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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

__________, Individually and on behalf of all others similarly situated, Plaintiff, v. INSPIRED ENTERTAINMENT, INC., A. LORNE WEIL, BROOKS PIERCE, STEWART F.B. BAKER, ANDREW C. STONE, Defendants.	**Case No:** **CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS** JURY TRIAL DEMANDED

Plaintiff ______ ("Plaintiff"), individually and on behalf of all other persons similarly situated, by Plaintiff's undersigned attorneys, for Plaintiff's complaint against Defendants (defined below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff's own acts, and information and belief as to all other matters, based upon, among other things, the investigation conducted by and through his attorneys, which included, among other things, a review of the Defendants' public documents, public filings, wire and press releases published by and regarding Inspired Entertainment, Inc. ("Inspired" or the "Company"), and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a class action on behalf of persons or entities who purchased or otherwise acquired publicly traded Inspired securities between March 31, 2022 and November 8, 2023, inclusive (the "Class Period"). Plaintiff seeks to recover compensable damages caused by Defendant's violations of the federal securities laws under the Securities Exchange Act of 1934 (the "Exchange Act")

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

3. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, and Section 27 of the Exchange Act (15 U.S.C. §78aa).

4. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)) as the alleged misstatements entered and the subsequent damages took place in this judicial district.

5. In connection with the acts, conduct and other wrongs alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

6. Plaintiff __________, as set forth in the accompanying certification, incorporated by reference herein, purchased Inspired securities during the Class Period and was economically damaged thereby.

7. Defendant Inspired describes itself as a "global gaming technology company, supplying content, platform, gaming terminals and other products and services to online and land-based regulated lottery, betting and gaming operators worldwide through a broad range of distribution channels, predominantly on a business-to-business basis. [. . .]."

8. Inspired incorporated in Delaware and its head office is located at 250 West 57th Street, Suite 415, New York, N.Y. Inspired's common stock trades on the NASDAQ Exchange ("NASDAQ") under the ticker symbol "INSE".

9. Defendant A. Lorne Weil ("Weil") has served as the Company's Executive Chairman since December 2016. He is the Company's principal executive officer.

10. Defendant Brooks Pierce ("Pierce") has served as the Company's Chief Executive Officer ("CEO") and President since 2018.

11. Defendant Stewart F.B. Baker ("Baker") has served as the Company's Chief Financial Officer since January 2017.

12. Defendant Andrew C. Stone ("Stone") served as the Company's Interim Principal Financial and Accounting Officer from February 28, 2022 to April 1, 2022.

13. Defendants Weil, Pierce, Baker, and Stone are collectively referred to herein as the "Individual Defendants."

14. Each of the Individual Defendants:

(a) directly participated in the management of the Company;

(b) was directly involved in the day-to-day operations of the Company at the highest levels;

(c) was privy to confidential proprietary information concerning the Company and its business and operations;

(d) was directly or indirectly involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein;

(e) was directly or indirectly involved in the oversight or implementation of the Company's internal controls;

(f) was aware of or recklessly disregarded the fact that the false and misleading statements were being issued concerning the Company; and/or

(g) approved or ratified these statements in violation of the federal securities laws.

15. Inspired is liable for the acts of the Individual Defendants and its employees under the doctrine of *respondeat superior* and common law principles of agency because all of the wrongful acts complained of herein were carried out within the scope of their employment.

16. The scienter of the Individual Defendants and other employees and agents of the Company is similarly imputed to the Company under *respondeat superior* and agency principles.

17. Inspired and the Individual Defendants are collectively referred to herein as "Defendants."

SUBSTANTIVE ALLEGATIONS

Materially False and Misleading Statements Issued During the Class Period

18. On March 31, 2022, after market hours, Inspired filed with the SEC its Annual report on Form 10-K for the year ended December 31, 2021 (the "2021 Annual Report"). Attached to the 2021 Annual Report were certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") signed by Defendants Weil and Stone attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting and the disclosure of all fraud.

19. The 2021 Annual Report contained the following report on internal control over financial reporting. It stated, in pertinent part:

> The Company has not established an effective control environment due to the ineffective design and implementation of certain process controls, including management review controls. These controls pertain to accounting estimates, account reconciliations and approval processes of some of the Company's significant accounts. These deficiencies represent material weaknesses in the Company's internal control over financial reporting as there is a reasonable possibility that a material misstatement with respect to certain of the Company's significant accounts and disclosures will not be prevented or detected on a timely basis.
>
> Factors contributing to the Risk Assessment and Response Material Weakness included the fact that during 2021, the Company centralized all its finance functions into one location and implemented a new Enterprise Resource Planning ("ERP") System ***which went live much later in the year than initially planned, as it had to be put on hold due to the impact that the COVID-19 pandemic had on the Company***. As a result, there was insufficient time prior to year-end to implement or operate certain controls which were newly designed or re-designed as a result of the impact of the ERP implementation. ***The Company has also been without its Chief Financial Officer for a period of time due to illness, which required a redistribution of roles and responsibilities, including those related to controls***.
>
> (Emphasis added).

20. This statement was materially false and misleading because, by emphasizing unusual circumstances leading to internal control weaknesses, such as the COVID-19 pandemic and the Chief Financial Officer's illness, the Company materially understated its issues with

internal controls over financial reporting, which continued into 2022 and through the first two quarters of 2023.

21. The 2021 Annual Report contained the following statement on the evaluation of disclosure controls and procedures, in which the Company emphasized additional steps taken to ensure the accuracy of the financial statements included in the report:

> Disclosure controls and procedures are 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***. Based on this evaluation, the Certifying Officers concluded that the Company's disclosure controls and procedures were not effective, due to the material weakness described below.
>
> ***In light of this material weakness, we performed additional analysis as deemed necessary to ensure that our financial statements were prepared in accordance with U.S. generally accepted accounting principles. Accordingly, management believes that the financial statements included in this Annual Report on Form 10-K present fairly in all material respects our financial position, results of operations and cash flows for the periods presented***.
>
> (Emphasis added).

22. This statement was materially false and misleading because, by admitting that there was an issue with internal control over financial reporting, but then emphasizing that management believed that the financial statements were accurate, Inspired materially understated its issues with internal control over financial reporting.

23. The 2021 Annual Report contained the following information on 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") 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 \$3.1 million, \$3.9 million and \$3.8 million were expensed during the year ended December 31, 2021, 2020 and 2019, respectively. Employee related costs associated with related product development are included in Selling, general and administrative expenses in the Consolidated Statement of Operations and Comprehensive Loss.

(Emphasis added).

24. This statement was materially false and misleading because, in the 2021 Annual Report, the Company had made accounting errors relating to the compliance with U.S. generally accepted accounting principles ("GAAP") in connection with the Company's accounting policies for capitalizing software development costs.

25. The 2021 Annual Report included, in pertinent part, the following balance sheet:

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

	December 31, 2021	December 31, 2020
Assets		
Cash	$ 47.8	$ 47.1
Accounts receivable, net	31.7	27.5
Inventory, net	16.9	17.6
Prepaid expenses and other current assets	29.7	16.8
Corporate tax and other current taxes receivable	0.3	—
Total current assets	**126.4**	**109.0**
Property and equipment, net	50.9	65.5
Software development costs, net	35.6	42.4
Other acquired intangible assets subject to amortization, net	18.9	7.7
Goodwill	82.7	83.7
Operating lease right of use asset	10.1	12.5
Other assets	7.1	3.3
Total assets	**$ 331.7**	**$ 324.1**
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable	$ 20.8	$ 15.8
Accrued expenses	32.6	31.4
Corporate tax and other current taxes payable	12.3	14.4
Deferred revenue, current	7.7	11.5
Operating lease liabilities	3.3	3.6
Other current liabilities	3.9	4.6
Warrant liability	—	13.0
Current portion of finance lease liabilities	0.9	0.6
Total current liabilities	**81.5**	**94.9**
Long-term debt	309.0	297.5
Finance lease liabilities, net of current portion	1.9	0.2
Deferred revenue, net of current portion	6.8	11.4
Derivative liability	—	1.7
Operating lease liabilities	7.4	9.2
Other long-term liabilities	3.1	10.9
Total liabilities	**409.7**	**425.8**

26. This statement was materially false and misleading due to certain accounting errors.

27. The 2021 Annual Report included the following information on software development costs:

7. Software Development Costs, net

Software development costs, net consisted of the following:

	December 31, 2021	December 31, 2020
	(in millions)	
Software development costs	$ 160.9	$ 149.6
Less: accumulated amortization	(125.3)	(107.2)
	$ 35.6	$ 42.4

During the years ended December 31, 2021 and 2020, the Company capitalized $13.6 million and $14.6 million of software development costs, respectively. Amounts in the above table include $2.2 million and $0.8 million of internal use software as of December 31, 2021 and 2020, respectively.

The total amount of software costs amortized was $20.0 million, $20.0 million and $16.4 million for the years ended December 31, 2021, 2020, and 2019, respectively. Software costs written down to net realizable value amounted to $0.2 million, $0.0 million and $0.4 million for the years ended December 31, 2021, 2020 and 2019, respectively. The weighted average amortization period was 3.3 years, 3.2 years and 3.0 years for the years ended December 31, 2021, 2020 and 2019, respectively.

28. This statement was materially false and misleading because the Company had made certain errors with accounting for capitalization of software development costs.

29. On March 16, 2023, after market hours, Inspired filed with the SEC its Annual report on Form 10-K for the year ended December 31, 2022 (the "2022 Annual Report"). Attached to the 2022 Annual Report were certifications pursuant to SOX signed by Defendants Weil and Stone attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting and the disclosure of all fraud.

30. The 2022 Annual Report contained the following evaluation of disclosure controls and procedures, in which the Company emphasized additional steps taken to ensure the accuracy of the financial statements included in the report:

> Disclosure controls and procedures are 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. Based on this evaluation, the Certifying Officers concluded that the Company's disclosure controls and procedures at December 31, 2022 were not effective, due to the material weaknesses described below.

> In light of these material weaknesses, we performed additional analyses as deemed necessary to ensure that our financial statements were prepared in accordance with U.S. generally accepted accounting principles. **Accordingly, management believes that the financial statements included in this Annual Report on Form 10-K present fairly in all material respects our financial position, results of operations, and cash flows for the periods presented.**

(Emphasis in original).

31. This statement was materially false and misleading because, by disclosing that there was an issue with internal control over financial reporting, but then emphasizing that management believed that the financial statements were accurate, Inspired materially understated its issues with internal control over financial reporting.

32. The 2022 Annual Report contained the following statement regarding the Company's remediation efforts in response to weaknesses identified in the 2021 Annual Report:

> As previously disclosed in Item 9A of our Annual Report on Form10-K for the year ended December 31, 2021, management identified a material weakness in internal control over financial reporting relating to an ineffective risk assessment and response process (the "Risk Assessment and Response Material Weakness"). Namely, the Company had not established an effective control environment due to the ineffective design and implementation of certain process controls, including management review controls. These controls pertain to accounting estimates, account reconciliations, and approval processes of some of the Company's significant accounts. These deficiencies represented material weaknesses in the Company's internal control over financial reporting as there was a reasonable possibility that a material misstatement with respect to certain of the Company's significant accounts and disclosures would not be prevented or detected on a timely basis. Factors contributing to the Risk Assessment and Response Material Weakness included the fact that during 2021, the Company centralized all its finance functions into one location and implemented a new Enterprise Resource Planning ("ERP") system which went live much later in the year than initially planned, as it had to be put on hold due to the impact that the COVID-19 pandemic had on the Company. As a result, there was insufficient time prior to year-end to implement or operate certain controls which were newly designed or re-designed as a result of the impact of the ERP implementation. ***The Company had also been without its Chief Financial Officer for a period of time due to illness, which required a redistribution of roles and responsibilities, including those related to controls***.
>
> ***We have remediated this previously reported Risk Assessment and Response Material Weakness*** by (1) establishing an executive steering committee to monitor the remediation of the underlying control deficiencies, (2) hiring an additional SOX specialist in June 2022 to support the Chief Financial Officer and Director of Finance, (3) increasing the use our outsourced SOX service provider to assist in all aspects of our SOX program, (4) providing one-on-one training to control owners who are part of our broader accounting and

> operations teams on control execution and related documentation and evidence, (5) re-mapping internal control over financial reporting to risks and financial statement assertions, (6) remediating previously identified control gaps or deficient controls by implementing newly designed controls and/or enhancing the operation and/or underlying evidence of existing controls, (7) expanding business process narratives with enhanced details of process flows and controls, and (8) enhancing the documentation of the execution of management review controls. The Company completed its testing of the effectiveness of the remediated, newly designed, and re-designed controls and, other than those relating to the material weaknesses identified below, noted no material control deficiencies. ***As a result, management concluded that the Risk Assessment and Response Material Weakness was remediated as of December 31, 2022***.

(Emphasis added).

33. This statement was materially false and misleading because there were other internal control weaknesses at the time the 2021 Annual Report was filed with the SEC, which were not disclosed or remediated by the time the 2022 Annual Report was filed. Specifically, the 2021 Annual Report contained errors relating to the compliance with U.S. GAAP in connection with the Company's accounting policies for capitalizing software development costs.

34. The 2022 Annual Report contained the following information regarding current material weaknesses:

> *Segregation of Duties*
>
> Management has identified internal control deficiencies due to IT program and data changes affecting the Company's financial IT applications and underlying accounting records, not being identified, tested, authorized, and implemented appropriately to validate that data produced by its relevant IT system(s) was complete and accurate. Automated process-level controls and manual controls that are dependent upon the information derived from such financially relevant systems were also determined to be ineffective as a result of such deficiency and there was not appropriate segregation of duties that would adequately restrict user and privileged access to the financially relevant systems and data to the appropriate Company personnel. Management has concluded that the likelihood that these deficient controls would fail to prevent or detect a material misstatement is a reasonable possibility and rise to a material weakness in the aggregate.
>
> Management is planning to remediate the design of segregation of duties incompatibilities during 2023 by changing access levels, and reviewers, and updating policies. ***Despite this deficiency, Management is not aware of any resulting financial statement misstatements and, additionally, management has undertaken a retrospective analysis of 2022 transactions of individuals with such incompatibilities and our analysis indicates that none of the changes made was incorrect or inappropriate***.

> *Holiday Park Cash Collections*
>
> Management has identified a deficiency in one aspect of our cash collection process related to the completeness and accuracy (risk of understatement) of our recording of cash collection amounts relating to our holiday park business in that the process for reviewing and approving cash receipts was not consistently documented or implemented.
>
> ***Despite this deficiency, management is not aware of any resulting financial statement misstatements or cash count discrepancies and management is planning to remediate the material weakness during 2023 by implementing new or enhanced controls around cash collections at holiday parks***.
>
> *Contract Approvals*
>
> Management has identified a deficiency related to the design and operation of the Company's contract review and approval process in relation to certain contract amendments.
>
> ***Despite this deficiency, Management is not aware of any resulting financial statement misstatements or inappropriate contract terms and management is planning to remediate the material weakness during 2023 by implementing new or enhanced controls around contracting with customers, specifically as it relates to contract amendments***.
>
> With respect to each of the above, management has begun the remediation process, however the material weaknesses cannot be considered fully remediated until it is demonstrated that the new or enhanced controls and other impacted or dependent controls have operated effectively for a sufficient period of time.
>
> (Emphasis added).

35. This statement was materially false and misleading because the Company had a material weakness in internal controls in connection with the Company's accounting policies for capitalizing software development costs.

36. The 2022 Annual Report contained the following statement on 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") 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, with the exception of research and development related primarily to software product development costs, which is expensed until technological feasibility has been established. Total research and development costs amounted to $16.1 million, $13.8 million and $15.0 million in the years ended December 31, 2022, 2021 and 2020, respectively. Research and development costs amounting to $1.5 million, $3.1 million and $3.9 million were expensed to Selling, general and administrative expenses during the year ended December 31, 2022, 2021 and 2020, respectively. Research and development costs amounting to $14.6 million, $10.7 million and $11.1 million were capitalized during the year ended December 31, 2022, 2021 and 2020, respectively. Employee related costs associated with related product development are included in Selling, general and administrative expenses in the Consolidated Statement of Operations and Comprehensive Income (Loss).
>
> (Emphasis added).

37. This statement was materially false and misleading because, in the 2022 Annual Report, the Company had made accounting errors relating to the compliance with U.S. generally accepted accounting principles ("GAAP") in connection with the Company's accounting policies for capitalizing software development costs.

38. The 2022 Annual Report included the following balance sheet:

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

	December 31, 2022	December 31, 2021
Assets		
Cash	$ 25.0	$ 47.8
Accounts receivable, net	40.5	31.7
Inventory, net	31.0	16.9
Prepaid expenses and other current assets	32.1	30.0
Total current assets	**128.6**	**126.4**
Property and equipment, net	44.7	50.9
Software development costs, net	35.8	35.6
Other acquired intangible assets subject to amortization, net	14.7	18.9
Goodwill	73.9	82.7
Operating lease right of use asset	8.3	10.1
Other assets	3.4	7.1
Total assets	**$ 309.4**	**$ 331.7**
Liabilities and Stockholders' Deficit		
Current liabilities		
Accounts payable	$ 25.7	$ 20.8
Accrued expenses	28.5	32.6
Corporate tax and other current taxes payable	9.3	12.3
Deferred revenue, current	4.8	7.7
Operating lease liabilities	2.8	3.3
Other current liabilities	2.6	3.9
Current portion of finance lease liabilities	1.0	0.9
Total current liabilities	**74.7**	**81.5**
Long-term debt	277.6	309.0
Finance lease liabilities, net of current portion	1.2	1.9
Deferred revenue, net of current portion	3.7	6.8
Operating lease liabilities	5.9	7.4
Other long-term liabilities	4.0	3.1
Total liabilities	**367.1**	**409.7**
Commitments and contingencies		

development costs.

7. Software Development Costs, net

Software development costs, net consisted of the following:

	December 31, 2022	December 31, 2021
	(in millions)	
Software development costs	$ 161.4	$ 160.9
Less: accumulated amortization	(125.6)	(125.3)
	$ 35.8	$ 35.6

During the years ended December 31, 2022 and 2021, the Company capitalized $18.5 million and $13.6 million of software development costs, respectively. Amounts in the above table include $3.4 million and $2.2 million of internal use software as of December 31, 2022 and 2021, respectively.

The total amount of software costs amortized was $14.0 million, $20.0 million and $20.0 million for the years ended December 31, 2022, 2021, and 2020, respectively. Software costs written down to net realizable value amounted to $0.4 million, $0.2 million and $0.0 million for the years ended December 31, 2022, 2021 and 2020, respectively. The weighted average amortization period was 3.4 years, 3.3 years and 3.2 years for the years ended December 31, 2022, 2021 and 2020, respectively.

41. This statement was materially false and misleading because the Company had made certain errors with accounting for capitalization of software development costs.

42. The statements contained in ¶¶ ____ were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operations, and prospects, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) Inspired Entertainment's financial statements from March 31, 2022 to the present included "certain accounting errors"; (2) as a result, Inspired Entertainment would need to restate its previously filed financial statement from March 31, 2022 to the present; and (3) as a result, Defendants' statements about its business, operations, and prospects, were materially false and misleading and/or lacked a reasonable basis at all times.

THE TRUTH EMERGES

43. On November 8, 2023, after the market closed, Inspired filed with the SEC a current report on Form 8-K announcing it would need to restate its consolidated financial statements for 2021, 2022, and the first two quarters of 2023 (the "Restatement Announcement").

44. The Restatement Announcement stated the following:

> In connection with the preparation of the financial statements of Inspired Entertainment, Inc. (the "Company") for the quarterly period ended September 30, 2023, the Company, in consultation with the Company's current independent registered public accounting firm, KPMG LLP, identified certain accounting errors relating to the compliance with U.S. GAAP in connection with the Company's accounting policies for capitalizing software development costs. ***The errors relate primarily to the application of the relevant accounting standards to projects, including the timing of capitalization with respect to software development projects and the nature of costs eligible for capitalization***. The Company is currently undertaking a review of other financial statement line items and related accounting policies to ensure U.S. GAAP compliance. The Company is currently unable to determine whether this review will result in further adjustments being required.
>
> ***On November 2, 2023, the Audit Committee (the "Audit Committee") of the Board of Directors of the Company, in consultation with the Company's management, determined that the Company's previously issued audited consolidated financial statements as of and for 2021 and 2022 included in the Company's Annual Report on Form 10-K for the years ended December 31, 2021 and 2022 and associated reports of the Company's prior independent registered public accounting firm, Marcum LLP, as well as the Company's previously issued unaudited condensed consolidated financial statements during those years, as well as for the first and second quarters of 2023 included in the Company's Quarterly Reports on Form 10-Q (the "Subject Periods")***

contained the accounting errors set forth above. As a result of these errors, the Audit Committee has determined that the Company's consolidated financial statements for the Subject Periods should no longer be relied upon and should be restated. Similarly, any previously issued or filed reports, press releases, earnings releases, investor presentations or other communications of the Company describing the Company's financial results or other financial information relating to the Subject Periods should no longer be relied upon. Additionally, the reports of Marcum LLP, the Company's former independent registered public accounting firm, on the Company's consolidated financial statements for 2021 and 2022 likewise should no longer be relied upon.

The Company's management has concluded that as a result of the financial statement errors noted above, one or more additional material weaknesses exist in the Company's internal control over financial reporting. As a result, the Company's disclosure controls and procedures were not effective during the Subject Periods, and, as such, the report of Marcum LLP on the Company's internal control over financial reporting for the year ended 2022 should no longer be relied upon. The Company will implement changes to remediate the identified material weaknesses.

As a result of the foregoing accounting errors, ***the Company intends to restate its consolidated financial statements and the notes thereto with respect to the Subject Periods in an amendment to the Company's prior Annual Report on Form 10-K for the years ended December 31, 2021 and 2022 and the Company's condensed consolidated financial statements during those years, as well as the first and second quarters of 2023 included in the Company's prior Quarterly Reports on Form 10-Q for such periods*** (the "Amended Reports") to be filed with the Securities and Exchange Commission (the "SEC"). The adjustments to such financial statement items will be set forth through expanded disclosure in the financial statements included in the Amended Reports, including further describing the restatement and its impact on previously reported amounts.

(Emphasis added).

45. On this news, the price of Inspired stock fell $3.07 per share, or 29.5%, to close at $7.33 on November 9, 2023, on unusually heavy trading volume, damaging investors.

46. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's common shares, Plaintiff and the other Class members have suffered significant losses and damages.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

47. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons other than defendants who acquired Inspired securities publicly traded on the NASDAQ during the Class Period, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of the Company, members of the Individual Defendants' immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

48. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, the Company's securities were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds, if not thousands of members in the proposed Class.

49. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

50. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

51. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the Exchange Act was violated by Defendants' acts as alleged herein;

- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business and financial condition of the Company;
- whether Defendants' public statements to the investing public during the Class Period omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- whether the Defendants caused the Company to issue false and misleading filings during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false filings;
- whether the prices of the Company's securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

52. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

53. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- the Company's securities met the requirements for listing, and were listed and actively traded on the NASDAQ, an efficient market;

- as a public issuer, the Company filed public reports;
- the Company communicated with public investors via established market communication mechanisms, including through the regular dissemination of press releases via major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services;
- the Company's securities were liquid and traded with moderate to heavy volume during the Class Period; and
- the Company was followed by a number of securities analysts employed by major brokerage firms who wrote reports that were widely distributed and publicly available.

54. Based on the foregoing, the market for the Company securities promptly digested current information regarding the Company from all publicly available sources and reflected such information in the prices of the common units, and Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

55. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information as detailed above.

COUNT I
For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder Against All Defendants

56. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

57. This Count asserted against Defendants is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

58. During the Class Period, Defendants, individually and in concert, directly or indirectly, disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

59. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- employed devices, schemes and artifices to defraud;
- made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of the Company's securities during the Class Period.

60. Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of the Company were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated, or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws. These defendants by virtue of their receipt of information reflecting the true facts of the Company, their control over, and/or receipt and/or modification of the Company's allegedly materially misleading statements, and/or their associations with the Company which made them privy to confidential

proprietary information concerning the Company, participated in the fraudulent scheme alleged herein.

61. Individual Defendants, who are or were senior executives and/or directors of the Company, had actual knowledge of the material omissions and/or the falsity of the material statements set forth above, and intended to deceive Plaintiff and the other members of the Class, or, in the alternative, acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in the statements made by them or other Company's personnel to members of the investing public, including Plaintiff and the Class.

62. As a result of the foregoing, the market price of the Company's securities was artificially inflated during the Class Period. In ignorance of the falsity of Defendants' statements, Plaintiff and the other members of the Class relied on the statements described above and/or the integrity of the market price of the Company's securities during the Class Period in purchasing the Company's securities at prices that were artificially inflated as a result of Defendants' false and misleading statements.

63. Had Plaintiff and the other members of the Class been aware that the market price of the Company's securities had been artificially and falsely inflated by Defendants' misleading statements and by the material adverse information which Defendants did not disclose, they would not have purchased the Company's securities at the artificially inflated prices that they did, or at all.

64. As a result of the wrongful conduct alleged herein, Plaintiff and other members of the Class have suffered damages in an amount to be established at trial.

65. By reason of the foregoing, Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the plaintiff and the other members

of the Class for substantial damages which they suffered in connection with their purchase of the Company's securities during the Class Period.

COUNT II
Violations of Section 20(a) of the Exchange Act
Against the Individual Defendants

66. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

67. During the Class Period, the Individual Defendants participated in the operation and management of the Company, and conducted and participated, directly and indirectly, in the conduct of the Company's business affairs. Because of their senior positions, they knew the adverse non-public information about the Company's misstatement of revenue and profit and false financial statements.

68. As officers of a public business, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to the Company's financial condition and results of operations, and to correct promptly any public statements issued by the Company which had become materially false or misleading.

69. Because of their positions of control and authority as senior executives and/or directors, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which the Company disseminated in the marketplace during the Class Period concerning the Company's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause the Company to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of the Company within the meaning of Section 20(a) of the Exchange Act.

In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Company securities.

70. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by the Company.

PRAYER FOR RELIEF

WHEREFORE, plaintiff, on behalf of himself and the Class, prays for judgment and relief as follows:

(a) declaring this action to be a proper class action, designating plaintiff as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and designating plaintiff's counsel as Lead Counsel;

(b) awarding damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, together with interest thereon;

(c) awarding plaintiff and the Class reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) awarding plaintiff and other members of the Class such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: **THE ROSEN LAW FIRM, P.A.**

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