at the end of the quarter, which was an increase from 60.8% at the beginning of the quarter. This reflects the continued conversion of Category C gaming machines from analogue to digital in the UK Pub estate. The increase in the Company's digital machine base continues to drive revenue per gaming machine per week, which has demonstrated sequential growth on a quarterly basis and averaged £59.63 in the quarter, an increase of approximately 13.0% over the prior year comparable period.

The Leisure business includes Leisure Parks, MSAs, Adult Gaming Centers ("AGCs") and Bowling Alleys as well as software license fees associated with one-time hardware sales. Leisure parks contributed approximately $5.6 million in revenue, which was strong for the fourth quarter, typically a weaker quarter as the summer holiday park season ends. Revenue from MSAs and AGCs was $6.2 million in the quarter and included 4,948 machines on a rental basis, generating an average of £75.09 per gaming machine per week. This represented an increase of approximately 22.6% over the prior year comparable period. Software license fees associated with hardware sales was $1.6 million in the quarter.

Acquired Businesses Hardware Revenue was $5.3 million and includes the sale of 673 machines, primarily in the digital sector with the Prismatic cabinet.

Acquired Businesses segment operating income. Operating income reflects cost of goods of $7.3 million (comprised of manufacturing costs, content royalties, spare parts, distribution costs, and certain gaming taxes), SG&A expenses of $20.1 million which includes service network costs, facilities, and staffing, and depreciation and amortization of $5.9 million, reflecting capitalized game development and machine deployment levels.

Capital expenditures for the period totaled $5.1 million, comprised primarily of approximately $2.3 million from the continuing digitization of the UK pub estate, $0.9 million in new machines for the MSA and AGC estates and $1.0 million of capitalized software development costs.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures, including EBITDA and Adjusted EBITDA, to analyze our operating performance. We use these financial measures to manage our business on a day-to-day basis. We believe that these measures are also commonly used in our industry to measure performance. For these reasons, we believe that these non-GAAP financial measures provide expanded insight into our business, in addition to standard U.S. GAAP financial measures. There are no specific rules or regulations for defining and using non-GAAP financial measures, and as a result the measures we use may not be comparable to measures used by other companies, even if they have similar labels. The presentation of non-GAAP financial information should not be considered in isolation from, or as a substitute for, or superior to, financial information prepared and presented in accordance with U.S. GAAP. You should consider our non-GAAP financial measures in conjunction with our U.S. GAAP financial measures.

We define our non-GAAP financial measures as follows:

EBITDA is defined as net loss excluding depreciation and amortization, interest expense, interest income and income tax expense.

Adjusted EBITDA is defined as net loss excluding depreciation and amortization, interest expense, interest income and income tax expense, and other additional exclusions and adjustments. Such additional excluded amounts include stock-based compensation U.S. GAAP charges where the associated liability is expected to be settled in stock, and changes in the value of earnout liabilities and income and expenditure in relation to legacy portions of the business (being those portions where trading no longer occurs) including closed defined benefit pension schemes. Additional adjustments are made for items considered outside the normal course of business, including (1) restructuring costs, which include charges attributable to employee severance, management changes, restructuring, dual running costs, costs related to facility closures and integration costs, (2) merger and acquisition costs and (3) gains or losses not in the ordinary course of business.

We believe Adjusted EBITDA, when considered along with other performance measures, is a particularly useful performance measure, because it focuses on certain operating drivers of the business, including sales growth, operating costs, selling and administrative expense and other operating income and expense. We believe Adjusted EBITDA can provide a more complete understanding of our operating results and the trends to which we are subject, and an enhanced overall understanding of our financial performance and prospects for the future. Adjusted EBITDA is not intended to be a measure of liquidity or cash flows from operations or a measure comparable to net income or loss, because it does not take into account certain aspects of our operating performance (for example, it excludes non-recurring gains and losses which are not deemed to be a normal part of underlying business activities). Our use of Adjusted EBITDA may not be comparable to the use by other companies of similarly termed measures. Management compensates for these limitations by using Adjusted EBITDA as only one of several measures for evaluating our operating performance. In addition, capital expenditures, which affect depreciation and amortization, interest expense, and income tax benefit (expense), are evaluated separately by management.

Adjusted Revenue (Revenue Excluding Nil Margin Hardware Sales) is defined as revenue excluding hardware sales that are sold at nil margin with the intention of securing longer term recurring revenue streams.

Functional Currency at Constant rate. Currency impacts shown have been calculated as the current-period average GBP: USD rate less the equivalent average rate in the prior period, multiplied by the current period amount in our functional currency (GBP). The remaining difference, referred to as functional currency at constant rate, is calculated as the difference in our functional currency, multiplied by the prior-period average GBP: USD rate, as a proxy for functional currency at constant rate movement.

Currency Movement represents the difference between the results in our reporting currency (USD) and the results on a functional currency at constant rate basis.

Reconciliations from net loss, as shown in our Consolidated Statements of Operations and Comprehensive Loss, to Adjusted EBITDA are shown below.

Reconciliation to Adjusted EBITDA

	For the Twelve-Month Period ended	
(In millions)	**Unaudited Dec 31, 2019**	**Unaudited Dec 31, 2018**
Net loss	$ (37.0)	$ (21.1)
Items Relating to Legacy Activities:		
Pension charges (1)	0.6	0.5
Costs relating to former operations (2)	-	0.0
Litigation Settlement	-	1.4
Items outside the normal course of business:		
Costs of group restructure (3)	3.3	1.5
Acquisition and integration related transaction expenses (4)	6.7	0.3
Italian tax related costs relating to prior years	0.4	0.9
Stock-based compensation expense	9.0	5.8
Impairment expense	-	7.7
Depreciation and amortization	42.0	41.9
Total other expense, net	23.9	15.6
Income tax	0.1	0.2
Adjusted EBITDA	**$ 49.0**	**$ 54.7**
Adjusted EBITDA	**£ 38.2**	**£ 41.0**
Exchange Rate - $ to £ (5)	*1.28*	*1.33*

Notes to table:

(1) “Pension charges” are profit and loss charges included within selling, general and administrative expenses, relating to a defined benefit scheme which was closed to new entrants in 1999 and to future accrual in 2010. As well as the amortization of net loss, the figure also includes charges relating to the Pension Protection Fund (which were historically borne by the pension scheme) and a small amount of associated professional services expenses. These costs are included within Central Functions.

(2) "Litigation Settlement" refers to settlement of an employment related litigation with the former general counsel of Hydra Industries Acquisition Corp.

(3) "Costs of group restructure" include redundancy costs, Payments In Lieu of Notice costs, any associated employer taxes and costs associated with onerous property leases. To qualify as being an adjusting item, costs must be part of a large restructuring project, which will net save ongoing future costs. These costs were primarily incurred in connection with the property consolidation.

(4) Acquisition and integration related transaction expenses, Stock-based compensation expense, Depreciation and amortization, Total other expense, net and Income tax are as described above in the Results of Operations line item discussions. Total expense, net includes interest income, interest expense, change in fair value of earnout liability, change in fair value of derivative liability and other finance income.

(5) Exchange rate in the table is calculated by dividing the USD Adjusted EBITDA by the GBP Adjusted EBITDA, therefore this could be slightly different from the average rate during the period depending on timing of transactions.

Reconciliation to Adjusted Revenue

	For the Twelve-Month Period ended	
(In millions)	Audited Dec 31, 2019	Unaudited Dec 31, 2018
Net revenues	$ 153.4	$ 140.7
Less Nil Margin Sales	-	(4.0)
Adjusted Revenue	**$ 153.4**	**$ 136.7**
Adjusted Revenue	**£ 119.7**	**£ 102.3**
Exchange Rate - $ to £	$ 1.28	$ 1.34

We believe that accounting for nil margin hardware sales in conformance with U.S. GAAP can result in a distorted presentation of our revenue and growth. Therefore, we use Revenue Excluding Nil Margin Sales, or Adjusted Revenue, to internally analyze our operating performance.

Liquidity and Capital Resources

Year ended December 31, 2019 compared to Year ended December 31, 2018

	Year Ended		Variance
(in millions)	Dec 31, 2019	Dec 31, 2018	2019 to 2018
Net loss	$ (37.0)	$ (21.2)	$ (15.8)
Non-cash interest expense including amortization of fees	9.0	5.4	3.6
Change in fair value of derivative and earnout liabilities and stock-based compensation expense	8.3	5.1	3.2
Impairment expense	-	7.7	(7.7)
Foreign currency translation on senior bank debt and cross currency swaps	(1.3)	(2.7)	1.4
Depreciation and amortization (incl RoU assets)	43.0	41.9	1.1
Other net cash generated/(utilized) by operating activities	8.7	(0.9)	9.6
Net cash provided by operating activities	30.7	35.2	(4.5)
Net cash used in investing activites	(133.4)	(42.8)	(90.6)
Net cash generated by financing activities	113.5	12.4	101.1
Effect of exchange rates on cash	2.3	0.1	2.2
Net increase in cash and cash equivalents	$ 13.1	$ 5.0	$ 8.1

Net cash provided by operating activities. In the year, net cash inflow provided by operating activities was $30.7 million, compared to $35.2 million inflow in the prior year, representing a $4.5 million decrease in cash generation.

Non-cash interest expense increased by $3.6 million to $9.0 million. The current period's non-cash interest expense related to amortization of debt fees incurred in relation to the business refinancing in August 2018 and in October 2019 with the subsequent extinguishment of all unamortized fees from August 2018 following the October 2019 refinancing. The prior year's expense related to PIK interest charged on the debt held prior to the refinancing in August 2018 with amortization of debt fees only from the point of the business refinancing in August 2018.

Change in fair value of derivative and earnout liabilities and stock-based compensation expense increased by $3.2 million, from an inflow of $5.1 million to an inflow of $8.3 million. Movements in the market value of the stock price resulted in an $8.0 million higher earnout inflow in the current period, a $3.2 million higher inflow relating to stock-based compensation expense and a $1.6 million higher inflow relating to derivative liabilities. These were offset by a $9.5 million higher outflow relating to cross currency swaps.

Foreign currency translation on our senior bank debt and cross currency swaps following the refinancing on October 1, 2019 resulted in a loss in the year of $1.3 million as a result of the movement in exchange rates during the current period, compared to a loss of $2.7 million in the prior year.

Depreciation, amortization and impairment increased by $1.1 million to a charge of $43.0 million due to a $1.0 million amortization charge on operating lease liabilities with small increases in machine and intangible asset charges largely offset by lower amortization on development costs and licenses. The operating lease liability amortization relates to the application of ASC842 and was not applied to the prior year.

Other net cash generated by operating activities increased by $9.6 million, to a $8.7 million inflow. The strong performance compared to the prior year was driven by several factors. Lower capital spending, partly as a result of the Triennial Implementation and favorable timing of supplier payments improved cash inflow by $6.6 million whilst lower inventory levels contributed $3.3 million. Improved collection of accounts receivable in the current year benefitted cash inflow by $3.8 million along with favorable movements in accruals of $8.3m (including timing on the debt interest payments of $6.1 million). This was partly offset by an expected reversal of the deferred revenue creditor $12.7 million with the prior year benefitting from the build and roll out of the second phase of Greece machines.

Included within net cash provided by operating activities were $6.1 million of payments relating to the transaction expenses and $3.3 million of payments relating to restructuring costs. This compares to $0.7 million of payments relating to transaction expenses in the prior year.

Net cash used in investing activities. Net cash used in investing activities increased by $90.6 million to $133.4 million. The increase was due to the acquisition of NTG in October 2019 for $105.9 million including cash acquired, which was offset by a $14.8 million reduction in the level of spend on property and equipment versus the prior year, which included the Greece roll out and Flex 4k terminal build.

Net cash generated by financing activities. Net cash generated by financing activities was $113.5 million in 2019, compared to $12.4 million in the prior year. The refinancing in the current year produced an inflow of $255.3 million after associated debt fees with repayment of the previous debt of $144.2 million. Movements in the level of revolver drawn resulted in a $2.8 million inflow and a finance lease payment resulted in a $0.4 million outflow. The prior year refinancing generated an inflow of $135.0 million after associated debt fees with a $109.3 million repayment of the previous debt. Revolver repayments led to a $12.8 million outflow with finance leases being a $0.5 million outflow.

Funding Needs and Sources

As of December 31, 2019, the Company’s cash on hand was $29.1 million and the Company had working capital of $15.7 million. As of December 31, 2019, $5.0 million of our cash on hand had arisen from our operations in Greece and was being held in local accounts. In the ordinary course of business, we seek, from time to time, to transfer funds earned in Greece to our accounts outside of Greece. However, Greece imposes capital controls that can delay or prevent the flow of capital out of the country. The Company recorded net losses of $37.0 million, $4.7 million and $20.6 million for the year ended December 31, 2019, the three months ended December 31, 2018 and the year ended September 30, 2019, respectively. Net losses include non-cash stock-based compensation of $9.0 million, $1.6 million and $7.4 million for the year ended December 31, 2019, the three months ended December 31, 2018 and the year ended September 30, 2019, respectively. Historically, the Company has generally had positive cash flows from operating activities and has relied on a combination of cash flows provided by operations and the incurrence of debt and/or the refinancing of existing debt to fund its obligations. Working capital of $15.7 million includes a non-cash settled item of $10.1 million of deferred income. Management currently believes that, absent any long term COVID-19 impact, the Company’s cash balances on hand, cash flows expected to be generated from operations, ability to control and defer capital projects and amounts available from the Company’s external borrowings will be sufficient to fund the Company’s net cash requirements through March 2021.

The outbreak of COVID-19 adds uncertainty that may ultimately impact on the Company's ability to meet its covenant compliance and its ability to carry on as a going concern. Management believes that the going concern basis of preparation remains appropriate given the mitigating effect of liquidity preservation actions taken in light of the current COVID-19 control measures which are in place**.**

To fund our obligations, we have historically relied on a combination of cash flows provided by operations and the incurrence of additional debt or the refinancing of existing debt. As of December 31, 2019, we had liquidity of $29.1 million in cash and cash equivalents, plus a further $23.8 million of an undrawn revolver facility. This compares to $16.0 million of cash and cash equivalents plus a further $9.3 million of an undrawn revolver facility at the end of the prior year. We had a working capital inflow of $8.7 million in 2019, compared to a $0.9 million outflow in the prior period. The level of our working capital surplus or deficit varies with the level of machine production we are undertaking and our capitalization. In periods with minimal machine volumes and capital spend, our working capital is more stable. In periods where significant numbers of machines are being produced, the levels of inventory and creditors are higher than typical and there is a natural timing difference between converting the stock into sellable or capitalized plant and settling payments to suppliers. These factors, along with movements in trading activity levels, can result in significant working capital volatility. In periods of low activity, our working capital volatility is reduced. Working capital is reviewed and managed with the aim of ensuring that current liabilities are covered by the level of cash held and the expected level of short-term receipts.

Significant amounts of our cash flows from operations arise from our operations in Greece. As of December 31, 2019, $5.0 million of our $29.1 million of cash and cash equivalents had arisen in Greece and was being held in our Greek bank accounts. In the ordinary course of business, we seek from time to time to transfer funds earned in Greece to accounts of ours outside Greece. However, up until September 1, 2019, Greece imposed capital controls that sometimes complicated, delayed or prevented the flow of capital out of that country. Historically, we have always been able to complete such transfers. Since September 1, 2019, capital controls are no longer in place.

The Company has undertaken a review of its operations in order to enable it to reduce its global costs and to more effectively align its resources with its business priorities. In connection with this review, the Company is in the process of consolidating and relocating certain of its operations in the UK and has implemented, and expects to continue to implement, a related reduction in headcount. These changes continue the Company's prior cost control efforts. Office consolidation expenses are expected to amount to approximately $8.7 million in total, as we expect to incur approximately $3.0 million of capital investment for the new office, and approximately $5.7 million of one-time costs to exit offices. These figures include costs relating to staff redundancy, relocation allowances, travel supplements, dual running costs, recruitment fees of replacement hires and dilapidating old facilities. We expect the majority of these costs to be incurred by the end of the first quarter next year.

Long Term and Other Debt

(In millions)	December 31, 2019				December 31, 2018			
Cash held	£	22.0	$	29.1	£	12.5	$	16.0
Revolver drawn		(2.0)		(2.6)		-		-
Original principal senior debt		(216.5)		(286.0)		(109.6)		(140.0)
Cash interest accrued		(4.2)		(5.5)		-		-
Finance lease creditors		(0.1)		(0.1)		(0.3)		(0.4)
Total	£	(200.8)	$	(265.2)	£	(97.5)	$	(124.5)

On October 1, 2019, pursuant to the Share Purchase Agreement, dated as of June 11, 2019 (the "SPA"), by and between Inspired Gaming (UK) Limited, a subsidiary of the Company (the "Buyer"), and Novomatic UK Ltd., (the "Seller"), the Buyer completed its acquisition from the Seller of (i) all of the outstanding equity interests of each of (a) Astra Games Ltd, (b) Bell-Fruit Group Limited, (c) Gamestec Leisure Limited, (d) Harlequin Gaming Limited, and (e) Playnation Limited, and (ii) 40% of the outstanding equity interests of Innov8 Gaming Limited ("Innov8", and the entities described in clauses (i) and (ii), together with certain of their subsidiaries, the "Acquired Companies" and the transactions contemplated by the SPA, the "Acquisition"). The Acquired Companies comprised the Seller's Gaming Technology Group. The consideration for the Acquisition totaled approximately €104.6 million (USD $120.0 million) in cash.

In connection with the Acquisition, on September 27, 2019, Gaming Acquisitions Limited, together with Inspired Entertainment, Inc. ("Inspired"), and certain other direct and indirect wholly-owned subsidiaries of Inspired, entered into a Senior Facilities Agreement with Lucid Agency Services Limited, as agent, Nomura International plc and Macquarie Corporate Holdings Pty Limited (UK Branch) as arrangers and/or bookrunners and each lender party thereto (the "Lenders"), pursuant to which the Lenders agreed to provide, subject to certain conditions, two tranches of senior secured term loans (the "Term Loans"), in an original principal amount of £140.0 million and €90.0 million, respectively and a secured revolving facility loan in an original principal amount of £20.0 million. Proceeds from the Term Loans were used, among other things, to pay the purchase price of the Acquisition and to refinance existing indebtedness of the Company.

The new term loans have a 5-year duration and are repayable in full on October 1, 2024. The £140.0 million loan carries a cash interest rate of 7.25% plus 3-month LIBOR, the €90.0 million loan carries a cash interest rate of 6.75% plus a 3-month EUROLIBOR. The £20.0 million revolving credit facility is available until September 1, 2024 and carries a cash interest rate on any utilization at 5.50% plus 3-month LIBOR, with any unutilized amount carrying a cash interest cost at 30% of the applicable margin on the revolving credit facility loan.

In connection with the refinancing on October 1, 2019, the existing three-year, fixed-rate, cross-currency swaps were terminated and the remaining capitalized debt fees totaling $7.3 million expensed. Debt fees of approximately $16.1 million were incurred and capitalized as part of the refinancing as relating to the costs incurred in obtaining the new term loan facilities. These fees will be amortized over the length of the new term loans.

The Company's previous debt which had been in place since the refinancing in August 2018 provided the business with debt facilities of senior notes of $140.0 million and a revolving credit facility of £7.5 million (equivalent to approximately $9.9 million). The senior notes had a 5-year duration, carrying a cash interest rate of 9% plus 3-month LIBOR, and the revolving credit facility had a 3-year duration carrying a cash interest rate on any utilization at 4% plus 3-month LIBOR. Any unutilized amount carried a 1.4% cash interest cost. In connection with this refinancing, the Company entered into a three-year, fixed-rate, cross-currency swap. All the Company's previous debt and cross-currency swaps were terminated and repaid on October 1, 2019 when the new debt was put in place. For further information regarding the new external borrowings and the swap, see Note 12 to the Consolidated Financial Statements, "Long Term and Other Debt".

As of December 31, 2019, the Company had bank facilities of £160.0 million and €90.0 million (equivalent to approximately $312.4 million), consisting of senior term loan facilities of £140.0 million and €90.0 million (equivalent to $184.9 million and $101.1 million respectively) and a revolving credit facility of £20.0 million (equivalent to approximately $26.4 million). As of December 31, 2019, the £140.0 million term loan facility had a cash interest rate on outstanding borrowings equal to the base rate margin of 7.25% per annum, plus 3-month LIBOR which at December 31, 2019 was the equivalent of 8.08% per annum. The €90.0 million term loan facility had a cash interest rate on outstanding borrowings equal to the base rate margin of 6.75% per annum, plus 3-month EUROLIBOR which at December 31, 2019 was the equivalent of 6.75% per annum. Both term loan facilities are scheduled to mature on October 1, 2024.

As of December 31, 2018, the Company had bank facilities of £117.1 million (equivalent to approximately $149.6 million), consisting of a senior term loan facility of £109.6 million (equivalent to $140.0 million) and a revolving credit facility of £7.5 million (equivalent to approximately $9.6 million). As of December 31, 2018, the term loan facility imposed a cash interest rate on outstanding borrowings equal to the base rate margin of 9.00% per annum, plus 3-month LIBOR which at December 31, 2018 was the equivalent of 11.39% per annum which under the cross-currency swaps executed was reduced to a rate of 10.87%.

As of December 31, 2019, the Company had aggregate borrowings under the revolving credit facility of £2.0 million (equivalent to $2.6 million). As of December 31, 2019, the revolving credit facility imposed a cash interest rate on outstanding borrowings equal to the base rate margin of 5.50% per annum, plus LIBOR, and the current rate at which cash interest accrued was 6.21% per annum. In addition, a commitment fee was payable with respect to unutilized borrowing capacity at a rate of 1.65% per annum. The revolving credit facility is scheduled to mature on September 1, 2024.

As of December 31, 2018, the Company had no aggregate borrowings under the revolving credit facility, which at this date carried a cash interest rate on any utilization at 4% plus 3-month LIBOR, with any unutilized amount carrying a 1.4% cash interest cost. This facility was terminated at the time of the refinancing on October 1, 2019.

In addition to the revolving credit facility borrowings described above, as of December 31, 2018 further amounts under the facility have been used for the Company's VAT Duty Deferment guarantee and the Company's credit card program. The amount used as of December 31, 2018 was $0.2 million. There was no use of the facility at December 31, 2019 for the Company's VAT Duty Deferment guarantee or credit card program.

Debt issuance fees were capitalized at the time the debt was issued. As of December 31, 2019, the amount of debt issuance fees capitalized was $16.3 million, including $12.2 million of original issue discount and $2.3 million of structuring fees with the remainder being professional fees incurred from the refinancing. Of the total debt issuance fees capitalized, $0.8 million had been charged by December 31, 2019.

Debt Covenants

Under our debt facilities in place as of December 31, 2019 we are subject to covenant testing at quarterly intervals. The covenant testing is set at the level of Inspired Entertainment Inc., the ultimate holding company, and consists of a test on Leverage (Consolidated Total Net Debt/Consolidated Pro Forma EBITDA) and a test on the level of capital expenditure. These are measured under U.S. GAAP. Leverage is tested at quarterly intervals commencing on the period ending June 30, 2020 and capital expenditure is tested annually commencing on December 31, 2019.

Under our debt facilities in place as of December 31, 2018, we were subject to covenant testing at quarterly intervals. The covenant testing is set at the level of Inspired Entertainment Inc., the ultimate holding company, and consists of a test on Leverage (Consolidated Total Debt/Consolidated Adjusted EBITDA) and a test of the Fixed Charge Coverage Ratio (Net Cash Provided by Operating Activities/Calculation of Consolidated Fixed Charges). These are measured under U.S. GAAP. In addition to the quarterly tests, there was the requirement that the minimum liquidity not be less than $5.0 million. With the refinancing of the Company on October 1, 2019, these tests were replaced by a revised set of covenant tests and for the period ending 30 September, 2019 these tests were not required to be performed.

There were no breaches of the debt covenants in the periods ended December 31, 2019 and December 31, 2018.

Liens and Encumbrances

As of December 31, 2019, our senior bank debt was secured by the imposition of a fixed and floating charge in favor of the lender over all the assets of the Company and certain of the Company's subsidiaries.

Contractual Obligations

As of December 31, 2019, our contractual obligations were as follows:

Contractual Obligations (in millions)	Total	Less than 1 yr	1-3 years	3-5 years	More than 5 yrs
Operating activities					
Interest on long term debt	$ 110.3	$ 22.0	$ 44.2	$ 44.2	$ -
Financing activities					
Revolver repayment	2.7	2.7	-	-	-
Senior bank debt - principal repayment	286.0	-	-	286.0	-
Finance lease payments	0.1	0.1	-	-	-
Operating lease payments	8.9	3.6	3.5	1.7	-
Interest on non-utilisation fees	2.2	0.5	0.9	0.8	-
Total	$ 410.1	$ 28.9	$ 48.6	$ 332.6	$ -

Recent US Tax Law Changes

In light of the recent US tax reforms and specifically those around GILTI (Global Intangible Low Taxed Income), we may be required to pay additional US corporate income tax beginning in the year ending December 31, 2021 due to the location of assets and tax losses brought forward in the UK.

Off-Balance Sheet Arrangements

As of December 31, 2019, there were no off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K, promulgated by the U.S. Securities and Exchange Commission.

Three Months ended December 31, 2018 compared to Three Months ended December 31, 2017

(In thousands)	For the Three-Month Period ended Unaudited Dec 31, 2018	Unaudited Dec 31, 2017	Variance 2018 vs 2017		Functional Currency at Constant rate	Variance Functional Currency	Currency Movement
Revenue:							
Service	$ 30,046	$ 30,367	($ 321)	(1.1%)	$ 1,028	3.4%	($ 1,348)
Hardware	686	1,020	(334)	(32.8%)	(294)	(28.8%)	(41)
Total revenue	**30,732**	**31,387**	**(655)**	**(2.1%)**	**734**	**2.3%**	**(1,389)**
Cost of sales, excluding depreciation and amortization:							
Cost of service	(5,977)	(5,196)	(780)	15.0%	(1,050)	20.2%	270
Cost of hardware	(593)	(906)	313	(34.5%)	277	(30.7%)	35
Selling, general and administrative expenses	(15,267)	(16,374)	1,107	(6.8%)	431	(2.6%)	676
Stock-based compensation	(1,615)	(3,198)	1,583	(49.5%)	1,504	(47.1%)	80
Acquisition related transaction expenses	(74)	(574)	500	(87.1%)	493	(86.3%)	6
Depreciation and amortization	(9,589)	(9,560)	(30)	0.3%	(448)	4.7%	418
Net operating Income (Loss)	**(2,383)**	**(4,421)**	**2,038**	**46.1%**	**1,941**	**(43.8%)**	**97**
Other income (expense)							
Interest income	32	38	(6)	(15.7%)	(4)	(11.5%)	(2)
Interest expense	(4,111)	(4,906)	796	(16.2%)	705	(14.4%)	90
Change in fair value of earnout liability	1,668	4,657	(2,990)	(64.2%)	(2,921)	(62.5%)	(69)
Change in fair value of derivative liability	852	319	533	167.3%	584	182.9%	(51)
Other finance income (costs)	(731)	191	(922)	(482.9%)	(971)	(507.9%)	48
Total other income (expense), net	**(2,290)**	**299**	**(2,589)**	**865.6%**	**(2,607)**	**(838.1%)**	**18**
Net loss from continuing operations before income taxes	(4,673)	(4,122)	(551)	13.4%	(666)	16.2%	115
Income tax expense	(56)	(33)	(23)	69.2%	(26)	79.3%	3
Net loss	**($ 4,729)**	**($ 4,155)**	**($ 574)**	**(13.8%)**	**($ 692)**	**16.7%**	**$ 118**
Exchange Rate - $ to £	*1.29*	*1.34*					
Effective Tax Rate	*1.2%*	*0.8%*					

Revenue

Total revenue for the period ended December 31, 2018 decreased by $0.7 million, or 2.1%, to $30.7 million. Adverse currency movements accounted for $1.4 million of the decrease. On a functional currency at constant rate basis, revenue increased by $0.7 million, or 2.3% on a functional currency basis, with service revenue increasing $1.0 million and hardware revenue decreasing by $0.3 million.

SBG revenue, which is included in total revenue, above, increased by $0.7 million on a functional currency at constant rate basis, or 3.0% on a functional currency basis, comprised of growth in service revenue of $1.0 million offset by a reduction in hardware sales of $0.3 million.

On a functional currency at constant rate basis SBG service revenue increased by $1.0 million, or 4.5% on a functional currency basis, due to growth in the Italian sector of $0.9 million. In addition, growth in Greece drove revenue increases of $0.6 million, due to the continued rollout into the Greek sector which drove additional participation revenue of $1.2 million and other recurring revenue of $0.6 million. This was partly offset by a $1.2 million reduction in software license sales compared to the prior period.

The decrease in hardware revenue was driven by lower hardware sales in the UK sector of $0.3 million.

Virtual Sports revenue remained unchanged on a functional currency at constant rate basis, due to growth in Finland and Italy of $0.2 million and $0.2 million, respectively. Growth was negatively affected by $0.2 million due to a reduction in revenue from long-term Virtual Sports licenses that have now expired and $0.1 million from lower interactive game sales.

Cost of sales, excluding depreciation and amortization

Cost of sales, excluding depreciation and amortization, which includes machine cost of sales, consumables, content royalties and connectivity costs, increased by $0.5 million, or 7.7%, on a reported basis, to $6.6 million. Of this increase, $0.3 million arose from favorable currency movements. On a functional currency at constant rate basis, cost of sales increased by $0.8 million, or 12.7% on a functional currency basis.

On a functional currency at constant rate basis cost of service increased by $1.1 million, or 20.2% on a functional currency basis, due to increasing SBG costs. This was driven by an increase in Greece SBG service costs of $0.8 million and an increase in Italy SBG service costs of $0.3 million.

On a functional currency at constant rate basis cost of hardware decreased by $0.3 million, or 30.7% on a functional currency basis, due to lower hardware sales in the UK sector.

Selling, general and administrative expenses

SG&A expenses decreased by $1.1 million, or 6.8%, on a reported basis, to $15.3 million. Of this decrease, $0.7 million arose from favorable currency movements. On a functional currency at constant rate basis, SG&A expenses decreased by $0.4 million, or 2.6% on a functional currency basis. This decrease was driven by staff related cost savings of $1.8 million, facilities and insurance cost savings of $0.1 million and legal cost savings of $0.1 million. These savings were offset by an increase in Italian tax related costs relating to prior years invoicing of $0.9 million (removed from Adjusted EBITDA) and a decrease in net labor capitalization and manufacturing recoveries of $0.8 million due to mix of projects and lower factory throughput as a result of fewer machines being built in the quarter.

Stock-based compensation

During the three months ended December 31, 2018, the Company recorded an expense of $1.6 million with respect to outstanding awards. Of this cost, $1.7 million related to recurring costs and a $0.1 million credit was due to changes in the stock price from $6.10 at September 30, 2018 to $4.80 at December 31, 2018. During the three months ended December 31, 2017, there was a $3.2 million charge for stock-based compensation which included a $2.1 million charge relating to the cancellation of awards under the Company’s First Incentive Plan covering 1,076,272 shares.

Acquisition related transaction expenses

Acquisition related transaction expenses decreased by $0.5 million in the period to $0.1 million. All of the 2018 and 2017 period expenses were related to work with respect to potential acquisitions.

Depreciation and amortization

Depreciation and amortization remained unchanged in the period at $9.6 million. This was impacted by favorable currency movements of $0.4 million.

On a functional currency at constant rate basis, depreciation and amortization increased by $0.4 million, or 4.7% on a functional currency basis. This increase was driven by additional amortization in connection with new platforms and games going live on SBG of $0.4 million. The additional machine depreciation was driven by the continued terminal rollout in the Greek sector of $0.9 million, partly offset by lower depreciation in the UK ($0.6 million) and Italy ($0.1 million) due to machines being fully depreciated.

Net operating loss

During the period on a reported basis, net operating loss improved from a loss of $4.4 million to a loss of $2.4 million. This improvement was partly driven by a $0.1 million favorable currency movement. On a functional currency at constant rate basis, net operating loss decreased by $1.9 million, mainly due to an increase in revenue, a reduction in stock-based compensation, acquisition related transaction and SG&A expenses, partly offset by higher cost of sales and depreciation and amortization.

Interest expense

Interest expense decreased by $0.8 million in the period, to $4.1 million, on a reported basis. Of this variance, $1.0 million was due to lower interest charges on the new debt funding following the refinancing in August 2018 and a further $0.3 million arose from currency retranslations of bank accounts. These were partly offset by a $0.5 million charge in the current period relating to amortization of debt fees following the refinancing.

Change in fair value of earnout liability

Due solely to changes in the share price ($4.80 at December 31, 2018 and $6.10 at September 30, 2018) the credit in the three months ended December 31, 2018 from a change in the fair value of earnout liability was $1.7 million. In the prior period, due to changes in share price and as a result of changes relating to six specific countries (China, Colombia, Greece, Norway, Spain and Ukraine) the corresponding figure was a $4.7 million credit.

Change in fair value of derivative liability

Change in fair value of derivative liability increased by $0.5 million, to a $0.9 million credit for the three months ended December 31, 2018 arising from the fair valuing of the cross-currency swaps executed in August 2018 on the refinancing of the company. For the three months ended December 31, 2017 the change in fair value of derivative liability was a $0.3 million credit for derivative awards which were converted to stock-based compensation awards in March 2018.

Other finance costs

Other finance costs for the period ended December 31, 2018 were $0.7 million, $0.9 million higher than the previous period. Changes in exchange rates resulted in a charge of $2.9 million in retranslating the debt balance. This was offset by a $1.9 million credit from the GBP: USD cross currency swap entered into to mitigate this impact, accounted for under hedge accounting, and a $0.2 million pension interest credit which was in line with the previous period.

Income tax expense

Our effective tax rate for the period ending December 31, 2018 was (1.2)%, and our effective tax rate for the period ending December 31, 2017 was (0.8)%.

Net loss

On a reported basis, net loss increased by $0.6 million from a loss of $4.2 million to a loss of $4.7 million in the period ended December 31, 2018. This variance was partly offset by a favorable currency movement of $0.1 million. On a functional currency at constant rate basis net loss increased by $0.7 million, mainly due to the increase in other finance costs and the change in fair value of earnout liability. This was offset by the improvement in net operating loss, the change in fair value of derivative liability and the decrease in interest expense.

Three Months ended December 31, 2018 compared to Three Months ended December 31, 2017 – Server Based Gaming Segment

SBG segment, Key Performance Indicators

SBG	For the Three-Month Period ended Unaudited Dec 31, 2018	Unaudited Dec 31, 2017	Variance 2018 vs 2017	
End of period installed base (# of terminals)	34,578	29,985	4,593	15.3%
Average installed base (# of terminals)	33,811	29,310	4,500	15.4%
Customer Gross Win per unit per day [1]	£ 109.62	£ 115.92	(£ 6.30)	(5.4%)
Customer Net Win per unit per day [1]	£ 77.71	£ 82.93	(£ 5.21)	(6.3%)
Inspired Blended Participation Rate	6.2%	6.1%	0.1%	

[1] Includes all SBG terminals in which the company takes a participation revenue share across all territories

SBG segment, key events that affected results for the Three Months ended December 31, 2018

Our SBG rollout into the Greek sector continued during the period with a further 1,300 being deployed on site and live. The total installed base of our contracted 8,360 terminals in Greece is now over 6,800 as of December 31, 2018. The performance of our Greek terminals continues to be strong against our competitors.

In Italy, customer Gross Win per unit per day (in EUR) increased by 16.9% across all customers compared to the same period last year due to new content releases. This was partly offset by a tax that reduced Net Win per unit per day growth to 14.6%.

During the period, an additional 125 Self Service Betting Terminals (“SSBTs”) were sold and deployed in the UK sector. In addition to the hardware sale margin these terminals also generate an ongoing recurring service fee.

In the UK Casino sector, we secured an agreement for the sale of 158 “Flex” B3 terminals to a major customer.

In the UK Electronic Table Games (ETG) sector, we secured an agreement for the sale of 108 “Sabre Hydra” terminals to a major Casino customer.

Overall, the size of our Average Installed Base increased 15.4%, to 33,811, due to our continued terminal rollout in Greece and growth from new contract awards in the UK LBO estate. Customer Gross Win per unit per day (in our functional currency, GBP) decreased by 5.4% across the entire estate, driven by the impact of our SBG installations in Greece, as our Greek machines return a lower daily Customer Gross Win compared to our UK machines. Our blended participation rate increased 0.1% to 6.2% due to an increased proportion of Greece installed base.

SBG segment, key events that affected results for the Three Months ended December 31, 2017

Our SBG rollout into the Greek sector continued during this period, with approximately 3,400 terminals installed as of December 31, 2017.

During the period, we launched our new SBG cabinet the “Flex 4K” with trials in two of our major UK LBO customers and contracted for the hardware sale of a further 600 Flex 4K terminals to our second largest UK LBO customer.

In addition to the comparable period in 2016, 223 SSBTs were sold and deployed in the UK sector. These provide recurring service revenue.

SBG Segment, Three Months ended December 31, 2018 compared to Three Months ended December 31, 2017

Server Based Gaming	**For the Three-Month Period ended**				**Variance**		
	Unaudited	**Unaudited**					
(In thousands)	**Dec 31, 2018**	**Dec 31, 2017**	**Variance 2018 vs 2017**		**Functional Currency at Constant rate**	**Functional Currency**	**Currency Movement**
Revenue:							
Service	$ 21,816	$ 21,808.6	$ 8	0.0%	$ 984	4.5%	($ 976)
Hardware	686	1,020	(334)	(32.8%)	(294)	(28.8%)	(41)
Total revenue	**22,502**	**22,829**	**(327)**	**(1.4%)**	**690**	**3.0%**	**(1,017)**
Cost of sales, excluding depreciation and amortization:							
Cost of service	(4,900)	(4,053)	(847)	20.9%	(1,067)	26.3%	220
Cost of hardware	(593)	(906)	313	(34.5%)	277	(30.7%)	35
Total cost of sales	**(5,493)**	**(4,959)**	**(534)**	**10.8%**	**(789)**	**15.9%**	**255**
Selling, general and administrative expenses	(6,913)	(8,147)	1,234	(15.1%)	936	(11.5%)	298
Stock-based compensation	(113)	(65)	(48)	73.8%	(53)	82.0%	5
Depreciation and amortization	(7,784)	(7,607)	(177)	2.3%	(529)	7.0%	352
Net operating profit	**$ 2,199**	**$ 2,051**	**$ 148**	**7.2%**	**$ 254**	**12.4%**	**($ 107)**
Exchange Rate - $ to £	*1.29*	*1.34*					

SBG segment revenue. In the period revenue decreased by $0.3 million, to $22.5 million, on a reported basis. This decrease was due to adverse currency movements of $1.0 million. On a functional currency at constant rate basis, SBG revenue increased by $0.7 million, or 3.0% on a functional currency basis.

Service revenue remained consistent, on a reported basis. This is due to adverse currency movements of $1.0 million. On a functional currency at constant rate basis, SBG service revenue increased by $1.0 million, or 4.5% on a functional currency basis, to $21.8 million. This was due to an increase in the Italian sector of $0.9 million due to the growth in both Gross and Net Wins and the Greek sector of $0.6 million, driven by the continued rollout in Greece. This was partly offset by a decrease in service revenue in UK LBO of $0.4 million primarily due to the expiry of a customer service contract.

The continued rollout into the Greek sector drove additional participation revenue of $1.2 million and other recurring revenue of $0.6 million. This was partly offset by a $1.2 million reduction in software license sales compared to the prior period.

During the period there was a small reduction in UK LBO Customer Gross Win per unit per day due to the rollout of 1,200 additional terminals. These machines were placed into lower performing sites, therefore reducing the average Customer Gross Win per unit per day but driving additional revenue.

Hardware revenue decreased by $0.3 million to $0.7 million, on a reported basis. On a functional currency at constant rate basis, SBG hardware revenue decreased by $0.3 million, principally due to lower SSBTs terminal sales in the UK sector of $0.3 million.

SBG segment operating income. Cost of sales (excluding depreciation and amortization) increased by $0.5 million to $5.5 million, on a reported basis. This variance was impacted by favorable currency movements of $0.3 million. On a functional currency at constant rate basis, cost of sales increased by $0.8 million. This was principally due to an increase in service costs of $1.1 million due to Greek SBG service costs of $0.8 million, driven by the increase in terminals as the Greece rollout continues, and an increase in cost of service in Italy of $0.3 million.

SG&A expenses decreased by $1.2 million to $6.9 million, on a reported basis. Of this variance, $0.3 million arose from favorable currency movements. This resulted in a functional currency at constant rate decrease of $0.9 million driven by staff related cost savings of $1.1 million, offset by $0.3 million driven by lower manufacturing recoveries due to lower factory throughput.

Depreciation and amortization increased by $0.2 million to $7.8 million on a reported basis. Of this amount, $0.4 million arose due to favorable currency movements. On a functional currency at constant rate basis, the increase was $0.5 million, driven by $0.3 million from additional amortization and $0.1 million of additional machine and machine related depreciation. The additional amortization was driven by new projects going live in the UK and Greek sectors. The additional machine and machine related depreciation was driven by the continued terminal rollout in the Greek sector of $0.9 million, partly offset by lower depreciation in the UK ($0.6 million) and Italy ($0.1 million) due to machines being fully depreciated.

SBG operating profit increased by $0.1 million to $2.2 million, on a reported basis. Of this variance, $0.1 million arose from adverse currency movements. On a functional currency at constant rate basis, SBG operating profit increased by $0.3 million. This was primarily due to the increase in revenue and decrease in SG&A, partly offset by higher cost of sales and additional depreciation and amortization.

SBG segment, Recurring Revenue

Set forth below is a breakdown of our SBG recurring revenue. SBG recurring revenue consists principally of SBG participation revenue.

SBG Recurring Revenue	For the Three-Month Period ended Unaudited Dec 31, 2018	Unaudited Dec 31, 2017	Variance 2018 vs 2017	%
Total SBG Revenue	£ 17,504	£ 16,991	£ 514	3.0%
SBG Participation Revenue (£'000)	£ 15,055	£ 13,614	£ 1,441	10.6%
SBG Other Fixed Fee Recurring Revenue (£'000)	£ 239	£ 253	(£ 14)	(5.4%)
Total SBG Recurring Revenue (£'000)	£ 15,295	£ 13,867	£ 1,427	10.3%
SBG Recurring Revenue as a Percentage of Total SBG Revenue	87.4%	81.6%	5.8%	

SBG segment, Service Revenue by Region

Set forth below is a breakdown of our SBG service revenue by geographic region. SBG service revenue consists principally of SBG participation revenue.

Server Based Gaming Service Revenue by Region	**For the Three-Month Period ended Unaudited Dec 31,**	**Unaudited Dec 31,**	**Variance**		**Functional Currency at Constant rate**	**Variance Functional Currency**	**Currency Movement**
(In thousands)	**2018**	**2017**	**2018 vs 2017**				
Service Revenue:							
UK LBO	$ 13,630	$ 14,281	($ 651)	(4.6%)	($ 57)	(0.4%)	($ 594)
UK Other	1,254	$ 1,719	(465)	(27.0%)	(408)	(23.7%)	(57)
Italy	2,911	$ 2,108	803	38.1%	937	44.4%	(134)
Greece	3,834	$ 3,432	402	11.7%	585	17.1%	(183)
Rest of the World	187	$ 268	(81)	(30.4%)	(73)	(27.3%)	(8)
Total service revenue	**$ 21,816**	**$ 21,809**	**$ 8**	**0.0%**	**$ 984**	**4.5%**	**($ 976)**
Exchange Rate - $ to £	*1.29*	*1.34*					

Virtual Sports Segment*, *Three Months ended December 31, 2018 compared to Three Months ended December 31, 2017

Virtual Sports segment, Key Performance Indicators

Virtuals	**For the Three-Month Period ended Unaudited Dec 31, 2018**	**Unaudited Dec 31, 2017**	**Variance 2018 vs 2017**	**%**
No. of Live Customers at the end of the period	100	86	14	16.3%
Average No. of Live Customers	96	83	13	15.7%
Total Revenue (£'000)	£ 6,404	£ 6,371	£ 33	0.5%
Total Revenue £'000 - Retail	£ 3,831	£ 3,812	£ 19	0.5%
Total Revenue £'000 - Scheduled Online Virtuals	£ 2,109	£ 1,887	£ 222	11.7%
Total Revenue £'000 - Interactive	£ 464	£ 672	(£ 208)	(30.9%)
Average Revenue Per Customer per day (£)	£ 725	£ 834	(£ 109)	(13.1%)

Virtual Sports Recurring Revenue	**For the Three-Month Period ended Unaudited Dec 31, 2018**	**Unaudited Dec 31, 2017**	**Variance 2018 vs 2017**	
Total Virtual Sports Revenue (£'000)	£ 6,404	£ 6,371	£ 33	0.5%
Recurring Revenue (£'000) - Retail and Scheduled Online Virtuals	£ 5,358	£ 4,976	£ 382	7.7%
Recurring Revenue (£'000) - Interactive	£ 524	£ 572	(£ 48)	(8.3%)
Total Virtual Sports Recurring Revenue (£'000)	£ 5,883	£ 5,548	£ 334	6.0%
Virtual Sports Recurring Revenue as a Percentage of Total Virtual Sports Revenue	91.9%	87.1%	4.8%	

Virtual Sports segment, key events that affected results for the Three Months ended December 31, 2018

In Greece we deployed our latest Football product, Matchday, across the full estate of over 3,400 venues.

Our largest customer in Italy launched our latest Football product Matchday Gold designed specifically for the territory on both retail and online platforms.

The Average Number of Live Customers during the period increased by 13, from 83 to 96. Including the launch of eight new Interactive customers, five of which were launched via the NYX platform and three via the Playtech platform including BGO, Buzz Bingo and Sun Bingo, taking our Average Number of Live Interactive Customers for the period to 31.

Overall revenue per customer has decreased during the period, this is due to a sharp increase in customers in the quarter with revenues expected to increase throughout 2019.

Virtual Sports segment, key events that affected results for the Three Months ended December 31, 2017

As of December 31, 2017, OPAP offered our Virtual Sports product in over 4,000 retail venues following launch in April 2017.

During the 2017 quarterly period, our Virtual Sports products continued to grow in Poland through the retail venues and online channels of Fortuna, Central Europe's largest betting operator.

By the end of the 2017 quarterly period, our Interactive business was live with 16 customers, having launched ten new customers since December 31, 2016, including Betfair, Grosvenor Casino (part of the Rank Group), Bwin, Sportingbet, VideoSlots, and a variety of Betsson brands.

Virtual Sports segment, Three Months ended December 31, 2018 compared to Three Months ended December 31, 2017

Virtual Sports	**For the Three-Month Period ended**		**Variance**		**Variance**		
(In thousands)	**Unaudited Dec 31, 2018**	**Unaudited Dec 31, 2017**	**2018 vs 2017**		**Functional Currency at Constant rate**	**Functional Currency**	**Currency Movement**
Service Revenue	**$ 8,230**	**$ 8,558**	**($ 328)**	**(3.8%)**	**$ 44**	**0.5%**	**($ 372)**
Cost of Service	(1,077)	(1,143)	67	(5.8%)	16	(1.4%)	50
Selling, general and administrative expenses	(3,296)	(2,721)	(575)	21.1%	(735)	27.0%	160
Stock-based compensation	(83)	(79)	(4)	5.1%	(7)	9.0%	3
Depreciation and amortization	(1,376)	(1,600)	224	(14.0%)	162	(10.1%)	62
Net operating profit	**$ 2,398**	**$ 3,016**	**($ 617)**	**(20.5%)**	**($ 520)**	**(17.2%)**	**($ 97)**
Exchange Rate - $ to £	*1.29*	*1.34*					

Virtual Sports segment revenue. In the period revenue decreased by $0.3 million on a reported basis. Of this decrease, $0.4 million arose from adverse currency movements. On a functional currency at constant rate basis, Virtual Sports revenue remained unchanged at $8.2 million.

While revenue remained unchanged, $0.4 million was driven by an increase in Virtual Sports land-based and online recurring revenue, due to new customer revenue in Finland of $0.2 million as well as continued growth in Italy of $0.2 million. Total revenue growth was negatively affected by $0.2 million due to a reduction in revenue from long-term Virtual Sports licenses that have now come to an end and lower Interactive revenue due to lower one-off game sales of $0.1 million.

Virtual Sports segment operating income. Cost of service decreased by $0.1 million to $1.1 million, on a reported basis. Of this decrease, $0.1 million arose from favorable currency movements. On a functional currency at constant rate basis, cost of service remained the same as prior period.

SG&A expenses increased by $0.6 million, on a reported basis. Of this increase, $0.2 million arose from favorable currency movements. This resulted in a functional currency at constant rate increase of $0.7 million, which was primarily due to $0.9 million higher Italian tax related costs relating to prior years (removed from Adjusted EBITDA). This was partly offset by staff related savings of $0.3 million.

Depreciation and amortization decreased by $0.2 million to $1.4 million, on a reported basis. Of this decrease, $0.1 million arose from favorable currency movements. This resulted in a functional currency at constant rate decrease of $0.2 million, driven by lower depreciation of platforms and games due to fully depreciated games, including Rush Football.

Operating profit decreased by $0.6 million on a reported basis to $2.4 million. Of this decrease, $0.1 million arose from adverse currency movements. On a functional currency at constant rate basis, this represented a decrease of $0.5 million. This was primarily due to additional SG&A expenses, offset by lower depreciation and amortization.

Reconciliations from net loss, as shown in our Consolidated Statements of Operations and Comprehensive Loss, to Adjusted EBITDA are shown below.

Reconciliation to Adjusted EBITDA

	For the Three-Month Period ended	
(In thousands)	**Unaudited Dec 31, 2018**	**Unaudited Dec 31, 2017**
Net loss	($ 4,729)	($ 4,155)
Items Relating to Legacy Activities:		
Pension charges	88	140
Costs relating to former operations	7	5
Items outside the normal course of business:		
Costs of group restructure	605	780
Transaction fees	74	574
Italian tax related costs relating to prior year	875	-
Stock-based compensation expense	1,615	3,198
Depreciation and amortization	9,589	9,560
Total other expense, net	2,290	(299)
Income tax	56	33
Adjusted EBITDA	**$ 10,470**	**$ 9,836**
Adjusted EBITDA	**£ 8,155**	**£ 7,325**
Exchange Rate - $ to £	*1.28*	*1.34*

Notes to table:

(1) “Pension charges” are profit and loss charges included within selling, general and administrative expenses, relating to a defined benefit scheme which was closed to new entrants in 1999 and to future accrual in 2010. As well as the amortization of net loss, the figure also includes charges relating to the Pension Protection Fund (which were historically borne by the pension scheme) and a small amount of associated professional services expenses. These costs are included within Central Functions.

(2) “Costs relating to former operations” refers to gains and losses from our Mexican SBG division, which ceased trading prior to the years shown in the consolidated financial statements included in this report. This affects Server Based Gaming results.

(3) “Costs of group restructure” include redundancy costs, Payments In Lieu of Notice costs and any associated employer taxes. To qualify as being an adjusting item, costs must be part of a large restructuring project, which will net save ongoing future costs.

(4) “Italian tax related costs relating to prior years invoicing” relate to VAT charges and associated costs, relating to prior years, imposed on our Virtual Sports segment following changes in interpretation of legislation and an ongoing VAT audit.

(5) Transaction fees, Stock-based compensation expense, Depreciation and amortization, Total other expense, net and Income tax are as described above in the Results of Operations line item discussions.

(6) Exchange rate in the table is calculated by dividing the USD Adjusted EBITDA by the GBP Adjusted EBITDA, therefore this could be slightly different from the average rate during the period depending on timing of transactions

Reconciliation to Adjusted Revenue

(In thousands)	For the Three-Month Period ended Unaudited Dec 31, 2018	Unaudited Dec 31, 2017
Net revenues	$ 30,732	$ 31,387
Less Nil Margin Sales	-	-
Adjusted Revenue	**$ 30,732**	**$ 31,387**
Adjusted Revenue	**£ 23,908**	**£ 23,374**
Exchange Rate - $ to £	$ 1.29	$ 1.34

We believe that accounting for nil margin hardware sales in conformance with U.S. GAAP can result in a distorted presentation of our revenue and growth. Therefore, we use Revenue Excluding Nil Margin Sales, or Adjusted Revenue, to internally analyze our operating performance. A reconciliation from revenue, as shown in our Consolidated Statements of Operations and Comprehensive Loss included elsewhere in this report, to Adjusted Revenue is shown above.

Liquidity and Capital Resources

Three Months ended December 31, 2018 compared to Three Months ended December 31, 2017

(in thousands)	**Period Ended Dec 31, 2018**	**Dec 31, 2017**	**Variance 2018 to 2017**
Net loss	($ 4,729)	($ 4,155)	($ 574)
Non-cash interest expense including amortization of fees	522	1,924	(1,402)
Change in fair value of derivative and earnout liabilities and stock-based compensation expense	(905)	(2,086)	1,181
Foreign currency translation on senior bank debt and cross currency swaps	673	0	673
Depreciation and amortization	9,589	9,560	29
Other net cash utilized by operating activities	(4,254)	(5,352)	1,098
Net cash provided by operating activities	896	(109)	1,005
Net cash used in investing activities	(6,631)	(6,813)	182
Net cash used in financing activities	(578)	(1,810)	1,232
Effect of exchange rates on cash	(150)	(307)	157
Net (decrease)/increase in cash and cash equivalents	($ 6,463)	($ 9,039)	$ 2,576

Net cash provided by operating activities. In the period, net cash inflow generated by operating activities was $0.9 million, compared to a $0.1 million outflow in the prior period, representing a $1.0 million improvement in cash generation.

Non-cash interest expense decreased by $1.4 million, to $0.5 million. The current period’s non-cash interest expense related to amortization of debt fees incurred in relation to the business refinancing in August 2018 whereas the prior period’s expense related to PIK interest charged on the debt held prior to the refinancing.

Change in fair value of derivative and earnout liabilities and stock-based compensation expense decreased by $1.2 million from an outflow of $2.1 million to an outflow of $0.9 million. Movements in the market value of the stock price resulted in a $3.0 million lower earnout outflow in the current period which was partly offset by a $1.3 million movement in stock-based compensation expense and a $0.9 million movement in the fair valuation of the cross-currency swaps executed in August 2018 on the new debt.

Foreign currency translation on senior bank debt and cross currency swaps following the refinancing of the Group on August 14, 2018 resulted in a charge in the period of $0.7 million as a result of the movement in exchange rates during the current period.

Depreciation, amortization and impairment remained constant at $9.6 million.

Other net cash utilized by operating activities decreased by $1.1 million, to a $4.3 million outflow. This decrease was largely due to movements in income accruals of $2.0 million and other creditors of $3.2 million which were partly offset by movements in deferred revenue creditor levels of $3.5 million. The movement in income accruals related to a one-off increase at the end of the prior period and the movement in other creditors relates to the unwind in the debt interest accrual in the prior period reflecting the timing of interest payments under the previous debt financing structure. The prior year also showed an increase in deferred revenue creditor levels due to the roll out of machines into Greece, whereas in the current period it has reduced as it is recognized through the profit and loss account.

The current period’s outflow contains an additional UK payroll payment of $1.9 million as compared to the previous period due to timing. This is expected to reverse in the next period. A bonus payment of $0.8 million was also made in the current period. The prior year’s quarter had the normal level of payroll runs and no bonus payment.

Net cash used in investing activities. Net cash used in investing activities decreased by approximately $0.2 million, to $6.6 million. The decrease was attributable to lower levels of spending on capital software compared to the prior year.

Net cash used by financing activities. In the current period, net cash used by financing activities decreased by $1.2 million, to a $0.6 million outflow. This was due to the prior period making a debt repayment of $7.7 million but also increasing the level of revolver utilization by $6.0 million. The current period has incurred $0.5 million of debt fee payments relating to the refinancing in August 2018.

Long Term and Other Debt

(In thousands)	December 31, 2018		December 31, 2017	
Cash held	£ 12,521	$ 15,988	£ 8,139	$ 10,989
Revolver drawn	-	-	(10,000)	(13,502)
Original principal senior debt	(109,641)	(140,000)	(72,500)	(97,890)
Compounded PIK interest	-	-	(9,193)	(12,412)
PIK interest accrued	-	-	(486)	(656)
Cash interest accrued	(39)	(50)	(636)	(859)
Finance lease creditors	(338)	(432)	(712)	(962)
Total	(£ 97,497)	($ 124,493)	(£ 85,388)	($ 115,292)

Off-Balance Sheet Arrangements

As of December 31, 2018, there were no off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Critical Accounting Policies

The preparation of our unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make estimates and assumptions. We exercise considerable judgment with respect to establishing sound accounting policies and in making estimates and assumptions that affect the reported amounts of our assets and liabilities, our recognition of revenue and expenses, and our disclosure of commitments and contingencies at the date of the consolidated financial statements. On an on-going basis, we evaluate our estimates and judgments. We base our estimates and judgments on a variety of factors, including our historical experience, knowledge of our business and industry and current and expected economic conditions, that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We periodically re-evaluate our estimates and assumptions with respect to these judgments and modify our approach when circumstances indicate that modifications are necessary. While we believe that the factors we evaluate provide us with a meaningful basis for establishing and applying sound accounting policies, we cannot guarantee that the results will always be accurate. Since the determination of these estimates requires the exercise of judgment, actual results could differ from such estimates.

For a discussion of other recently issued accounting standards, and assessments as to their impacts on the Company, see Nature of Operations, Management's Plans and Summary of Significant Accounting Policies, Note 1 to the consolidated financial statements included elsewhere in this report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our principal market risks are our exposure to changes in interest rates and foreign currency exchange rates.

Interest Rate Risk

We have external borrowings that are subject to the risk of higher interest charges associated with increases in interest rates. As of December 31, 2019, we had £140.0 million ($184.9 million) and €90.0 million ($101.1 million) of senior bank debt that is subject to a floating interest rate charge that can vary with the 3-month LIBOR and the 3-month EUROLIBOR rates. If the floating interest rates increased by 1%, the additional interest charge would be approximately $1.8 million. If the floating interest rates increased by 5%, the additional interest charge would be approximately $8.8 million.

Foreign Currency Exchange Rate Risk

Our operations are conducted in various countries around the world and we receive revenue and pay expenses from these operations in a number of different currencies. As such, our earnings are subject to movements in foreign currency exchange rates when transactions are denominated in (i) currencies other than GBP, which is our functional currency, or (ii) the functional currencies of our subsidiaries, which is not necessarily GBP. Excluding intercompany balances, our Euro functional currency net liabilities total approximately $86.3 million and our US Dollar functional currency net assets total approximately $0.3 million. We use a sensitivity analysis model to measure the impact of a 10% adverse movement of foreign currency exchange rates against the US Dollar. A hypothetical 10% adverse change in the value of the Euro and the US Dollar relative to GBP as of December 31, 2019 would result in translation adjustments of approximately $7.7 million and $0.0 million, respectively, recorded in other comprehensive loss.

Included within our trading results are earnings outside of our functional currency. Retained earnings earned in Euros and in US Dollars in the period ended December 31, 2019 were €0.5 million and $17.5 million, respectively. A hypothetical 10% adverse change in the value of the Euro and the US Dollar relative to GBP as of December 31, 2019 would result in translation adjustments of approximately $0.1 million and $1.6 million, respectively, recorded in trading operations.

The majority of the Company’s trading is in GBP, the functional currency, although the reporting currency of the Company is the US Dollar. As such, changes in the GBP:USD exchange rate have an effect on the Company’s results. A 10% weakening of GBP against the US Dollar would change the trading operational results by approximately $1.8 million and would result in translation adjustments of approximately $3.9 million, recorded in other comprehensive loss.

For further information regarding the new external borrowings, see Note 12 to the Consolidated Financial Statements, “Long Term and Other Debt”.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL DATA.

Our financial statements are set forth below following the signature page.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures.

Disclosure controls and procedures are controls and other procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Executive Chairman and our Chief Financial Officer (together, the "Certifying Officers"), or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Under the supervision and with the participation of our management, including our Certifying Officers, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act.

As a result of the deficiencies noted below that, in the aggregate led to a material weakness in our internal control over financial reporting disclosed below, which management believes arose as a result of several unusual events including but not limited to the present COVID-19 outbreak, our Certifying Officers have concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of December 31, 2019.

Notwithstanding the identified material weakness and management's assessment that our internal control over financial reporting was not effective as of December 31, 2019, management believes that the consolidated financial statements and related disclosures included in this Annual Report on Form 10-K fairly present, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented in accordance with generally accepted accounting principles.

Management's Report on Internal Control Over Financial Reporting

As required by the SEC rules and regulations for the implementation of Section 404 of the Sarbanes-Oxley Act of 2002, our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our Company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of consolidated financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

(3) provide reasonable assurance regarding prevention or timely detection of any unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect errors or misstatements in our consolidated financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on this evaluation, management identified the following deficiencies in internal control over financial reporting as described below.

In connection with the audit of our consolidated financial statements and related disclosures as of and for the year ended December 31, 2019, we identified certain misstatements in our draft year-end footnote disclosures provided to them which were not individually material but which in aggregate led to a material weakness in our internal control over financial reporting. All significant identified errors have been corrected. A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected and corrected on a timely basis. The material weakness did not result in any identified misstatements to the current financial statements or footnote disclosures and there were no changes to previously released financial statements or footnote disclosures apart from two immaterial account reclassifications, one on the balance sheet and one on the statement of cash flows. Management has concluded that the misstatements in our footnote disclosures were the result of several unusual events occurring during the fourth quarter 2019 and/or during the related accounting closing and reporting period leading up to our Annual Report on Form 10-K including office closures due to the COVID-19 outbreak, a significant acquisition, first time adoption of accounting standards and which, in the aggregate, contributed to a breakdown in related controls over footnote disclosure review. As a result of the material weakness, management concluded that our internal control over financial reporting was not effective as of December 31, 2019.

As a non-accelerated filer, the Company is not required to include in this report a report on the effectiveness of internal control over financial reporting by the Company's independent registered public accounting firm.

Remediation of Material Weakness

Our Board of Directors and management take internal control over financial reporting and the integrity of our financial statements seriously. Prospectively and in particular while the current remote working conditions associated with the COVID-19 outbreak remain in effect, Management intends to ensure that all reviews are fully completed prior to issuing the draft financial statements to our external auditors (or where possible make it clear this is the case) . Management will also add an additional third-party external review of the financial statements to the process prior to submission moving forward. At this time, we cannot provide assurance that these remediation efforts will be successful or that our internal control over financial reporting will be effective as a result of these efforts. In addition, we continue to evaluate and work to improve our internal control over financial reporting related to the identified deficiencies that led, in aggregate, to a material weakness, management may determine to take additional measures to address control deficiencies or determine to modify the remediation plan described above.

Changes in Internal Control Over Financial Reporting

Except for the changes noted above regarding the material weakness and the implementation of internal controls over lease accounting and revenue recognition related to our implementation of ASU No. 2016-02, Leases (Topic 842) and ASC 606, Revenue Recognition, respectively, there have been no other changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

On March 26, 2020, Lorne Weil, our Executive Chairman, voluntarily withdrew his Employment Agreement, dated January 31, 2020, from consideration at our upcoming annual meeting of stockholders. Mr. Weil remains employed under his original employment agreement, dated January 16, 2017, as amended.

In addition, the Office of the Executive Chairman have consented to temporary reductions in base pay calculated on a percentage basis on each of the tiered stacks of the executive’s salary ranging from 0% for the portion under £25,000 to 33.3% for the over £300,000 portion, as follows:

- Lorne Weil (Executive Chairman): 25%
- Brooks Pierce (President and Chief Operating Officer): 21%
- Daniel Silvers (Executive Vice President and Chief Strategy Officer): 17.22%
- Stewart Baker (Executive Vice President and Chief Financial Officer): 17%
- Carys Damon (General Counsel): 17%

Letters for Messrs. Weil, Pierce, Silvers and Baker and Ms. Damon are attached as exhibits hereto, temporarily modifying their written contracts. The Company continues to explore additional cost saving measures.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information called for by this item is incorporated herein by reference to our definitive proxy statement relating to our 2020 Annual Meeting of Stockholders, which will be filed with the SEC. If such proxy statement is not filed on or before April 29, 2020, the information called for by this item will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

ITEM 11. EXECUTIVE COMPENSATION.

The information called for by this item is incorporated herein by reference to our definitive proxy statement relating to our 2020 Annual Meeting of Stockholders, which will be filed with the SEC. If such proxy statement is not filed on or before April 29, 2020, the information called for by this item will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information called for by this item is incorporated herein by reference to our definitive proxy statement relating to our 2020 Annual Meeting of Stockholders, which will be filed with the SEC. If such proxy statement is not filed on or before April 29, 2020, the information called for by this item will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information called for by this item is incorporated herein by reference to our definitive proxy statement relating to our 2020 Annual Meeting of Stockholders, which will be filed with the SEC. If such proxy statement is not filed on or before April 29, 2020, the information called for by this item will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information called for by this item is incorporated herein by reference to our definitive proxy statement relating to our 2020 Annual Meeting of Stockholders, which will be filed with the SEC. If such proxy statement is not filed on or before April 29, 2020, the information called for by this item will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as part of this report:

(1) Financial Statements. The required consolidated financial statements and notes thereto are presented starting on page F-1 of this report.

(2) Financial Statement Schedules. All financial statement schedules are omitted because they are not applicable or the amounts are immaterial and not required, or the required information is presented in the consolidated financial statements and notes thereto presented starting on page F-1 of this report.

(b) Exhibits listed on page 77.

INSPIRED ENTERTAINMENT, INC. AND SUBSIDIARIES

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND SEPTEMBER 30, 2018 AND
FOR THE PERIODS ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND SEPTEMBER 30, 2018**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Inspired Entertainment, Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Inspired Entertainment, Inc. and Subsidiaries (the "Company") as of December 31, 2019 and September 30, 2018 , the related consolidated statements of operations and comprehensive (loss) income, stockholders' deficit and cash flows for the year ended December 31, 2019, for the three months ended December 31, 2018 and for the year ended September 30, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and September 30, 2018, and the results of its operations and its cash flows for the year ended December 31, 2019, for the three months ended December 31, 2018 and for the year ended September 30, 2018, in conformity with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards- ASU No. 2016-02

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for leases in 2019 due to the adoption of ASU No. 2016-02, Leases (Topic 842), as amended, effective January 1, 2019 using the modified retrospective approach.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2016

Melville, NY
March 30, 2020

INSPIRED ENTERTAINMENT, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	December 31, 2019	September 30, 2018
Assets		
Cash	$ 29.1	$ 22.5
Accounts receivable, net	24.2	14.3
Inventory, net	18.8	5.2
Fair value of hedging instrument	—	0.8
Prepaid expenses and other current assets	23.2	15.8
Total current assets	95.3	58.6
Property and equipment, net	79.3	45.7
Software development costs, net	46.9	40.0
Other acquired intangible assets subject to amortization, net	9.9	5.7
Goodwill	80.9	45.8
Right of use asset	9.4	—
Investment	0.6	—
Other assets	5.1	12.1
Total assets	$ 327.4	$ 207.9
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable	$ 22.2	$ 14.4
Accrued expenses	31.2	14.3
Earnout liability	—	8.0
Corporate tax and other current taxes payable	6.6	2.0
Deferred revenue, current	10.1	9.2
Operating lease liabilities	3.6	—
Other current liabilities	1.9	3.9
Current portion of long-term debt	2.6	—
Current portion of finance lease liabilities	0.1	0.5
Total current liabilities	78.3	52.3
Long-term debt	270.5	131.2
Finance lease liabilities, net of current portion	—	0.1
Deferred revenue, net of current portion	17.7	23.9
Derivative liability	—	7.8
Operating lease liabilities	5.2	—
Other long-term liabilities	5.2	5.1
Total liabilities	376.9	220.4
Commitments and contingencies		
Stockholders' deficit		
Preferred stock; $0.0001 par value; 1,000,000 shares authorized	—	—
Series A Junior Participating Preferred stock; $0.0001 par value; 1,000,000 shares authorized; 49,000 shares designated; no shares issued and outstanding at December 31, 2019 and September 30, 2018	—	—
Common stock; $0.0001 par value; 49,000,000 shares authorized; 22,230,768 shares and 20,860,591 shares issued and outstanding at December 31, 2019 and September 30, 2018, respectively	—	—
Additional paid in capital	346.6	328.5
Accumulated other comprehensive income	45.1	58.5
Accumulated deficit	(441.2)	(399.5)
Total stockholders' deficit	(49.5)	(12.5)
Total liabilities and stockholders' deficit	$ 327.4	$ 207.9

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

INSPIRED ENTERTAINMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(in millions, except share and per share data)

	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended September 30, 2018
Revenue:			
Service	$ 134.9	$ 30.0	$ 130.9
Hardware	18.5	0.7	10.5
Total revenue	153.4	30.7	141.4
Cost of sales, excluding depreciation and amortization:			
Cost of service	(23.5)	(6.0)	(22.6)
Cost of hardware	(12.6)	(0.6)	(8.2)
Selling, general and administrative expenses	(72.6)	(15.3)	(60.1)
Stock-based compensation expense	(9.0)	(1.6)	(7.4)
Impairment expense	—	—	(7.7)
Acquisition and integration related transaction expenses	(6.7)	(0.1)	(0.9)
Depreciation and amortization	(42.0)	(9.5)	(41.8)
Net operating loss	(13.0)	(2.4)	(7.3)
Other (expense) income			
Interest income	0.1	—	0.2
Interest expense	(27.8)	(4.1)	(20.6)
Change in fair value of earnout liability	(2.3)	1.7	8.7
Change in fair value of derivative liability	3.0	0.8	(5.5)
Loss from equity method investee	(0.1)	—	—
Other finance income (expense)	3.2	(0.7)	4.1
Total other expense, net	(23.9)	(2.3)	(13.1)
Loss before income taxes	(36.9)	(4.7)	(20.4)
Income tax expense	(0.1)	—	(0.2)
Net loss	(37.0)	(4.7)	(20.6)
Other comprehensive (loss)/income:			
Foreign currency translation (loss) gain	(2.4)	—	0.2
Change in fair value of hedging instrument	2.9	2.6	0.3
Reclassification of gain on hedging instrument to comprehensive income	(4.4)	(2.4)	(0.3)
Actuarial (losses) gains on pension plan	(6.9)	(2.8)	5.2
Other comprehensive (loss)/income	(10.8)	(2.6)	5.4
Comprehensive loss	$ (47.8)	$ (7.3)	$ (15.2)
Net loss per common share – basic and diluted	$ (1.69)	$ (0.23)	$ (0.99)
Weighted average number of shares outstanding during the period – basic and diluted	21,892,964	20,861,130	20,754,549

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

INSPIRED ENTERTAINMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in millions, except share data)

	Common stock		Additional paid in capital	Accumulated other comprehensive income	Accumulated deficit	Total stockholders' deficit
	Shares	**Amount**				
Balance at October 1, 2017	**20,402,602**	$ —	$ **323.5**	$ **53.1**	$ **(378.9)**	$ **(2.3)**
Foreign currency translation adjustments	—	—	—	0.2	—	0.2
Actuarial gains on pension plan	—	—	—	5.2	—	5.2
Change in fair value of hedging instrument	—	—	—	0.3	—	0.3
Reclassification of gain on hedging instrument to comprehensive income	—	—	—	(0.3)	—	(0.3)
Shares issued on exercise of warrants	50	—	—	—	—	—
Shares of RSAs that vested and shares issued upon net settlement of RSUs	457,939	—	(1.1)	—	—	(1.1)
Reclassification of RSUs from derivative liability due to stockholder approval of equity plan	—	—	2.8	—	—	2.8
Stock-based compensation expense	—	—	4.8	—	—	4.8
Reclassification of RSUs to derivative liability due to modification	—	—	(1.5)	—	—	(1.5)
Net loss	—	—	—	—	(20.6)	(20.6)
Balance as of September 30, 2018	**20,860,591**	**—**	**328.5**	**58.5**	**(399.5)**	**(12.5)**
Actuarial losses on pension plan	—	—	—	(2.8)	—	(2.8)
Change in fair value of hedging instrument	—	—	—	2.6	—	2.6
Reclassification of gain on hedging instrument to comprehensive income	—	—	—	(2.4)	—	(2.4)
Shares issued upon net settlement of RSUs	9,806	—	—	—	—	—
Stock-based compensation expense	—	—	1.4	—	—	1.4
Net loss	—	—	—	—	(4.7)	(4.7)
Balance as of December 31, 2018	**20,870,397**	**—**	**329.9**	**55.9**	**(404.2)**	**(18.4)**
Foreign currency translation adjustments	—	—	—	(2.4)	—	(2.4)
Actuarial losses on pension plan	—	—	—	(6.9)	—	(6.9)
Change in fair value of hedging instrument	—	—	—	2.9	—	2.9
Reclassification of gain on hedging instrument to comprehensive income	—	—	—	(4.4)	—	(4.4)
Conversion of awards previously classified as derivatives	—	—	0.8	—	—	0.8
Shares issued in earnout	1,323,558	—	8.6	—	—	8.6
Shares issued upon net settlement of RSUs	36,813	—	(0.9)	—	—	(0.9)
Stock-based compensation expense	—	—	8.2	—	—	8.2
Net loss	—	—	—	—	(37.0)	(37.0)
Balance as of December 31, 2019	22,230,768	**$** —	$ 346.6	$ 45.1	$ (441.2)	$ (49.5)

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

INSPIRED ENTERTAINMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended September 30, 2018
Cash flows from operating activities:			
Net loss	$ (37.0)	$ (4.7)	$ (20.6)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	42.0	9.5	41.8
Amortization of right of use asset	1.0	—	—
Stock-based compensation expense	9.0	1.6	7.1
Change in fair value of derivative liability	(3.0)	(0.8)	5.5
Change in fair value of earnout liability	2.3	(1.7)	(8.7)
Impairment expense	—	—	7.7
Foreign currency translation on senior bank debt	0.8	2.9	(3.4)
Foreign currency translation on cross currency swaps	(3.6)	(2.2)	—
Non-cash interest expense relating to senior debt	9.0	0.5	6.8
Changes in assets and liabilities:			
Accounts receivable	3.3	2.5	5.3
Inventory	2.0	—	(0.4)
Prepaid expenses and other assets	3.3	0.7	1.2
Corporate tax and other current taxes payable	(3.6)	(0.1)	(1.9)
Accounts payable	6.9	(3.6)	(4.1)
Deferred revenues and customer prepayment	(9.5)	(0.5)	6.5
Accrued expenses	7.2	(1.6)	(2.8)
Operating lease liabilities	(1.3)	—	—
Other long-term liabilities	1.9	(1.7)	(5.8)
Net cash provided by operating activities	30.7	0.8	34.2
Cash flows from investing activities:			
Purchases of property and equipment	(10.5)	(3.2)	(24.8)
Cash paid for NTG Acquisition	(105.9)	—	—
Purchases of capital software	(17.0)	(3.4)	(18.1)
Net cash used in investing activities	(133.4)	(6.6)	(42.9)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	270.6	—	140.0
Proceeds from issuance of revolver	2.8	—	—
Repayments of revolver and long-term debt, including exit premium	(144.2)	—	(123.7)
Payment of financing costs	(15.2)	(0.5)	(4.6)
Repayments of capital leases	(0.5)	(0.1)	(0.5)
Net cash provided by (used in) financing activities	113.5	(0.6)	11.2
Effect of exchange rate changes on cash	2.3	(0.1)	—
Net increase (decrease) in cash	13.1	(6.5)	2.5
Cash, beginning of period	16.0	22.5	20.0
Cash, end of period	$ 29.1	$ 16.0	$ 22.5
Supplemental cash flow disclosures			
Cash paid during the period for interest	$ 12.6	$ 4.1	$ 16.7
Cash paid during the period for income taxes	$ —	$ —	$ —
Cash paid during the period for operating leases	$ 2.2	$ —	$ —
Supplemental disclosure of noncash investing and financing activities			
Additional paid in capital from net settlement of RSUs	$ (0.9)	$ —	$ (1.1)
Lease liabilities arising from obtaining right of use assets	$ (9.6)	$ —	$ —
Additional paid in capital reclassified to derivative liability	$ —	$ —	$ (1.5)
Additional paid in capital reclassified from derivative liability	$ —	$ —	$ 2.8
Derivative liability reclassified to accrued expenses	$ —	$ —	$ 0.1
Senior debt exit premium	$ —	$ —	$ 4.2

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

INSPIRED ENTERTAINMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND SEPTEMBER 30, 2018 AND
FOR THE PERIODS ENDED
DECEMBER 31, 2019, DECEMBER 31, 2018 AND SEPTEMBER 30, 2018

1. Nature of Operations, Management's Plans and Summary of Significant Accounting Policies

Company Description and Nature of Operations

Inspired Entertainment, Inc. (the "Company," "we," "our," and "us") is a global business-to-business gaming technology company, supplying Server Based Gaming ("SBG") and Virtual Sports (which includes Interactive) systems to regulated lottery, betting and gaming operators worldwide through an "omni-channel" distribution strategy. We provide end-to-end digital gaming solutions on our proprietary and secure network, which accommodates a wide range of devices, including land-based gaming machine terminals, mobile devices such as smartphones and tablets and online computer and social applications.

The Company was incorporated in Delaware on May 30, 2014 under the name Hydra Industries Acquisition Corp. ("Hydra") as a "blank check company" for the purpose of acquiring, through a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, recapitalization or other similar business transaction, one or more operating businesses. On December 23, 2016 (the "Closing Date"), the Company acquired Inspired Gaming Group ("Inspired"), pursuant to a share sale agreement dated as of July 13, 2016 (the "Sale Agreement"). The transaction was accounted for as a reverse merger where Inspired was the acquirer and Hydra was the acquired company. In connection with the acquisition, we changed our name from Hydra to Inspired Entertainment, Inc. We refer to the acquisition and the other transactions contemplated by the Sale Agreement, collectively, as the "Business Combination" or the "Merger."

On October 1, 2019, the Company completed the acquisition of the Gaming Technology Group of Novomatic UK Ltd., a division of Novomatic Group, a leading international supplier of gaming equipment and solutions (the "NTG Acquisition").

Management Liquidity Plans

As of December 31, 2019, the Company's cash on hand was $29.1 million and the Company had working capital of $17.0 million. As of December 31, 2019, $5.0 million of our cash on hand had arisen from our operations in Greece and was being held in local accounts. In the ordinary course of business, we seek, from time to time, to transfer funds earned in Greece to our accounts outside of Greece. However, Greece imposes capital controls that can delay or prevent the flow of capital out of the country. The Company recorded net losses of $37.0 million, $4.7 million and $20.6 million for the year ended December 31, 2019, the three months ended December 31, 2018 and the year ended September 30, 2019, respectively. Net losses include non-cash stock-based compensation of $9.0 million, $1.6 million and $7.4 million for the year ended December 31, 2019, the three months ended December 31, 2018 and the year ended September 30, 2019, respectively. Historically, the Company has generally had positive cash flows from operating activities and has relied on a combination of cash flows provided by operations and the incurrence of debt and/or the refinancing of existing debt to fund its obligations. Working capital of $15.7 million includes a non-cash settled item of $10.1 million of deferred income. Management currently believes that, absent any long term COVID-19 impact, the Company's cash balances on hand, cash flows expected to be generated from operations, ability to control and defer capital projects and amounts available from the Company's external borrowings will be sufficient to fund the Company's net cash requirements through March 2021.

Our business is being and will continue to be adversely affected by the rapidly expanding nature of the coronavirus (COVID-19) pandemic. All venues offering land-based gaming, including our products, are closed for an indeterminate period of time in the jurisdictions in which we operate through governmental mandate. In addition, the extent of a significant economic impact from the pandemic may result in a decrease in the willingness or ability of consumers to engage in gambling activities. Land-based customers globally, and the United States, United Kingdom, Greece and Italy specifically, are impacted by the COVID-19 pandemic due to the closure of venues. There is also a possibility that player behavior may change following any resolution of the pandemic, including that consumers may spend less time or wager smaller amounts at gambling facilities. The pandemic is adversely affecting a broad range of our operations, including our ability to obtain and ship our products, our ability to continue to develop new products and services and the ability of our customers to pay outstanding amounts due to us. As a result of the significant reductions in revenue and other changes to our business, at least in the short term (which also affects other companies in our industry), we are working to protect our existing available liquidity by pro-actively managing capital expenditures and working capital as well as identifying both immediate and longer term opportunities for cost savings.

We expect, due to closures of land-based venues, that there could be a meaningful increase in our online revenues from slots and virtual sports but it is not possible to quantify any potential impact at this time. Prior to any COVID-19 impact, we would have expected this part of our business to account for approximately 10% of Company revenue during 2020.

As part of these efforts to preserve liquidity, the Company drew all remaining availability (£18.0 million ($23.8 million using rates prevailing at December 31, 2019)) under its £20 million ($26.4 million using rates prevailing at December 31, 2019) revolving credit facility on March 13, 2020.

Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

On September 24, 2018, the Board of Directors approved a change in the Company's fiscal year end from September 30 to December 31 commencing with the year ending December 31, 2019. As such, our fiscal year 2018 comprised the twelve-month period ended September 30, 2018, the three-month period from October 1, 2018 to December 31, 2018 was a transitional period and our fiscal year 2019 comprised the twelve-month period ended December 31, 2019.

Principles of Consolidation

All monetary values set forth in these consolidated financial statements are in US Dollars ("USD") unless otherwise stated herein. The accompanying consolidated financial statements include the results of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Foreign Currency Translation

For most of our operations, the British pound ("GBP") is our functional currency. Our reporting currency is the USD. We also have operations where the local currency is the functional currency, including our operations in mainland Europe and South America. Assets and liabilities of foreign operations are translated at period-end rates of exchange, equity is translated at historical rates of exchange and results of operations are translated at the average rates of exchange for the period. Gains or losses resulting from translating the foreign currency financial statements are recorded as a separate component of accumulated other comprehensive loss in stockholders' deficit. Gains or losses resulting from foreign currency transactions are included in selling, general and administrative expenses, interest income (expense) and other finance (costs) income in the consolidated statements of operations.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates these estimates, including those related to the revenue recognition for contracts involving software and non-software elements, allowance for doubtful accounts, inventory reserve for net realizable value, currency swaps, valuation of hedging activities, goodwill and intangible assets, useful lives of long-lived assets, stock-based compensation, valuation allowances on deferred taxes, earnout liability, pension liability, commitments and contingencies and litigation, among others. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. We regularly evaluate these significant factors and make adjustments when facts and circumstances dictate. Actual results may differ from these estimates.

Cash

We deposit cash with financial institutions that management believes are of high credit quality. Substantially all of the Company's cash is held outside of the U.S.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. Changes in circumstances relating to the collectability of accounts receivable may result in the need to increase or decrease our allowance for doubtful accounts in the future. We determine the allowance based on historical experience, current market trends, and our customers' financial condition. We continually review our allowance for doubtful accounts. Past due balances and other higher risk amounts are reviewed individually for collectability. Account balances are charged against the allowance after all collection efforts have been exhausted and the potential for recovery is considered remote.

Under certain contracts, the timing of our invoices does not coincide with revenue recognized under the contract. We have unbilled accounts receivable which represent revenue recorded in excess of amounts invoiced under the contract and generally become billable at contractually specified dates. These amounts consist primarily of revenue from our share of net winnings earned on a daily basis where the billing period does not fall on the last day of the period. We had $15.3 million and $10.8 million of unbilled accounts receivable as of December 31, 2019 and September 30, 2018, respectively.

Our standard credit terms are net 30 to 60 days. From time to time, we allow for certain digital customers to pay on an enhanced revenue share basis for the software license whereby the customer pays an incremental revenue share percentage over a specific period of time. We consider these types of arrangements to be extended payment terms as the full consideration for the arrangement may not be received until several years after the date of the sale depending on the net winnings from the game or application.

Inventories

Inventories consist primarily of component parts and related parts used in gaming terminals. Inventories are stated at the lower of cost or net realizable value, using the weighted average cost method. We determine the lower of cost or net realizable value of our inventory based on estimates of potentially excess and obsolete inventories after considering historical and forecasted demand and average selling prices. Demand for gaming terminals and parts inventory is also subject to technological obsolescence. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

Property and Equipment

Property and equipment are recorded at cost, and when placed into service, depreciated and amortized to their residual values using the straight-line method over the estimated useful lives of the related assets as follows:

Leasehold property	Shorter of the useful life or the life of the lease
Server based gaming terminals	2 – 7 years
Motor Vehicles	3 – 5 years
Plant and machinery and fixtures and fittings	3 – 10 years
Computer equipment	3 – 5 years

Our policy is to periodically review the estimated useful lives of our fixed assets. We also assess the recoverability of long-lived assets (or asset groups) whenever events or changes in circumstances indicate that the carrying amount of such an asset (or asset groups) may not be recoverable.

Repairs and maintenance costs are expensed as incurred. Upon retirement or sale, the cost of assets disposed and the related accumulated depreciation are written off and any resulting gain or loss is credited or charged to income.

Software Development Costs

We classify software development costs as either internal use software or external use software. We account for costs incurred to develop internal use software in accordance with Accounting Standards Codification (“ASC”) ASC 350-40, Internal Use Software. Consequently, any costs incurred during preliminary project stages are expensed; direct costs incurred during the application development stages are capitalized; and costs incurred during the post-implementation/operation stages are expensed. Once the software is placed in operation, we amortize the capitalized internal use software cost over its estimated economic useful life, which range from two to five years.

We purchase, license and incur costs to develop external use software to be used in the products we sell or provide to customers. Such costs are capitalized under ASC 985-20, Costs of Software to Be Sold Leased or Marketed. Costs incurred in creating software are expensed when incurred as Selling, General and Administrative Expenses until technological feasibility has been established, after which costs are capitalized up to the date the software is available for general release to customers. We capitalize the payments made for software that we purchase or license for use in our products that has previously met the technological feasibility criteria prior to our purchase or license. Annual amortization of capitalized external use software development costs is recorded over the estimated economic life, which is two to five years.

Research and development costs are expensed as incurred. Research and development related primarily to software product development costs is expensed until technological feasibility has been established. Research and development costs amounting to $3.8 million, $0.8 million and $4.8 million were expensed during the year ended December 31, 2019, the three months ended December 31, 2018 and the year ended September 30, 2018, respectively. Employee related costs associated with related product development are included in Selling, General and Administrative Expenses in the consolidated statements of operations and comprehensive loss.

Goodwill and Other Acquired Intangible Assets

Our principal acquired intangible assets relate to goodwill, trademarks and customer relationships. Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in a business combination, and has increased in the year due to the NTG acquisition (see Note 2). Trademarks and customer relationships were originally recorded at their fair values in connection with business combinations.

Goodwill and other intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Intangible assets with finite lives are amortized on a straight-line basis over three to ten years to their estimated residual values and reviewed for impairment. Factors considered when assigning useful lives include legal, regulatory and contractual provisions, product obsolescence, demand, competition and other economic factors.

Impairment of Goodwill and Long-Lived Assets

We test for goodwill impairment at least annually on the last day of our fiscal period, and whenever other facts and circumstances indicate that the carrying value may not be recoverable. For goodwill impairment evaluations, we first make a qualitative assessment to determine if goodwill is likely to be impaired. If it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. Goodwill is carried, and therefore tested, at the reporting unit level. We have three segments, Server Based Gaming, Virtual Sports and Acquired Businesses, as detailed in Note 28. If the fair value of the reporting unit is less than its carrying amount, the amount of the impairment loss, if any, will be measured by comparing the implied fair value of goodwill to its carrying amount and would be charged to operations as an impairment loss. A qualitative test was carried out as of December 31, 2019, December 31, 2018 and September 30, 2018 and no impairment was required at any of these dates.

We assess the recoverability of long-lived assets and intangible assets with finite useful lives whenever events arise or circumstances change that indicate the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets (or asset groups) to be held and used is measured by a comparison of the carrying amount of the asset (or asset group) to the expected net future undiscounted cash flows to be generated by that asset (or asset group) or, for identifiable intangibles with finite useful lives, by determining whether the amortization of the intangible asset balance over its remaining life can be recovered through expected net future undiscounted cash flows. The amount of impairment of other long-lived assets and intangible assets with finite lives is measured by the amount by which the carrying amount of the asset exceeds the fair market value of the asset. As a result of the Company's change in strategic direction of certain of its operations, the Company determined that certain of its long-lived and other assets were impaired as of September 30, 2018. Accordingly, the Company recorded an impairment charge of $7.7 million for the year ended September 30, 2018, which consisted of $4.9 million of software, $1.9 million of prepaid expenses and other current assets, $0.6 million of unbilled accounts receivable and $0.3 million of trade receivables.

Equity Method Investment

For investments in entities over which the Company exercises significant influence, but which do not meet the requirements for consolidation, the Company uses the equity method of accounting. On October 1, 2019, the Company acquired a 40% noncontrolling interest in Innov8 Gaming Limited in connection with the Acquisition (see Note 2). The value of the Company's equity method investment was $0.7 million as of December 31, 2019. The Company's share of earnings from its equity method investee, which was not material for the year ended December 31, 2019, is presented in loss from equity method investee in the consolidated statements of operations.

The Company evaluates its equity method investment for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investment may not be recoverable. The difference between the carrying value of the equity method investment and its estimated fair value is recognized as an impairment charge when the loss in value is deemed other-than-temporary.

Deferred Revenue and Deferred Cost of Sales, excluding depreciation and amortization

Deferred revenue arises from the timing differences between the shipment or installation of gaming terminals and systems products and the satisfaction of all revenue recognition criteria consistent with our revenue recognition policy, as well as prepayment of contracts which are recognized ratably over a service period, such as maintenance or licensing fees. Deferred cost of sales, excluding depreciation and amortization, recorded as prepaid expenses and other assets, consists of the direct costs associated with the manufacture of gaming equipment and systems products for which revenue has been deferred. Amounts expected to be recognized as revenue within the 12 months following the balance sheet date are classified as deferred revenue in current liabilities. Amounts not expected to be recognized as revenue within the 12 months following the balance sheet date are classified as deferred revenue, net of current portion.

Debt Issue Costs

Debt issuance costs incurred in connection with the Company's debt are capitalized and amortized as interest expense over the term of the related debt. The Company presents debt issuance costs as a reduction from the carrying amount of debt. Only costs that are wholly attributable to obtaining the related debt finance are treated as debt issuance costs. Any other costs are expenses to the Consolidated Statement of Operations and Comprehensive Loss as part of Acquisition and integration related transaction expenses.

Value Added Tax

The Company is subject to Value Added Tax ("VAT") in some locations. The amount of VAT liability is determined by applying the applicable tax rate to the invoiced amount of goods and services sold less VAT paid on purchases made with the relevant supporting invoices. VAT is collected from customers by the Company on behalf of the tax authorities and is therefore not charged to the consolidated statements of operations.

Common Stock Purchase Warrants and Derivative Financial Instruments

The Company reviews any common stock purchase warrants and other freestanding derivative financial instruments at each balance sheet date and classifies them on the consolidated balance sheet as:

a) Equity if they (i) require physical settlement or net-share settlement, or (ii) gives the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement), or
b) Assets or liabilities if they (i) require net-cash settlement (including a requirement to net cash settle the contract if an event occurs and if that event is outside the Company's control), or (ii) give the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement).

The Company assesses classification of its common stock purchase warrants and other freestanding derivatives at each reporting date to determine whether a change in classification between assets and liabilities is required. The Company determined that its outstanding common stock purchase warrants satisfied the criteria for classification as equity instruments at December 31, 2019 and September 30, 2018. The Company also determined that its obligation to settle certain awards in either cash or stock satisfied the criteria for classification as a derivative financial instrument at December 31, 2019 and September 30, 2018 (see Note 17).

From time to time we enter into foreign currency forward contracts to mitigate the risk associated with cash payments required to be made in non-functional currencies or to mitigate the risk associated with cash to be received in non-functional currencies.

Accounting Policy for Derivative Instruments and Hedging Activities

FASB ASC 815, Derivatives and Hedging ("ASC 815"), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Company's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by ASC 815, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting.

In accordance with the FASB's fair value measurement guidance in ASU 2011-04, "Fair Value Measurements," the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Revenue Recognition

The Company adopted Accounting Standards Codification ("ASC") 606 – Revenue from Contracts with Customers" ("ASC 606") as of January 1, 2019 using the modified retrospective method. This method allows the Company to apply ASC 606 to new contracts entered into after January 1, 2019, and to its existing contracts for which revenue earned through December 31, 2018 has been recognized under the guidance in effect prior to the effective date of ASC 606. The revenue recognition processes the Company applied prior to adoption of ASC 606 align with the recognition and measurement guidance of the new standard, therefore adoption of ASC 606 did not require a cumulative adjustment to opening equity.

Under ASC 606, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under the standard, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps:

1. identify the contracts with a customer;
2. identify the performance obligations within the contract, including whether they are distinct and capable of being distinct in the context of the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when, or as, the Company satisfies each performance obligation.

Step 1 – Identify the contract

The Company identifies contracts with its customers when all parties have approved the contract and are committed to perform their respective obligations, when each party's rights and the payment terms regarding the goods or services to be transferred can be identified. The contract must also have commercial substance, and it must be probable that the Company will collect the consideration to which it will be entitled.

Contracts entered into at or near the same time with the same customer or related parties of the customer are accounted for as one contract if any of the following criteria are met:

a. Contracts were negotiated as a single commercial package (including whether a contract would be loss-making without taking into account the consideration received under another contract)
b. Consideration in one contract depends on the other contract
c. Goods or services (or some of the goods or services) are a single performance obligation.

Step 2 – Identify performance obligations

Performance obligations are identified by considering whether a good or service is distinct. The Company considers a good or service to be distinct only when the customer can benefit from it either on its own or together with other resources that are readily available, and when the promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

The Company applies the series guidance to its performance obligations where the following criteria apply:

a. Each distinct good or service in the series meets the criteria to be a performance obligation satisfied over time.
b. The same method would be used to measure progress toward complete satisfaction of the performance obligation to transfer each distinct good or service in the series to the customer.

Step 3 – Determine the transaction price

The Company considers all amounts to which it has rights in exchange for the goods or services transferred in determining the transaction price. This includes fixed and variable consideration. Typically, consideration is stated in the contract with the customer.

The Company assesses usage-based fees to determine whether they qualify as variable consideration. It also considers the impact of any liquidated damages clauses or service level agreements.

Where the Company's performance obligations are determined to be a series, variable consideration is not estimated upfront in accordance with the exception allowed by ASC 606.

Where non-refundable upfront fees are included in the Company's contracts with customer, the Company considers whether or not they represent payment for a transferred good or service. Where they represent payment for future goods or services, the Company further considers whether they represent a material right.

Step 4 – Allocate the transaction price

The Company allocates a transaction price to each performance obligation based on the relative standalone selling prices of the goods or services being provided. Where a contract includes multiple performance obligations, the Company determines the standalone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those standalone selling prices. Where possible, the Company uses the price charged for the good or service to other customers in similar circumstances as evidence of standalone selling price. Where this is not possible, the standalone selling price is estimated by experienced management using the best available judgement.

With respect to performance obligations that are considered to be a series, where appropriate and where the required criteria are met, variable consideration is allocated entirely to a distinct good or service that is part of a series.

Step 5 – Recognize revenue

The Company recognizes revenue over time for performance obligations that meet one of the following criteria:

a. The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.
b. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c. The Company's performance does not create an asset with an alternative use to the Company, and the Company has an enforceable right to payment for performance completed to date

Revenue for the Company's remaining performance obligations that do not meet one of the above criteria is recognized at the point at which the customer obtains control of the good or service.

Server Based Gaming Revenue

Revenue from SBG terminals, access to our content and SBG platform, including electronic table gaming products is recognized in accordance with the criteria set forth in ASC 606 and is usually based upon a contracted percentage of the operator's net winnings from the terminals' daily use. Where this is not the case, revenue is based upon a fixed daily or weekly usage fee. We recognize revenue from these arrangements in accordance with the series guidance over time on a daily basis over the term of the arrangement, or when not specified over the expected customer relationship period. Performance obligations under these arrangements may include the delivery and installation of our SBG terminals for use over a term, as well as service obligations related to hardware repairs and server based content and maintenance. Consideration with respect to these performance obligations typically takes the form of usage based fees, billed at the end of a set period (usually monthly) and due typically 30 days from the date of the invoice.

We sometimes bill for SBG arrangements up front in order to help fund our working capital and development requirements, or at the request of a customer. Upfront fees on SBG arrangements are deferred and recognized ratably over time, or when not specified over the expected customer relationship period, where they represent payment for future goods and services. In the case where we receive upfront fees pursuant to which there are no further obligations and no undelivered elements, we will recognize the upfront fees upon delivery. Upfront fees are normally billed upon signing of the relevant agreement, and become due and payable at set times thereafter. Hardware sales take the form of a transfer of ownership of our developed gaming terminals, and are recognized at a point in time upon delivery as they are considered to meet the required criteria to be considered distinct. Payment for hardware sales is typically due a set number of days after delivery.

SBG arrangements typically include service level agreements, consisting of a specified amount of 'uptime' with financial penalties for breaches in excess of specified levels.

Virtual Sports Revenue

Revenue from licensing of our gaming software is recognized in accordance with the criteria set forth in ASC 606. Virtual sports retail revenue, which includes the provision of virtual sports content and services to retail betting outlets, and virtual sports online and mobile revenue, which includes the provision of virtual sports content and services to mobile and online operators, is based upon a contracted percentage of the operator's net winnings or a fixed rental fee. We recognize revenue for these fees over time on a daily or weekly basis in over the term of the arrangement. Consideration with respect to these performance obligations typically takes the form of usage based fees, billed at the end of a set period (usually monthly) and due typically 30 days from the date of the invoice.

These arrangements also typically include a perpetual license billed up front, granted to the customer for access to our gaming platform and content. As these up front bills represent payment for future services, revenue from the licensing of perpetual licenses is recognized ratably over time, or when not specified, over the expected customer relationship period. Upfront fees are normally billed upon signing of the relevant agreement, and become due and payable at set times thereafter.

Revenue from the development of bespoke games licensed on a perpetual basis to mobile and online operators is recognized at a point in time on delivery and acceptance by the customer. We have no ongoing service obligations subsequent to customer acceptance of our bespoke games, and they meet the criteria to be considered as distinct. Payment for bespoke games is typically due a set number of days after delivery.

Virtual Sports arrangements typically include service level agreements, consisting of a specified amount of 'uptime' with financial penalties for breaches in excess of specified levels.

Acquired Businesses

Revenue from the Acquired Businesses segment comprises of a number of different streams, recognized as follow:

Acquired Businesses earn revenue from both gaming machine terminals and amusement machine terminals. Revenue from terminals and access to our content and platform is recognized in accordance with the criteria set forth in ASC 606 and is based upon a contracted percentage of the operator's net winnings from the terminals' daily use, or a fixed daily or weekly usage fee. We recognize revenue from these arrangements in accordance with the series guidance over time on a daily basis over the term of the arrangement, or when not specified over the expected customer relationship period. Performance obligations under these arrangements may include the delivery and installation of our terminals for use over a term, as well as service obligations related to hardware repairs and content and maintenance. Sometimes these services are also offered without the supply of a terminal. Consideration with respect to these performance obligations typically takes the form of usage based fees, billed at the end of a set period (usually monthly) and due typically 30 days from the date of the invoice.

Certain sales of terminals, terminal and component repair revenue, and sales of spare parts are recognized at the point in time when control transfers to the customer, which is normally upon delivery and acceptance by the customer. Payment for point-in-time revenue is typically due a set number of days after delivery.

We also provide terminal and spares management services to third parties. Revenue with respect to these services takes the form of both fixed and variable consideration. Where possible, variable consideration is estimated at the contract inception and allocated to the performance obligations to which it relates. Revenue is recognized over time in line with the customers' use of the service.

Revenue from licensing of our gaming software is earned via usage-based royalties, billed at the end of a set period (usually monthly) and due typically 30 days from the date of the invoice. This revenue is recognized over time as the usage occurs.

Disaggregation of revenue

Information on disaggregation of revenue is included in Note 28, "Segment Reporting and Geographic Information."

Shipping and Handling Costs

Shipping and handling costs for products sales and hardware related to subscription services are included in cost of sales, excluding depreciation and amortization for all periods presented.

Share-Based Payment Arrangements

The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation - Stock Compensation" ("ASC 718"). ASC 718 requires generally that all equity awards be accounted for at their "fair value." This fair value is measured on the grant date for stock-settled awards, and at subsequent exercise or settlement for cash-settled awards. Fair value is equal to the underlying value of the stock for "full-value" awards such as restricted stock and restricted stock units that have time vesting conditions, and stock options and performance shares that have market conditions are valued using an option-pricing model with traditional inputs for "appreciation" awards.

Costs equal to these fair values are recognized ratably over the requisite service period based on the number of awards that are expected to vest, or in the period of grant for awards that vest immediately and have no future service condition. For awards that vest over time, previously recognized compensation cost is reversed if the service or performance conditions are not satisfied and the award is forfeited.

Subsequent modifications to outstanding awards result in incremental cost if the fair value is increased as a result of the modification.

Income Taxes

Income taxes are accounted for under the asset and liability method. Our provision for income taxes is principally based on current period income (loss), changes in deferred tax assets and liabilities and changes in estimates with regard to uncertain tax positions. We estimate current tax expense and assess temporary differences resulting from differing treatments of items for tax and accounting purposes using enacted tax rates in effect for each taxing jurisdiction in which we operate for the period in which those temporary differences are expected to be recovered or settled. These differences result in deferred tax assets and liabilities. Our total deferred tax assets are principally comprised of depreciation and net operating loss carry forwards.

Significant management judgment is required to assess the likelihood that deferred tax assets will be recovered from future taxable income. In assessing the realizability of these deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. Management makes this assessment on a jurisdiction by jurisdiction basis considering the historical trend of taxable losses, projected future taxable income and the reversal of deferred tax liabilities.

We evaluate income tax uncertainties, assess the probability of the ultimate settlement with the applicable taxing authority and records an amount based on that assessment. Interest and penalties, if any, associated with uncertain tax positions are included in income tax expense.

Comprehensive Loss

We include and separately classify in comprehensive loss unrealized gains and losses and hedges from our foreign currency translation adjustments, gains or losses associated with pension or other post-retirement benefits, prior service costs or credits associated with pension or other post-retirement benefits and transition assets or obligations associated with pension or other post-retirement benefits.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), followed in July 2018 by ASU 2018-10, Codification Improvements to Topic 842 Leases, and ASU 2018-11, Leases (Topic 842): Targeted Improvements. Under the new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. As a result of this adoption and the required disclosures, the Company revised its accounting policy for leases as stated below. The guidance is effective for all public business entities and certain not-for-profit entities in fiscal years beginning after December 15, 2018, and for all other entities in fiscal years beginning after December 15, 2020. Early adoption is permitted. As the Company was an emerging growth company until December 31, 2019 and elected to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act, it adopted the standard as of January 1, 2019 on December 31, 2019.

We elected to adopt the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs, along with the practical expedient to use hindsight when determining the lease term.

We determine if an arrangement is a lease at inception of the arrangement. Once it is determined that an arrangement is, or contains, a lease, that determination should only be reassessed if the legal arrangement is modified. Changes to assumptions such as market-based factors do not trigger a reassessment. Determining whether a contract contains a lease requires judgement. In general, arrangements are considered to be a lease when all of the following apply:

- it conveys the right to control the use of an identified asset for a period of time in exchange for consideration;
- we have substantially all economic benefits from the use of the asset; and
- we can direct the use of the identified asset.

The terms of a lease arrangement determine how a lease is classified and the resulting income statement recognition. When the terms of a lease effectively transfer control of the underlying asset, the lease represents an in substance financed purchase (sale) of an asset and the lease is classified as a finance lease by the lessee and a sales-type lease by the lessor. When a lease does not effectively transfer control of the underlying asset to the lessee, but the lessor obtains a guarantee for the value of the asset from a third party, the lessor would classify a lease as a direct financing lease. All other leases are classified as operating leases.

Where a lease contains more than one component, the consideration in the contract is allocated on a relative standalone price basis to the separate lease components and the non-lease components.

Leases – the Company as lessee

As of December 31, 2019, our impact resulting from recognition of operating leases was as follows:

- we have recognized right-of-use (ROU) assets of $9.4 million and lease liabilities of $8.8 million;
- the short-term portion of the lease liabilities amounted to $3.6 million and
- the long-term portion of the lease liabilities amounted to $5.2 million.

Lease assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at January 1, 2019 or commencement date, if later, in determining the present value of future payments. The lease ROU asset includes any lease payment made and initial direct costs incurred. Our lease terms may include options to extend or terminate the lease which are included in the measurement of the ROU assets and lease liabilities when it is reasonably certain that we will exercise that option.

The lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components. The Company did not make the election to treat the lease and non-lease components as a single component and considers the non-lease components as a separate unit of account.

The Company has elected not to apply the recognition requirements of ASC 842 to short-term leases. We recognize the lease payments for short-term leases on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred

Leases – the Company as lessor

The Company’s lease arrangements are a mixture of sales-type leases and operating leases.

Sales-type lease receivables are recognized based on the net investment in the lease, at the present value of future minimum lease payments receivable over the lease term, plus any guaranteed residual value of the underlying asset, at the commencement date.

The discount rate used in determining the present value of the future minimum lease payments is the rate implicit in the lease. This is calculated using the fair value of the underlying asset and the present value of any unguaranteed residual value.

The underlying asset is derecognized at the point of inception and a selling profit is recognized at lease commencement. Subsequent interest income is recognized over the term of the lease, at an amount that produces a constant periodic discount rate on the remaining balance of the net investment in the lease.

For operating leases, we continue to recognize the underlying asset. Lease income is recognized on a straight-line basis over the lease term.

Recently Issued Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). In November 2018, the FASB issued ASU 2018-19, "Codification Improvements to Topic 326, Financial Instruments - Credit Losses" (“ASU 2018-19”). ASU 2016-13 affects loans, debt securities, trade receivables, and any other financial assets that have the contractual right to receive cash. ASU 2016-13 requires an entity to recognize expected credit losses rather than incurred losses for financial assets. The guidance will be effective beginning on January 1, 2023, including interim periods within that year and requires a modified retrospective transition approach through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. Under the modified retrospective method of adoption, prior year reported results are not restated. The adoption of ASU 2016-13 is not expected to have a material impact on the Company’s financial statement presentation or disclosures.

In July 2017, the FASB issued ASU No. 2017-11, “Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features; (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception” (“ASU 2017-11”). ASU 2017-11 allows companies to exclude a down round feature when determining whether a financial instrument (or embedded conversion feature) is considered indexed to the entity’s own stock. As a result, financial instruments (or embedded conversion features) with down round features may no longer be required to be accounted for as derivative liabilities. A company will recognize the value of a down round feature only when it is triggered and the strike price has been adjusted downward. For equity-classified freestanding financial instruments, an entity will treat the value of the effect of the down round as a dividend and a reduction of income available to common shareholders in computing basic earnings per share. For convertible instruments with embedded conversion features containing down round provisions, entities will recognize the value of the down round as a beneficial conversion discount to be amortized to earnings. ASU 2017-11 is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The guidance in ASU 2017-11 can be applied using a full or modified retrospective approach. The adoption of ASU 2017-11 is not expected to have any impact on the Company’s financial statement presentation or disclosures.

In August 2017, the FASB issued ASU 2017-12, “Targeted Improvements to Accounting for Hedging Activities” (“ASU 2017-12”) to simplify the application of hedge accounting guidance and improve the financial reporting of hedging relationships to better portray the economic results of an entity’s risk management activities in its financial statements. In addition, ASU 2017-12 requires an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. The transition guidance provides companies with the option of early adopting the new standard using a modified retrospective transition method in any interim period after issuance of the update, or alternatively requires adoption for fiscal years beginning after December 15, 2019. This adoption method requires companies to recognize the cumulative effect of initially applying the guidance as an adjustment to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year that an entity adopts the update. The adoption of ASU 2017-12 is not expected to have any impact on the Company’s financial statement presentation or disclosures.

2. Acquisition

On October 1, 2019, the Company’s subsidiary, Inspired Gaming (UK) Limited, completed the acquisition of the Gaming Technology Group of Novomatic UK Ltd. pursuant to the Share Purchase Agreement, dated as of June 11, 2019 (the “SPA”), comprising: (i) all of the outstanding equity interests of each of (a) Astra Games Ltd, (b) Bell-Fruit Group Limited, (c) Gamestec Leisure Limited, (d) Harlequin Gaming Limited, and (e) Playnation Limited, and (ii) 60% of the outstanding equity interests of Innov8 Gaming Limited (“Innov8”, and together with the entities described in clause (i) and certain of their subsidiaries, the “Acquired Businesses” and the transactions contemplated by the SPA, the “NTG Acquisition”). The consideration for the NTG Acquisition totaled approximately €107.0 million ($116.6 million) in cash, which was financed by the Senior Facilities Agreement discussed in Note 13.

Simultaneous with the closing of the NTG Acquisition, Inspired transferred a portion of the equity interests it had acquired in Innov8 to the then-minority equity holders of Innov8 in exchange for the renegotiation of certain funding commitments. As a result, Inspired currently holds approximately 40% of the outstanding equity interests of Innov8.

The NTG Acquisition is expected to add increased scale to our business, while supplementing key technologies and content within our existing portfolio.

The allocation of the purchase price is summarized as follows (in millions):

Purchase Price	£	94.7
Foreign exchange rate at October 1, 2019		1.23
Adjusted purchase price in US dollars	$	116.6
Allocated to:		
Cash	$	8.4
Receivables		20.5
Inventories		14.6
Prepaid expenses and other		1.4
Property and equipment		49.3
Software development costs		7.1
Other assets		1.4
Accounts payable, accrued expenses and other current liabilities		(22.7)
Income taxes payable		(1.9)
Long-term debt		(0.1)
Other long-term liabilities		(1.6)
Net assets acquired		76.4
Excess of purchase price over net assets acquired before allocation to identifiable intangible assets and goodwill	$	40.2

The fair value of property and equipment was determined using the indirect cost approach which utilizes fixed asset record information including historical costs, acquisition dates, and asset descriptions and applying asset category specific nationally recognized indices to the historical cost of each asset to derive replacement cost new less depreciation. Management has also made the initial determination that all other assets and liabilities acquired are primarily estimated to be stated at their fair values, which approximates their recorded cost. Management has made an initial determination that approximately $8.1 million of the excess of the purchase price over the net assets acquired should be allocated to identifiable intangible assets. The unidentified excess of the purchase price over the fair value of the net assets acquired has been recorded as goodwill.

		Amount	Estimated Useful Life (Years)
Corporate trade names and domains	$	3.7	10
Customer contracts and relationships		4.4	10
Intangible Assets		8.1	
Goodwill		32.1	
	$	40.2	

In accordance with ASC 805, identifiable intangible assets are required to be measured at fair value. The intangible assets identified were valued using the income approach, either through the discounted cash flow method, the relief from royalty method or the excess earnings method. Determining fair value requires significant judgment concerning the assumptions used in the valuation model, including discount rates, the amount and timing of expected future cash flows and growth rates, as well as expected royalty rates, which are based on the estimated rates at which similar assets are being licensed in the marketplace. The estimated weighted average useful life of the new intangible assets identified is 10 years.

Goodwill arising from the NTG Acquisition mainly consists of the synergies of an ongoing business. Goodwill and intangible assets are tested for impairment on an annual basis or sooner, if an event occurs or circumstances change that indicate that the carrying amount of the goodwill or intangible asset may not be recoverable. The Company incurred advisor fees, legal and other costs related to the NTG Acquisition of $6.7 million, which excludes the costs of refinance that have been deducted from the senior debt as debt issuance costs and which have been recognized in operating expenses in the accompanying consolidated statement of operations during the year ended December 31, 2019.

Asset valuations included in previous SEC filings were based on a preliminary assessment, which has since been updated to an actual assessment. As a result, certain asset valuations are now revised as follows; Software development costs $6.0 million to $7.1 million, Other assets $1.5 million to $1.4 million, Corporate trade names and domains $3.2 million to $3.7 million, Customer contracts and relationships $9.2 million to $4.4 million, Goodwill $28.8 million to $32.1 million.

Total revenues and loss from operations from October 1, 2019 (the acquisition date) through December 31, 2019 amounted to $31.0 million and $(0.4) million, respectively, and is included in the consolidated statements of operations and comprehensive income.

Pro Forma Information (Unaudited)

The following unaudited consolidated pro forma information gives effect to the transaction contemplated by the NTG Acquisition as if such transaction had occurred on January 1, 2018. The following pro forma information is presented for illustration purposes only and is not necessarily indicative of the results that would have been attained had the acquisition been completed on January 1, 2018, nor is it indicative of results that may occur in any future periods.

	Year Ended December 31, 2019	Year Ended December 31, 2018
	(in millions)	
Revenues	$ 265.2	$ 274.3
Net operating loss	$ (5.8)	$ (21.6)
Net loss	$ (33.8)	$ (39.9)
Loss per share:		
Basic and diluted	$ (1.54)	$ (1.91)
Weighted average shares outstanding:		
Basic and diluted	21,892,964	20,859,407

3. Accounts Receivable

Accounts receivable consist of the following:

	December 31, 2019	September 30, 2018
	(in millions)	
Trade receivables	$ 24.5	$ 17.8
Less: long-term receivable recorded in other assets	(1.5)	(2.2)
Finance lease receivables	1.5	—
Receivables from affiliate	0.4	—
Other receivables	0.2	0.1
Allowance for doubtful accounts	(0.9)	(1.4)
Total accounts receivable, net	$ 24.2	$ 14.3

Changes in the allowance for doubtful accounts are as follows:

	December 31, 2019	September 30, 2018
	(in millions)	
Beginning balance	$ (1.5)	$ (2.0)
Provision for doubtful accounts	(0.1)	(1.1)
Recoveries	—	0.5
Write offs	0.8	1.1
Foreign currency translation adjustments	(0.1)	0.1
Ending balance	$ (0.9)	$ (1.4)

4. Inventory

Inventory consists of the following:

	December 31, 2019	September 30, 2018
	(in millions)	
Component parts	$ 12.7	$ 3.6
Work in progress	2.1	—
Finished goods	4.0	1.6
Total inventories	$ 18.8	$ 5.2

Component parts include parts for gaming terminals. Included in component parts are reserves for excess and slow-moving inventory of $0.9 million and $0.5 million as of December 31, 2019 and September 30, 2018, respectively. Our finished goods inventory primarily consists of gaming terminals which are ready for sale.

5. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

	December 31, 2019	September 30, 2018
	(in millions)	
Prepaid expenses and other assets	$ 7.9	$ 5.0
Unbilled accounts receivable	15.3	10.8
Total prepaid expenses and other assets	$ 23.2	$ 15.8

6. Property and Equipment, net

	December 31, 2019	September 30, 2018
	(in millions)	
Short-term leasehold property	$ 0.9	$ 0.4
Video lottery terminals	165.6	121.7
Construction in progress	0.8	—
Computer equipment	1.5	8.7
Plant and machinery	13.3	2.5
	182.1	133.3
Less: accumulated depreciation and amortization	(102.8)	(87.6)
	$ 79.3	$ 45.7

Depreciation and amortization expense amounted to $21.7 million, $4.8 million and $20.3 million for the year ended December 31, 2019, the three months ended December 31, 2018 and the year ended September 30, 2018, respectively.

7. Software Development Costs, net

Software development costs, net consisted of the following:

	December 31, 2019	September 30, 2018
	(in millions)	
Software development costs	$ 129.9	$ 100.9
Less: accumulated amortization	(83.0)	(60.9)
	$ 46.9	$ 40.0

During the year ended December 31, 2019, the three months ended December 31, 2018 and the year ended September 30, 2018, the Company capitalized $23.5 million, $3.6 million and $17.7 million of software development costs, respectively. Amounts in the above table include $0.9 million and $1.3 million of internal use software at December 31, 2019 and September 30, 2018, respectively.

The total amount of software costs amortized was $16.4 million, $3.9 million and $18.1 million for the year ended December 31, 2019, the three months ended December 31, 2018 and the year ended September 30, 2018, respectively. Software costs written down to net realizable value amounted to $0.4 million, $0.0 million and $5.4 million for the year ended December 31, 2019, the three months ended December 31, 2018 and the year ended September 30, 2018, respectively. The $5.4 million for the year ended September 30, 2018 includes $0.5 million recorded as amortization expense incurred during the normal course of business and $4.9 million recorded as a one-time impairment expense. The weighted average amortization period was 3.0 years, 3.1 years and 3.1 years for the year ended December 31, 2019, the three months ended December 31, 2018 and the year ended September 30, 2018, respectively.

The estimated software amortization expense for the years ending December 31 are as follows:

Year ending December 31, (in millions)		
2020	$	19.2
2021		14.4
2022		7.6
2023		3.5
2024		2.0
Thereafter		0.2
Total	$	46.9

8. Intangible Assets and Goodwill

The following tables present certain information regarding our intangible assets. Amortizable intangible assets are being amortized on a straight-line basis over their estimated useful lives of ten years with no estimated residual values, which materially approximates the expected pattern of use.

		December 31, 2019		**September 30, 2018**
	(in millions)			
Trademarks	$	21.6	$	17.6
Customer relationships		20.1		15.1
		41.7		32.7
Less: accumulated amortization		(31.8)		(27.0)
	$	9.9	$	5.7

Aggregate intangible asset amortization expense amounted to $3.5 million, $0.8 million and $3.4 million for the year ended December 31, 2019, the three months ended December 31, 2018 and the year ended September 30, 2018, respectively.

The estimated intangible asset amortization expense for the years ending December 31 are as follows:

Year ending December 31, (in millions)		
2020	$	2.4
2021		0.8
2022		0.8
2023		0.8
2024		0.8
Thereafter		4.3
Total	$	9.9

Goodwill

Goodwill is summarized as follows:

	December 31, 2019	September 30, 2018
	(in millions)	
Balance at beginning of period	$ 44.9	$ 47.1
Foreign currency translation adjustments	3.9	(1.3)
Acquisition of NTG	32.1	—
Ending balance	$ 80.9	$ 45.8

9. Other Assets

Other assets consist of the following:

	December 31, 2019	September 30, 2018
	(in millions)	
Long term finance lease receivable	1.0	—
Long term receivables	1.5	2.2
Pension surplus	—	5.3
Long term prepaid expenses and other assets	2.6	4.6
	$ 5.1	$ 12.1

10. Accrued Expenses

Accrued expenses consist of the following:

	December 31, 2019	September 30, 2018
	(in millions)	
Direct costs of sales	$ 5.5	$ 4.4
Payroll and related costs	4.4	3.1
Accrued corporate cost expenses	1.6	3.2
Interest payable - cash	5.5	0.1
Asset retirement obligations	2.0	0.5
Acquisition consideration	2.5	—
Contract termination costs	0.1	—
Other creditors	9.6	3.0
	$ 31.2	$ 14.3

11. Contract Liabilities and Other Disclosures

The following table summarizes the changes in contract liabilities:

	Deferred Income
	(in millions)
Balance at October 1, 2017	$ (27.3)
Revenue recognized	10.6
Revenue deferred	(16.9)
Foreign currency translation adjustments	0.5
Balance at September 30, 2018	**$ (33.1)**
Revenue recognized	3.0
Revenue deferred	(2.4)
Foreign currency translation adjustments	0.5
Balance at December 31, 2018	**$ (32.0)**
Revenue recognized	13.5
Revenue deferred	(11.0)
Acquisitions	(0.4)
Foreign currency translation adjustments	2.1
Balance at December 31, 2019	**$ (27.8)**

Revenue recognized that was included in the deferred income balance at the beginning of the period amounted to $9.6 million, $2.7 million and $7.7 million for the year ended December 31, 2019, the three months ended December 31, 2018 and the year ended September 30, 2018, respectively.

The following table summarizes contract related balances (other than deferred income disclosed above):

	Accounts Receivable	Unbilled Accounts Receivable	Customer Prepayments and Deposits
		(in millions)	
At September 30, 2018	$ 17.8	$ 10.8	$ (3.7)
At December 31, 2019	$ 24.5	$ 15.3	$ (1.9)

12. Other Liabilities

Other liabilities consist of the following:

	December 31, 2019	September 30, 2018
	(in millions)	
Customer prepayments and deposits	$ 1.9	$ 3.7
Fair value of hedging instrument	—	0.2
Total other liabilities, current	1.9	3.9
Other payables, net of current portion	—	0.5
Asset retirement obligations	2.1	0.4
Pension liability	3.1	—
Senior debt exit premium	—	4.2
Total other liabilities, long-term	5.2	5.1
	$ 7.1	$ 9.0

13. Long Term and Other Debt

Senior Facilities Agreement

In connection with the NTG Acquisition, on September 27, 2019, the Company, together with certain direct and indirect wholly-owned subsidiaries, entered into a Senior Facilities Agreement with Lucid Agency Services Limited, as agent, Nomura International plc and Macquarie Corporate Holdings Pty Limited (UK Branch) as arrangers and/or bookrunners and each lender party thereto (the “Lenders”), pursuant to which the Lenders agreed to provide, subject to certain conditions, two tranches of senior secured term loans (the “Term Loans”), in an original principal amount of £140.0 million ($172.5 million) and €90.0 million ($98.1 million), respectively and a secured revolving facility loan in an original principal amount of £20.0 million ($24.6 million). On October 1, 2019, the debt was funded and proceeds from the Term Loans were used to, among other things, pay the purchase price of the NTG Acquisition and to refinance existing indebtedness of the Company under the Note Purchase Agreement and prior Facility described below.

The new facilities are subject to covenant testing. These tests comprise a leverage ratio (consolidated total net debt/consolidated pro forma EBITDA) and a capital expenditure level. The leverage ratio is tested quarterly with the first test date being June 30, 2020. The capital expenditure level is tested annually with the first test date being December 31, 2019. There is also an annual excess cash flow calculation required, which, if positive and over certain de minimis limits, could require early prepayment of part of the facilities.

The Term Loans have a 5-year duration and are repayable in full on October 1, 2024. The £140.0 million ($184.9 million) loan carries a cash interest rate of 7.25% plus 3-month LIBOR, the €90.0 million ($101.1 million) loan carries a cash interest rate of 6.75% plus a 3-month EUROLIBOR. The £20.0 million ($26.4 million) revolving credit facility is available until September 1, 2024 and carries a cash interest rate on any utilization at 5.50% plus 3-month LIBOR, with any unutilized amount carrying a cash interest cost at 30% of the applicable margin on the revolving credit facility loan.

Termination of Note Purchase Agreement and Prior Credit Facility

The Company’s previous debt included $140.0 million of senior notes issued under a Note Purchase Agreement and Guaranty dated August 13, 2018 (the “NPA”) with a 5-year duration and a cash interest rate of 9% plus 3-month LIBOR borrowings and a revolving credit facility agreement dated August 13, 2018 (the ” Prior Facility”) with a 3-year duration and a cash interest rate on any utilization at 4% plus 3-month LIBOR, with any unutilized amount carrying a 1.4% cash interest cost. In addition, the Company also had a 3-year, fixed-rate, cross-currency swap with respect to the NPA (see Note 14).

The termination of the Company’s prior existing indebtedness carried a prepayment premium of 3.00% of the amount repaid or prepaid, or $4.2 million, which is included in other long-term liabilities in the comparative period in the accompanying consolidated balance sheet. No prepayment premium applied to the Company’s previous revolving facility Agreement. In addition, on October 1, 2019, the Company terminated the 3-year, fixed-rate, cross-currency swap and wrote off previously unamortized debt issuance costs amounting to $7.3 million

Outstanding Debt and Capital Leases

The following reflects outstanding debt and capital leases as of the dates indicated below:

	Principal	Unamortized deferred financing charge	Book value, December 31, 2019
		(in millions)	
Senior bank debt	$ 288.6	$ (15.5)	$ 273.1
Finance lease liabilities	0.1	—	0.1
Total long-term debt outstanding	288.7	(15.5)	273.2
Less: current portion of long-term debt	(2.7)	—	(2.7)
Long-term debt, excluding current portion	$ 286.0	$ (15.5)	$ 270.5

	Principal	Unamortized deferred financing charge	Book value, September 30, 2018
		(in millions)	
Senior bank debt	$ 140.0	$ (8.8)	$ 131.2
Finance lease liabilities	0.6	—	0.6
Total long-term debt outstanding	140.6	(8.8)	$ 131.8
Less: current portion of long-term debt	(0.5)	—	(0.5)
Long-term debt, excluding current portion	$ 140.1	$ (8.8)	$ 131.3

The Company is in compliance with all relevant financial covenants and the long-term debt portion is correctly classified as such in line with the underlying agreements.

Long term debt as of December 31, 2019 matures as follows:

Fiscal period:	Senior bank debt	Capital leases and hire purchase contract	Total
		(in millions)	
2020	$ 2.6	$ 0.1	$ 2.7
2021	—	—	—
2022	—	—	—
2023	—	—	—
2024	286.0	—	286.0
Total	$ 288.6	$ 0.1	$ 288.7

14. Derivatives and Hedging Activities

The Company was party to a 3-year, fixed-rate, cross-currency swap with Nomura Global Financial Products Inc. which swapped the principal and interest payments that would be payable in USD under the NPA to Euros (“EUR”), in part, and GBP, in part. Specifically, with respect to the principal payments 1/3 of the payments would be swapped from USD to EUR and 2/3 of the payments from USD to GBP. Additionally, with respect to the interest payments 1/3 would be swapped from USD to GBP and 2/3 from USD to EUR. The swap provided for a foreign exchange rate of $1.13935 USD per €1 EUR and $1.27565 USD per £1 GBP.

In connection with the entry into the Senior Facilities Agreement on October 1, 2019, the Company terminated the 3-year, fixed-rate, cross-currency swap and received a settlement of $1.5 million.

Hedges of Multiple Risks

The Company had variable-rate borrowings denominated in currencies other than its functional currency. As a result, the Company was exposed to fluctuations in both the underlying variable interest rate and the foreign currency of the borrowing against its functional currency, GBP. The Company used derivatives, including cross-currency interest rate swaps, to manage its exposure to fluctuations in the variable borrowing rate and the GBP-USD exchange rate. Cross-currency interest rate swaps involve exchanging fixed rate interest payments for floating rate interest receipts both of which will occur at the GBP-USD forward exchange rates in effect upon entering into the instrument. The Company designated these derivatives as cash flow hedges of both interest rate and foreign exchange risks.

For derivatives designated and that qualified as cash flow hedges of both interest rate risk and foreign exchange risk, the gain or loss on the derivative was recorded in Accumulated Other Comprehensive Income and subsequently reclassified in the periods during which the hedged transaction affected earnings within the same income statement line item as the earnings effect of the hedged transaction.

The Company did not have any derivatives as of December 31, 2019. As of September 30, 2018, the Company had the following outstanding derivatives designated as cash flow hedges that were used to hedge both interest rate risk and foreign exchange risk:

Foreign Currency Derivative	Number of Instruments	Pay Fixed Notional		Receive Floating Notional	
			(in millions)		
Cross currency interest rate swaps	1	GBP	36.6	USD	46.7

Non-designated Hedges

Derivatives not designated as hedges were not speculative and were used to manage the Company's exposure to interest rate movements and other identified risks but did not meet the strict hedge accounting requirements. Changes in the fair value of derivatives not designated in hedging relationships were recorded directly in earnings.

As of September 30, 2018, the Company had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships:

Foreign Currency Derivative	Number of Instruments	Pay Fixed Notional		Receive Floating Notional	
		(in millions)		(in millions)	
Cross currency interest rate swaps	1	EUR	81.9	USD	93.3

The table below presents the fair value of the Company's derivative financial instruments as well as their classification in the consolidated balance sheet as of September 30, 2018.

	Balance Sheet Classification	Asset Derivatives Fair Value	Balance Sheet Classification	Liability Derivatives Fair Value
		(in millions)		(in millions)
Derivatives designated as hedging instruments:				
Interest Rate and Foreign Exchange Products	Fair Value of Hedging Instruments	$ 0.8	Derivative Liability	$ (3.4)
Total derivatives designated as hedging instruments		$ 0.8		$ (3.4)
Derivatives not designated as hedging instruments:				
Interest Rate and Foreign Exchange Products	Fair Value of Hedging Instruments	$ —	Derivative Liability	$ (4.4)
Total derivatives not designated as hedging instruments		$ —		$ (4.4)

The table below presents the effect of fair value and cash flow hedge accounting on accumulated other comprehensive income for the year ended December 31, 2019.

	Amount of Gain Recognized in Other Comprehensive Income on Derivative		Location of Gain Reclassified from Accumulated Other Comprehensive Income into Income
	(in millions)		(in millions)
Interest Rate and Foreign Exchange Products	$ 2.9	Interest Expense	$ 1.2
		Foreign Currency Remeasurement	3.2
Total	$ 2.9		$ 4.4

The table below presents the effect of fair value and cash flow hedge accounting on accumulated other comprehensive income for the three months ended December 31, 2018.

	Amount of Gain Recognized in Other Comprehensive Income on Derivative		Location of Gain Reclassified from Accumulated Other Comprehensive Income into Income
	(in millions)		(in millions)
Interest Rate and Foreign Exchange Products	$ 2.6	Interest Expense	$ 0.4
		Foreign Currency Remeasurement	1.9
Total	$ 2.6		$ 2.3

The table below presents the effect of fair value and cash flow hedge accounting on accumulated other comprehensive income for the year ended September 30, 2018.

	Amount of Gain Recognized in Other Comprehensive Income on Derivative		Location of Gain Reclassified from Accumulated Other Comprehensive Income into Income
	(in millions)		(in millions)
Interest Rate and Foreign Exchange Products	$ 0.3	Interest Expense	$ —
		Foreign Currency Remeasurement	0.3
Total	$ 0.3		$ 0.3

The table below presents the effect of the Company's derivative financial instruments on the consolidated statements of operations for the year ended December 31, 2019.

	Interest Expense	Foreign Currency Remeasurement
	(in millions)	
Total amounts of income and expense line items presented in the statement of operations and comprehensive loss in which the effects of fair value or cash flow hedges are recorded	$ 27.8	$ (3.2)
Gain/(loss) on cash flow hedging relationships in Subtopic 815-20	$ 1.2	$ 3.2

The table below presents the effect of the Company's derivative financial instruments on the consolidated statements of operations for the three months ended December 31, 2018.

	Interest Expense	Foreign Currency Remeasurement
	(in millions)	
Total amounts of income and expense line items presented in the statement of operations and comprehensive loss in which the effects of fair value or cash flow hedges are recorded	$ 4.1	$ 0.7
Gain/(loss) on cash flow hedging relationships in Subtopic 815-20	$ 0.4	$ 2.0

The table below presents the effect of the Company's derivative financial instruments on the consolidated statements of operations for the year ended September 30, 2018.

	Interest Expense	Foreign Currency Remeasurement
	(in millions)	
Total amounts of income and expense line items presented in the statement of operations and comprehensive loss in which the effects of fair value or cash flow hedges are recorded	$ 20.6	$ 20.6
Gain/(loss) on cash flow hedging relationships in Subtopic 815-20	$ —	$ 0.3

The table below presents the effect of the Company's derivative financial instruments that are not designated as hedging instruments in the consolidated statements of operations for the year ended December 31, 2019.

Derivatives Not Designated as Hedging Instruments under Subtopic 815-20	**Location of Income Recognized in Income on Derivative**	**Amount of Income Recognized in Income on Derivative**
		(in millions)
Interest Rate and Foreign Exchange Products	Change in fair value of derivative liability	$ 2.9

The table below presents the effect of the Company's derivative financial instruments that are not designated as hedging instruments in the consolidated statements of operations for the three months ended December 31, 2018.

Derivatives Not Designated as Hedging Instruments under Subtopic 815-20	Location of Income Recognized in Income on Derivative	Amount of Income Recognized in Income on Derivative
		(in millions)
Interest Rate and Foreign Exchange Products	Change in fair value of derivative liability	$ 0.8

The table below presents the effect of the Company's derivative financial instruments that are not designated as hedging instruments in the consolidated statements of operations for the year ended September 30, 2018.

Derivatives Not Designated as Hedging Instruments under Subtopic 815-20	Location of Loss Recognized in Income on Derivative	Amount of Loss Recognized in Income on Derivative
		(in millions)
Interest Rate and Foreign Exchange Products	Change in fair value of derivative liability	$ (7.4)

The table below presents a gross presentation, the effects of offsetting, and a net presentation of the Company's derivatives as of September 30, 2018. The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value. The tabular disclosure of fair value provides the location that derivative assets and liabilities are presented on the consolidated balance sheets.

The ISDA Master Agreement between Gaming Acquisitions Limited and Nomura Global Financial Products, Inc. was documented using the 2002 Form and the ISDA standard set-off provision in Section 6(f) of the ISDA Master Agreement apply to both parties and was only modified to include Affiliates of the Payee. There was no CSA and thus there was no collateral posting. The only other security for the ISDA included a guaranty of Nomura's obligations from Nomura Holdings, Inc. and with respect to Gaming Acquisitions Limited, its obligations under the ISDA was cross-collateralized with the debt obligations under the Credit Agreement in the same pool of collateral that supported the debt obligations.

Offsetting of Derivative Assets

September 30, 2018

				Gross Amounts Not Offset in the Statement of Financial Position		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Received	Net Amount
			(in millions)			
Fair value of hedging instrument	$ 0.8	$ —	$ 0.8	$ —	$ —	$ —

Offsetting of Derivative Liabilities

September 30, 2018

				Gross Amounts Not Offset in the Statement of Financial Position		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Received	Net Amount
			(in millions)			
Fair value of hedging instrument	$ 7.8	$ —	$ 7.8	$ —	$ —	$ —

15. Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset and liability in an orderly transaction between market participants at the measurement date. We estimate the fair value of our assets and liabilities utilizing an established three-level hierarchy. The hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data for substantially the full term of the assets or liabilities. Level 2 inputs also include non-binding market consensus prices that can be corroborated with observable market data, as well as quoted prices that were adjusted for security-specific restrictions.

Level 3: Unobservable inputs that are supported by little or no market activity that are significant to the fair value of the asset or liability. Level 3 inputs also include non-binding market consensus prices or non-binding broker quotes that are unable to be corroborated with observable market data.

The fair value of our financial assets and liabilities is determined by reference to market data and other valuation techniques as appropriate. We believe the fair value of our financial instruments approximates their recorded values.

For each period, derivative financial instrument assets and liabilities measured at fair value on a recurring basis are included in the financial statements as per the table below.

	Level	December 31, 2019	September 30, 2018
		(in millions)	
Earnout liability (see Note 16)	3	$ —	$ 8.0
Derivative liability (see Notes 14 and 17)	2	$ —	$ 7.8
Long term receivable (included in other assets)	2	$ 1.5	$ 2.2

Level 3 liabilities are valued using unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the derivative liabilities. For fair value measurements categorized within Level 3 of the fair value hierarchy, the Company’s principal financial officer, who reports to the principal executive officer, determines its valuation policies and procedures. The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company’s Principal Financial Officer and approved by the Principal Executive Officer.

Level 3 financial liabilities consisted of the earnout liability for which there was no current market for these securities such that the determination of fair value required significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate (see Note 16).

At December 31, 2019 and September 30, 2018, there were no transfers in or out of Level 3 from other levels in the fair value hierarchy.

16. Earnout Liability

An earnout payment of up to 2,500,000 shares of the Company's common stock, subject to certain customary anti-dilution adjustments (the "Earnout Consideration"), was payable pursuant to the Sale Agreement to the previous owners of Inspired based on the financial performance of the Company's businesses in six specific countries, China, Colombia, Greece, Norway, Spain and Ukraine (collectively, the "Earnout Jurisdictions"), as measured by earnings before interest, taxes, depreciation and amortization ("EBITDA") for the twelve months ended September 30, 2018 (the "Earnout Period"), with the maximum earnout payment of 2,500,000 shares issuable if such EBITDA results with respect to the Earnout Jurisdictions was equal to or greater than £15,000. Based on the EBITDA results for such fiscal year with respect to the Earnout Jurisdictions, the Company issued 1,323,558 shares of common stock as Earnout Consideration in March 2019, resulting in an aggregate amount of $8.6 million recorded upon the settlement of the earnout liability, with a corresponding credit to stockholders' deficit.

The following table provides a reconciliation of the beginning and ending balances for the earnout liability measured using significant unobservable inputs (Level 3):

	(in millions)
Balance – October 1, 2017	$ 16.7
Change in fair value of earnout liability	(8.7)
Balance – September 30, 2018	$ 8.0
Balance – January 1, 2019	$ 6.3
Change in fair value of earnout liability	2.3
Settlement of earnout liability	(8.6)
Balance – December 31, 2019	$ —

All movements in the balance of the earnout liability were due to movements in the price of the Company's common stock.

17. Derivative Liability

The Company's 2018 Omnibus Incentive Plan (the "2018 Plan") was adopted by the Company's Board of Directors in September 2018 subject to approval by the Company's stockholders, which was obtained in May 2019. Initial awards covering an aggregate of 542,770 restricted stock units ("RSUs") were approved under the 2018 Plan with respect to fiscal 2018 to members of management and other participants with a three-year vesting schedule (i.e., one-third vesting on each of December 31, 2019, 2020 and 2021). These awards, which were subject to cancellation in the event stockholders did not approve the 2018 Plan during 2019, were initially classified as a derivative liability due to the grant terms containing a commitment by the Company to make a liquidated damages payment to the participants in cash (with respect to the value of one-third of the award) in the event stockholders did not approve the 2018 Plan by the first scheduled vesting date. Such obligation was eliminated upon stockholder approval of the 2018 Plan being obtained, which resulted in the liability being reclassified to additional paid in capital at the fair value amount of $0.8 million during the year ended December 31, 2019.

In addition, the awards of RSUs that were granted under the Company's Second Long-Term Incentive Plan ("Second Incentive Plan") prior to approval by the Company's stockholders, which was obtained in March 2018, were initially classified as a derivative liability due to the Company's obligation to settle those awards in cash in the event stockholders did not approve the plan. The awards under the Second Incentive Plan included RSUs approved at the time of the Merger and RSUs approved in December 2017 for the Company's Executive Chairman and Chief Strategy Officer in connection with the cancellation of awards of restricted stock they received under the Company's 2016 Long-Term Incentive Plan (the "First Incentive Plan"). The awards of RSUs to such executives under the Second Incentive Plan were considered a modification that resulted in the original classification of their awards as an equity instrument being switched to a liability instrument, and in $1.5 million of previously recognized compensation expense being reclassified from additional paid in capital to derivative liability. The derivative liability associated with awards under the Second Incentive Plan was eliminated upon stockholder approval, and the liability was reclassified to additional paid in capital at the fair value amount of $2.8 million during the year ended September 30, 2018.

See Note 14, "Derivatives and Hedging Activities," for a discussion of the Company's cross-currency swap.

18. Stockholders' Deficit

Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock with a par value of $0.0001 per share in one or more series. The Company's Board of Directors is authorized to fix the voting rights, if any, designations, powers, preferences, the relative, participating, optional or other special rights and any qualifications, limitations and restrictions thereof, applicable to the shares of each series. At December 31, 2019 and September 30, 2018, there were no shares of preferred stock issued or outstanding.

Series A Preferred Stock

On August 13, 2017, in connection with the "stockholder rights plan" discussed below, the Company's Board of Directors approved a Certificate of Designation of Series A Junior Participating Preferred Stock, which designates the rights, preferences and privileges of 49,000 shares of a series of the Company's preferred stock, par value $0.0001 per share, designated as Series A Junior Participating Preferred Stock (the "Series A Preferred Stock"). The Certificate of Designation was filed with the Delaware Secretary of State and became effective on August 14, 2017.

Each share of Series A Preferred Stock, if issued, will not be redeemable, and will entitle the holder thereof to cumulative quarterly dividend payments equal to the greater of (1) $1.00 or (2) 1,000 times the aggregate per share amount of all cash dividends, plus 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of common stock of the Company. Each share of Series A Preferred Stock shall entitle the holder to 1,000 votes on all matters submitted to a vote of shareholders. The Series A Preferred Stock will entitle the holder thereof to receive $1,000 per share, plus any accrued and unpaid dividends thereon, upon liquidation and, if shares of common stock are exchanged via merger, consolidation or a similar transaction, will entitle the holder thereof to a per share payment equal to $1,000 per share.

The Series A Preferred Stock will rank junior to all other series of preferred stock as to the payment of dividends and the distribution of assets, whether or not upon the dissolution, liquidation or winding up of the Company.

Stockholder Rights Plan

On August 13, 2017, the Board of Directors of the Company adopted a stockholder rights plan and declared a distribution of one right ("Right") for each outstanding share of the Company's common stock to stockholders of record at the close of business on August 25, 2017 (the "Record Date"). Each Right entitles its holder, under the circumstances described below, to purchase from the Company one one-thousandth of a share of Series A Preferred Stock of the Company at an exercise price of $45.00 per Right, subject to adjustment. The terms of the Rights are set forth in a Rights Agreement, dated as of August 13, 2017 (the "Rights Agreement"), by and between the Company and Continental Stock Transfer & Trust Company, as rights agent. The Rights Agreement was approved by the Company's stockholders at the Company's annual meeting held on March 7, 2018.

The Rights are transferable with and only with the underlying shares of common stock. New Rights will attach to any shares of common stock that become outstanding after the Record Date and prior to the earlier of the distribution time and the expiration time.

Subject to certain exceptions, the Rights become exercisable and trade separately from the common stock only upon the "distribution time," which occurs upon the earlier of:

- the close of business on the tenth day after the first date (the "stock acquisition date") of public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right or obligation to acquire, beneficial ownership of 20% or more of the outstanding shares of common stock, including in the form of synthetic ownership through derivative positions (any such person or group of affiliated or associated persons being referred to herein as an "acquiring person") or
- the close of business on the tenth business day (or later date if determined by the Company's Board of Directors prior to such time as any person or group becomes an acquiring person) following the commencement of a tender offer or exchange offer which, if consummated, would result in a person or group becoming an acquiring person.

The Rights are not exercisable until the distribution time.

Unless earlier redeemed or exchanged by the Company as described below, the Rights will expire at the close of business on August 12, 2020.

In the event that a person or group becomes an acquiring person (a "flip-in event"), each holder of a Right (other than any acquiring person and certain related parties, whose Rights automatically become null and void) will have the right to receive, upon exercise, common stock having a value equal to two times the exercise price of the Right. If an insufficient number of shares of common stock is available for issuance, then the Company's board of directors would be required to substitute cash, property or other securities of the Company for common stock. The Rights may not be exercised following a flip-in event while the Company has the ability to cause the Rights to be redeemed.

In general, the Company may redeem the Rights in whole, but not in part, at a price of $0.01 per Right (subject to adjustment and payable in cash, common stock or other consideration deemed appropriate by the Company's Board of Directors) at any time until ten days following the stock acquisition date. Immediately upon the action of the Board of Directors authorizing any redemption, the Rights will terminate and the only right of the holders of Rights will be to receive the redemption price.

At any time after there is an acquiring person and prior to the acquisition by the acquiring person of 50% or more of the outstanding shares of common stock, the Company may exchange the Rights (other than Rights owned by the acquiring person which will have become void), in whole or in part, at an exchange ratio of one share of common stock, or one one-thousandth of a share of Series A Preferred Stock (or of a share of a class or series of the Company's preferred stock having equivalent rights, preferences and privileges), per Right (subject to adjustment).

Until a Right is exercised, its holder will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

Common Stock

The Company is authorized to issue 49,000,000 shares of common stock, par value $0.0001 per share. Holders of the Company's common stock are entitled to one vote for each common share.

Warrants

As of December 31, 2019 and September 30, 2018, the Company had 19,079,130 outstanding warrants to purchase an aggregate of 9,539,565 shares of the Company's common stock, which includes 7,999,900 warrants originally issued as part of the initial public offering (the "IPO") (the "Public Warrants") and 11,079,230 warrants issued in private placements in connection with the IPO and the Merger (the "Private Placement Warrants"). Each warrant entitles its holder to purchase one-half of one share of the Company's common stock at an exercise price of $11.50 per whole share and will expire on December 23, 2021. The warrants may be exercised only for a whole number of shares of common stock. No fractional shares will be issued upon exercise of the warrants. The warrants became exercisable 30 days after the Closing Date. The Company may redeem the Public Warrants at a price of $0.01 per warrant if the last sale price of the common stock equals or exceeds $24.00 per share for any 20 trading days within a 30-trading day period. The Company may not redeem the Private Placement Warrants so long as they are held by the initial purchaser or such purchasers' permitted transferees; if held by other persons, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

19. Stock-Based Compensation

The Company's stock-based compensation plans authorize awards of RSUs, stock options and other equity-related awards. In May 2019, in conjunction with the Company's stockholders approving the 2018 Plan, which authorizes a total of 2,550,000 shares to be issued pursuant to awards thereunder, the balances available for awards under the Company's predecessor plans (i.e., the First Incentive Plan and the Second Incentive Plan) (collectively, the "Prior Plans") were terminated. Although outstanding awards under the Prior Plans remain governed by the terms of the Prior Plans, no new awards will be granted or become available for grant under the Prior Plans.

Awards granted under the 2018 Plan prior to stockholder approval being obtained in May 2019 consisted of: (1) the 542,770 RSUs approved for management and other participants with respect to fiscal 2018 as to which the contingent cash-settlement feature lapsed upon approval of the 2018 Plan by stockholders (see Note 17, "Derivative Liability") and (2) 572,346 RSUs approved for management and other participants with respect to fiscal 2019 comprised of two components: (i) 50% represent performance-based target RSUs that require both attainment of Company performance criteria for 2019 (i.e., Adjusted EBITDA) and the participants remaining employed for a three-year service period (under the terms of the award, the specific number of shares that could become eligible to vest would range from 0% to 200% of the target award depending on the level of satisfaction of the Company performance criteria); and (ii) 50% represent service-based RSUs that vest over a period of three years. In addition, an aggregate of 111,500 RSUs were awarded during the year ended December 31, 2019 (following approval of the 2018 Plan by stockholders) as new hire or special recognition grants.

As of December 31, 2019, there were (i) 2,429,011 shares subject to outstanding awards under the Prior Plans, including 1,092,633 shares subject to market-price vesting conditions, and (ii) 939,947 shares subject to outstanding awards under the 2018 Plan, including 281,736 shares subject to performance-based target awards (the Company has preliminarily determined that the 2019 performance criteria for these performance awards will be met at a level of approximately 87% of the target award, such that approximately 13% of the target award would not become eligible to vest). As of December 31, 2019, there were 1,336,737 shares available for new awards under the 2018 Plan and no shares available for new awards under the Prior Plans. All awards consist of RSUs and Restricted Stock.

The Company also has an employee stock purchase plan (“ESPP”) that authorizes the issuance of up to an aggregate of 500,000 shares of common stock pursuant to purchases thereunder by employees. The ESPP, which was approved by stockholders in July 2017, is administered by the Compensation Committee which has discretion to designate the length of offering periods and other terms subject to the requirements of the ESPP. The Company began a twelve-month offering period under the ESPP on June 3, 2019 that authorizes employees to contribute up to 10% of their base compensation to purchase a maximum of 1,000 shares. The shares will be purchased on the last day of the offering period at a discounted price that will equal to 85% of the lower of: (i) the closing price at the beginning of the offering period and (ii) the closing price at the end of the offering period. The Company estimates that approximately 10,000 shares will be purchased during this offering period. As of December 31, 2019, a total of 475,400 shares remain available for purchase under the ESPP.

A summary of the Company’s RSU activity is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Unvested Outstanding at January 1, 2019	2,251,059	$ 6.19
Granted	746,522	$ 6.53
Forfeited	(13,353)	$ (6.81)
Vested	(1,412,264)	$ (6.10)
Unvested Outstanding at December 31, 2019	1,571,964	$ 6.43

The Company issued and withheld shares for taxes in connection with the vesting and settlement of RSUs during the year ended December 31, 2019 as follows: (1) 60,186 RSUs that had been granted upon the closing of the Business Combination settled on December 23, 2019, resulting in 36,813 shares being issued and 23,373 withheld for taxes; and (2) 273,316 RSUs that had been granted under the 2018 Plan vested on December 31, 2019, resulting in 166,959 shares being issued and 106,357 withheld for taxes (the processing of the issuance and delivery of such 166,959 shares did not occur until January 2020).

Stock-based compensation is recognized as an expense on a straight-line basis over the requisite service period, which is generally the vesting period. For performance awards that are contingent upon the Company achieving certain pre-determined financial performance targets, compensation expense is calculated based on the number of shares expected to vest after assessing the probability that the performance criteria will be met. Determining the probability of achieving a performance target requires estimates and judgment. The modification of certain awards held by two executive officers of the Company in December 2017 resulted in $2.1 million of incremental compensation cost being recognized as of the modification date.

The Company recognized stock-based compensation expense as follows:

	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended September 30, 2018
		(in millions)	
RSAs and RSUs	$ 8.7	$ 1.6	$ 5.0
Modification of awards	—	—	2.1
Payroll taxes on vesting of RSUs	0.3	—	0.3
	$ 9.0	$ 1.6	$ 7.4

Total unrecognized compensation expense related to unvested stock awards and unvested RSUs at December 31, 2019 amounts to $6.5 million and is expected to be recognized over a weighted average period of 2.0 years.

20. Accumulated Other Comprehensive Loss (Income)

The accumulated balances for each classification of comprehensive loss (income) are presented below:

	Foreign Currency Translation Adjustments	Change in Fair Value of Hedging Instrument	Unrecognized Pension Benefit Costs	Accumulated Other Comprehensive (Income)
	(in millions)			
Balance at October 1, 2017	$ (78.6)	$ —	$ 25.5	$ (53.1)
Change during the period	(0.3)	0.1	(5.2)	(5.4)
Balance at September 30, 2018	(78.9)	0.1	20.3	(58.5)
Change during the period	—	(0.2)	2.8	2.6
Balance at December 31, 2018	(78.9)	(0.1)	23.1	(55.9)
Change during the period	2.4	1.5	6.9	10.8
Balance at December 31, 2019	$ (76.5)	$ 1.4	$ 30.0	$ (45.1)

Included within accumulated other comprehensive income is an amount of $1.4 million relating to the change in fair value of hedging instruments. These instruments were discontinued during the year as part of the termination of the hedging instrument, as described further in note 14. This amount will be amortized as a charge to income over the life of the original instrument, to August 2021 in accordance with US GAAP.

21. Net Loss per Share

Basic loss per share ("EPS") is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period, excluding the effects of any potentially dilutive securities. Diluted EPS gives effect to all dilutive potential shares of common stock outstanding during the period, including stock options, restricted stock, RSUs and warrants, using the treasury stock method, and convertible debt or convertible preferred stock, using the if-converted method. Diluted EPS excludes all dilutive potential of shares of common stock if their effect is anti-dilutive.

The computation of diluted EPS excludes the common stock equivalents of the following potentially dilutive securities because their inclusion would be anti-dilutive:

	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended September 30, 2018
Earnout Shares	—	1,323,558	1,314,896*
RSUs	2,744,842	1,802,405	1,826,472
Unvested Restricted Stock	624,116	624,116	624,116
Stock Warrants	9,539,565	9,539,565	9,539,565
	12,908,523	13,289,644	13,305,049

* This number was based on a preliminary calculation of the number of shares estimated to be issued as Earnout Consideration. The calculation and payment were finalized during the three months ended December 31, 2018.

22. Other Finance Income (Costs)

Other finance income (costs) consisted of the following:

	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended September 30, 2018
		(in millions)	
Pension interest cost	$ (2.7)	$ (0.7)	$ (3.0)
Expected return on pension plan assets	3.5	0.9	3.7
Foreign currency translation on senior bank debt	(0.8)	(2.9)	3.4
Foreign currency remeasurement on hedging instrument	3.2	2.0	—
	$ 3.2	$ (0.7)	$ 4.1

23. Income Taxes

The following comprises the loss before income taxes:

	December 31, 2019	December 31, 2018	September 30, 2018
		(in millions)	
UK	$ (23.3)	$ (3.7)	$ (18.9)
North America	(15.2)	(0.8)	(1.1)
Mainland Europe	1.9	0.3	(0.2)
South America	(0.3)	(0.5)	(0.2)
Total loss before income taxes	$ (36.9)	$ (4.7)	$ (20.4)

The income tax expense consisted of the following:

	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended September 30, 2018
		(in millions)	
Income tax expense:			
Current			
UK	$ —	$ —	$ —
Mainland Europe	0.1	—	0.2
South America	—	—	—
Total current taxes	$ 0.1	$ —	$ 0.2

The net deferred tax assets and liabilities arising from temporary differences are as follows:

	December 31, 2019	September 30, 2018
	(in millions)	
Depreciation	$ 41.8	$ 32.1
Net operating losses	23.5	23.1
Other temporary differences	4.5	2.5
Total deferred tax assets	69.8	57.7
Valuation allowance balance	(65.7)	(54.9)
Net deferred tax assets	4.1	2.8
Deferred tax liabilities		
Intangible assets	(2.5)	(1.0)
Other temporary differences	(1.6)	(1.8)
Net deferred tax liabilities	$ —	$ —

The differences between the US statutory tax rate and our effective rate are reflected in the following table:

	December 31, 2019	December 31, 2018	September 30, 2018
Statutory income tax	21.0%	21.0%	24.5%
State taxes (net of federal)	3.3%	6.5%	4.9%
Tax effect of permanent differences	(9.8)%	6.9%	8.4%
Effect of foreign taxes	(1.5)%	(3.7)%	(8.4)%
True ups	3.2%	(6.3)%	
Rate change	(0.5)%	(14.2)%	(9.0)%
Valuation allowance	(15.9)%	(11.4)%	(21.3)%
Effective income tax rate	(0.2)%	(1.2)%	(0.9)%

The valuation allowance on deferred tax assets has been determined by considering all available evidence, both positive and negative, in order to ascertain whether it is more likely than not that carried forward deferred tax assets will be realized. The Company has a total potential net deferred tax asset carried forward of $65.7 million at December 31, 2019.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based on the consideration of these items, management determined that it is more likely than not that the Company will not realize the deferred income tax asset balances and therefore, recorded a full valuation allowance of $65.7 million as of December 31, 2019.

Currently, there are no U.S. federal, state or foreign jurisdiction tax audits pending. The Company's corporate U.S. federal and state tax returns from 2016 to 2018 remain subject to examination by tax authorities and the Company's foreign tax returns from 2012 to 2018 remain subject to examination by tax authorities.

In addition to the UK, the Company is subject to taxation in the US, and in certain foreign jurisdictions (primarily in Europe), where the total of non-UK taxes payable for the year ended December 31, 2019 is $23.1 thousand.

The Company has not recognized deferred tax liabilities in respect of unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries.

The utilization of the Company's pre-Merger net operating losses is subject to a limitation due to the "change of ownership provisions" under Section 382 of the Internal Revenue Code and similar state provisions.

24. Related Parties

HG Vora Special Opportunities Master Fund, Ltd. ("HGV Fund"), which purchased the promissory notes issued under the NPA (see Note 13), owns approximately 16.3% of our common stock and warrants to purchase additional shares. HGV Fund is also a stockholder and investor in Leisure Acquisition Corp., a special purpose acquisition company affiliated with two members of our management. Interest expense paid to HGV Fund with respect to the promissory notes for the year ended December 31, 2019, the three months ended December 31, 2018 and the year ended September 30, 2018 amounted to $12.3 million, $4.1 million and $2.1 million, respectively. The promissory notes under the NPA were repaid on October 1, 2019 (see Note 13).

Macquarie Corporate Holdings Pty Limited (UK Branch) ("Macquarie UK") is one of the lending parties with respect to our senior secured term loans and revolving credit facility under our senior facilities agreement dated September 27, 2019 (see Note 13). The portion of the total loans of $288.6 million under these facilities held by Macquarie UK at December 31, 2019 was $25.8 million and the interest expense payable to Macquarie UK for the year ended December 31, 2019, the three months ended December 31, 2018 and the year ended September 30, 2018 amounted to $0.5 million, $0.0 million and $0.0 million, respectively. Macquarie UK's affiliate, MIHI LLC, which was a co-sponsor of our IPO, owns approximately 13.1% of our common stock and warrants to purchase additional shares. MIHI LLC is also a party to the stockholders agreement that we entered into on December 23, 2016 in connection with the closing of our Business Combination under which it and the Hydra Sponsor are permitted to jointly designate two directors to the Board.

Amounts owed by Innov8 at December 31, 2019 amounted to $0.9 million and revenue receivable from Innov8 for the year ended December 31, 2019 amounted to $0.4 million.

We occupied office space leased by a company affiliated with our Executive Chairman, Hydra Management LLC, and incurred amounts monthly in maintenance expenses primarily for the lease of the office. Expenditures amounted to $0.1 million during the year ended December 31, 2019 less than $0.1 million during the three months ended December 31, 2018 and $0.1 million for the year ended September 30, 2018.

25. Leases

The Company as Lessee

The Company is party to leases with third parties with respect to various real estate and vehicles. Real estate leases typically include a lease (of the property) and a non-lease (provision of services) component which are accounted for separately. Where lease costs are variable due to future rent reviews, these are treated as part of the lease asset and lease liabilities as they are considered to qualify as variable lease costs which are subject to an index or rate. These costs are included at the amount prior to any reviews, as it is not permitted to estimate future rent reviews. Where real estate leases contain an option to terminate, any period beyond the option date is only included as part of the lease term if the Company is reasonably certain not to exercise the option. Vehicle leases typically contain a lease (of the vehicle) and a non-lease (provision of services) component which are accounted for separately.

The leases have remaining terms of 1 to 20 years.

At December 31, 2019 the Company is party to an agreement that grants it the right to enter into a formal 12.5 year lease on a property once practical completion of certain works at the property has been achieved. Related to this, the Company is paying for fit out works at the property and has recognized an asset in the course of construction as part of Property and Equipment amounting to $0.8 million.

The components of lease expense were as follows:

	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended September 30, 2018
		(in millions)	
Operating lease costs	$ 2.1	$ 0.6	$ 1.6
Short-term lease costs	0.9	—	—
Variable lease costs	0.7	—	—
Total	$ 3.7	$ 0.6	$ 1.6
Weighted average remaining lease term			22.4 months
Weighted average discount rate			8.3%

Future minimum lease payments as of December 31, 2019 were as follows:

Year ending December 31, (in millions)		
2020	$	3.8
2021		2.7
2022		1.4
2023		0.8
2024		0.6
Thereafter		1.1
Total future minimum lease payments		10.4
Less: imputed interest		(1.6)
Total	$	8.8

The Company as Lessor

The Company is party to leases with third parties with respect to various gaming machines. Gaming machine leases typically include a lease (of the machine) and a non-lease (provision of software services) component.

The leases have remaining terms of 1 to 3 years.

As of December 31, 2019, assets recorded under operating leases were $4.1 million and accumulated depreciation associated with finance leases was $0.3 million. Depreciation expense for the year ended December 31, 2019 amounted to $0.3 million.

The components of lease income were as follows:

	Year Ended December 31, 2019		Three Months Ended December 31, 2018		Year Ended September 30, 2018	
			(in millions)			
Interest receivable from sales type leases	$	0.1	$		$	
Operating lease income		0.9				
Variable income from sales type leases		0.3				
Total	$	1.3	$		$	

Future minimum sales type lease receivables as of December 31, 2019 were as follows:

Year ending December 31, (in millions)		
2020	$	1.5
2021		0.6
2022		0.4
2023		0.1
Total future minimum lease receivables		2.6
Less: imputed interest		(0.1)
Total	$	2.5

Future minimum operating lease receivables as of December 31, 2019 were as follows:

Year ending December 31, (in millions)		
2020	$	3.9
2021		3.7
2022		1.4
Total future minimum lease receivables	$	9.0

26. Commitments and Contingencies

Employment Agreements

We are party to employment agreements with our executive officers and other employees of the Company and our subsidiaries which contain, among other terms, provisions relating to severance and notice requirements.

Legal Matters

From time to time, the Company may become involved in lawsuits and legal matters arising in the ordinary course of business. While the Company believes that, currently, it has no such matters that are material, there can be no assurance that existing or new matters arising in the ordinary course of business will not have a material adverse effect on the Company's business, financial condition or results of operations.

27. Pension Plan

We operate both defined benefit and defined contributions pension schemes in the UK. The defined contribution scheme assets are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company and amounted to $2.1 million, $0.4 million and $2.0 million for the year ended December 31, 2019, the three months ended December 31, 2018 and the year ended September 30, 2018, respectively. Contributions totaling $0.5 million, $0.3 million and $0.2 million were payable to the fund as at December 31, 2019, December 31, 2018 and September 30, 2018, respectively.

The defined benefit section has been closed to new entrants since April 1, 1999 and closed to future accruals for services rendered to the Company for the entire financial statement periods presented in these consolidated financial statements. Retirement benefits are generally based on a portion of an employee's pensionable earnings during years prior to 2010.

The latest triennial actuarial valuation of the scheme as at March 31, 2018 was finalized in May 2019. The actuarial valuation revealed that the statutory funding objective was not met, i.e. there were insufficient assets to cover the Scheme's Technical Provisions and there was a funding shortfall of £5.6 million ($7.4 million) at the valuation date. Under the Recovery Plan and Schedule of Contributions agreed between the Trustee and the Company, on March 15, 2019, it was agreed that no further deficit reduction contributions shall be made to the scheme, except in the event that the scheme funding level does not progress as expected, in which case contingent contributions would be made subject to an agreed maximum amount. At December 31, 2019, it was determined that contingent contributions of $1.1 million will be payable during the year ended December 31, 2020. The funding level of the scheme will next be tested against the expected position as at December 31, 2020 to determine whether contingent contributions are payable over the year to December 31, 2021.

The trustee has made an allowance for the pension scheme liability profile when deciding the investment strategy of the pension scheme. Since the pension scheme is closed to new entrants and ceased future accrual with effect from March 31, 2010, it has continued to mature gradually. Therefore, the trustee reviews the investment strategy regularly to check whether any changes are needed. When considering the investment strategy, the trustee has taken into account the effect of any possible increases in the deficit reduction contributions on the financial position of the Company, and the extent to which the Company will be able to bear these changes.

The scheme's investment policy is to maximize long-term financial return commensurate with security and minimizing risk. This is achieved by holding a portfolio of marketable investments that avoids over-concentration of investment and spreads assets both over industries and geographies. In setting investment strategy, the trustees considered the lowest risk strategy that they could adopt in relation to the scheme's liabilities and designed an asset allocation to achieve a higher return while maintaining a cautious approach to meeting the scheme's liabilities. The trustees undertook a review of investment strategy and took advice from their investment advisors. They considered a full range of asset classes, the risks and rewards of a range of alternative asset allocation strategies, the suitability of each asset class and the need for appropriate diversification. The pension scheme has implemented a new investment strategy over the year to reduce risk without adversely affecting return. The current strategy is to hold 22% in a diversified growth fund, 12% in diversified credit, 15% in equity-linked bonds, 6% in a liability-driven investment fund and 45% in a buy-in policy.

Our pension benefit costs are calculated using various actuarial assumptions and methodologies. These assumptions include discount rates, inflation, expected returns on plan assets, mortality rates and other factors. The assumptions used in recording the obligations under our plans represent our best estimates, and we believe that they are reasonable, based on information as to historical experience and performance as well as other factors that might cause future expectations to differ from past trends. Differences in actual experience or changes in assumptions may affect our pension obligations and future expense. The principal factors contributing to actuarial gains and losses each year are (1) changes in the discount rate used to value pension benefit obligations as of the measurement date and (2) differences between the expected and the actual return on plan assets.

Our valuation methodologies used for pension assets measured at fair value are as follows. There have been no changes in the methodologies used at December 31, 2019, December 31, 2018 and September 30, 2018.

The diversified fund is valued at fair value by using the net asset value (“NAV”) of shares held by the plan at the year end. The NAV of the diversified fund is not publicly quoted. The majority of the underlying securities have observable Level 1 or 2 pricing inputs, including quoted prices for similar assets in active or non-active markets. ASC 820, Fair Value Measurements and Disclosures, allows NAV per share to serve as a practical expedient to estimate the fair value of the diversified fund. ASC 820 also states that where NAV is allowed to be used as an estimate of fair value, if the reporting entity has the ability to redeem its investment at NAV as of the measurement date, that investment shall be categorized as a Level II fair value measurement. If the investment cannot be redeemed at the measurement date, but may be redeemable in the future, but at an uncertain date, the investment shall be categorized as a Level 3 fair value measurement.

As of December 31, 2019, December 31, 2018 and September 30, 2018, the diversified fund was redeemable at NAV as of the measurement dates and, therefore, classified as Level 2.

With respect to the buy-in contract, it was agreed during the year ended September 27, 2014, that 281 pensioners of the plan would be insured by means of a pensioner buy-in. The liabilities and assets in respect of insured pensioners are assumed to match for the purposes of ASC 715, Pensions - Retirement Benefits, disclosures (i.e. the full benefits have been insured). The approach adopted has therefore been to include within the total value of assets, an amount equal to the calculated total liability value of the insured pensioners on the actuarial assumptions adopted for ASC 715 purposes. The buy-in contract is, therefore, classified as Level 3.

The following table sets forth the combined funded status of the pension plans and their reconciliation to the related amounts recognized in our consolidated financial statements at the respective measurement dates:

	December 31, 2019	September 30, 2018
	(in millions)	
Change in benefit obligation:		
Benefit obligation at beginning of period	$ 94.1	$ 105.9
Interest cost	2.7	2.9
Prior service cost	—	0.5
Actuarial (gain)/loss	14.1	(8.3)
Benefits paid	(4.2)	(2.6)
Foreign currency translation adjustments	3.7	(2.6)
Benefit obligation at end of period	$ 110.4	$ 95.8
Change in plan assets:		
Fair value of plan assets at beginning of period	$ 97.4	$ 102.5
Actual gain/(loss) on plan assets	10.3	0.7
Employer contributions	0.2	3.3
Benefits paid	(4.2)	(2.6)
Foreign currency translation adjustments	3.6	(2.8)
Fair value of assets at end of period	$ 107.3	$ 101.1
Amount recognized in the consolidated balance sheets:		
Overfunded (Unfunded) status (non-current)	$ (3.1)	$ 5.3
Net amount recognized	$ (3.1)	$ 5.3

The following table presents the components of our net periodic pension benefit cost:

	December 31, 2019	September 30, 2018
	(in millions)	
Components of net periodic pension benefit cost:		
Interest cost	$ 2.7	$ 3.0
Expected return on plan assets	(3.5)	(3.7)
Amortization of net loss	0.3	0.4
Net periodic (benefit) cost	$ (0.5)	$ (0.3)

The accumulated benefit obligation for all defined benefit pension plans was $110.4 million and $95.8 million as of December 31, 2019 and September 30, 2018, respectively. The overfunded (underfunded) status of our defined benefit pension plans recorded as an asset/liability in our consolidated balance sheets as of December 31, 2019 and September 30, 2018 was $(3.1) million and $5.3 million, respectively.

The estimated net loss, net transition asset (obligation) and prior service cost for the plan that will be amortized from accumulated other comprehensive income into net periodic pension cost over the next fiscal year are $0.6 million, $nil and $nil, respectively.

The fair value of the plan assets at December 31, 2019 by asset category is presented below:

	Level 1	Level 2	Level 3	Total
		(in millions)		
Diversified fund	$ —	$ 68.0	$ —	$ 68.0
Buy-in contract	—	—	38.8	38.8
Cash	0.5	—	—	0.5
Total	$ 0.5	$ 68.0	$ 38.8	$ 107.3

The fair value of the plan assets at September 30, 2018 by asset category is presented below:

	Level 1	Level 2	Level 3	Total
		(in millions)		
Diversified fund	$ —	$ 63.9	$ —	$ 63.9
Buy-in contract	—	—	36.6	36.6
Cash	0.6	—	—	0.6
Total	$ 0.6	$ 63.9	$ 36.6	$ 101.1

The table below presents the weighted-average actuarial assumptions used to determine the benefit obligation and net periodic benefit cost for the Plan.

	December 31, 2019	September 30, 2018
Discount rate	2.10%	2.90%
Expected return on assets	3.00%	3.70%
RPI inflation	3.00%	3.20%
CPI inflation	2.10%	2.20%
Pension increases – pre-2006 service	2.90%	3.10%
Pension increases – post-2006 service	2.10%	2.20%

The following benefit payments are expected to be paid:

	(in millions)
2020	$ 2.7
2021	$ 2.8
2022	$ 2.9
2023	$ 3.1
2023	$ 3.1
Thereafter	$ 19.3

28. Segment Reporting and Geographic Information

Operating segments are identified as components of an enterprise for which separate and discrete financial information is available and is used by the chief operating decision maker, or decision-making group, in making decisions on how to allocate resources and assess performance. The Company's chief decision-maker is the Office of the Executive Chairman.

The Company's chief decision-maker reviews financial information presented on a consolidated basis, accompanied by disaggregated information about revenue and operating profit by operating unit. This information is used for purposes of allocating resources and evaluating financial performance.

The Company operates its business along three operating segments, which are segregated based on the basis of revenue stream: Service Based Gaming, Virtual Sports (which includes Interactive) and Acquired Businesses. The Company believes this method of segment reporting reflects both the way its business segments are managed and the way the performance of each segment is evaluated.

The accounting policies of the segments are the same as those described in the "Summary of Significant Accounting Policies."

The following tables present revenue, cost of sales, excluding depreciation and amortization, selling, general and administrative expenses, depreciation and amortization, stock-based compensation expense and acquisition related transaction expenses, operating profit/(loss), total assets and total capital expenditures for the periods ended December 31, 2019, December 31, 2018 and September 30, 2018, respectively, by business segment. Certain unallocated corporate function costs have not been allocated to the Company's reportable operating segments because these costs are not allocable and to do so would not be practical. Corporate function costs consist primarily of selling, general and administrative expenses, depreciation and amortization, capital expenditures, cash, prepaid expenses and property and equipment and software development costs relating to corporate/shared functions.

As a result of improved processes that have allowed us to more accurately allocate costs between reporting segments, we have reclassified the previously reported segment allocation of selling, general and administrative expenses and stock-based compensation expense for the year ended September 30, 2018.

Segment Information

Year Ended December 31, 2019

	Server Based Gaming	Virtual Sports	Acquired Businesses	Intergroup Eliminations	Corporate Functions	Total
			(in millions)			
Revenue:						
Service	$ 71.0	$ 37.0	$ 27.6	$ (0.7)	$ —	$ 134.9
Hardware	13.5	—	5.3	(0.3)	—	18.5
Total revenue	84.5	37.0	32.9	(1.0)	—	153.4
Cost of sales, excluding depreciation and amortization:						
Cost of service	(17.6)	(3.2)	(3.4)	0.7	—	(23.5)
Cost of hardware	(9.1)	—	(3.8)	0.3	—	(12.6)
Selling, general and administrative expenses	(23.6)	(8.7)	(20.1)	—	(20.2)	(72.6)
Stock-based compensation expense	(1.7)	(1.4)	—	—	(5.9)	(9.0)
Acquisition and integration related transaction expenses	—	—	—	—	(6.7)	(6.7)
Depreciation and amortization	(29.1)	(5.5)	(6.0)	—	(1.4)	(42.0)
Segment operating income (loss)	3.4	18.2	(0.4)	—	(34.2)	(13.0)
Net operating loss						$ (13.0)
Total assets at December 31, 2019	$ 80.8	$ 66.8	$ 156.7	$ —	$ 23.1	$ 327.4
Total goodwill at December 31, 2019	$ —	$ 46.4	$ 34.5	$ —	$ —	$ 80.9
Total capital expenditures for the year ended December 31, 2019	$ 12.3	$ 5.9	$ 4.4	$ —	$ 2.6	$ 25.2

Three Months Ended December 31, 2018

	Server Based Gaming	Virtual Sports	Corporate Functions	Total
	(in millions)			
Revenue:				
Service	$ 21.8	$ 8.2	$ —	$ 30.0
Hardware	0.7	—	—	0.7
Total revenue	22.5	8.2	—	30.7
Cost of sales, excluding depreciation and amortization:				
Cost of service	(4.9)	(1.1)	—	(6.0)
Cost of hardware	(0.6)	—	—	(0.6)
Selling, general and administrative expenses	(6.9)	(3.2)	(5.2)	(15.3)
Stock-based compensation expense	(0.1)	(0.1)	(1.4)	(1.6)
Acquisition related transaction expenses	—	—	(0.1)	(0.1)
Depreciation and amortization	(7.8)	(1.4)	(0.3)	(9.5)
Segment operating income (loss)	2.2	2.4	(7.0)	(2.4)
Net operating loss				$ (2.4)
Total assets at December 31, 2018	$ 93.0	$ 68.1	$ 25.6	$ 186.7
Total goodwill at December 31, 2018	$ —	$ 44.9	$ —	$ 44.9
Total capital expenditures for the three months ended December 31, 2018	$ 2.1	$ 1.2	$ 0.1	$ 3.4

Year Ended September 30, 2018

	Server Based Gaming	Virtual Sports	Corporate Functions	Total
		(in millions)		
Revenue:				
Service	$ 93.1	$ 37.8	$ —	$ 130.9
Hardware	10.5	—	—	10.5
Total revenue	103.6	37.8	—	141.4
Cost of sales, excluding depreciation and amortization:				
Cost of service	(18.0)	(4.6)	—	(22.6)
Cost of hardware	(8.2)	—	—	(8.2)
Selling, general and administrative expenses	(32.1)	(10.7)	(17.3)	(60.1)
Stock-based compensation expense	(0.9)	(0.8)	(5.7)	(7.4)
Impairment expense	(4.7)	(3.0)	—	(7.7)
Acquisition and integration related transaction expenses	—	—	(0.9)	(0.9)
Depreciation and amortization	(34.1)	(6.3)	(1.4)	(41.8)
Segment operating income (loss)	5.6	12.4	(25.3)	(7.3)
Net operating loss				$ (7.3)
Total assets at September 30, 2018	$ 103.4	$ 69.5	$ 35.0	$ 207.9
Total goodwill at September 30, 2018	$ —	$ 45.8	$ —	$ 45.8
Total capital expenditures for the year ended September 30, 2018	$ 35.3	$ 6.8	$ 0.2	$ 42.3

Geographic Information

Geographic information for revenue is set forth below:

	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended September 30, 2018
		(in millions)	
Total revenue			
UK	$ 103.7	$ 18.6	$ 89.6
Greece	20.7	4.8	23.4
Italy	16.2	5.1	18.6
Rest of world	12.8	2.2	9.8
Total	$ 153.4	$ 30.7	$ 141.4

Geographic information of our non-current assets excluding goodwill is set forth below:

	Year Ended December 31, 2019	Three Months Ended December 31, 2018	Year Ended September 30, 2018
		(in millions)	
UK	$ 116.1	$ 52.8	$ 60.0
Greece	26.5	32.8	36.2
Italy	2.3	3.0	3.4
Rest of world	6.3	4.1	3.9
Total	$ 151.2	$ 92.7	$ 103.5

Software development costs are included as attributable to the market in which they are utilized.

29. Customer Concentration

During the year ended December 31, 2019, two customers represented at least 10% of revenues, accounting for 14% and 13% of the Company's revenues. During the three months ended December 31, 2018, three customers represented at least 10% of revenues, accounting for 25%, 16% and 11% of the Company's revenues. During the year ended September 30, 2018, three customers represented at least 10% of revenues, accounting for 24%, 17% and 13% of the Company's revenues. All these customers were served by both the Server Based Gaming and Virtual Sports segments.

At December 31, 2019, no customers represented at least 10% of the Company's accounts receivable. At September 30, 2018, three customers represented at least 10% of accounts receivable, accounting for 15%, 13% and 12% of the Company's accounts receivable.

30. Subsequent Events

The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the financial statements were issued. Other than as described below, the Company did not identify subsequent events that would have required adjustment or disclosure in the consolidated financial statements.

As a result of the vesting on December 31, 2019 of 273,316 RSUs that had been granted under the Company's 2018 Plan, the Company issued a total of 166,959 net shares to participants in January 2020 and withheld the balance for taxes.

On January 15, 2020, the Company entered into two interest rate swaps with UBS AG designed to protect the Company against adverse fluctuations in interest rates by reducing its exposure to variability in cash flows on a portion of the current floating rate debt facilities. The swaps fix the variable interest rate of the current debt facilities and provide protection over potential interest rate increases by providing a fixed rate of interest payment in return. These interest rate swaps are for £95 million at a fixed rate of 0.9255% based on the 6-month LIBOR rate and for €60 million at a fixed rate of 0.102% based on the 6 month EUROLIBOR rate and are effective until maturity on October 1, 2023.

As a result of the spread of COVID-19 coronavirus outbreak and subsequent government controls across the territories in which the Company operates (including, but not limited to, the United States, United Kingdom, Greece and Italy) economic uncertainties have arisen which will negatively impact future revenues, at least in the short term, while our customers' respective land-based venues are closed. Market conditions could remain volatile for some months, and financial impacts could occur, including impairments to receivables, inventory, goodwill and other long lived assets including assets held by the pension scheme, where it is possible that the funded status of the plan recognized on the balance sheet has deteriorated if post balance sheet experience is taken into account. As at the date of filing, indications are that the value of the pension scheme benefit obligation has decreased to a greater extent to that of the assets, with the result that, if reported now, the scheme would recognize an overfunded status. Market conditions remain volatile, however, and any associated actuarial loss (or gain) over the fiscal year to December 31, 2020 will be added to the net actuarial loss (or gain) in accumulated other comprehensive income and amortized over future fiscal years. The potential impact across all asset categories is currently unknown, and will depend, primarily, on the extent of the length of controls.

On March 26, 2020, Lorne Weil, the Executive Chairman of the Company, voluntarily withdrew his Employment Agreement, dated January 31, 2020, from consideration at our upcoming annual meeting of stockholders. Mr. Weil remains employed under his original employment agreement, dated January 16, 2017, as amended.

In addition, the Office of the Executive Chairman and other executives have consented to temporary reductions in base pay calculated on a percentage basis on each of the tiered stacks of the executive's salary ranging from 0% for the portion under £25,000 to 33.3% for the over £300,000 portion, including as follows:

- Lorne Weil (Executive Chairman): 25%
- Brooks Pierce (President and Chief Operating Officer): 21%
- Daniel Silvers (Executive Vice President and Chief Strategy Officer): 17.22%
- Stewart Baker (Executive Vice President and Chief Financial Officer): 17%
- Carys Damon (General Counsel): 17%

(c) Exhibits.

Exhibit Number	Description
2.1	Share Sale Agreement, dated July 13, 2016, by and among Hydra Industries Acquisition Corp., the Vendors, Target Parent, DMWSL 632 Limited and Gaming Acquisitions Limited, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company, filed with the SEC on July 19, 2016.
2.2	Completion Arrangements Agreement, dated December 23, 2016, between Hydra Industries Acquisition Corp. and the Vendors listed in schedule 1 to the Share Sale Agreement, incorporated herein by reference to Exhibit 10.18 to the Current Report on Form 8-K of the Company, filed with the SEC on December 30, 2016
2.3	Share Purchase Agreement, dated as of June 11, 2019, by and between Inspired Gaming (UK) Limited and Novomatic UK Ltd. (incorporated by reference to Exhibit 2.1 of the Current Report on Form 8-K of the Company, filed with the SEC on June 11, 2019).
3.1	Second Amended and Restated Certificate of Incorporation of Inspired Entertainment, Inc., incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K of the Company, filed with the SEC on December 30, 2016.
3.2	Amended and Restated Bylaws of Inspired Entertainment, Inc., incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K Company, filed with the SEC on November 11, 2019.
3.3	Certificate of Designation of the Series A Junior Participating Preferred Stock of the Company, dated August 14, 2017, incorporated herein by reference to Exhibit 3.1 to the Registration Statement on Form 8-A of the Company, filed with the SEC on August 14, 2017.
4.1	Registration Rights Agreement, dated October 24, 2014, between Hydra Industries Acquisition Corp. and certain security holders, incorporated herein by reference to Exhibit 10.5 to the Current Report on Form 8-K of the Company, filed with the SEC on October 29, 2014.
4.2	Warrant Agreement, dated October 24, 2014, between Hydra Industries Acquisition Corp. and Continental Stock Transfer & Trust Company, incorporated herein by reference to Exhibit 4.6 to the Current Report on Form 8-K of the Company, filed with the SEC on October 29, 2014.
4.3	Registration Rights Agreement, dated December 23, 2016, by and among Hydra Industries Acquisition Corp. and the Vendors, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company, filed with the SEC on December 30, 2016.
4.4	Stockholders Agreement, dated December 23, 2016, by and among the Company, Hydra Industries Sponsor LLC, Macquarie Sponsor and the Vendors, incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K of the Company, filed with the SEC on December 30, 2016.
4.5	Rights Agreement, dated as of August 13, 2017, by and between the Company and Continental Stock Transfer & Trust Company, as rights agent (which includes the Form of Rights Certificate as Exhibit B thereto), incorporated herein by reference to Exhibit 4.1 to the Registration Statement on Form 8-A of the Company, filed with the SEC on August 14, 2017.
4.6*	Description of Securities.
10.1	Senior Facilities Agreement, dated as of September 27, 2019, by and among Inspired Entertainment, Inc., Gaming Acquisition Limited, Nomura International plc, Macquarie Corporate Holdings Pty Limited (UK Branch), certain lenders named therein, Lucid Agency Services Limited and Lucid Trustee Services Limited, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company, filed on October 2, 2019.

Exhibit Number	Description
10.2	Form of Director and Officer Indemnity Agreement, incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of the Company, filed with the SEC on December 30, 2016.
10.3#	Inspired Entertainment, Inc. 2016 Long-Term Incentive Plan, incorporated herein by reference to Exhibit 10.3 to the Annual Report on Form 10-K of the Company, filed with the SEC on December 4, 2017.
10.4#	Inspired Entertainment, Inc. Second Long-Term Incentive Plan, as amended, incorporated herein by reference to Exhibit 10.5 to the Post-Effective Amendment to the Registration Statement on Form S-1 of the Company, filed with the SEC on December 29, 2017.
10.5#	Form of Grant Agreements under the Inspired Entertainment, Inc. 2016 Long-Term Incentive Plan and Second Long-Term Incentive Plan, incorporated herein by reference to Exhibit 10.17 to the Current Report on Form 8-K of the Company, filed with the SEC on December 30, 2016.
10.6#	Form of Grant Agreements for restricted stock units awards made to A. Lorne Weil and Daniel B. Silvers on December 21, 2017 under the Inspired Entertainment, Inc. Second Long-Term Incentive Plan, as amended as of December 13, 2017, incorporated herein by reference to Exhibit 10.7 to the Post-Effective Amendment to the Registration Statement on Form S-1 of the Company, filed with the SEC on December 29, 2017.
10.7#	Inspired Entertainment, Inc. 2018 Omnibus Incentive Plan, incorporated herein by reference to Exhibit 10.6 to the Annual Report on Form 10-K of the Company, filed with the SEC on December 10, 2018.
10.8#	Forms of Grant Agreements under the Inspired Entertainment, Inc. 2018 Omnibus Incentive Plan (Time-Based Form of Agreement and Performance-Based Form of Agreement), incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of the Company, filed with the SEC on May 10, 2019.
10.9#	Inspired Entertainment, Inc. 2019 Short-Term Incentive Bonus Plan, incorporated herein by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of the Company, filed with the SEC on May 10, 2019.
10.10#	Employment Agreement, dated January 16, 2017 by and between Inspired Entertainment, Inc. and Lorne Weil, incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of the Company, filed with the SEC on May 8, 2017.
10.11#	Letter dated August 24, 2018 to A. Lorne Weil, incorporated herein by reference to Exhibit 10.10 to the Annual Report on Form 10-K of the Company, filed with the SEC on December 10, 2018.
10.12#	Employment Agreement dated as of January 31, 2020 by and between the Company and A. Lorne Weil, incorporated herein by reference to Exhibit 99.1 to the Current Report on Form 8-K of the Company, filed with the SEC on February 5, 2020.
10.13#*	Withdrawal Letter, dated March 26, 2020, between Inspired Entertainment, Inc. and A. Lorne Weil.
10.14#*	Letter Agreement, dated March 27, 2020, between Inspired Entertainment, Inc. and A. Lorne Weil.
10.15#*	Employment Agreement, dated February 17, 2020, between Inspired Entertainment, Inc. and Brooks H. Pierce.
10.16#*	Letter Agreement, dated March 28, 2020, between Inspired Entertainment, Inc. and Brooks H Pierce.
10.17#	Employment Agreement, dated December 14, 2016, between Hydra Industries Acquisition Corp. and Daniel B. Silvers, incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K of the Company, filed with the SEC on December 30, 2016.
10.18#	Amendment, dated December 22, 2017, to the Employee Agreement, dated December 14, 2016, between Hydra Industries Acquisition Corp. and Daniel B. Silvers, incorporated herein by reference to Exhibit 10.13 to the Post-Effective Amendment to the Registration Statement on Form S-1 of the Company, filed with the SEC on December 29, 2017.
10.19#	Amendment effective January 31, 2020 to the Employment Agreement dated December 14, 2016 (as amended) by and between the Company and Daniel B. Silvers, incorporated herein by reference to Exhibit 99.1 to the Current Report on Form 8-K of the Company, filed with the SEC on February 6, 2020.
10.20#*	Letter Agreement, dated March 28, 2020, between Inspired Entertainment, Inc. and Daniel B. Silvers.
10.21#	Employment Agreement, dated March 23, 2017, by and between Inspired Gaming (UK) Limited and Stewart Baker, incorporated herein by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of the Company, filed with the SEC on May 8, 2017.
10.22#	Amendment, dated October 25, 2017, to Service Agreement dated March 23, 2017, by and between Inspired Gaming (UK) Limited and Stewart Baker, incorporated herein by reference to Exhibit 10.14 to the Annual Report on Form 10-K of the Company, filed with the SEC on December 4, 2017.

Exhibit Number	Description
10.23#*	Letter Agreement, dated March 30, 2020, between Inspired Entertainment, Inc. and Stewart Baker.
10.24#	Form of Employment Agreement of Inspired Gaming (UK) Limited, entered into by Carys Damon on January 29, 2013, and term sheet setting forth updated terms, incorporated herein by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of the Company, filed with the SEC on November 12, 2019.
10.25#*	Letter Agreement, dated March 30, 2020, between Inspired Entertainment, Inc. and Carys Damon.
10.26#	Inspired Entertainment, Inc. Employee Stock Purchase Plan, incorporated herein by reference to Exhibit 4.1 to the Registration Statement on Form S-8 of the Company, filed with the SEC on July 14, 2017.
10.27#	Non-Employee Director Compensation Policy (updated effective January 1, 2019), incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of the Company, filed with the SEC on February 11, 2019.
21.1*	Subsidiaries of the Company.
23.1*	Consent of Marcum LLP.
31.1*	Section 302 Certification of Principal Executive Officer.
31.2*	Section 302 Certification of Principal Financial Officer.
32.1**	Section 906 Certification of Principal Executive Officer.
32.2**	Section 906 Certification of Principal Financial Officer.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Schema
101.CAL*	XBRL Taxonomy Calculation Linkbase
101.DEF*	XBRL Taxonomy Definition Linkbase
101.LAB*	XBRL Taxonomy Label Linkbase
101.PRE*	XBRL Taxonomy Presentation Linkbase
#	Indicates management contract or compensatory plan.
*	Filed herewith.
**	Furnished herewith.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	INSPIRED ENTERTAINMENT, INC.
Date: March 30, 2020	By: /s/ A. Lorne Weil
	A. Lorne Weil Executive Chairman (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 30, 2020	/s/ A. Lorne Weil
	A. Lorne Weil, Executive Chairman
Date: March 30, 2020	/s/ Stewart F.B. Baker
	Stewart F.B. Baker, Chief Financial Officer (Principal Financial and Accounting Officer)
Date: March 30, 2020	/s/ Michael R. Chambrello
	Michael R. Chambrello, Director
Date: March 30, 2020	/s/ M. Alexander Hoye
	M. Alexander Hoye, Director
Date: March 30, 2020	/s/ Ira H. Raphaelson
	Ira H. Raphaelson, Director
Date: March 30, 2020	/s/ Desirée G. Rogers
	Desirée G. Rogers, Director
Date: March 30, 2020	/s/ Steven M. Saferin
	Steven M. Saferin, Director
Date: March 30, 2020	/s/ John M. Vandemore
	John M. Vandemore, Director

Exhibit 4.6

DESCRIPTION OF CAPITAL STOCK

The following summary of the material provisions of our capital stock is based on and qualified by our Second Amended and Restated Certificate of Incorporation (the "Charter"), our Bylaws, our Certificate of Designation of the Series A Junior Participating Preferred Stock and our Warrant Agreement dated October 24, 2014 between the Company and Continental Stock Transfer & Trust Company ("Warrant Agreement") each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.6 is a part. The summary below is also qualified by reference to provisions of the Delaware General Corporation Law ("DGCL").

Authorized Stock

Our Charter authorizes the issuance of 50,000,000 shares, consisting of 49,000,000 shares of common stock, $0.0001 par value per share ("Common Stock"), and 1,000,000 shares of preferred stock, $0.0001 par value ("Preferred Stock").

Common Stock

As of March 25, 2020, there were 23,021,843 shares of Common Stock issued and outstanding. The outstanding shares of Common Stock are duly authorized, validly issued, fully paid and non-assessable.

Voting Power

Except as otherwise required by law or as provided in any certificate of designation for any series of Preferred Stock, the holders of Common Stock possess all the voting power for the election of our directors and all other matters requiring stockholder action. Holders of Common Stock are entitled to one vote per share held of record on matters to be voted on by stockholders.

Dividends

Holders of Common Stock will be entitled to receive such dividends, if any, as may be declared from time to time by our board of directors in its discretion out of funds legally available therefor and shall share equally on a per share basis in such dividends and distributions, provided that such holder is not an Unsuitable Person (as defined below).

Liquidation, Dissolution and Winding-Up

In the event of our voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up, the holders of our Common Stock will be entitled to receive an equal amount per share of all of our assets of whatever kind available for distribution to stockholders, after the rights of our creditors and the rights of holders of Preferred Stock, if any, have been satisfied.

Preemptive or Other Rights

There are no sinking fund provisions applicable to the Common Stock. Our stockholders have no preemptive or other subscription rights.

Preferred Stock

Our board of directors has the authority to issue up to an aggregate of 1,000,000 shares of Preferred Stock in one or more series, and to fix the designations, preferences, rights, qualifications, limitations and restrictions thereof or thereon, without any further vote or action by the stockholders, of which an aggregate of 49,000 have been designated as Series A Junior Participating Preferred Stock ("Series A Preferred Stock"), under a Certificate of Designation filed by the Company with the Secretary of State of the State of Delaware on August 14, 2017.

Stockholder Rights Plan -- Series A Junior Participating Preferred Stock

On August 13, 2017, our board of directors adopted a stockholder rights plan (the "Rights Plan") and declared a dividend distribution of one right (a "Right") for each outstanding share of Common Stock to stockholders of record at the close of business on August 25, 2017 (the "Rights Plan Record Date"). Each Right entitles its holder, under the circumstances described below, to purchase from the Company one one-thousandth of a share of Series A Preferred Stock, of the Company at an exercise price of $45.00 per Right, subject to adjustment. The terms of the Rights are set forth in a Rights Agreement, dated as of August 13, 2017 (the "Rights Agreement"), by and between the Company and Continental Stock Transfer & Trust Company, as rights agent, which was approved by our stockholders at the Company's annual meeting of stockholders held on March 7, 2018.

The Rights Plan was not adopted in response to any specific effort to acquire control of the Company. The Company's board of directors unanimously adopted the rights plan in response to the potential of a purchase or purchases of a substantial number of shares of Common Stock by a person or group that could gain a substantial, and potentially controlling, position in the Company through open-market purchases or private transactions without appropriately compensating all of the Company's stockholders for such control.

The Rights. The Board authorized the issuance of a Right with respect to each outstanding share of Common Stock held as of the Rights Plan Record Date. New Rights attach to any shares of Common Stock that become outstanding after the Rights Plan Record Date and prior to the earlier of the "distribution time" and the "expiration time" (each as defined below). Initially, the Rights are associated with Common Stock and evidenced by Common Stock certificates (or, in the case of uncertificated shares of Common Stock, the book-entry account that evidences record ownership of such shares, which contains a notation incorporating the Rights Agreement by reference) and are transferable with and only with the underlying shares of Common Stock.

Separation and Distribution of Rights; Exercisability. Subject to certain exceptions, the Rights become exercisable and trade separately from Common Stock only upon the "distribution time," which occurs upon the earlier of:

- the close of business on the tenth day after the first date (the "stock acquisition date") of public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right or obligation to acquire, beneficial ownership of 20% or more of the outstanding shares of the Company's Common Stock, including in the form of synthetic ownership through derivative positions (any such person or group of affiliated or associated persons being referred to herein as an "acquiring person") or

- the close of business on the tenth business day (or later date if determined by the Company's board of directors prior to such time as any person or group becomes an acquiring person) following the commencement of a tender offer or exchange offer which, if consummated, would result in a person or group becoming an acquiring person.

An acquiring person does not include:

- the Company,
- any subsidiary of the Company,
- any employee benefit plan of the Company or of any subsidiary of the Company,
- any person organized, appointed or established by the Company for or pursuant to the terms of any such plan or
- any person who or which, as of immediately prior to the first public announcement of the adoption of the Rights Agreement on August 14, 2017, beneficially owned 20% or more of the outstanding shares of Common Stock. However, notwithstanding the foregoing, such person would be an "acquiring person" if such person, at any time after the first public announcement of the adoption of the Rights Agreement, beneficially owns any shares of Common Stock (other than as a result of equity grants by the Company to directors, officers or employees or the exercise or vesting of such grants and with certain other exceptions) in addition to the shares of Common Stock beneficially owned by such person as of immediately prior to the first public announcement of the adoption of the Rights Agreement.

In addition, if the Board determines in good faith that a person who would otherwise be an acquiring person has become such inadvertently and such person divests as promptly as practicable a sufficient number of shares of Common Stock so that such person would no longer be an acquiring person, then such person will not be deemed to be an acquiring person.

Until the distribution time, the surrender for transfer of any shares of Common Stock outstanding will also constitute the transfer of the Rights associated with those shares.

As soon as practicable after the distribution time, separate rights certificates will be mailed to holders of record of Common Stock as of the close of business at the distribution time. From and after the distribution time, the separate rights certificates alone will represent the Rights. Except as otherwise provided in the Rights Agreement, only shares of Common Stock issued prior to the distribution time will be issued with Rights.

The Rights are not exercisable until the distribution time.

Expiration Time. Unless earlier redeemed or exchanged by the Company as described below, the Rights will expire at the close of business on August 12, 2020.

Flip-in Event. In the event that a person or group becomes an acquiring person (a "flip-in event"), each holder of a Right (other than any acquiring person and certain related parties, whose Rights automatically become null and void) will have the right to receive, upon exercise, Common Stock having a value equal to two times the exercise price of the Right. If an insufficient number of shares of Common Stock is available for issuance, then the Board would be required to substitute cash, property or other securities of the Company for Common Stock. The Rights may not be exercised following a flip-in event while the Company has the ability to cause the Rights to be redeemed, as described below.

Flip-over Event. In the event that, at any time following the stock acquisition date, any of the following occurs (each, a "flip-over event"):

- the Company consolidates with or merges with and into any other entity and the Company is not the continuing or surviving corporation,

- any entity engages in a share exchange with or consolidates with, or merges with or into, the Company, and the Company is the continuing or surviving corporation and, in connection with such share exchange, consolidation or merger, all or part of the outstanding shares of Common Stock are changed into or exchanged for stock or other securities of any other entity or cash or any other property or

- the Company sells or otherwise transfers, in one transaction or a series of related transactions, more than 50% of the assets, cash flow or earning power of the Company and its subsidiaries (taken as a whole), each holder of a Right (except Rights which previously have been voided as described above) will have the right to receive, upon exercise, Common Stock of the acquiring company having a value equal to two times the exercise price of the Right. Flip-in events and flip-over events are collectively referred to as "triggering events."

Series A Preferred Share Provisions. Each one one-thousandth of a share of Series A Preferred Stock, if issued, will not be redeemable, will entitle the holder thereof to quarterly dividend payments equal to the greater of $0.001 per share and the amount of dividends paid on one share of Common Stock, will entitle the holder thereof to receive $1.00 upon liquidation, will have the same voting power as one share of Common Stock and, if shares of Common Stock are exchanged via merger, consolidation or a similar transaction, will entitle the holder thereof to a per share payment equal to the payment made on one share of Common Stock.

Anti-dilution Adjustments. The exercise price payable, and the number of shares of Series A Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution:

With certain exceptions, no adjustment in the exercise price will be required until cumulative adjustments amount to at least 1% of the exercise price. No fractional shares of Series A Preferred Stock will be issued and, in lieu thereof, an adjustment in cash will be made based on the market price of the Series A Preferred Stock on the last trading day prior to the date of exercise.

Redemption, Exchange. In general, the Company may redeem the Rights in whole, but not in part, at a price of $0.01 per Right (subject to adjustment and payable in cash, Common Stock or other consideration deemed appropriate by the Company's board of directors) at any time until ten days following the stock acquisition date. Immediately upon the action of the board of directors authorizing any redemption, the Rights will terminate and the only right of the holders of Rights will be to receive the redemption price.

At any time after there is an acquiring person and prior to the acquisition by the acquiring person of 50% or more of the outstanding shares of the Company's Common Stock, the Company may exchange the Rights (other than Rights owned by the acquiring person which will have become void), in whole or in part, at an exchange ratio of one share of Common Stock, or one one-thousandth of a share of Series A Preferred Stock (or of a share of a class or series of the Company's Preferred Stock having equivalent rights, preferences and privileges), per Right (subject to adjustment).

No Rights as Stockholder. Until a Right is exercised, its holder will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

Amendment of the Rights Agreement. The Company and the rights agent may from time to time amend or supplement the Rights Agreement without the consent of the holders of the Rights. After the stock acquisition date, however, no amendment may materially adversely affect the interests of the holders of the Rights (other than the acquiring person, any affiliate or associate thereof or any transferee of the acquiring person or any affiliate or associate thereof).

Certain Anti-takeover Effects. The Rights may have the effect of rendering more difficult or discouraging an acquisition of the Company deemed undesirable by the Company's board of directors, even if such acquisition would be in the best interests of certain of the Company's stockholders. The Rights Plan is initially not dilutive. However, the Rights may cause substantial dilution to a person or group that attempts to acquire control of the Company on terms or in a manner not approved by the Company's board of directors, except pursuant to an offer conditioned upon the negation, purchase or redemption of the Rights. The Rights are not intended to prevent all takeovers of the Company and will not do so. Since, subject to the restrictions described above, the Company may redeem the Rights prior to the distribution time, the Rights should not interfere with any merger or business combination approved by the Company's board of directors.

Gaming and Regulatory Matters – Unsuitable Persons

Our Charter provides the Company with the ability to restrict securities ownership by persons ("Unsuitable Person") who fail to comply with informational or other regulatory requirements under applicable gaming laws, who are found unsuitable to hold the Company's securities by gaming authorities or who could by holding the Company's securities cause the Company or any affiliate to fail to obtain, maintain, renew or qualify for a license, contract, franchise or other regulatory approval from a gaming authority.

Specifically, pursuant to our Charter, we may redeem the shares of capital stock owned or controlled by a stockholder or its affiliates to the extent required by the relevant gaming authority making a determination of unsuitability, or to the extent our board of directors determines, in its sole discretion, that a person is likely to jeopardize the Company's or any affiliate's application for, receipt of, approval for, right to the use of, or entitlement to, any gaming license. The redemption price would be determined either by the gaming authority making the finding of unsuitability, or if such gaming authority does not require a certain price to be paid, by our board of directors, which would determine the price based on the fair value of the securities to be redeemed; provided, however, that the price per share represented by the redemption price shall in no event be in excess of the closing sales price per share of the Company's shares on the principal national securities exchange on which such shares are then listed on the trading date on the day before we notify the holder of such redemption. The redemption price may be paid in cash, by promissory note, or both as required pursuant to the terms established by the applicable gaming authority and, if there are no such terms, as we elect.

Warrants

As of March 25, 2020, there were 19,079,130 warrants outstanding exercisable for 9,539,565 shares of Common Stock, consisting of 7,999,900 of our public stockholders' warrants ("Public Warrants") and 11,079,230 of our private placement warrants ("Private Warrants").

Public Warrants

The Company's Public Warrants were originally issued as part of the units sold in the Company's IPO. Pursuant to the terms of the Warrant Agreement, each such warrant entitles the registered holder to purchase one-half of one share of our Common Stock at a price of $5.75 (or $11.50 per whole share), subject to adjustment as discussed below. Such warrants may be exercised only for a whole number of shares of our Common Stock. The Public Warrants became exercisable on January 23, 2017 and will expire five years after the completion of our Business Combination, at 5:00 p.m., New York City time on December 23, 2021, or earlier upon redemption or liquidation.

We will not be obligated to deliver any shares of Common Stock pursuant to the exercise of a Public Warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act with respect to the shares of Common Stock underlying such warrants is then effective and a prospectus relating thereto is current, subject to our satisfying our obligations described below with respect to registration. No such warrant will be exercisable, and we will not be obligated to issue any shares to holders seeking to exercise their Public Warrants, unless the issuance of the shares upon such exercise is registered and qualified under the securities laws of the state of the exercising holder, unless exemptions therefrom are available. In the event that the conditions in the two immediately preceding sentences are not satisfied with respect to a Public Warrant, the holder of such warrant will not be entitled to exercise such warrant and such warrant may have no value and may expire worthless. In no event will we be required to net cash settle any Public Warrant.

We will use our best efforts to maintain the effectiveness of a registration statement, and a current prospectus relating thereto, until the expiration or redemption of the Public Warrants in accordance with the provisions of the Warrant Agreement. Notwithstanding the above, if our Common Stock is at the time of any exercise of a Public Warrant not listed on a national securities exchange such that it satisfies the definition of a "covered security" under Section 18(b)(1) of the Securities Act, we may, at our option, require holders of Public Warrants who exercise their warrants to do so on a "cashless basis" in accordance with Section 3(a)(9) of the Securities Act and, in the event we so elect, we will not be required to file or maintain in effect a registration statement or qualify the underlying shares under state blue sky laws.

We may call the Public Warrants for redemption:

- in whole and not in part;
- at a price of $0.01 per warrant;
- upon not less than 30 days' prior written notice of redemption (the "30-day redemption period") to each warrant holder; and
- if, and only if, the reported last sale price of the Common Stock equals or exceeds $24.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date we send the notice of redemption to the warrant holders.

If and when the Public Warrants become redeemable by us, we may exercise our redemption right even if we are unable to register the underlying securities for sale or qualify then under applicable state securities laws.

We have established the last of the redemption conditions discussed above to prevent a redemption call unless there is, at the time of the call, a significant premium to the warrant exercise price. If the foregoing conditions are satisfied and we issue a notice of redemption of the Public Warrants, each warrant holder will be entitled to exercise his, her or its warrant prior to the scheduled redemption date. However, the price of the Common Stock may fall below the $24.00 redemption trigger price as well as the warrant exercise price of $5.75 per one-half of one share ($11.50 per whole share) after the redemption notice is issued.

If we call the Public Warrants for redemption as described above, our management will have the option to require holders that wish to exercise their warrants to do so on a "cashless basis." In determining whether to require holders to exercise their warrants on a "cashless basis," our management will consider, among other factors, our cash position, the number of warrants that are outstanding and the dilutive effect on our stockholders of issuing the maximum number of shares of Common Stock issuable upon the exercise of our warrants. If our management takes advantage of this option, all holders of warrants would pay the exercise price by surrendering their warrants for that number of shares of Common Stock equal to the quotient obtained by dividing (x) the product of the number of shares of Common Stock underlying the warrants, multiplied by the difference between the exercise price of the warrants and the "fair market value" (defined below), by (y) the fair market value. The "fair market value" shall mean the average reported last sale price of the Common Stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of warrants. If our management takes advantage of this option, the notice of redemption will contain the information necessary to calculate the number of shares of Common Stock to be received upon exercise of the warrants, including the fair market value in such case. If we call our warrants for redemption and our management does not take advantage of this option, the initial purchasers of the private placement warrants and their permitted transferees would still be entitled to exercise their Private Warrants for cash or on a cashless basis using the same formula described above.

A holder of a Public Warrant may notify us in writing in the event the holder elects to be subject to a requirement that such holder will not have the right to exercise such warrant, to the extent that after giving effect to such exercise, such person (together with such person's affiliates), to the warrant agent's actual knowledge, would beneficially own in excess of 9.8% (or such other amount as such holder may specify) of the shares of Common Stock outstanding immediately after giving effect to such exercise.

If the number of outstanding shares of Common Stock is increased by a stock dividend payable in shares of Common Stock, a split of shares of common stock or other similar event, then, on the effective date of such stock dividend, split or similar event, the number of shares of Common Stock issuable on exercise of each Public Warrant will be increased in proportion to such increase in the outstanding shares of Common Stock. A rights offering to holders of Common Stock entitling holders to purchase shares of Common Stock at a price less than the fair market value will be deemed to be a stock dividend of a number of shares of Common Stock equal to the product of (i) the number of shares of Common Stock actually sold in such rights offering (or issuable under any other equity securities sold in such rights offering that are convertible into or exercisable for Common Stock) multiplied by (ii) one minus the quotient of (x) the price per share of Common Stock paid in such rights offering divided by (y) the fair market value. For these purposes: (i) if the rights offering is for securities convertible into or exercisable for Common Stock, in determining the price payable for Common Stock, there will be taken into account any consideration received for such rights, as well as any additional amount payable upon exercise or conversion, and (ii) fair market value means the volume weighted average price of Common Stock as reported during the 10 trading day period ending on the trading day prior to the first date on which the shares of Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive such rights.

In addition, if we, at any time that the Public Warrants are outstanding and unexpired, pay a dividend or make a distribution in cash, securities or other assets to the holders of Common Stock on account of such shares of Common Stock (or other shares of our capital stock into which the warrants are convertible), other than (a) as described above, or (b) certain ordinary cash dividends, then the warrant exercise price will be decreased, effective immediately after the effective date of such event, by the amount of cash or the fair market value of any securities or other assets paid on each share of Common Stock in respect of such event.

If the number of outstanding shares of our Common Stock is decreased by a consolidation, combination, reverse stock split or reclassification of shares of Common Stock or other similar event, then, on the effective date of such consolidation, combination, reverse stock split, reclassification or similar event, the number of shares of Common Stock issuable on exercise of each Public Warrant will be decreased in proportion to such decrease in outstanding shares of Common Stock.

Whenever the number of shares of Common Stock purchasable upon the exercise of the Public Warrants is adjusted, as described above, the warrant exercise price will be adjusted by multiplying the warrant exercise price immediately prior to such adjustment by a fraction (x) the numerator of which will be the number of shares of Common Stock purchasable upon the exercise of the warrants immediately prior to such adjustment, and (y) the denominator of which will be the number of shares of Common Stock so purchasable immediately thereafter.

In case of any reclassification or reorganization of the outstanding shares of our Common Stock (other than those described above or that solely affect the par value of such shares of Common Stock), or in the case of any merger or consolidation of us with or into another corporation (other than a consolidation or merger in which we are the continuing corporation and which does not result in any reclassification or reorganization of our outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity of the assets or other property of us as an entirety or substantially as an entirety in connection with which we are dissolved, the holders of the Public Warrants will thereafter have the right to purchase and receive, upon the basis and upon the terms and conditions specified in the warrants and in lieu of the shares of our Common Stock immediately theretofore purchasable and receivable upon the exercise of the rights represented thereby, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or transfer, that the holder of the warrants would have received if such holder had exercised their warrants immediately prior to such event. However, if such holders were entitled to exercise a right of election as to the kind or amount of securities, cash or other assets receivable upon such consolidation or merger, then the kind and amount of securities, cash or other assets for which each warrant will become exercisable will be deemed to be the weighted average of the kind and amount received per share by such holders in such consolidation or merger that affirmatively make such election, and if a tender, exchange or redemption offer has been made to and accepted by such holders under circumstances in which, upon completion of such tender or exchange offer, the maker thereof, together with members of any group (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) of which such maker is a part, and together with any affiliate or associate (within the meaning of Rule 12b-2 under the Exchange Act) of such maker and any members of any such group of which any such affiliate or associate is a part, own beneficially (within the meaning of Rule 13d-3 under the Exchange Act) more than 50% of the outstanding shares of Common Stock, the holder of a warrant will be entitled to receive the highest amount of cash, securities or other property to which such holder would actually have been entitled as a stockholder if such warrant holder had exercised the warrant prior to the expiration of such tender or exchange offer, accepted such offer and all of the Common Stock held by such holder had been purchased pursuant to such tender or exchange offer, subject to adjustments (from and after the consummation of such tender or exchange offer) as nearly equivalent as possible to the adjustments provided for in the Warrant Agreement. Additionally, if less than 70% of the consideration receivable by the holders of Common Stock in such a transaction is payable in the form of Common Stock in the successor entity that is listed for trading on a national securities exchange or is quoted in an established over-the-counter market, or is to be so listed for trading or quoted immediately following such event, and if the registered holder of the warrant properly exercises the warrant within thirty days following public disclosure of such transaction, the warrant exercise price will be reduced as specified in the Warrant Agreement based on the per share consideration minus the Black Scholes value (as defined in the Warrant Agreement) of the warrant.

The Public Warrants were issued in registered form under the Warrant Agreement with Continental Stock Transfer & Trust Company, as warrant agent, and us. You should review a copy of the Warrant Agreement for a complete description of the terms and conditions applicable to the warrants. The Warrant Agreement provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of at least 65% of the then outstanding Public Warrants to make any change that adversely affects the interests of the registered holders of Public Warrants.

The warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price by certified or official bank check payable to us (or on a cashless basis, if applicable), for the number of warrants being exercised. The warrant holders do not have the rights or privileges of holders of Common Stock nor any voting rights until they exercise their warrants and receive shares of Common Stock. After the issuance of shares of Common Stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

No fractional shares will be issued upon exercise of the Public Warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round down to the nearest whole number the number of shares of Common Stock to be issued to the warrant holder.

Private Warrants

The Company's Private Warrants are identical to the Public Warrants sold in the IPO, including as to exercise price, exercisability and exercise period, except that, if held by the initial private placement purchasers or their permitted assigns, they (a) may be exercised for cash or on a cashless basis; and (b) are not subject to being called for redemption. If the Private Warrants are held by holders other than the initial private placement purchasers or their permitted transferees, the Private Warrants will be redeemable by us and exercisable by the holders on the same basis as the Public Warrants.

If holders of the Private Warrants elect to exercise them on a cashless basis, they would pay the exercise price by surrendering their warrants for that number of shares of Common Stock equal to the quotient obtained by dividing (x) the product of the number of shares of Common Stock underlying the warrants, multiplied by the difference between the exercise price of the warrants and the "fair market value" (defined below) by (y) the fair market value. The "fair market value" shall mean the average reported last sale price of the Common Stock for the 10 trading days ending on the third trading day prior to the date on which the notice of warrant exercise is sent to the warrant agent.

Certain Anti-Takeover Provisions of Our Charter and Bylaws and Certain Provisions of Delaware Law

The Company's Charter and Bylaws contain provisions that could have the effect of delaying or preventing changes in control or changes in our management without the consent of our board of directors. These provisions include:

- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death, or removal of a director with or without cause by stockholders, which prevents stockholders from being able to fill vacancies on our board of directors;
- the ability of our board of directors to determine whether to issue shares of our Preferred Stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- limiting the liability of, and providing indemnification to, our directors and officers;
- specifying the Court of Chancery of the State of Delaware as the exclusive forum for adjudication of disputes;
- controls over the procedures for the conduct and scheduling of stockholder meetings; and
- advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of the Company.

These provisions, singly or together, could delay hostile takeovers and changes in control of the Company or changes in our board of directors and management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the DGCL, which prevents some stockholders holding more than 15% of our outstanding Common Stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding Common Stock. Any provision of our Charter or Bylaws, the Rights Agreement, or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our Common Stock and could also affect the price that some investors are willing to pay for our Common Stock.

Exhibit 10.13

To: Steve Saferin (Chair Compensation Committee, Inspired Entertainment, Inc.)

From: Lorne Weil, Executive Chair

March 26, 2020

Dear Steve:

While I appreciate the Board's support and the effort that went into the January 31, 2020 employment agreement, currently awaiting stockholder approval, I am mindful of the unprecedented situation we find ourselves in with the Covid-19 pandemic and various government ordered closures in countries where Inspired does business. In light of that, I would prefer to withdraw from the new contract and remain employed under my original Employment Agreement of January 16, 2017 (as amended). We can then focus on mitigating the impact of the pandemic on the Company now, and if appropriate address a replacement contract in the future.

If you agree, please let me know and we can just withdraw the January 31, 2020 item from the AGM at this point.

Very truly

/s/ Lorne Weil
Lorne Weil

Agreed: /s/ Steven M. Saferin
Steven M. Saferin
03.26.20

Dear Lorne Weil:

As you know, the Convid-19 pandemic and subsequent government actions have had a material, adverse effect on the business of Inspired. Management and the Board recognize that even with significant remedial efforts outlined by the Office of the Executive Chair and approved by the Board of Directors on March 26, 2020, there can be no certainty as to the ultimate effects of the pandemic on the business if prolonged.

At the meeting, the OEC proposed and the Board accepted a scaled reduction depending on amount of base salary, starting at 12.5% for the lowest tier affected to 33% for the highest paid employees. Your reduction will be 25%.

The OEC also proposed and the Board approved, a deferral of payment of the 2019 STIP at this time as part of a cash conservation measure. The Board also deferred any award of a 2020 LTIP or construction of an interim incentive plan using shares allocated to the 2018 LTIP as well as any request to the stockholders to approve and fund a new LTIP for 2021-23.

The reduction and other actions will remain in force until further action by the Compensation Committee.

Other than the agreed temporary base salary reduction and other matters set forth above, nothing about this action alters your or the Committee's rights with regard to your employment or contract.

Thank you for staying focused on helping us get the business through this period of unprecedented turbulence. Please acknowledge and return a signed copy to Carys Damon.

Very truly yours,

/s/ Steve Saferin

Steve Saferin, Chair
Compensation Committee

Acknowledged and agreed this 27 day of March, 2020

/s/ Lorne Weil

Exhibit 10.15

Execution Copy

EMPLOYMENT AGREEMENT

This Employment Agreement, dated February 17, 2020 (this "Agreement"), is entered into by and between INSPIRED ENTERTAINMENT, INC., a Delaware corporation (the "Company"), and BROOKS H. PIERCE (the "Executive").

WHEREAS, the Company and the Executive are parties to a certain Employment Agreement dated May 1. 2018 between the Company and the Executive, the "Prior Agreement"); and

WHEREAS, the Company and the Executive have determined, subject to the terms and conditions set forth herein, to terminate the Prior Agreement and to enter into this Agreement, and desire to set forth the terms and conditions pursuant to which the Executive will be employed by the Company;

NOW, THEREFORE**,** in consideration of the mutual covenants herein contained, the Company and the Executive, intending to be legally bound, hereby agree as follows, effective January 1, 2020 (such date, the "Commencement Date"):

1. EMPLOYMENT. The Company agrees to employ the Executive, and the Executive agrees to be employed by the Company, on and subject to the terms and conditions set forth in this Agreement.

2. COMMENCEMENT AND TERM. The Executive's employment with the Company under this Agreement shall begin on the Commencement Date and shall (subject to the Sections 2a & b below, 6, and 14 hereof) be for a period of four years, terminating on December 31, 2023 (the "Contract Termination Date");

   a. This Agreement may be extended for a period of one additional year upon mutual written affirmation of the parties to December 31, 2024;

      i. In the event that the parties do not mutually agree to extend this Agreement or otherwise extend Executive's employment, the Agreement will terminate on December 31, 2023 and Executive will receive the Accrued Benefits described herein and the provisions of Sections 12, 13, 15 and 16 will remain in effect.

   b. For the avoidance of doubt, upon the commencement of this Agreement, the Prior Agreement will no longer be in force and effect except to the extent that equity granted pursuant to the Prior Agreement that had not yet earned or vested will continue to be earned and vest on the terms set forth in the equity agreement governing those grants and below.

3. OBLIGATIONS DURING EMPLOYMENT.

   a. During his employment, the Executive shall:

      i. serve the Company to the best of his ability in the capacity of President and Chief Operating Officer;

ii. faithfully and diligently perform such additional duties and exercise such powers as the Board may from time to time properly assign to or confer upon Executive insofar as such duties and powers are consistent with his position;

iii. be responsible for operational oversight and management executing the strategy set by the Board of Directors and the Executive Chairman of the Board;

iv. if and so long as the Board so directs, perform and exercise such duties and powers on behalf of any Subsidiary and act as a director or other officer of any Subsidiary; provided, that (A) such duties are ancillary to his position with the Company, and (B) this Agreement shall not be assigned to any other Subsidiary at any time;

v. do all as is reasonably in his power to protect, promote, develop and extend the business interests and reputation of the Company, all at the expense of the Company (subject to compliance with Section 13);

vi. at all times and in all material respects (A) conform to and comply with (1) any lawful direction of the Executive Chairman and the Board serving a reasonable business purpose and not inconsistent with this Agreement, (2) the provisions of the Company's Certificate of Incorporation (as amended from time to time), and (3) the requirements of any relevant regulatory body or securities exchange governing the activities of the Company or any Subsidiary, and (B) conform to and so far as he is able to comply with the conditions to and terms of any license (the terms of which he is first made aware of by the Company) granted to the Company or any Subsidiary; and

vii. prior to assuming any position as director, manager, general partner, officer or similar position with of any other business entity ("Other Entity"), provide the Board with written notice specifying the nature of the expected engagement, the business activities in which the Other Entity is engaged; and the amount of time per month the Executive anticipates will be devoted to the activities of the Other Entity. The Executive shall not take on any such engagement with the Other Entity unless (i) he shall have confirmed to the Board in writing that the Other Entity has waived any obligation of Executive to disclose to it any Corporate Opportunities that may conflict with the Executive's obligations pursuant to Sections 3 or 4 hereof, and (ii) the Board shall have approved such engagement. For the avoidance of doubt those positions disclosed by the Executive during the term of the Prior Agreement are deemed to have been approved by the Board. In addition, in connection with any engagement of Executive by any Other Entity, either currently in existence or which may be authorized by the Board in the future, Executive shall provide to the Board (in writing if so requested) all information, explanations and assistance regarding the outside activities of Executive as the Board may lawfully require for any reasonable business purpose in connection with the business and affairs of the Company.

b. Should the Company give notice to the Executive to terminate this Agreement pursuant to Section 14(b), the Company may, at any time during the continuance of the Executive's employment after such notice is given, require the Executive not to attend work and/or not to undertake any or all of his duties and may assign other duties to Executive. During any such period where the Executive is required not to attend work and/or not to undertake any or all of his duties pursuant to Section 3(a), the Company:

   i. shall not be obligated to provide the Executive with any work;

   ii. may require the Executive to resign as a director or other officer of the Company and of any Subsidiary; and

   iii. shall continue to pay to the Executive's Salary and provide any other benefits to which he is contractually entitled, and the Executive shall remain bound by the terms and conditions of this Agreement (the Executive's attention is particularly drawn to Section 13 below), provided, that the Executive shall not be subject to the limitations of Section 4(a)(i) or Section 4(b)(iv) hereof during the notice period.

4. FURTHER OBLIGATIONS OF THE EXECUTIVE.

a. (i) During employment pursuant hereto, Executive shall submit to the Board all business, commercial and investment opportunities or offers presented to Executive, or of which Executive becomes aware, which relate to the areas of business engaged in by the Company or its Subsidiaries at any time during the Executive's employment ("Corporate Opportunities"). During the Executive's employment, unless approved by the Board, Executive shall not accept or pursue, directly or indirectly, any Corporate Opportunities on Executive's own behalf or on behalf of another person or entity in or with respect to which Executive has any economic interest, or present such Corporate Opportunities to any business entity other than the Company, including, without limitation, any business entity which Executive serves as an officer or director.

b. During employment, the Executive:

   i. shall not directly or indirectly procure, accept or obtain for his own benefit (or for the benefit of any other person) any payment, rebate, discount, commission, voucher, gift, entertainment or other benefit ("Gratuities") from any third party in respect of any business transacted or proposed to be transacted (whether or not by Executive) by or on behalf of the Company or any Subsidiary in violation of Company policies applicable to Gratuities;

   ii. shall observe the terms of any policy issued by the Company in relation to such Gratuities and any other bribery or corruption related laws which are relevant to the jurisdictions in which the Company or any Subsidiary does business;

iii. shall immediately disclose and account to the Company for any such Gratuities received by Executive (or by any other person on his behalf or at his instruction); and

iv. shall promptly disclose to the Board full details of any investment (of whatever sort) he makes in any business or company within the Company's or any of its Subsidiaries' areas of industry or sectors.

5. REMUNERATION.

a. The Company shall pay to the Executive during his employment a salary ("Salary") (which shall accrue from day to day) at the rate of five hundred thousand U.S. dollars (US$500,000) per year. The Salary shall be payable in twenty-six (26) equal installments per annum in arrears and shall be subject to review by the Compensation Committee annually but without any commitment to increase the Salary. For the avoidance of doubt, the Executive's Salary (as may be increased from time to time) shall not be decreased during his employment pursuant to this Agreement.

b. The Executive will, during his employment, have the opportunity to earn an annual bonus of up to not less than one hundred percent (100%) of Executive's annual Salary (such amount, the "Target Bonus") and a maximum annual bonus of up to two (2) times the Target Bonus (the "Maximum Annual Bonus"), the amount of such Target Bonus and the terms thereof to be established annually by the Compensation Committee. The annual bonus shall be consistent with the Company's short term incentive plan (such plan or any other short term cash bonus plan the Company may adopt with respect to its senior executives, the "STIP") and the award criteria applicable to other senior executives of the Company. Annual performance goals will be established by the Compensation Committee (following consultation with the Executive), and such goals, once final, will be communicated to the Executive as promptly as practicable after the start of the applicable year. Any annual bonus that becomes payable hereunder shall be paid to Executive within two and one-half months after the later of (i) the end of the applicable fiscal year, or (ii) the date such bonus amount is determined by the Compensation Committee.

c. The Executive will, during his employment, be eligible to receive incentive and equity (or equity-based) compensation and any other benefits to be determined annually by the Compensation Committee. The Executive shall also be eligible to participate in any long-term incentive plan ("LTIP") available to senior executives of the Company.

6. SPECIAL SIGN-ON EQUITY GRANT.

a. Upon the effectiveness of this Agreement and in addition to the compensation of the Executive referred to elsewhere in this Agreement, the Company shall award the Executive two hundred thousand (200,000) RSUs (the "Special Sign-on Equity Grant"), on the following terms:

i. Time Based RSUs

1. An aggregate of up to 100,000 RSUs shall vest as follows:

a. 75,000 RSUs will vest subject to the Service Requirement (defined below) on December 31, 2022; and

b. 25,000 RSUs will vest subject to the Service Requirement on December 31, 2023.

2. As used herein, the "Service Requirement" shall mean that the Executive remains employed by the Company pursuant to this Agreement on the vesting date.

3. Vesting in the case of death or a Change in Control shall be treated in accordance with subsection (c) of this Section 6.

ii. <u>Adjusted EBITDA Based RSUs</u>

1. An aggregate of 100,000 RSUs (25% per year) shall be Adjusted EBITDA Based RSUs, which may be earned 25,000 per calendar year based on the Company's achievement of annual Adjusted EBITDA Targets (as defined and consistent with the STI program) and threshold performance levels set each year by the Compensation Committee for the years 2020-2023.

2. The performance levels for the 2020 portion of the Adjusted EBITDA Based RSUs are 80% of Adjusted EBITDA Target pays no shares increasing linearly to 100% of Adjusted EBITDA Target pays 100% of 2020 portion.

3. The 2020-2022 Adjusted EBITDA Based RSUs shall vest, if earned, on December 31, 2022 and the 2023 portion will vest, if earned, on December 31, 2023.

4. Vesting in the case of death or a Change in Control shall be treated in accordance with subsection (c) of this Section 6.

b. For the avoidance of doubt, in the event that the parties extend the term of this Agreement pursuant to Section 2a to December 31, 2024, the Company will award Executive an additional 25,000 Time-based RSUs and an additional 25,000 Adjusted EBITDA Based RSUs (a total of 50,000 RSUs) which:

i. will vest on December 31, 2024 except as provided in Section 6c below, provided, however, that the Adjusted EBITDA Based RSUs will vest based on the Company's achievement of the annul EBITDA Target (as defined and consistent with the STI program) and threshold performance level set by the Compensation Committee for 2024.

ii. Vesting in the case of death or a Change in Control shall be treated in accordance with subsection (c) of this Section 6.

c. Conditions Relating to Death and Change in Control with Respect to the Special Sign-on Grant. Except as set forth in subsections (i), (ii) and (iii) hereof, should the employment of the Executive terminate for any reason on or before December 31, 2023, any Special Sign-on Equity Grant RSUs that have not vested prior to such date shall be forfeited.

   i. In the event of the death of the Executive prior to December 31, 2023, the estate of the Executive shall receive, in connection with the Special Sign-on Equity Grant:

      1. Time Based RSUs

         (i) 25,000 Time Based RSUs for each fully completed year prior to the date of death but which the Executive has not already received; and (ii) a pro-rated portion of 25,000 Time Based RSUs pro-rated based on the number of days he lived in the year of his death divided by 365.

      2. Adjusted EBITDA Based RSUs

         (i) any Adjusted EBITDA Based RSUs that the Executive earned with respect to any fiscal year prior to the date of his death but which the Executive has not already received, and (ii) at end of year of death, such percentage of 25,000 Adjusted EBITDA Based RSUs, pro-rated based on the number of days he lived in the year of his death divided by 365, based upon the Company achieving its EBITDA targets for the year.

   ii. In the event of a Change in Control prior to December 31, 2023, the Executive shall earn, to the extent not already earned:

      1. Time Based RSUs

         (i) 25,000 Time Based RSUs for each fully completed year prior to the Change in Control Event; and (ii) 25,000; and (iii) either (x) a percentage of 25,000 Time Based RSUs, pro-rated based on the number of days prior to the Change in Control Event during such year divided by 365 should such Event occur before December 31, 2022 OR (y) 0 should such Event occur in 2023; and

      2. Adjusted EBITDA Based RSUs

         Any Adjusted EBITDA Based RSUs that the Executive earned for each fully completed year prior to the Change in Control Event, and (ii) 25,000; and (iii) either (x) a percentage of 25,000 Adjusted EBITDA Based RSUs, pro-rated based on the number of days prior to the Change in Control Event during such year divided by 365 should such Event occur before December 31, 2022 OR (y) 0 should such Event occur in 2023.

3. The RSUs in the foregoing clauses shall vest only upon the earliest of December 31, 2023, a Change in Control Termination Event, or the death of the Executive.

4. If the Executive shall terminate employment prior to December 31, 2023 pursuant to Section 14.c, and such termination shall not constitute a Change in Control Termination Event or the death of the Executive, all of the shares under the foregoing clauses shall be forfeited.

iii. If this Agreement is extended pursuant to Section 2a, then in the event of the death of the Executive subsequent to December 31, 2023 and prior to December 31, 2024, the estate of the Executive shall receive a pro-rated portion of 50,000 RSUs pro-rated based on the number of days he lived in the year of his death divided by 365.

iv. If this Agreement is extended pursuant to Section 2a, then in the event of a Change in Control Event subsequent to December 31, 2023 and prior to December 31, 2024, 50,000 RSUs shall vest only upon the earliest of December 31, 2024, a Change in Control Termination Event, or the death of the Executive. If the Executive shall terminate employment on or prior to December 31, 2024, and such termination shall not constitute a Change in Control Termination Event or the death of the Executive, the 50,000 RSUs shall be forfeited.

7. WAGE DEDUCTIONS AND WITHHOLDINGS. The Executive hereby authorizes the Company to deduct from his salary or any other sums due to Executive from the Company, any sums due from the Executive to the Company, including without limitation any overpayment of salary. Without limiting the generality of the foregoing, the Company or any Subsidiary may withhold (or cause there to be withheld, as the case may be) from any amounts otherwise due or payable under or pursuant to this Agreement such federal, state and local income, employment, or other taxes or contributions as may be required to be withheld pursuant to any applicable law or regulation.

8. OTHER REIMBURSEMENTS.

a. Medical Insurance. The Company will secure health insurance for Executive or reimburse such other entity as the Executive may reasonably direct for health care benefits and insurance, including any fees payable to third party firms which provide access to such products, the provider/insurer or such other entity provides and/or pays for the benefit of the Executive and his family during the Executive’s employment hereunder.

b. Communications Equipment and Service. During the Executive’s employment hereunder, the Company will reimburse the Executive or such other entity as the Executive may direct for expenses relating to a mobile phone (iPhone or similar device) and any associated service contract for such mobile phone.

9. DEATH IN SERVICE. The Company will secure, with cooperation from the Executive, life insurance coverage in an amount equal to four times Salary, subject always to this level of cover being permitted by the life insurance policy provider, and payable to such survivor(s) designated by the Executive or Executive’s estate.

10. EXPENSES.

a. The Company shall, during his employment, reimburse the Executive in respect of all reasonable travelling accommodation, entertainment and other similar out-of-pocket expenses exclusively and reasonably incurred by the Executive in or about the performance of duties.

b. Except where specified to the contrary, all expenses shall be reimbursed in accordance with the Company's expense reimbursement policies applicable to other senior executives, subject to the Executive providing appropriate documentation (including receipts, invoices, tickets and/or vouchers as may be appropriate/required by Company policy.)

c. During the Executive's employment hereunder, the Company will reimburse the Executive, or such other entity as the Executive may direct, for the annual fee of one credit card of the Executive's choice, which credit card will only be used for expenditures related to the Executive's responsibilities.

11. INCAPACITY.

a. Subject to his complying with the Company's procedures relating to the notification and certification of periods of absence from work, the Executive shall continue to be paid his salary (inclusive of any statutory sick pay or social security benefits to which he may be entitled) during any period of absence from work due to sickness, injury or other incapacity up to a maximum of 26 weeks in aggregate in any period of 52 consecutive weeks.

b. If any incapacity of the Executive shall be caused by an alleged action or wrong of a third party and the Executive shall decide to claim damages in respect thereof and shall recover damages for loss of earnings over the period for which Salary has been or will be paid to Executive by the Company pursuant to this Agreement, he shall account to the Company for any such damages for loss of earnings recovered (in an amount not exceeding the actual salary paid or payable to Executive by the Company pursuant to this Agreement in respect of the said period) less any costs borne by Executive in achieving such recovery. The Executive shall keep the Company advised of the commencement, progress and outcome of any such claim. If required by the Company (and on receipt of an indemnity from the Company for all the costs thereby incurred) the Executive shall use reasonable endeavors to recover such damages.

12. INTELLECTUAL PROPERTY RIGHTS.

a. The Executive and the Company foresee that he may make, discover and/or create Inventions, Authorship Rights or Works (as each of those terms are defined below) in the course of his duties under this Agreement and agree that the Executive has special obligations to further the interests of the Company. The Executive agrees to the terms set out in this Section 12 in consideration for the salary, bonus and benefits set out herein.

b. If the Executive (whether alone or with others) shall at any time during the period of his employment with the Company make an invention (whether or not patentable) designed to be used in any line of business then conducted by the Company or any Subsidiaries (referred to in this Agreement as "Invention") he shall promptly disclose to the Company full details of such Invention to enable the Company to assess it and to determine whether under the applicable law the Invention is the property of the Company; provided, that any Invention that does not belong to the Company shall be treated as confidential, and shall not be used or otherwise exploited, by the Company.

c. If the Executive (whether alone or with others) shall at any time during the period of his employment with the Company create any documents, data, drawings, specifications, articles, computer programs, software (object or source code), equipment, network designs, business logic, notes, sketches, drawings, reports, modifications, tools, scripts or other items directly or indirectly in the course of his employment and that are designed for use in any line of business then conducted by the Company or any Subsidiaries in which the Executive is involved ("Works"), he shall promptly provide such Works to the Company and title in and to the tangible property of the Works shall immediately upon creation or performance vest in and shall be and remain the sole and exclusive property of the Company and the Executive hereby irrevocably and unconditionally assigns to the Company all right, title and interest in and to the same.

d. If any copyright, design right (whether registered or unregistered) or database rights in the Works (together "Authorship Rights") or any Invention belong to the Company, the Executives shall consider themselves as trustees for the Company in relation to all such Authorship Rights or Invention and shall, at the request and expense of the Company, do all things necessary to vest all rights, title and interest in such Authorship Rights or Invention in the Company or its nominee absolutely as legal and beneficial owner and to secure and preserve full patent, copyright, design right or other appropriate forms of protection therefor in any part of the world as the Company shall in its discretion think fit.

e. If any Authorship Rights or Invention do not belong to the Company, the Company shall have the right to acquire for itself or its nominee the Executive's rights in such Authorship Rights or Invention within three months after disclosure or provision pursuant to Section 12(b) or 12(c) of this Agreement (as applicable) or, if the Executive fails to disclose or provide documents or information pursuant to Section 12(b) or 12(c) of this Agreement (as applicable), the date on which the Company first has actual knowledge of the existence of such Authorship Rights or Invention, which acquisition shall be made on fair and reasonable terms to be agreed.

f. The Executive shall give notice in writing to the Company promptly on becoming aware of any infringement or suspected infringement of any intellectual property rights in any Invention, Authorship Rights or Works which are owned by the Company, or which are acquired or to be acquired by the Company pursuant to Section 12(e). The Executive shall also notify the Company promptly on becoming aware of any infringement or suspected infringement of any other intellectual property rights which the Executive should reasonably believe to be vested in or owned by the Company or any Subsidiaries or of any use by or disclosure to a third party (which he should reasonably believe to be unauthorized by the Company) of any Confidential Information.

g. Save for Section 12(f), rights and obligations under this Agreement shall continue in force after the termination of this Agreement in respect of each or each set of Invention, Authorship Rights or Works and shall be binding upon the Executive's representatives.

h. The Executive irrevocably waives any rights he may have under Chapter IV (Moral Rights) of the Intellectual Property (Copyright and Related Rights) Act 2005 and any corresponding rights under the applicable laws of any other jurisdiction in respect of all Authorship Rights owned by the Company, or acquired by the Company or to be acquired by the Company pursuant to Section 12(e).

i. The Company acknowledges that as of the Commencement Date the Executive will own and/or hold rights in and to intellectual property that would, or could, otherwise constitute Inventions, Authorship Rights or Works, but were created, developed or acquired prior to the Commencement Date, and the Company agrees and acknowledges that none of such intellectual property or rights (nor, for the avoidance of doubt, any of Executive's experience, knowledge and contacts in the gaming or other industries) shall (save for those created, developed or acquired under the Prior Agreement) constitute property or rights of the Company (and that the Executive shall not be deemed to have granted any right or license thereto hereunder or by mere service to the Company), and that the Executive shall be free to use and exploit such property or rights as Executive determines in Executive's sole and absolute discretion. The Company further acknowledges that from and after the Commencement Date the Executive may create, develop or acquire Inventions, Authorship Rights or Works for use in businesses or activities outside the lines of business then conducted by the Company or any Subsidiary, and the Company agrees and acknowledges that it has no right, title or interest therein or any right or claim to prevent or restrict any such activity by or for the Executive.

13. <u>CONFIDENTIALITY</u>.

a. In addition to the Executive's common law obligations to keep confidential information secret, he must not disclose to any person, firm or company, otherwise than in the proper course of Executive's duties or with the written consent of the Company, any trade secret or information of a confidential nature concerning the Company's business or the business of any Subsidiary, or any client or prospective client of any of them including, but not limited to:

i. any trade secret or confidential or secret information concerning the business development, affairs, future plans, business methods, connections, operations, accounts, finances, organization, processes, policies or practices, designs, dealings, trading, software, or know-how relating to or belonging to the Company and/or to any Subsidiary or any of its suppliers, agents, distributors, clients or customers;

ii. confidential computer software, computer-related know-how, passwords, computer programs, specifications, object codes, source codes, network designs, business processes, business logic, inventions, improvements and/or modifications relating to or belonging to the Company and/or any Subsidiary;

iii. details of the Company's or any Subsidiary's financial projections or projects, prices or pricing strategy, advertising, marketing or development plans, product development plans or strategies, fee levels, commissions and commission structures, market share and pricing statistics, marketing surveys and research reports and their interpretation;

iv. any confidential research, report or development undertaken by or for the Company or any Subsidiary;

v. details of relationships or arrangements with, or knowledge of the needs or the requirements of, the Company's or any Subsidiary's actual or potential clients or customers;

vi. information supplied in confidence by customers, clients or any third party to which the Company or any Subsidiary owes an obligation of confidentiality;

vii. lists and details of contracts with the Company's or any Subsidiary's actual or potential suppliers;

viii. information of a personal or otherwise of a confidential nature relating to fellow employees, directors or officers of and/or consultants to, the Company and/or any Subsidiary for which the Executive may from time to time provide services;

ix. confidential information concerning, or details of, any competitive business pitches, and/or target details;

x. any document or information marked as confidential on its face; or

xi. any document or information which has been supplied to the Executive in confidence or which he has been informed is confidential or which he might reasonably be aware is confidential.

Any information of the sort described in this Section 13(a) which the Executive obtains or becomes aware of during the course of Executive's employment under this Agreement or which, by virtue of the Executive's position, it may reasonably be assumed he has obtained or become aware of during the course of Executive's employment under this Agreement shall be "Confidential Information" for the purposes of this Agreement.

b. The Executive undertakes to use Executive's best endeavors (subject to payment by the Company of any expense reasonably incurred in so doing) to prevent unauthorized publication or disclosure to any third party of any Confidential Information (save as may be required by law or a duly authorized regulatory body).

c. The provisions in Sections 13(a) and 13(b) shall continue to apply after termination of employment, howsoever arising, without any time limit. The provisions in Sections 13(a) and 13(b) shall not apply to any information or knowledge which (i) is or comes into the public domain other than through unauthorized disclosure of the Executive, (ii) is or becomes available to the Executive on a non-confidential basis from a source which is entitled to disclose it to the Executive, or (iii) was already known to the Executive prior to the date hereof.

d. Nothing in this Section 13 shall be construed or interpreted as preventing the Executive from making a disclosure pursuant to any applicable legal requirement or order of any court or other tribunal or regulatory body. In circumstances where the Executive feels it is necessary for Executive to make such a disclosure, he should, to the extent practical, first raise the issue with the Board, or if the Executive’s concerns relate to certain members of the Board, to an officer or officers of the Company whom he believes are not involved or implicated in the relevant matter.

e. Nothing in this Agreement or otherwise shall prohibit the Executive from (i) reporting possible violations of federal or state law or regulation to any U.S. governmental agency or entity or self-regulatory organization (including but not limited to the U.S. Department of Justice, the U.S. Securities and Exchange Commission, the U.S. Congress, and any U.S. agency Inspector General), or making other disclosures that are protected under the whistleblower provisions or other provisions of U.S. federal or state law or regulation, (ii) providing truthful testimony or statements to the extent, but only to the extent, required by applicable law, rule, regulation, legal process or by any court, arbitrator, mediator or administrative, regulatory, judicial or legislative body (including any committee thereof) with apparent jurisdiction (provided, however, that in such event, except as set forth in the foregoing clause (i) above or clause (iii) below, Executive will give the Company prompt written notice thereof prior to such disclosure so that the Company may seek appropriate protection for such information), (iii) reporting or disclosing information under the terms of the Company’s Reporting Suspected Violations of Law Policy or such similar policy as the Company may have in effect from time to time or (iv) disclosing information to the extent necessary to enforce the terms of this Agreement.

f. Notice of Immunity Under the Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016 (“DTSA”). Notwithstanding any other provision of this Agreement:
(i) You will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that:

(A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or

(B) is made in a complaint or other document filed under seal in a lawsuit or other proceeding.

(ii) If you file a lawsuit for retaliation by the Company for reporting a suspected violation of law, you may disclose the Company's trade secrets to your attorney and use the trade secret information in the court proceeding if you:

(A) file any document containing trade secrets under seal; and

(B) do not disclose trade secrets, except pursuant to court order.

14. TERMINATION OF EMPLOYMENT.

a. Termination for Cause.

i. The employment of the Executive may be terminated by the Company for Cause immediately upon written notice to the Executive. "Cause" shall mean any of the following:

1. the Executive commits any material breach of the terms contained in this Agreement or of any Company policies (after receiving prior written warning of the nature of such breach and having been given not less than thirty (30) days to cure such breach if such breach is remediable); or

2. the Executive is guilty of any gross negligence or willful gross misconduct in connection with or affecting the business or affairs of the Company or any Subsidiary for which he is required to perform duties; or

3. the Executive is convicted of, or pleads guilty or nolo contendere to, a felony or a misdemeanor that is a crime of moral turpitude (other than for a traffic-related offense); or

4. the Executive commits or has committed any material breach of this Agreement that has a material adverse effect on the Company.

ii. No act or omission to act by Executive shall be "willful" if conducted in good faith or with a reasonable belief that such act or omission was in the best interests of the Company.

iii. Upon a termination of the Executive's employment pursuant to this Section 14(a), neither the Company nor any of the Subsidiaries, shall be under any further obligation to the Executive, except the Company's obligation to pay (A) all accrued but unpaid salary to the date of termination (to be paid within 30 days following such termination, less all applicable deductions), (B) any earned and vested benefits and payments pursuant to the terms of any benefit or incentive plan or arrangement or award for the benefit of the Executive (including without limitation the reimbursements required by Section 8 above), (C) all unreimbursed business expenses incurred and properly submitted in accordance with applicable Company policies; and (D) other benefits contractually due to the Executive (or an amount equal to the cash value thereof), which payments and benefits described in subsections (A) through (D) are referred to herein as the "Accrued Benefits").

b. Termination at the Discretion of the Company. Except in the case of "Cause", the Company may at its absolute discretion elect to terminate the employment of the Executive by giving the Executive not less than 90 days' written notice of such termination (the date of such termination, the "Discretionary Notice Termination Date").

i. Upon a termination of the Executive's employment at the discretion of the Company pursuant to this Section 14(b), the Executive shall receive:

1. the Accrued Benefits; and

2. Salary for twelve months (if the termination pursuant to this Section 14(b) constitutes a Change in Control Termination Event, twelve months increases to 18 months and includes 1.5 times the Target Bonus in effect at the time of termination payable over the period) following the Discretionary Notice Termination Date and a pro-rated Bonus for the year of termination at Target, payable in accordance with the Company's then current payroll practice.

3. Except for the Equity Award in Section 6 above which will vest in accordance with the terms of that Section 6: 1) any Time Based RSUs that would have vested in the twelve month period following such termination (payable immediately); 2) any earned EBITDA Based RSUs that would have vested in the twelve month period following such termination (payable immediately); and 3) in the first quarter following the year of such termination, any additional EBITDA Based RSUs that are earned based on achievement of that year's performance criteria and would have vested in the twelve month period following such termination; ALL subject to any applicable clawback provisions.

c. Termination by the Executive for Good Reason.

i. The Executive may terminate Executive's employment at any time for Good Reason by giving written notice to the Company of Executive's good faith belief that an event constituting Good Reason has occurred (without the Executive's consent), and setting forth the basis for such belief, within 90 days of such notice (the termination date, the "Good Reason Termination Date"); provided, however, that no termination for Good Reason shall occur if, prior to the Good Reason Termination Date, the Company has cured the condition giving rise to the Good Reason. Nothing herein shall be deemed to prevent the Company from contesting Good Reason pursuant to this Section 14(c) hereof or otherwise. Upon the Company providing written notice to the Executive of its contesting Good Reason, the Good Reason Termination Date shall be deferred until the dispute is resolved pursuant hereto. It shall be a condition to the Executive receiving the benefits described in clause (iii) below that the Executive shall, not less than seven (7) days prior to the Good Reason Termination Date, execute a release of the Company, in form and substance reasonably satisfactory to the Board, which release shall remain in full force and effect at the Good Reason Termination Date.

ii. "Good Reason" shall mean any of the following : (A) a material reduction in Executive's titles, duties or authorities (including reporting responsibilities); (B) a material reduction in the Executive's salary; (C) any significant relocation of the Executive's principal office (provided, however, that this does not include Executive being expected to perform a portion or even a majority of Executive's duties in locations other than Executive's principal office); or (D) a material breach of this Agreement by the Company. For the avoidance of doubt, if the parties mutually agree to extend this Agreement pursuant to Section 2a for an additional year to December 31, 2024, the hiring or designation of a Chief Executive Officer who transitions to or replaces the Executive Chairman during that year or thereafter will not constitute "good reason" under this subsection part (A).

iii. Upon a termination of the Executive's employment by the Executive for Good Reason pursuant to this Section 14(c), the Executive shall receive from the Company the same benefits described in Section 14(b).

d. Death of the Executive. In the event of the death of the Executive during the term hereof, the estate of the Executive shall receive the compensation provided for herein; provided that (where possible) the estate shall comply with the provisions of clause (e) below to the extent requested by the Company.

e. Upon the termination of employment (for whatever reason and howsoever arising), the Executive:

i. shall not take away, conceal or destroy but shall immediately deliver up to the Company all documents (which expression shall include but without limitation notes, memoranda, correspondence, drawings, sketches, plans, designs and any other material upon which data or information is recorded or stored) produced during the course of Executive's employment with the Company relating to the business or affairs of the Company or any Subsidiary or any of their clients, customers, shareholders, employees, officers, suppliers, distributors and agents together with any other property belonging to the Company or any Subsidiary which may then be in Executive's possession or under Executive's control;

ii. shall at the request of the Board immediately resign without claim for compensation from any office held by Executive in the Company or any Subsidiary (but without prejudice to any claim he may have for damages for breach of this Agreement or otherwise) and in the event of Executive's failure to do so the Company is hereby irrevocably authorized to appoint some person in Executive's name and on Executive's behalf to sign and deliver such resignations; and

iii. shall immediately repay all outstanding debts or loans due to the Company or any Subsidiary and the Company is hereby authorized to deduct from any amount owed to the Executive a sum in repayment of all or any part of any such debts or loans.

iv. If the Executive is involved in any pending or potential litigation, investigation or regulatory or administrative proceeding (each a "Proceeding") to which the documents the Executive previously delivered to the Company pursuant to Section 12 hereof may relate, the Company shall provide the Executive with access to such documents to the extent they are potentially related to the Proceeding.

15. ARBITRATION. The parties agree that all claims, disputes, and/or controversies arising under this Agreement and/or related to the Executive's employment hereunder or the termination of such employment (whether or not based on contract, tort or upon any federal, state or local statute, including but not limited to claims asserted under the Age Discrimination in Employment Act, as amended, Title VII of the Civil Rights Act of 1964, as amended, any state Fair Employment Practices Act, and/or the Americans with Disabilities Act), shall be resolved exclusively through mediation/arbitration by JAMS, in the County of New York in the State of New York, in accordance with the JAMS Rules and Procedures for Mediation/Arbitration of Employment Disputes; provided, however, that in the event that the Company alleges that the Executive is in breach of any of the provisions contained in Section 4, 12, 13 or 16 of this Agreement, the Company shall not be exclusively required to submit such dispute to mediation/arbitration. In such event, the Company may, at its option, seek and obtain from any court having jurisdiction, injunctive or equitable relief, in addition to pursuing at arbitration all other remedies available to it (including without limitation any claims for relief arising out of any breach of Section 4, 12, 13 or 16 of this Agreement). In the event that the Company chooses to bring any such suit, proceeding or action for injunctive or equitable relief in an appropriate court, the Executive hereby waives Executive's right, if any, to trial by jury, and hereby waive Executive's right, if any, to interpose any counterclaim or set-off for any cause whatever and agree to arbitrate any and all such claims.

16. Restrictive Covenant. You acknowledge and recognize the highly competitive nature of the businesses of the Company and its subsidiaries and affiliates and accordingly agrees as follows:

a. During your employment with the Company and for a period of one (1) year from the date of termination of your employment for any reason (the "Restriction Period"), you shall not, in in any geographic area in which such business was so conducted by the Company or any of its affiliates, directly or indirectly, either as principal, agent, employee, consultant, partner, officer, director, shareholder, or in any other individual or representative capacity, own, manage, finance, operate, control or otherwise engage or participate in any manner or fashion in the business of (i) creating, supplying and distributing real money, social and/or virtual gaming, gambling and betting content, games and systems for lotteries, gaming and/or betting operators and retail customers, worldwide, distributed and/or accessible through physical locations and using online means and/or mobile devices, and (ii) providing gambling and lottery services, server-based gaming, virtual sports betting, electronic table gaming, licensing of gaming software, sale, rental and lease of gaming machines and equipment, betting and lottery content, video lottery terminals, ticket dispensing apparatus and distributing betting and lottery content online or via mobile, remote and field support and development related to the provision of the aforementioned and anything ancillary which is materially similar to such goods and services, and other business(s) of the Company from time to time or those parts of the business(es) of the Company and any Group Company with which you were involved to a material extent in the six months before Termination.

b. In addition to, and not in limitation of, the provisions of Section 16(a), you agree, for the benefit of the Company and its affiliates, that during the Restriction Period, you shall not, directly or indirectly, either as principal, agent, employee, consultant, partner, officer, director, shareholder, or in any other individual or representative capacity, on your behalf or any other person or entity other than the Company or its affiliates (i) solicit or induce, or attempt to solicit or induce, directly or indirectly, any person who is, or during the six months prior to the termination of your employment with the Company was, an employee or agent of, or consultant to, the Company or any of its affiliates to terminate its, his or her relationship therewith, or (ii) hire or engage any person who is, or during the six months prior to the termination of your employment with the Company was, an employee, agent of or consultant to the Company or any of its affiliates.

c. You understand that the provisions of this Section 16 may limit your ability to earn a livelihood in a business similar to the business of the Company but you nevertheless agree and hereby acknowledge that (i) such provisions do not impose a greater restraint than is necessary to protect the goodwill or other business interests of the Company, (ii) such provisions contain reasonable limitations as to time and scope of activity to be restrained, (iii) such provisions are not harmful to the general public, (iv) such provisions are not unduly burdensome to you, and (v) the consideration provided hereunder is sufficient to compensate you for the restrictions contained in this Section 16. In consideration of the foregoing and in light of your education, skills and abilities, you agree that you shall not assert that, and it should not be considered that, any provisions of Section 16 otherwise are void, voidable or unenforceable or should be voided or held unenforceable.

d. It is expressly understood and agreed that although you and the Company consider the restrictions contained in this Section 16 to be reasonable, if a judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against you, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

e. In the event that you violate any of the restrictive covenants set forth in Sections 16(a) or 16(b), in addition to any other remedy which may be available (i) at law or in equity, (ii) pursuant to any other provision of this Agreement or (iii) pursuant to any applicable equity award agreement, all outstanding stock options to purchase shares of Inspired common stock and other unvested equity awards granted to you shall be automatically forfeited effective as of the date on which such violation first occurs.

17. PARACHUTE PAYMENTS.

a. Notwithstanding anything to the contrary contained in this Agreement, to the extent that any amount, stock option, restricted stock, RSUs, other equity awards or benefits paid or distributed to the Executive pursuant to this Agreement or any other agreement or arrangement between the Company and the Executive (collectively, the "280G Payments") (a) constitute a "parachute payment" within the meaning of Section 280G of the Code and (b) but for this Section 16, would be subject to the excise tax imposed by Section 4999 of the Code, then the 280G Payments shall be payable either (i) in full or (ii) in such lesser amount which would result in no portion of such 280G Payments being subject to excise tax under Section 4999 of the Code; whichever of the foregoing amounts, taking into account the applicable federal, state and local income or excise taxes (including the excise tax imposed by Section 4999) results in the Executive's receipt on an after-tax basis, of the greatest amount of benefits under this Agreement, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. Unless the Executive and the Company otherwise agree in writing, any determination required under this Section shall be made in writing by an independent public accountant selected by the Company (the "Accountants"), whose determination shall be conclusive and binding upon the Executive and the Company for all purposes. For purposes of making the calculations required by this Section, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section, as well as any reasonable legal or accountant expenses, or any additional taxes, that the Executive may incur as a result of any calculation errors made by the Accountant and/or the Company in connection with the Code Section 4999 excise tax analysis contemplated by this Section.

b. Additional 280G Payments. If the Executive receives reduced 280G Payments by reason of this Section 17 and it is established pursuant to a final determination of the court or an Internal Revenue Service proceeding that the Executive could have received a greater amount without resulting in an excise tax, then the Company shall promptly thereafter pay the Executive the aggregate additional amount which could have been paid without resulting in an excise tax as soon as practicable.

c. Review of Accountant Determinations. The parties agree to cooperate generally and in good faith with respect to (i) the review and determinations to be undertaken by the Accountants as set forth in this Section 17 and (ii) any audit, claim or other proceeding brought by the Internal Revenue Service or similar state authority to review or contest or otherwise related to the determinations of the Accountants as provided for in this Section 17, including any claim or position taken by the Internal Revenue Service that, if successful, would require the payment by the Executive of any additional excise tax, over and above the amounts of excise tax established under the procedure set forth in this Section 17.

d. Order of 280G Payment Reduction. The reduction of 280G Payments, if applicable, shall be effected in the following order (unless the Executive, to the extent permitted by Section 409A of the Code ("Code Section 409A"), shall elect another method of reduction by written notice to the Company prior to the Section 280G event): (i) payments that are payable in cash that are valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced (if necessary, to zero), with amounts that are payable last reduced first; (ii) payments and benefits due in respect of any equity valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24), will next be reduced; (iii) payments that are payable in cash that are valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with amounts that are payable last reduced first, will next be reduced; (iv) payments and benefits due in respect of any equity valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24), will next be reduced; and (v) all other non-cash benefits not otherwise described in clauses (ii) or (iv) will be next reduced pro-rata. Any reductions made pursuant to each of clauses (i)-(v) above will be made in the following manner: first, a pro-rata reduction of cash payment and payments and benefits due in respect of any equity awards not subject to Code Section 409A, and second, a pro-rata reduction of cash payments and payments and benefits due in respect of any equity subject to Code Section 409A as deferred compensation.

18. NOTICES.

All notices, demands, requests or other communications required or permitted to be given or made hereunder shall be in writing and shall be delivered, telecopied, emailed or mailed by first class registered or certified mail, postage prepaid, addressed as follows:

(a) If to the Company:

Inspired Entertainment, Inc.
250 West 57th Street, Suite 2223
New York, New York 10107
Attention: Secretary
Telecopy:
with a copy (which shall not constitute notice) to:

Douglas Ellenoff, Esq.
Ellenoff Grossman & Schole LLP
11345 Avenue of the Americas
New York, NY 10105
Telecopy: (212)370-7889

(b) If to the Executive:

Brooks H. Pierce
c/o Inspired Entertainment, Inc.
250 West 57th Street, Suite 2223
New York, New York 10107
Email: brooks.pierce@bhpgroup.net

or to such other address as may be designated by either party in a notice to the other. Each notice, demand, request or other communication that shall be given or made in the manner described above shall be deemed sufficiently given or made for all purposes three (3) days after it is deposited in the U.S. mail, postage prepaid, or at such time as it is delivered to the addressee (with the return receipt, the delivery receipt, the answer back or the affidavit of messenger being deemed conclusive evidence of delivery) or at such time as delivery is refused by the addressee upon presentation or, for Email, immediately upon receipt by the sender of a read receipt.

19. MISCELLANEOUS.

a. The Executive hereby confirms that by virtue of entering into this Agreement he will not be in breach of any express or implied terms of any Court Order, contract or of any other obligation legally binding upon Executive.

b. Any benefits provided by the Company to the Executive or Executive's family which are not expressly referred to in this Agreement shall be regarded as ex-gratia benefits provided at the entire discretion of the Company and shall not form part of the Executive's contract of employment.

20. SECTION 409A.

a. The intent of the parties hereto is that payments and benefits under this Agreement are either exempt from or comply with Code Section 409A and, accordingly, to the extent permitted, this Agreement shall be interpreted to that end; provided, that no such interpretation shall be used to diminish the Executive's rights and entitlements hereunder to any payment or benefit which is not subject to Code Section 409A.

b. If any payment, compensation or other benefit provided to the Executive in connection with Executive's employment termination is determined, in whole or in part, to constitute "nonqualified deferred compensation" within the meaning of Code Section 409A and the Executive is a "specified employee" as defined in Code Section 409A, no part of such payments shall be paid before the day that is six (6) months plus one (1) day after the Executive's date of termination or, if earlier, the Executive's death (the "New Payment Date"). The aggregate of any payments that otherwise would have been paid to the Executive during the period between the date of termination and the New Payment Date shall be paid to Executive in a lump sum on such New Payment Date. Thereafter, any payments that remain outstanding as of the day immediately following the New Payment Date shall be paid without delay over the time period originally scheduled, in accordance with the terms of this Agreement.

c. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Code Section 409A upon or following a termination of employment until such termination is also a "separation from service" within the meaning of Code Section 409A and for purposes of any such provision of this Agreement, references to a "resignation," "termination," "terminate," "termination of employment" or like terms shall mean separation from service.

d. All reimbursements for expenses under Section 8 of this Agreement shall be paid in no event later than the end of the calendar year following the calendar year in which the Executive incurs such expense. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (ii) the amount of expenses eligible for reimbursements or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year.

e. Whenever a payment under this Agreement specifies a payment period with reference to a number of days (e.g., "payment shall be made within thirty (30) days following the date of termination"), the actual date of payment within the specified period shall be within the sole discretion of the Company.

f. If under this Agreement, an amount is paid in two or more installments, for purposes of Code Section 409A, each installment shall be treated as a separate payment.

21. DEFINITIONS AND INTERPRETATION.

a. In this Agreement unless the context otherwise requires the following expressions have the following meanings:

i. "Board" means the Board of Directors of the Company;

ii. "Change in Control" shall be deemed to have occurred if:

1. any "person", as such term is used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, other than (A) the Company, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or (C) any corporation owned, directly or indirectly, by the stockholders of the Company (in substantially the same proportion as their ownership of shares), (a "Person") is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of securities of Parent representing 50% or more of the combined voting power of the Company's then outstanding voting securities;

2. there is consummated a merger or consolidation of the Company with any other entity, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) 50% or more of the combined voting power of the voting securities of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the beneficial owner (as defined in clause (A) above), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities; or

3. there is consummated a transaction or series of related transactions which results in the sale or transfer of all or a majority of the assets of the Company and its subsidiaries taken as a whole (determined based on value);

provided, however, that, solely to the extent necessary to comply with, or avoid adverse tax consequences under, Code Section 409A, none of the foregoing events shall be deemed to be a "Change in Control" unless such event constitutes a "change in control event" within the meaning of Code Section 409A;

iii. "Change in Control Termination Event" means the Executive's employment or other services are terminated at the discretion of the Company pursuant to Section 14(b) hereof or by the Executive for Good Reason pursuant to Section 14(c) hereof, in either case within the twelve (12) month period immediately following a Change in Control.

iv. "Code" means the U.S. Internal Revenue Code of 1986, as amended;

v. "Compensation Committee" means the compensation committee of the Board;

vi. "Control" means, with respect to any person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of shares or securities, partnership interests or other ownership interests, by contract, by membership or involvement in the board of directors, management committee or other management structure of such person, or otherwise and "Controlled" shall be construed accordingly; and

vii. "Subsidiary" means, with respect to any person, any other person that, directly or indirectly, through one or more intermediaries, Controls, is Controlled by or is under common Control with such specified person from time to time, and unless otherwise specifically provided herein, shall include a subsidiary of the Company included in the consolidated financial statements of the Company and any subsidiary not consolidated or 50 percent or less owned person with respect to which the Company exercises Control.

b. References in this Agreement to Sections are to sections in this Agreement.

c. References in this Agreement to statutes or regulations shall include any statute or regulation modifying, re-enacting, extending or made pursuant to the same or which is modified, re-enacted or extended by the same. Headings are for ease of reference only and shall not be taken into account in the construction of this Agreement. Words importing the singular number shall include the plural and vice versa and words importing the masculine shall include the feminine and neuter and vice versa

d. This Agreement contains the entire understanding between the parties and supersedes all (if any) subsisting agreements, arrangements and understandings (written or oral) relating to the employment of the Executive which such agreements, arrangements and understandings shall be deemed to have been terminated by mutual consent. The Executive acknowledges that he has not entered into this Agreement in reliance on any warranty, representation or undertaking which is not contained in or specifically incorporated in this Agreement. This Agreement may not be amended or terminated orally, but only by a writing executed by the parties hereto.

e. The various sections and sub-sections of this Agreement are severable and if any Section or Sub-Section or identifiable part thereof is held to be invalid or unenforceable by any court of competent jurisdiction then such invalidity or unenforceability shall not affect the validity or enforceability of the remaining sections or sub-sections or identifiable parts thereof in this Agreement. The Company and Executive agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement will be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

f. The substantive laws of the State of New York in the United States shall govern this Agreement. Executive acknowledges that there is no adequate remedy at law for any breach or threatened breach of the provisions of Sections 12 or 13 of this Agreement and that, in addition to any other remedies to which it or he may otherwise be entitled as a matter of law, the Company shall be entitled to injunctive relief in the event of any such breach or threatened breach.

g. The Company and Executive hereby consent to the exclusive jurisdiction of the federal and state courts in the State of New York, irrevocably waive any objection it or he may now or hereafter have to laying of the venue of any suit, action, or proceeding in connection with this Agreement in any such court, and agree that service upon it shall be sufficient if made by registered mail, and agree not to assert the defense of *forum non conveniens*.

22. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement as of the date first written above.

INSPIRED ENTERTAINMENT, INC.

By: /s/ A. Lorne Weil
Name: A. Lorne Weil
Title: Executive Chairman

EXECUTIVE

/s/ Brooks H. Pierce
Brooks H. Pierce

Exhibit 10.16

Dear Brooks Pierce:

As you know, the Convid-19 pandemic and subsequent government actions have had a material, adverse effect on the business of Inspired. Management and the Board recognize that even with significant remedial efforts outlined by the Office of the Executive Chair and approved by the Board of Directors on March 26, 2020, there can be no certainty as to the ultimate effects of the pandemic on the business if prolonged.

At the meeting, the OEC proposed and the Board accepted a scaled reduction depending on amount of base salary, starting at 12.5% for the lowest tier affected to 33% for the highest paid employees. Your reduction will be 21%.

The OEC also proposed and the Board approved, a deferral of payment of the 2019 STIP at this time as part of a cash conservation measure. The Board also deferred any award of a 2020 LTIP or construction of an interim incentive plan using shares allocated to the 2018 LTIP as well as any request to the stockholders to approve and fund a new LTIP for 2021-23.

The reduction and other actions will remain in force until further action by the Compensation Committee.

Other than the agreed temporary base salary reduction and other matters set forth above, nothing about this action alters your or the Committee's rights with regard to your employment or contract.

Thank you for staying focused on helping us get the business through this period of unprecedented turbulence. Please acknowledge and return a signed copy to Carys Damon.

Very truly yours,

/s/ Steve Saferin

Steve Saferin, Chair
Compensation Committee

Acknowledged and agreed this 28 day of March, 2020

/s/ Brooks Pierce

____

Exhibit 10.20

17.22%

Dear Dan Silvers:

As you know, the Covid-19 pandemic and subsequent government actions have had a material, adverse effect on the business of Inspired. Management and the Board recognize that even with significant remedial efforts outlined by the Office of the Executive Chair and approved by the Board of Directors on March 26, 2020, there can be no certainty as to the ultimate effects of the pandemic on the business if prolonged.

At the meeting, the OEC proposed and the Board accepted a scaled reduction depending on amount of base salary, starting at 12.5% for the lowest tier affected to ~~33%~~ for the highest paid employees. Your reduction will be ~~18%~~.

The OEC also proposed and the Board approved, a deferral of payment of the 2019 STIP at this time as part of a cash conservation measure. The Board also deferred any award of a 2020 LTIP or construction of an interim incentive plan using shares allocated to the 2018 LTIP as well as any request to the stockholders to approve and fund a new LTIP for 2021-23.

The reduction and other actions will remain in force until further action by the Compensation Committee.

Other than the agreed temporary base salary reduction and other matters set forth above, nothing about this action alters your or the Committee's rights with regard to your employment or contract.

Thank you for staying focused on helping us get the business through this period of unprecedented turbulence. Please acknowledge and return a signed copy to Carys Damon.

Very truly yours

/s/ Steve Saferin

Steve Saferin, Chair

Compensation Committee

33.3%

Acknowledged and agreed this 28 day of March, 2020

/s/ Daniel B. Silvers

Dear Stewart Baker:

As you know, the Covid-19 pandemic and subsequent government actions have had a material, adverse effect on the business of Inspired. Management and the Board recognize that even with significant remedial efforts outlined by the Office of the Executive Chair and approved by the Board of Directors on March 26, 2020, there can be no certainty as to the ultimate effects of the pandemic on the business if prolonged.

At the meeting, the OEC proposed and the Board accepted a scaled reduction depending on amount of base salary, starting at 12.5% for the lowest tier affected to 33% for the highest paid employees. Your reduction will be 17%.

The OEC also proposed and the Board approved, a deferral of payment of the 2019 STIP at this time as part of a cash conservation measure. The Board also deferred any award of a 2020 LTIP or construction of an interim incentive plan using shares allocated to the 2018 LTIP as well as any request to the stockholders to approve and fund a new LTIP for 2021-23.

The reduction and other actions will remain in force until further action by the Compensation Committee.

Other than the agreed temporary base salary reduction and other matters set forth above, nothing about this action alters your or the Committee's rights with regard to your employment or contract.

Thank you for staying focused on helping us get the business through this period of unprecedented turbulence. Please acknowledge and return a signed copy to Carys Damon.

Very truly yours,

/s/ Steve Saferin

Steve Saferin, Chair
Compensation Committee

Acknowledged and agreed this 30 day of March, 2020

/s/ Stewart Baker

____

Dear Carys Damon:

As you know, the Covid-19 pandemic and subsequent government actions have had a material, adverse effect on the business of Inspired. Management and the Board recognize that even with significant remedial efforts outlined by the Office of the Executive Chair and approved by the Board of Directors on March 26, 2020, there can be no certainty as to the ultimate effects of the pandemic on the business if prolonged.

At the meeting, the OEC proposed and the Board accepted a scaled reduction depending on amount of base salary, starting at 12.5% for the lowest tier affected to 33% for the highest paid employees. Your reduction will be 17%.

The OEC also proposed and the Board approved, a deferral of payment of the 2019 STIP at this time as part of a cash conservation measure. The Board also deferred any award of a 2020 LTIP or construction of an interim incentive plan using shares allocated to the 2018 LTIP as well as any request to the stockholders to approve and fund a new LTIP for 2021-23.

The reduction and other actions will remain in force until further action by the Compensation Committee.

Other than the agreed temporary base salary reduction and other matters set forth above, nothing about this action alters your or the Committee's rights with regard to your employment or contract.

Thank you for staying focused on helping us get the business through this period of unprecedented turbulence. Please acknowledge and return a signed copy to me.

Very truly yours,

/s/ Steve Saferin

Steve Saferin, Chair
Compensation Committee

Acknowledged and agreed this 30 day of March, 2020

/s/ Carys Damon

Exhibit 21.1

SUBSIDIARIES

DMWSL 633 Limited
DMWSL 632 Limited
DMWSL 631 Limited
Inspired Gaming (USA) Inc.
Gaming Acquisitions Limited
Inspired Gaming Group Limited
Inspired Gaming (Holdings) Limited
Ever 2532 Limited
Inspired Gaming (International) Limited
Virtual Racing Systems Limited
Inspired Gaming (UK) Limited
Inspired Gaming Limited
Leisure Link Electronic Entertainment Limited
Revolution Entertainment Systems Holdings Limited
Revolution Entertainment Systems Limited
Revolution Entertainment Systems (2) Limited
115CR (150) Limited
Inspired Gaming Spain S L
Inspired Gaming (Gibraltar) Limited
Inspired Gaming Pension Trustees Limited
Inspired Gaming (Colombia) Limited
Inspired Gaming (Italy) Limited
Inspired Gaming (Greece) Limited
Inspired Software Development (India) LLP
Gamestec Leisure Limited
Bell-Fruit Group Limited
Bell-Fruit Games Limited
Astra Games LTD
Harlequin Gaming Limited
Playnation Limited
Leisure Projects Limited
Fun House Leisure Sales Limited
Fun House Leisure Limited
Inspired Entertainment (Malta) Holdings Limited
Inspired Entertainment (Malta) Limited

All subsidiary companies are incorporated in England and Wales with the exception of Inspired Gaming (Gibraltar), Inspired Gaming Spain S L, Inspired Gaming (USA) Inc., Inspired Entertainment (Malta) Limited, Inspired Entertainment (Malta) Holdings Limited, Inspired Software Development (India) LLP and Fun House Leisure Limited which are incorporated in Gibraltar, Spain, Delaware, Malta, India and Scotland respectively.

Exhibit 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of Inspired Entertainment, Inc. and Subsidiaries on Form S-8 (File Nos. 333-210295, 333-222238 and 333-226909) and Form S-3 (File No. 333-217215) of our report dated March 30, 2020, with respect to our audits of the consolidated financial statements of Inspired Entertainment, Inc. and Subsidiaries as of December 31, 2019 and September 30, 2018 and for the year ended December 31, 2019, for the three months ended December 31, 2018 and for the year ended September 30, 2018, which report is included in this Annual Report on Form 10-K of Inspired Entertainment, Inc. for the year ended December 31, 2019.

Our report on the consolidated financial statements refers to a change in the method of accounting for leases in 2019 due to the adoption of ASU No. 2016-02, Leases (Topic 842), as amended, effective January 1, 2019 using the modified retrospective approach.

/s/ Marcum LLP

Marcum LLP
Melville, NY
March 30, 2020

EXHIBIT 31.1

CERTIFICATION

I, A. Lorne Weil, certify that:

1. I have reviewed this Annual Report on Form 10-K of Inspired Entertainment, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 30, 2020

/s/ A. Lorne Weil
A. Lorne Weil
Executive Chairman
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Stewart F.B. Baker, certify that:

1. I have reviewed this Annual Report on Form 10-K of Inspired Entertainment, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: March 30, 2020

/s/ Stewart F.B. Baker

Stewart F.B. Baker
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Inspired Entertainment, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission (the "Report"), I, A. Lorne Weil, Executive Chairman of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Dated: March 30, 2020

By: /s/ A. Lorne Weil
A. Lorne Weil
Executive Chairman
(Principal Executive Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Inspired Entertainment, Inc. (the “Company”) on Form 10-K for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission (the “Report”), I, Stewart F.B. Baker, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 30, 2020

By: /s/ Stewart F.B. Baker
Stewart F.B. Baker
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.