INTERLOTT TECHNOLOGIES INC
Form 10-Q/A
August 30, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

[X] Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the Quarterly Period Ended June 30, 2002

OR

[ ] Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the Transition Period from____ to ____

Commission File Number 001-12986

INTERLOTT TECHNOLOGIES, INC.
(Exact name of Registrant as specified in its charter)

Delaware	31-1297916
(State of Incorporation)	(I.R.S. Employer Identification No.)

7697 Innovation Way, Mason, Ohio 45040
(Address of principal executive offices, including zip code)

(513) 701-7000
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve 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 X No

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date.

CLASS	OUTSTANDING AT AUGUST 14, 2002
Common Stock, $.01 Par Value	6,462,669 shares

EXPLANATORY NOTE

This amendment is filed to correct a transposition error in the Condensed Statements of Income. The original filing showed "Selling, general, and administrative expenses" for the six months ended June 30 in the three-month columns and vice versa. The error did not affect any of the other numbers reported.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INTERLOTT TECHNOLOGIES, INC.
CONDENSED BALANCE SHEETS
JUNE 30, 2002 AND DECEMBER 31, 2001

ASSETS	JU
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Current assets:	
Cash	$
Accounts receivable, less allowance for doubtful accounts of $293,101 in 2002 and $203,101 in 2001	
Investment in sales type leases, current portion	
Inventories	
Prepaid & refundable taxes	
Deferred tax asset	
Prepaid expenses	
Total current assets	
Property and equipment:	
Leased machines	
Machinery and equipment	
Building and improvements	
Furniture and fixtures	
Less accumulated depreciation and amortization	
Other assets	
Goodwill net of accumulated amortization of $166,581 in 2002 and 2001	
Value of leases acquired net of accumulated amortization of $927,550 in 2002 and $499,450 in 2001	
Investment in sales type leases, less current portion	
Product development rights, net of accumulated amortization of $843,328 in 2002 and $806,661 in 2001	
	-
	$
	=
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Notes payable to financial institutions	$
Current portion of notes payable - related parties	
Accounts payable	
Accounts payable - related party	
Accrued expenses	

Total current liabilities

Subordinated term note

Deferred tax liability

Total liabilities

Commitments and contingent liabilities:

Interest rate swap agreements

Notes payable - related parties

Stockholders' equity:

Common stock, $.01 par value; 20,000,000 shares authorized, 6,458,650 shares issued and outstanding in 2002 and 6,441,498 shares issued and outstanding in 2001

Additional paid-in capital

Accumulated comprehensive income (loss)

Retained earnings

Total stockholders' equity

$

See accompanying notes to condensed financial statements.

INTERLOTT TECHNOLOGIES, INC.

CONDENSED STATEMENTS OF INCOME

THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2002 AND 2001

	Three Months Ended June 30,		
Revenues:	2002	2001	
Machine and parts sales	$ 3,758,455	$ 9,590,951	$
Machine leases	4,797,544	4,683,473	
Other	1,594,504	998,579	
	10,150,503	15,273,003	
Cost of revenues	7,238,783	10,891,802	
Gross profit	2,911,720	4,381,201	

Operating expenses:			
Selling, general, and administrative expenses	1,688,606	1,584,572	
Research and development costs	147,961	63,117	
Amortization of goodwill	0	125,777	
Total operating expenses	1,836,567	1,773,466	
Operating income	1,075,153	2,607,735	
Other income (expense):			
Interest expense	(586,578)	(463,762)	
Other	(199,805)	9,842	
	(786,383)	(453,920)	
Income before income taxes	288,770	2,153,815	
Income taxes	103,380	818,380	
Net income	$ 185,390	$ 1,335,435	$
Basic net income per share	$ .03	$ .21	$
Diluted net income per share	$ .03	$ .20	$

INTERLOTT TECHNOLOGIES, INC.

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

SIX MONTHS ENDED JUNE 30, 2002 AND 2001

Cash flows from operating activities:	
Net income	$
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation & amortization	3,
Principal portion of sales type lease received	1,
Deferred income taxes	(
Gain on sale of equipment under sales type lease	(
Decrease (increase) in accounts receivable	
Decrease in inventories net of leased equipment returned	1,

Decrease in prepaid expenses	
Decrease in prepaid & refundable taxes	
(Increase) in deferred tax asset	
(Decrease) increase in accounts payable	(
(Decrease) increase in accounts payable - related parties	(
Increase in accrued expenses	
Increase in income taxes payable	
	--
Net cash provided by operating activities	7,
	--
Cash flows from investing activities:	
Cost of leased machines	(2,
Acquisition of business	
Purchases of property & equipment	
	--
Net cash used in investing activities	(2,
	--
Cash flows from financing activities:	
(Payment of) proceeds from notes payable - credit facility	(4,
Proceeds from subordinated term note	
Proceeds from exercise of stock options	
Repayment of long-term debt	
Payment of notes payable - related parties	(
	--
Net cash (used for) provided by financing activities	(5,
	--
(Decrease) increase in cash	(
Cash, at beginning of year	
	--
Cash, at end of period	$
	==

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Supplemental Disclosures of Cash Flow Information:	
Interest paid	$1,1
Income taxes paid	1
Net book value of capitalized leased ITVMs returned from field and transferred to inventory	
Interest swap liability	1

Business combination accounted for as a purchase
  Accounts receivable
  Inventory
  Value of leases acquired
  Goodwill

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See accompanying notes to condensed financial statements.

INTERLOTT TECHNOLOGIES, INC.

Notes to Condensed Financial Statements

1. BASIS OF PRESENTATION

The accounting and reporting policies of Interlott Technologies, Inc. conform to generally accepted accounting principles in the United States of America. The financial statements for the three months and six months ended June

30, 2002 and 2001 are unaudited and do not include all information or footnotes necessary for a complete presentation of financial condition, results of operations and cash flows. The interim financial statements include all adjustments, consisting only of normal recurring accruals, which in the opinion of management are necessary for a fair presentation. The financial statements should be read in conjunction with the financial statements and notes which appear in the Company's 2001 Annual Report on Form 10-K. The results of operations for the three months and six months ended June 30, 2002 are not necessarily indicative of the results to be expected for the entire year ending December 31, 2002.

2. INVENTORIES

Inventories at June 30, 2002 and December 31, 2001 consisted of the following:

	2002	2001
Finished goods	$ 2,202,812	$ 2,255,882
Work in process	256,329	531,355
Raw materials and supplies	6,756,889	7,841,053
	$ 9,216,030	$10,628,290

3. ACQUISITION

On June 1, 2001, Interlott Technologies, Inc. completed the acquisition of the lottery assets of On-Point Technology Systems, Inc. of San Marcos, California. Through the purchase, Interlott acquired all of the lottery assets of On-Point, including patents, technology, accounts receivable, inventory, service contracts and lease contracts with the New York, Illinois, Virginia and Missouri state lotteries.

The purchase price included approximately $13 million paid at closing, deferred payments of $9 million payable, subject to adjustment, over 5 years, and an earn-out of up to $6 million based upon certain future revenues. In addition, at the closing Interlott and On-Point entered into a separate agreement to market a patented design for an on-line activated instant lottery ticket.

Prior to the closing, to finance the cash payment paid at closing, Interlott increased its existing credit facility with Fifth Third Bank, Cincinnati, Ohio (which participated portions of the credit facility to Huntington Bank and National Bank of Canada) from $25 million to $30 million, and completed a mezzanine financing of junior debt in the form of a term note due June 30, 2003 in the principal amount of $5 million with Fifth Third Bank. The note bears interest at the rate of 9% per annum and the Company has paid and must pay a success fee equal to 1% of the unpaid principal balance of the note outstanding on the last day of the fiscal quarter for each of the four (4) fiscal quarters ending on September 30, 2001, December 31, 2001, March 31,

2002, and June 30, 2002; and equal to 1.5% of the unpaid principal balance of the note outstanding on the last day of the fiscal quarter for each of the four (4) fiscal quarters ending on September 30, 2002, December 31, 2002, March 31, 2003, and June 30, 2003.

The acquisition has been accounted for by the purchase method. Revenues reported during the quarter ending June 30, 2002 from lease and maintenance contracts acquired were approximately $1.5 million.

4. GOODWILL

On July 20, 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. The Company adopted SFAS No. 141 on July 1, 2001. The change had no material effect on the Company's financial position or results of operations.

SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment.

The Company adopted SFAS No. 142 on January 1, 2002, as required. As a result, there was no amortization of goodwill relating to the On-Point acquisition for the three or six months ended June 30, 2002. Goodwill amortization for the three months ended June 30, 2001 was $54,427. At this time, the Company believes that no impairment exists.

5. COMPREHENSIVE INCOME

Comprehensive income reflects the change in the estimated fair market value of the Company's interest rate swap agreements. The estimated fair value is based upon appropriate market information and projected interest rate changes obtained from a reputable financial institution. Total comprehensive income for the three and six months ended June 30, 2002 is summarized as follows:

	Three Months	Six Months
Net income	$185,390	$707,169
Other comprehensive income	2,670	117,855
Total comprehensive income	$188,060	$825,024

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to report to be signed on its behalf by the undersigned thereunto duly authorized.

INTERLOTT TECHNOLOGIES, INC.
(Registrant)

Date: August 30, 2002

/s/ Dennis W. Blazer

Dennis W. Blazer
Chief Financial and Accounting Officer