AUTOMATIC SYSTEMS LTD.

ANNUAL REPORT 2019

The Company at a Glance

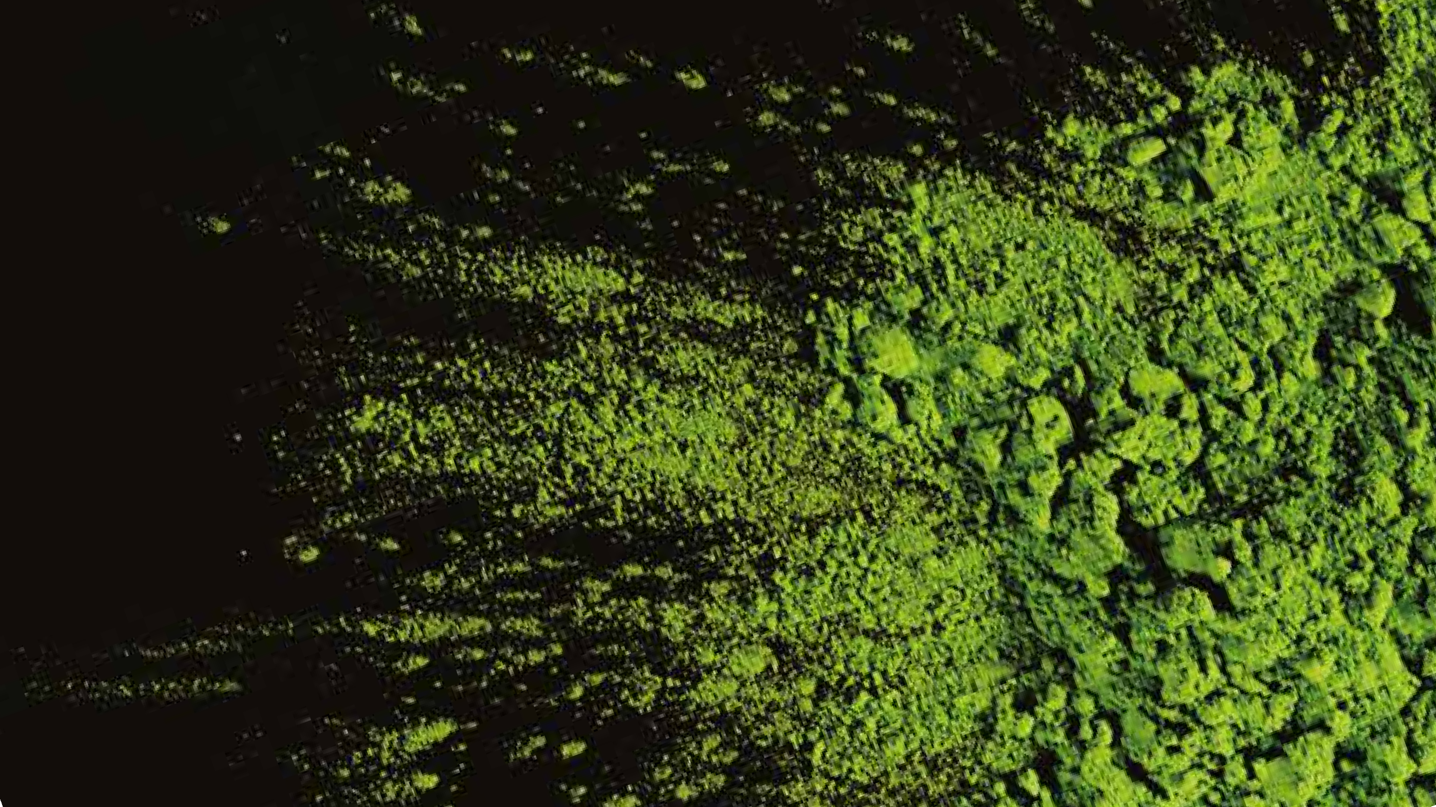
	Tote	Football
	Rs (Million)	Rs (Million)
Turnover	1,057.4	411.5
Payment to Winners	773.7	300.3
Income	283.7	111.3
National Solidarity Fund	17.7	
CSR Responsible Gambling Program	2.9	
Licence Fees to GRA	17.6	
Government Tax & Duty	153.9	
Profit After Tax	29.4	

	Rs
Earnings Per Share	8.32
Dividend Per Share	5

SUPERTOTE
Rs 15,211,719
(PICK 8)

SUPERSCORE
Rs 1,441,747

Contents



Board & Committees Management

BOARD OF DIRECTORS

Chairperson & Independent Director
M. A. Eric Espitalier-Noël

Executive Directors
M. L. Jean Hardy
J. O. Guillaume Hardy – *Managing Director*

Non-Executive Directors
Sarah A. M. Heller
Michel J. L. Nairac
John A. Stuart

Independent Directors
Ravindra Chetty
O. Farouk A. A. Hossen
Arvind Lall Dookun
Mushtaq M. O. N. Oosman

Alternate Director
To O. Farouk A. A. Hossen: M. L. Jean Hardy

AUDIT & RISK COMMITTEE

Mushtaq M. O. N. Oosman – *Chairperson*
O. Farouk A. A. Hossen
Arvind Lall Dookun

CORPORATE GOVERNANCE (NOMINATION & REMUNERATION) COMMITTEE

Ravindra Chetty - *Chairperson*
M. A. Eric Espitalier-Noël
M. L. Jean Hardy

SENIOR MANAGEMENT

Robert Ah Yan – *System Manager*

Administration

REGISTERED OFFICE

C/o Box Office Ltd
2nd Floor, Palm Square, 90906 La Mivoie, Tamarin

COMPANY SECRETARY

Box Office Ltd
2nd Floor, Palm Square, 90906 La Mivoie, Tamarin

REGISTRY & TRANSFER OFFICE

ECS Secretaries Ltd
3rd Floor, Labama House, Sir William Newton Street, Port Louis

AUDITORS

PricewaterhouseCoopers
PwC Centre, Avenue de Telfair, Telfair 80829, Moka

LEGAL ADVISORS

Me Hervé Duval S.C
River Court, 6 St Denis Street, Port Louis

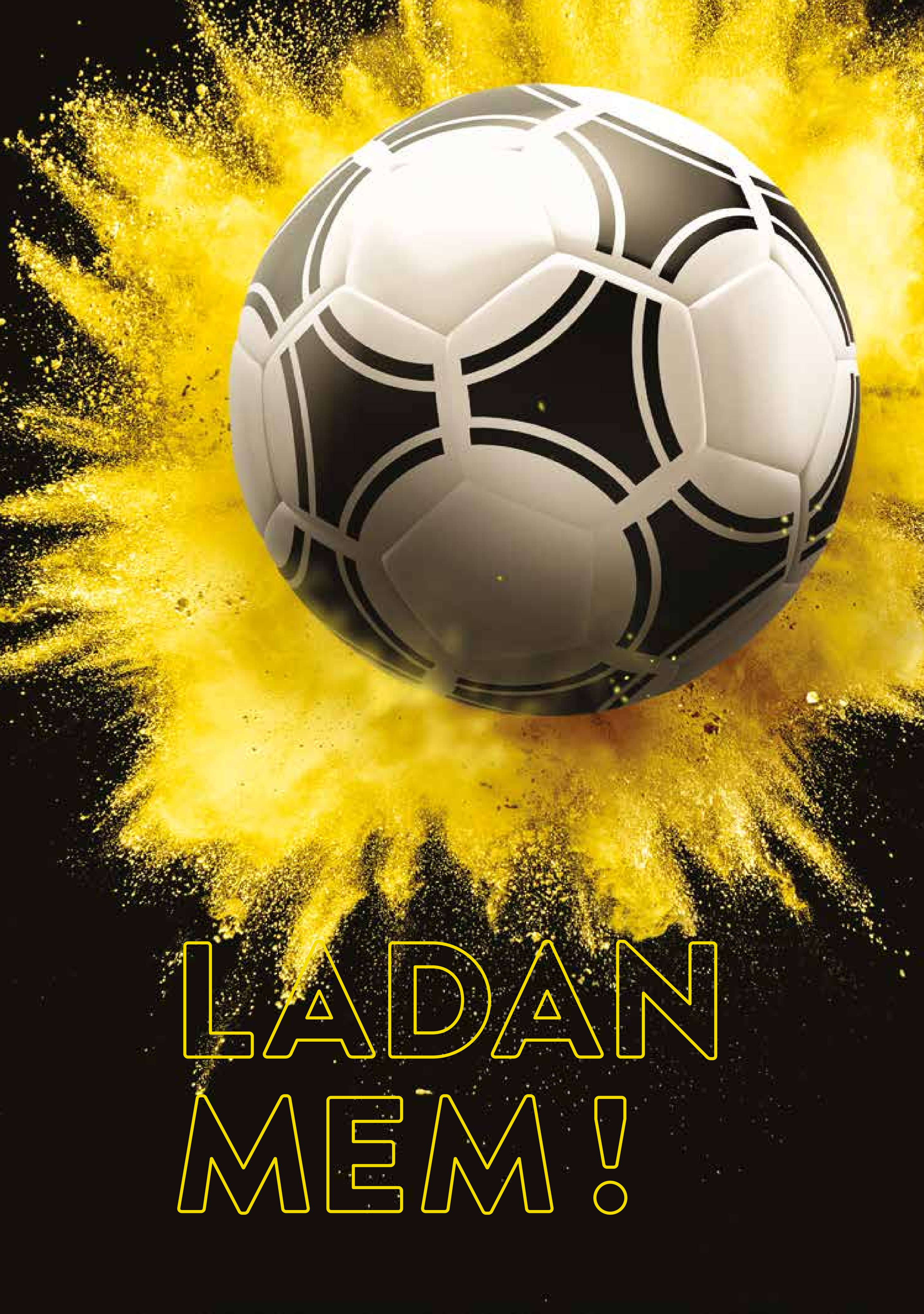
ENS Africa
19 Church Street, Port Louis

NOTARY

Me Didier Maigrot
1st Floor, Labama House, Sir William Newton Street, Port Louis

BANKERS

The Mauritius Commercial Bank Ltd
State Bank of Mauritius Ltd
Afrasia Bank Limited


LADAN
MEM!

“ Ar nou ti plim nou mark enn lévé-pilé, 15 lékip. Séki finn marké samem! Mé si tou rentré, bel fet. Sak minit nou chek score. Kan trouv nou riy ar nou portab, koné zafer bon! Kontan ziska dansé san lamizik tou. 14 inn rentré, res dernié match. Tiabon sa lékip la pa fané. Inn ariv ler! Ou koné sa rentré la? YES!... **LADAN MEM**!!! 15 lor 15. Samem nou dir: séki ti marké samem! ”

Directors' Report

The Directors are pleased to present the annual report together with the audited financial statements of Automatic Systems Ltd (the “Company”) and its subsidiary Megawin Ltd (collectively referred to as the “Group”) for the year ended 31 December 2019. The annual report is published in full on the Company’s website: **https://automaticsystemsltd.mu**

Despite the challenging environment in which the company operates, the results for the year under review have been encouraging; the Company recorded a turnover of Rs 1.469 billion (2018: Rs 1.450 billion) whilst profit after tax attributable to shareholders of the Company improved from Rs 14.5 million to Rs 29.4 million.

The financial statements of the Group and the Company are set out on pages 52 to 56. The auditors’ report on these consolidated and separate financial statements is on pages 44 to 49.

PRINCIPAL ACTIVITY

The Company runs a totalisator system (Tote) of betting on races in Mauritius organised by the Mauritius Turf Club, under the brand *Supertote*, and organises fixed-odds betting on foreign football matches under the brand *Superscore*, both in accordance with the provisions of the Gambling Regulatory Authority (GRA) Act 2007.

Supertote offers a selection of bets from the *Win* and *Place* to more exotic bets; the exotic bets have a varying degree of difficulty, the easiest bet being the *Swinger* and the hardest being the *Pick 8* with a sizeable winning.

Illegal betting has a very negative impact on the horse racing industry. As a measure to palliate to the illegal betting risk, the regulators allowed off-course betting in 2004. To date, the Company is operating 23 off-course outlets throughout the Island. Finding alternative locations and obtaining permits to replace closing down outlets, which may occur due to unforeseen circumstances, is a continuous challenge. Therein lies a risk for the Company, as a reduction in number of off-course outlets would have a direct impact on its turnover.

The Board and Management actively pursue new avenues for innovation to sustain operations. As an illustration of this innovation and sustainability mindset and as a measure of diversification, the Company started offering fixed odd betting on international football in 2008 and incorporated Megawin Ltd in 2014, in which the Company holds a 51% stake, for its operations in Africa.

MANAGEMENT & BOARD OF DIRECTORS

As reported in January 2020 through a communiqué, Mr Guillaume Hardy announced his resignation as Managing Director as from 30th April 2020; Mr Robert Ah Yan will be appointed as General Manager of the Company on 1st May 2020.

Mr Guillaume Hardy has played a pivotal role in the growth and diversification of the Group for more than 16 years and the Board would like to extend its thanks and appreciation to Mr Guillaume Hardy for his contribution to the Company and the Group during the past 16 years.

To ensure a smooth handing over of operations, Mr Guillaume Hardy will remain on the Board as non-Executive Director and as adviser to the General Manager on a one year contract.

Mr Robert Ah Yan has been working with the Company since 2002 as Tote and Sports Systems Manager and the Board is confident that the broad experience of Mr Ah Yan will ensure a smooth transition and continuity of its business activities and operations.

THE COMPANY'S STORY

1991

- The Company was incorporated on 18th March 1991 and introduced the same year the tote system, offering to the local horse racing industry a betting platform that was transparent and auditable.

  The Tote is a pool betting system; all the stakes money placed on a particular type of bet on a particular race gets pooled together and is then divided out to the winners after deductions are made. The final payout is calculated by a software at the closure of bets, leaving no space for controversial claims against the Company, the Mauritius Turf Club (MTC) or the Government. All punters having a similar winning combination receive the same amount of dividend, irrespective of the time at which the bet is placed. The Company receives a fixed commission, irrespective of which horse comes first. This system is operated in all major racing jurisdictions such as the United States, France, Hong Kong, Australia, Singapore and South Africa etc... and has an international recognition and is beneficial to the horse racing industry in general.

1994

- The Company was the first to offer telephone betting - under the brand name Teletote. The number of account holders for telephone and SMS betting is constantly on the rise and reached 34,480 in 2019;

- The Company was listed on the official market of the Stock Exchange of Mauritius on 12th October 1994 and has, at 31st December 2019, 1,624 shareholders on its register.

2004

- Off-course betting was introduced. The Company was licensed to operate five outlets situated at Vacoas, Mahebourg, Goodlands, Rose Hill and Flacq.

2008

- The fixed odd betting on football was introduced.

2014

- The Company invested in Megawin Ltd, a 51% subsidiary, and started via the subsidiary to operate in Africa. The first countries of operation were Kenya and Nigeria.

Directors' Report (Cont'd)

BUSINESS REVIEW

In 2019, the tote income increased from Rs 271.5 million to Rs 283.7 million while football betting income increased by 3.5% to reach Rs 111.3 million. Expenses were well contained and profits amounted to Rs 29.4 million.

		2019 Rs M	2018 Rs M	2017 Rs M
Income*	Horse racing	283.7	271.5	240.3
	Football	111.3	107.5	120.6
Total Income		**395.0**	**379.0**	**360.9**
NSF		17.7	16.3	13.9
Government Tax & Duty		153.9	152.4	136.2
GRA Licenses		17.6	18.5	19.1
Responsible Gambling Levy		2.9	3.3	4.0
Trade Fees		-	3.8	3.8
Total Contribution to Government & Local Authorities		**192.1**	**194.3**	**177.0**
Commission to MTC		55	52.8	46.6
Profit for the Year		**29.4**	**14.5**	**25.7**

**Income is composed of bets struck net of winnings.*

Despite the challenges, the Company managed to provide a reasonable return to its shareholders through its dividend declation over the past years.

Year	2015	2016	2017	2018	2019
Profit after Tax (Rs M)	23	18.2	25.7	14.5	29.4
Share Price at 31 December (Rs)	35.00	55.75	72.00	94.50	100.25
Total Dividend per Share Declared during the Year (Rs)	**3.00**	**4.00**	**4.00**	**5.00**	**5.00**

YEAR IN REVIEW

Totalisator

The Mauritius Turf Club obtained the authorisation to hold 38 race meetings in 2019 compared to 37 in 2018. An additional race meeting, coupled with an increase in average turnover per meeting standing at Rs 27.8 million - the best achieved since the 2010 racing season - contributed to a turnover increase of 4% to reach Rs 1.057 billion (2018: Rs 1.013 billion).

- TURNOVER COMPARISON

	Total Turnover		Variance	Turnover per meeting		Variance
	2018	2019		2018	2019	
On Course	137,682,699	146,127,738	6%	3,721,154	3,845,467	3%
Off-Course	598,184,928	622,111,543	4%	16,167,160	16,371,356	1%
Teletote	194,999,121	171,243,697	-12%	5,270,247	4,506,413	-14%
SMS	82,916,039	117,958,262	42%	2,240,974	3,104,165	39%
TOTAL	**1,013,782,787**	**1,057,441,240**	**4%**	**27,399,535**	**27,827,401**	**2%**

ON COURSE

Attendance in the main stand at the racecourse decreased in 2019 to reach 93,280 (see table below). Despite the decrease, on course turnover increased by 6% over 2018, mainly attributable to the additional meeting. The average turnover per meeting also increased slightly by 3%.

• ATTENDANCE

2015	2016	2017	2018	**2019**
89,727	92,025	99,336	100,042	**93,280**

OFF-COURSE

Off-Course turnover improved by 4% compared to 2018 notwithstanding the fact that the Company had to operate 23 outlets compared to 24 the previous year, considering that the authorities did not approve the relocation of the Tamarin outlet; the Company closed the outlet in September 2018 due to the owner not renewing the lease. The growth is mainly explained by the closure of Off-Course Bookmakers in August 2019.

The performance of each outlet is closely monitored and scrutinized. A performance appraisal based on critera such as customer service, cleanliness and maintenance, turnover performance, innovative measures for punters and staff rating is carried year on year to earmark the best-managed outlet. The three best agents then receive an award and a cash prize in recognition of their achievement.

TELETOTE & SMS

In 2019, Teletote turnover decreased by 12% to reach Rs 171.2 million. This indicates that customers are shifting to the more convenient and user-friendly mobile betting application.

The website offers a user-friendly process for the opening of accounts; the number of accounts opened online from the Company's website has increased significantly from 964 in 2015, to reach 3,745 in 2019. In total, 4,082 new accounts were opened during the year.

SMS betting turnover reached Rs 117.9 million; an increase of 42% over 2018.

SMS betting operates by having the bet placed by text message or via a mobile application ('the App'). The App is a bet builder launched in 2017 which covers all the bets offered by the Company. It uses the latest Progressive Web App (PWA) technology dowloadable from the Supertote Website; all bets are placed by SMS. The PWA technology enables automatic upgrade when a new version of the App is released.

The App is more and more popular; in 2019 a turnover of Rs 104.8M, compared to Rs 63.8 million in 2018, was realised therefrom, representing an increase of 64%.

Directors' Report (Cont'd)

TELETOTE & SMS (CONT'D)

SMS Betting has been improving significantly as demonstrated in the table below and in 2019 represented 11.16% of the Tote turnover. The App contributed largely to this significant increase.

• TURNOVER - SMS BETTING

2015	2016	2017	2018	**2019**
20,782,195	28,813,732	38,611,898	82,916,039	**117,958,262**

• PERCENTAGE OF TOTAL TURNOVER

2.58%	3.47%	4.31%	8.18%	**11.16%**

The Teletote activity and trend over the last 6 years:

Year	Turnover	Accounts Opened	Number of Meetings	Average Turnover per Meeting
	MUR			MUR
2014	207,491,878	1,137	43	4,825,393
2015	177,131,700	1,480	35	5,060,620
2016	184,907,158	1,754	37	4,997,491
2017	190,841,802	2,461	37	5,157,887
2018	194,999,121	4,627	37	5,270,247
2019	**171,243,697**	**4,082**	**38**	**4,506,413**

FOOTBALL

Turnover for fixed odd betting on football reached Rs 411.5 million in 2019 compared to Rs 436.5 million in 2018. This performance represents a decrease of 5.7% over 2018 but 2018's turnover was boosted by the Football World Cup.

The Company constantly strives to innovate and offers very competitive odds along with a variety of appealing bets. In that context, the Company changed its betting software in July 2018. The new software offers more possibilities such as online booking of bets. Customers can book their bets on **https://superscore.mu** and obtain a code that is then tendered to the teller in any Superscore outlet for the bet to be validated. These innovations have contributed to maintain the Company's market share in a very competitive environment.

Online booking of bets is progressing as demonstrated in the table below:

Year	Booked Bets	Average per Month	Amount	Average per Month	Total Turnover	% of Turnover
			Rs		Rs	
Jul - Dec 2018	420,697	70,116	32,453,794	5,408,966	216,454,683	15%
2019	**1,352,054**	**112,671**	**113,637,612**	**9,469,801**	**411,536,698**	**28%**

FOOTBALL (CONT'D)

In the fixed odds business, the Company has to offer competitive odds to maintain its market share. The Company offers attractive bonuses on pay outs ranging from 5% to 25%.

The gross profit margin (being bets struck net of winnings) increased from 16.2% in 2018 to 18.9% in 2019. Football income improved to Rs 111.3 million in 2019 compared to Rs 107.5 million in 2018.

The chart below illustrates the Gross Gaming Revenue (Turnover after tax and winnings) realised on football, clearly showing that an increase in turnover does not necessarily lead to an increase in gross gaming revenue and consequently of income. In the fixed odds business, income is dependent on match results and outcome.

• GROSS GAMING REVENUE FOOTBALL BETTING

	2016	2017	2018	**2019**
Turnover after tax	348,625,737	375,230,602	396,776,193	374,124,436
Payment to winners	280,495,413	295,445,939	332,530,764	303,460,794
Gross Gaming Revenue	**68,130,324**	**79,784,663**	**64,024,652**	**70,663,642**
GGR Margin	**19.5%**	**21.3%**	**16.1%**	**18.9%**

DEVELOPMENT IN AFRICA

The Company holds 51% of Megawin Ltd ('Megawin') which, in 2019, reached its fifth year of operation. Megawin holds the exclusivity for marketing the betting software in Africa of an international Company namely Mohio Gaming.

Megawin has a contract with LONACI the National Lottery of Ivory Coast to offer virtual dog racing across its retail network.

The Company is continuously on the watch for new opportunities within Africa and eventually Asia.

Megawin's turnover is composed of commission on sales. The table below illustrates the turnover and the commission received.

• MEGAWIN

	2016	2017	2018	**2019**
	€	€	€	**€**
Turnover of Operators	3,257,552	10,631,600	18,555,078	18,999,237
Commission received	121,225	338,725	460,401	471,245
	MUR	MUR	MUR	MUR
Operational Profit	**839,695**	**4,848,801**	**5,787,198**	**6,807,613**

Directors' Report (Cont'd)

WEBSITE

The Company operates three websites as follows:

- **www.supertote.mu** – main website for Tote Betting and featuring live racing, training and race videos as well as comprehensive horse forms. Teletote accounts can be opened online and accounts can be funded by credit card directly through a secured platform which is PCI / DSS compliant. Credit card deposits online amounted to Rs 12.3 million in 2019 compared to Rs 9.4 million in 2018, representing an increase of 31%.

  This website is very popular with an average of more than 90,000 visitors per month during the 2019 racing season, compared to 80,000 and 70,000 in 2018 and 2017 respectively. **www.supertote.mu** is the top ranked website for horse racing in Mauritius on Google search engine.

- **www.superscore.mu** – exclusively covers football betting. The website proposes new features such as online booking of bets and live news. The number of visitors increased from 21,000 on average per month in 2018 to 22,200 in 2019.

- **www.automaticsystemsltd.mu** – conveys information on the Company's corporate structure, its Management and Administration, corporate events and financials.

SOCIAL MEDIA

The Company strongly believes in new technologies and uses social media both as a communication tool and for promotion of its brands. It is also an efficient platform to interact with customers and attend to their requests.

Supertote has its own Facebook page with approximately 15,500 followers – a 15% increase over 2018. Valuable information such as training videos, carry forwards, short movie adverts and big payouts amongst other news are posted on the Facebook page. The Company also organises games where the Company's branded gifts are offered to winners.

CORPORATE SOCIAL RESPONSIBILITY

In line with the dispositions of the current Gambling Regulatory Authority Act which provides for the totality of CSR funds to be remitted to the Gambling Regulatory Authority (the 'GRA'), the Company has contributed an amount of Rs 2.9 million in 2019 for the running of a National Responsible Gambling Program.

This program, which is still in development, has, as objective, to set the base for responsible gambling and provide professional support to compulsive gamblers. Gambling must remain a leisure and compulsive gamblers can get free counselling and support in relation to their addiction by calling a toll free number which is conspicuously displayed in all our betting outlets.

The first part of the program has been implemented in 2018. The Company fully supports this program and has signified its commitment to work with the GRA for the implementation of the other phases.

OUTLOOK

Tote

The betting by SMS application, introduced in 2017, will be further improved in 2020 to cover all available bets and new features such as notifications for a winning bet.

The Tote turnover has shown an upward trend in 2019 and increased by 4%. The Mauritius Turf Club has obtained 39 race meetings with an additional 4 meetings provided there is a sufficient number of horses. This would mean in effect that the Mauritius Turf Club will have 43 race meetings for 2020. With the quality and number of horses imported for the racing season 2020 coupled with the closure of off-course bookmakers, the Company expects the turnover in 2020 to increase over 2019.

Football

Turnover has decreased by 5.7% in 2019 when compared to 2018. A drop was expected considering that there were no international events during the reporting year. For 2020, with the European Cup of Nations in June and July 2020, the Company expects a slight growth in turnover.

The Company operates in a very competitive market and to improve, or at least maintain its market share, keeps innovating through new offers, competitive odds as well as bonuses.

With the temporary suspension of major football leagues in the world, the Company's results are bound to be impacted.

Africa

Megawin operates only in Ivory Coast for the moment and has maintained its turnover in 2019. The objective is to expand cautiously. The development of betting in Africa is a slow process with a good potential, but high risks, in particular as regards payments of contributions, explained by strict exchange control policies in some countries. Megawin continues prospecting opportunities for online gaming in Western African countries.

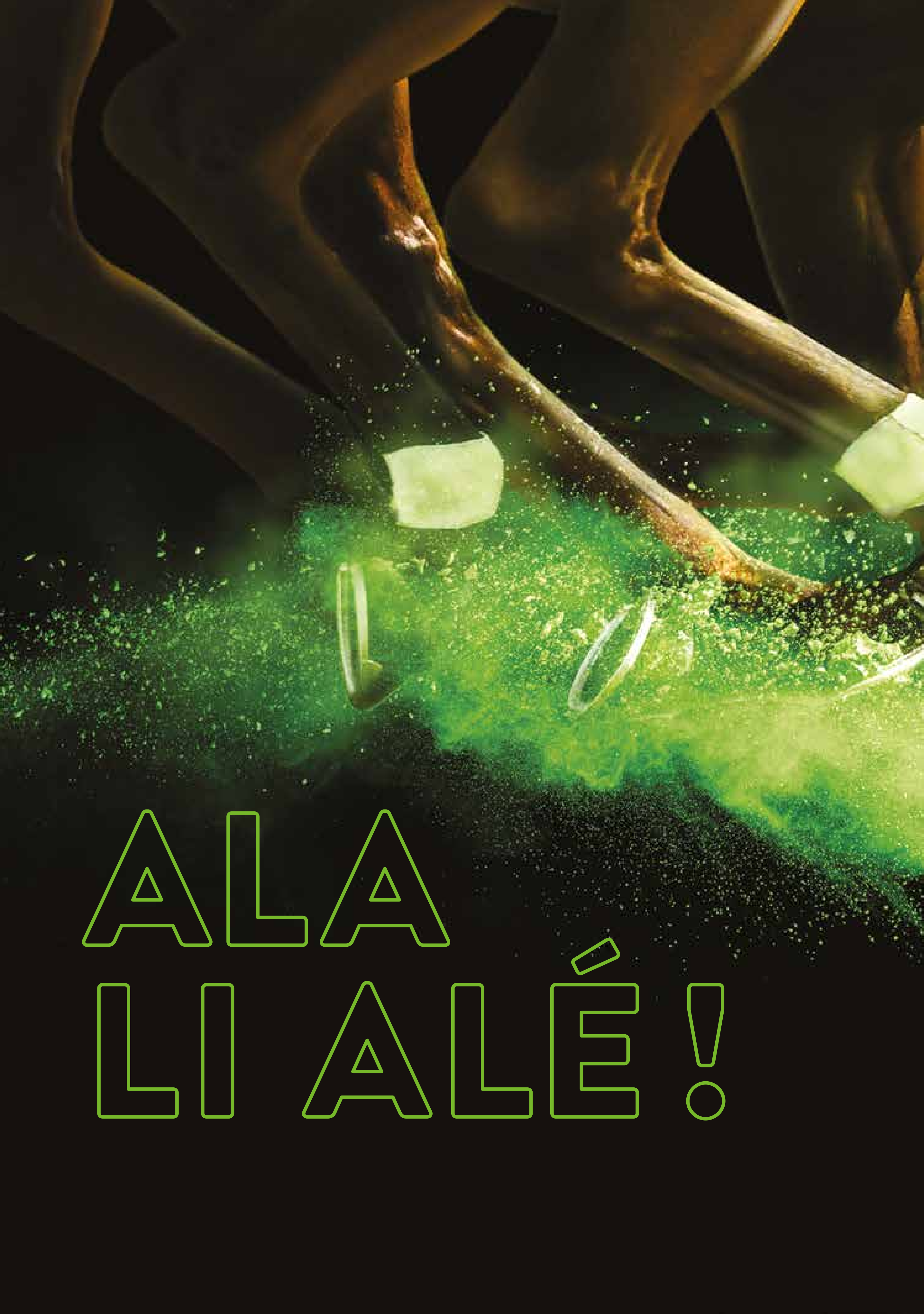
Investment

The Company has invested the equivalent of £150,000 in RPGG Media Ltd, a start up licensed by the UK Gambling Commission. The latter will be launching a Tote betting platform for esports with the objective of embedding itself at the heart of the esports community by offering a unique product. The platform is designed to provide a unique esports betting experience and be flexible enough to adapt to new opportunities quickly.

The Directors are aware that an investment in a start up is a risky process but are confident that this investment is an opportunity considering that esports betting is predicted to become a worldwide $12.9 billion market by the end of 2020.

Financial Outlook

The Company is operating in a very regulated sector where taxes and duties are very high and not always linked to the results. The Directors remain cautious considering the various parameters that are beyond their control, including the impact of the coronavirus on its activities.


ALA
LI ALÉ!

“ Souval pé rant dan stal. Zafer la pou largé ! Tou dimunn pé dégazé pou plas zot bet : dan Champ de Mars, dan lazans Supertote, dan lakaz dévan television ou pé ékout radio. Enn sel kout enn drol silans pran plas: enn mélanz tansyon ek eksitasyon. Pandan enn fraksyon ségonn, tou dimunn tini zot respirasyon. Diding, diding - laklos soné! Starter inn donn dépar. Laport stal ouver. Zoké ek souval fransi. Ala tou dimunn koumans kriyé : **ALA LI ALÉ** !!! ”

Corporate Governance Report

The Corporate Governance Report includes Other Statutory Disclosures pursuant to Section 221 of the Mauritius Companies Act 2001.

The Company was incorporated on the 18th March 1991. The Company is listed on the official market of the Stock Exchange of Mauritius since 12th October 1994 and is a public interest entity as defined by the Financial Reporting Act.

The Board is committed to attaining and sustaining the highest standards of Corporate Governance and ensures that the eight principles of good Corporate Governance from the National Code of Corporate Govenance (the 'Code'), as applicable in Mauritius, are fully adhered to and form an integral part of the Company's business practices. It is also committed to fair financial disclosure to its shareholders and all the stakeholders at large.

Constitution of the Company

The Company has adopted a new Constitution on 22nd June 2007. The Constitution is in conformity with the Companies Act 2001 and the Listing Rules.

The Constitution of the Company does not provide for any ownership restrictions of shares.

Save and except where the terms of issue of any class of shares – as may be determined by the Board - specifically provides otherwise, all new shares are, before issue, offered to existing holders in proportion to their existing shareholdings.

The Constitution of the Company can be viewed on its website.

PRINCIPLE 1 - GOVERNANCE STRUCTURE

• Governance Structure & Major Accountability

The Board is the focal point of the Corporate Governance System and is ultimately accountable and responsible for leading and controlling the Company and meeting all legal and regulatory requirements.

The Board ensures that relevant laws, regulations and codes of best business practices are adhered by the Company and the Group.

The Company operates within a defined governance framework, as explained in the chart below, through delegation of authorities and clear lines of responsibility and accountability.

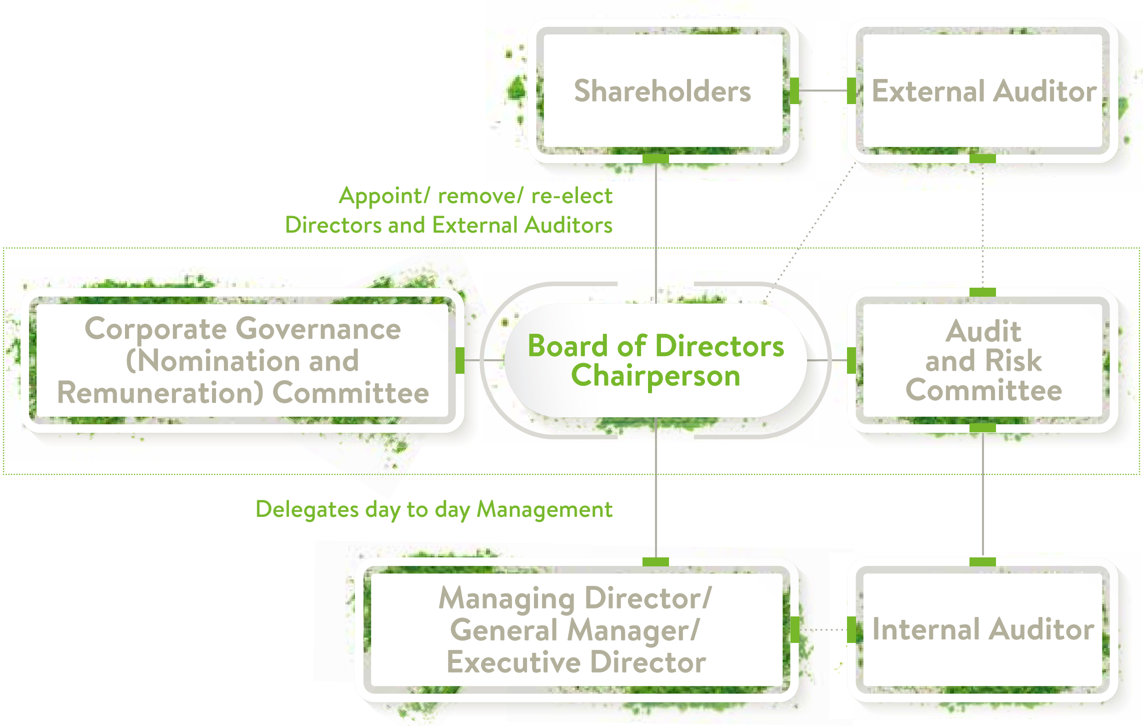
Shareholders have the power to appoint, re-elect and/or remove Directors and External Auditors.

The Management of the Company is vested to the Board which has all the powers necessary for managing, and for directing and supervising the management of the business and affairs of the Company. The Directors are accountable to Shareholders.

The Board has created 2 sub committees; the Corporate Governance (Nomination and Remuneration) Committee and the Audit and Risk Committee. Each committee operates within approved terms of reference. At Board meeting, reports from sub committees are on the agenda. The Chairperson of each subcommittee is invited to brief the Board on the matters discussed at the committees and make the necessary recommendations where applicable.

PRINCIPLE 1 - GOVERNANCE STRUCTURE (CONT'D)

- **Governance Structure & Major Accountability** (Cont'd)



The governance structure and major accountabilities are monitored by the Corporate Governance (Nomination and Remuneration) Committee and reviewed yearly (or earlier if considered appropriate). Any proposed change is subject to the approval of the Board of Directors.

The governance structure and major accountabilities, including the review process, can be viewed on the Company's website.

- **Role of the Board**

The primary function of the Board is to provide effective leadership and direction to the Company and its subsidiary, for setting up the strategy and policies, overseeing its activities by monitoring performance and risk and supervising management to ensure accountability to its stakeholders.

For Board Meetings, a quorum of five Directors is required if the Board is composed of eight or nine Directors and a quorum of six Directors is required if the Board is composed of ten, eleven or twelve Directors. The Chairperson does not have a casting vote.

- **Succession Planning**

The Board assumes the responsibilities for succession planning and for the induction of new directors and ensures that there is a strong team assisting the Managing Director/General Manager.

- **Organisational Chart**

The organisational chart displays a reporting hierarchy and structure of the Company and can be viewed on the Company's website. The structure is regularly reviewed and updated at Management level and the latest version has been reviewed by the Corporate Governance (Nomination and Remuneration) Committee on 3rd March 2020.

The organisational chart, with the review process, can be viewed on the Company's website.

Corporate Governance Report (Cont'd)

PRINCIPLE 1 - GOVERNANCE STRUCTURE (CONT'D)

• Board Charter

A Board charter has the objective of identifying the specific responsibilities of the Board of Directors and thereby enhancing coordination and communication between the Board and its committees and the Board and Management. The Board charter will be reassessed every three years, or earlier if considered appropriate.

The charter, including the review process, has been approved on 16th March 2020 and can be viewed on the Company's website.

PRINCIPLE 2 - THE STRUCTURE OF THE BOARD & ITS COMMITTEES

• Board Structure and Size

The Company has a unitary Board composed of ten Directors. The Chairperson is an Independent Director. In terms of gender balance, Mrs Sarah Heller is the first woman Director on the Board.

To determine its current size and composition, the Board has taken into account (a) the size, complexity and diversity of its operations, (b) the various qualifications and experience of its members, (c) the recommendations of the Code. The Board is satisfied that it is currently of a size and level of diversity that commensurate with the sophistication and scale of the Company.

• Board Composition

The Board is composed of independently minded directors and include an appropriate combination of two Executive Directors, three Non-Executive Directors and five Independent Directors. The Directors come from diverse business backgrounds and possess the necessary knowledge, skills, objectivity, integrity, experience and commitment to make sound judgements on various key issues relevant to the business of the Company, independent of management.

It is also satisfied that its composition is adequately balanced with the current Directors having the range of skills, expertise and experience required to carry out their duties properly and to have well balanced sub commitees.

Name	Gender	Country of Residence	Status of Directorship	Other Information
Mr M. A. Eric Espitalier-Noël	M	Mauritius	Independent Director	Chairperson & Member of the Corporate Governance Nomination and Remuneration Committee
Mr Ravindra Chetty	M	Mauritius	Independent Director	Chairperson of the Corporate Governance Nomination and Remuneration Committee
Mr Arvind Lall Dookun	M	Mauritius	Independent Director	Member of the Audit & Risk Committee
Mr J. O. Guillaume Hardy	M	Mauritius	Executive Director	Managing Director
Mr M. L. Jean Hardy	M	Mauritius	Executive Director	Alternate Director to **Mr O. Farouk A. A. Hossen** & Member of the Corporate Governance Nomination and Remuneration Committee
Mrs Sarah A. M. Heller	F	Mauritius	Non-Executive Director	
Mr O. Farouk A. A. Hossen	M	Mauritius	Independent Director	Member of the Audit & Risk Committee
Mr Michel J. L. Nairac	M	South Africa	Non-Executive Director	
Mr Mushtaq M. O. N. Oosman	M	Mauritius	Independent Director	Chairperson of the Audit & Risk Committee
Mr John A. Stuart	M	South Africa	Non-Executive Director	
Box Office Ltd		Domestic Company incorporated in Mauritius	Company Secretary	Company with two qualified chartered Secretaries as partners – **Mrs Sophie Gellé** and **Sylvia Maigrot**, offering secretarial services to a portfolio of clients

PRINCIPLE 2 - THE STRUCTURE OF THE BOARD & ITS COMMITTEES (CONT'D)

• Profiles of Directors & Details of External Appointments

Directors Profiles

M. A. Eric ESPITALIER-NOËL (60 years)
Chairperson - Independent Director
Appointed Director in 2004

Chairperson of the Company since July 2004, Eric Espitalier-Noël, born in 1959, holds a Bachelor's degree in Social Sciences from the University of Natal in South Africa and a Master degree in Business Administration from the University of Surrey (UK). In 1986, he joined ENL Limited of which he is today an Executive Director. He is currently the CEO of ENL Commercial Ltd. He is also a Director of the following listed companies: Rogers & Company Ltd, ENL Ltd, Livestock Feed Ltd (DEM) and Les Moulins de la Concorde Ltée (DEM).

M. L. Jean HARDY (71 years)
Executive Director
Appointed Director at incorporation in 1991
Appointed Alternate Director to Farouk Hossen in 2002

Jean Hardy, born in 1948, is the promoter of the Tote Betting System in Mauritius. He was one of the co-founders of Hardy Henry & Cie Limitée in 1976 and is a director of Hardy Henry & Cie Limitée and its affiliated companies.

J. O. Guillaume HARDY (45 years)
Managing Director
Appointed Director in 2013 and Managing Director in 2014

Guillaume Hardy, born in 1974, holds a BA (Hons) Business Administration from South Bank University – London. He worked 2 years in London as Financial Analyst from 1998 to 2000. Then he started his career in Mauritius at PriceWaterhouseCoopers as Project Coordinator to afterwards move to Barclays Bank PLC in the Premier Banking Department as Personal Banker for 2 years.

He joined the Tote in September 2003 as Off-Course Manager and was nominated General Manager of Automatic Systems Ltd in 2012 and Managing Director in 2014.

Sarah A. M. HELLER (47 years)
Non-Executive Director
Appointed as Director in July 2018

Sarah Heller, born in 1973, holds a Bachelor in Business & Administration – option Finance with INSEEC Paris. She is also an investment dealer on Stock Exchange of Mauritius.

She is currently Director and Project Manager at Senior Homes Ltd, the promoter, developer and operator of an assisted living facility. Her non-profit activities include being a member on the Board of Le Lyceen Ltd.

Ravindra CHETTY S.C (57 years)
Independent Director
Appointed Director in 1997

Ravindra Chetty, born in 1962, read Law at Balliol College, Oxford University. He was called to the bar in Middle Temple, England and in Mauritius in 1987. Since then he is practising as a barrister at law in Mauritius. His practice involves various areas such as civil, commercial, tax and insurance law. He was the President of the Mauritius Bar Association in 2005. He took silk in 2010. He also acts as legal advisor of various funds. He had been the President of Mauritius Football Association from 1996 to 2002.

Mr Ravindra Chetty does not hold any directorship in other listed companies.

O. Farouk A. A. HOSSEN (75 years)
Independent Director
Appointed Director in 1991

Farouk Hossen, born in 1945, holds the Fellowship of the Association of British Opticians and Masters for practice in contact lenses. He practised the profession in England for three years before settling in Mauritius where he established practice as an optician since 1972 and founded F. Hossen Opticians Ltd, F. Hossen Optical Manufacture Ltd and F. Hossen Medic optics Ltd. He is a Director of a number of companies and sat on the Board of the State Bank of Mauritius for two years. He is also the Chairperson of Viva Voce Ltd (Radio1).

John A. STUART (63 years)
Non-Executive Director
Appointed Director in 2008

John Stuart, born in 1956, holds a B.Com and is the International Executive Director of Phumelela Gaming and Leisure Ltd. He has worked in the totalisator industry since 1979 when he joined the then TAB KwaZulu-Natal as Internal Auditor. He filled various roles in that organisation and at the time of his departure he was Assistant General Manager. He joined Phumelela in 1997 as Business Development Manager with his primary focus on alternative forms of gambling. After occupying various roles in the organisation, he took responsibility for the International Division in May 2006. In September 2018 he was appointed Chief Executive Officer of Phumelela. He is also a non-executive Director of Premier Gateway International Ltd (IOM).

Corporate Governance Report (Cont'd)

PRINCIPLE 2 - THE STRUCTURE OF THE BOARD & ITS COMMITTEES (CONT'D)

- **Profiles of Directors & Details of External Appointments** (Cont'd)

Directors Profiles (Cont'd)

Michel J. L. NAIRAC (65 years)
Non-Executive Director
Appointed Director in 2012

Michel Nairac was born in Mauritius in 1954 and completed his Articles of Clerkship with Coopers and Lybrand in Durban South Africa. He started his own agency business, Michel Nairac Bloodstock in 1986, which continues to operate in the Equine Industry. He then became a Director of the KZN Owners and Trainers Association, a membership entity for Owners and Trainers in KwaZulu-Natal, and was elected its Chairperson in 2000. With the amalgamation of the Racing Clubs in KwaZulu-Natal he became a Director of Gold Circle (Pty) Limited, the company that operates thoroughbred horseracing and totalisator betting in the province of KwaZulu-Natal in South Africa. In 2001 he was appointed as CEO of Gold Circle, a position he currently holds.

Arvind Lall DOOKUN (56 years)
Independent Director
Appointed Director in 2013

Arvind Lall Dookun, born in 1963, holds a Textile Technology Diploma from the UMIST (Textile Dept. BIHE Bolton, UK), HND in Clothing Technology and an Institute Diploma BA Hons academic equivalent in Clothing & Fashion Business Management from the London College of Fashion part of the University of the Arts, London UK. He is an Associate member of the Textile Institute (TI) Manchester, UK with an Associateship (CText ATI) Chartered Professional Qualification and a Fellow of the Mauritius Institute of Directors (FMioD). He is the Managing Director of General Export and Economic Development Services Ltd (ESC Import & Export Company) and the Executive Director Co-founder of A-Brokers Ltd established in the Insurance industry as a local Insurance Broker registered and licensed by the FSC.

Mushtaq M. O. N. OOSMAN (63 years)
Independent Director
Appointed Director in 2016

Mushtaq Oosman, born in 1954, trained and qualified as a Chartered Accountant with Sinclairs in the UK, before returning to Mauritius in 1983, when he joined the audit department of De Chazal Du Mée. He then joined Roger de Chazal & Partners (founders of Price Waterhouse in 1988 in Mauritius). He was a Partner in PwC Mauritius from July 1991 up to November 2015. He is a fellow of the Institute of Chartered Accountants in England and Wales. He served on the Africa Central Governance Board and is well versed with the working and responsibilities of a Governance Board. He is also a Member of the Board of Directors of ENL Limited, Rey and Lenferna Limited, The Mauritius Union Assurance Co Ltd, United Docks Ltd and La Prudence Life Assurance Ltd.

Senior Manager's Profile

Robert AH YAN (50 years)
Tote and Sports Systems Manager

Robert Ah Yan, born in 1969, holds an IATA/UFTAA Diploma since 1992 and a Diploma in Management from Cambridge Tutorial College, Jersey, Britain since 1994.

He joined Hardy Henry & Cie Limitée as Administrative Officer in 1992. He was promoted Assistant Manager in 1995 and as Manager in 2002 when the Company was awarded ISO9001. He is the Tote and Sports Systems Manager of Automatic Systems Ltd since 2002 and has been appointed as General Manager of the Company, effective as from 1st May 2020. Over his years of service, he followed numerous Management and IT courses and is continuously updating his skills, knowledge and professional competence.

He is a Professional Member of ISACA (Information Systems Audit and Control Association) since February 2013 and is a Certified Information Systems Auditor (CISA) and a Certified Information Security Manager (CISM).

Company Secretary's Profile

Box Office Ltd is a domestic Company offering corporate and secretarial as well as business facilitation services to a portfolio of domestic companies. The two directors and shareholders of Box Office Ltd, Mrs Sylvia Maigrot and Mrs Sophie Gellé are both qualified chartered secretaries with more than 20 years' experience in the corporate secretarial practice. As qualified Secretaries, Mrs Sylvia Maigrot and Mrs Sophie Gellé have to and do acquire continuing professional development with a minimum of 20 CPD hours, per year.

PRINCIPLE 2 - THE STRUCTURE OF THE BOARD & ITS COMMITTEES (CONT'D)

• Role & Function of the Chairperson

Mr M. A. Eric Espitalier-Noël is an Independent Chairperson; he has no executive or management responsibilities. He acts as Chairperson of meetings of the Board and shareholders The Chairperson's primary function is to:

- Chair the meetings of Directors and ensure the smooth functioning of the Board in the interests of good governance;
- Provide overall leadership and encourage active participation of all Directors;
- Ensure that all the relevant information and facts are placed before the Board to enable the Directors to reach informed decisions, and maintain sound relations with the Company's shareholders;
- Chair annual and special meetings of shareholders; and
- Maintain a close working relationship with the Executive Directors.

• Role & Function of the Managing Director/General Manager

Mr Guillaume Hardy, the Managing Director, is responsible for the day-to-day management of the Company and its subsidiary and works in close collaboration with the other Executive Director and Senior Officer. The Managing Director reports to the Board of Directors.

Mr Robert Ah Yan will take over the day to day management upon his effective appointment as General Manager. To ensure a smooth transition, Mr Ah Yan will be guided by Mr Guillaume Hardy who will remain as Consultant for a 1 year period, and by Mr Jean Hardy as Executive Director.

• Role of Executive Directors

The other Executive Director, Mr Jean Hardy, is involved in the day-to-day activities of the Group and, his experience in the field and as founder of the Company is of relevant contribution to the Company.

• Role of the Non-Executive & Independent Directors

The Board acknowledges the recommendations of the Code to determine the independence of Directors. However, the Board will not insist that all of the recommended criteria be cumulatively met if it is satisfied that a Director is able to - and in fact exercises - independence of mind and judgment in his/her duties as a Director, even though any one or more of the recommended criteria from the code is not met.

The composition of the Board is such that there is an appropriate balance of power and authority between Executive, Non-Executive and Independent Directors.

Non-Executive and Independent Directors play a vital role in providing judgement independent from management on issues of strategy, performance, resources, risks and evaluation of performance.

• Board Evaluation

A Board evaluation has been carried in 2019 by way of a Directors' self appraisal. The Directors were invited to fill in a questionnaire. The results were summarised by the Company Secretary and analysed and discussed at the Corporate Governance Committee and the Board.

The last evaluation process indicated that directors consider the Board to be effective and well-balanced. The Board is of opinion that the current assessment of the Board and Individual Directors is sufficient for the Company and the next evaluation is scheduled for 2021.

Corporate Governance Report (Cont'd)

PRINCIPLE 2 - THE STRUCTURE OF THE BOARD & ITS COMMITTEES (CONT'D)

• Dealing in Shares of the Company

During the year under review, there were no share dealings by Directors.

The Directors endeavour to follow the principles of the Model Code for Securities Transactions by Directors of Listed Companies as detailed in Appendix 6 of the Mauritius Stock Exchange Listing Rules 2000. In terms of the Company's internal procedure any Director purporting to deal in the shares of the Company should inform the Chairperson accordingly.

In terms of the Companies Act 2001 and the Securities Act 2005, the Company keeps an updated Interests Register and Insiders Register respectively. These registers are regularly updated with the information submitted by the Directors and/or other insiders as applicable.

The table below sets out, as at 31 December 2019, the Directors' respective category, direct and indirect interests, and number of other directorships in listed companies:

	Category	Direct Interest		Indirect Interest	Number of Other Directorships in Listed Companies
Directors/Alternates		Shares	%	%	
Ravindra Chetty	IND	100	Nil	Nil	-
M. A. Eric Espitalier-Noël	IND	Nil	Nil	Nil	6
M. L. Jean Hardy* (Also alternate to Farouk Hossen)	ED	Nil	Nil	14.73	-
Sarah A. M. Heller	NED	Nil	Nil	Nil	-
O. Farouk A. A. Hossen	IND	22,049	0.6	Nil	-
Michel J. L. Nairac	NED	Nil	Nil	Nil	-
John A. Stuart	NED	Nil	Nil	Nil	-
J. O. Guillaume Hardy	ED	Nil	Nil	Nil	
Arvind Lall Dookun	NED	12,550	0.36	1.1	-
Mushtaq M. O. N. Oosman	IND	Nil	Nil	Nil	3

ED - Executive Director • **IND** - Independent Director • **NED** - Non Executive Director

**Mr M. L. Jean Hardy is the 'Gerant' of Société L'inité and holds 99.9% of its shareholding in Usufruct; Societe L'inité itself holds 14.73% of the Company.*

PRINCIPLE 2 - THE STRUCTURE OF THE BOARD & ITS COMMITTEES (CONT'D)

• Board Committees

As reported, the Board has delegated certain functions to two Committees, namely the Audit & Risk Committee (ARC) and the Corporate Governance (Nomination and Remuneration) Committee (CGC). Given the nature, size and moderate complexity of the business, the functions that would have normally devolved to remuneration committee and to a nomination committee are discharged by the Corporate Governance Committee, which submits its recommendations to the Board for approval. The terms of reference of the Committees can be viewed on the Company's website.

Audit and Risk Committee

The Audit and Risk Committee assists the Board, among other things, in:

- Overseeing the quality and integrity of financial statements and public announcements related thereto;
- Overseeing the Company's compliance with legal and regulatory requirements;
- Reviewing the scope and effectiveness of the internal and external audit function as well as the qualifications, experience and independence of the internal and external auditors;
- Evaluating the overall effectiveness of the internal control and risk Management frameworks;
- Reviewing the policies and procedures established to minimize business risks, including the risk of money laundering through the tote system;
- Overviewing the integrity and effectiveness of the automated system managing the bets on Supertote;
- Overviewing the adequacy of the insurance cover subscribed to by the Company;
- Reviewing regularly the risk register and ensure that the Company is adequately insured;
- Ensuring that the Company has an appropriate internal and external audit function and making recommendations to the Board in relation to the appointment, termination and remuneration of internal and external auditors;
- Reviewing the proposed internal and external audit plans; and
- Reviewing the internal audit reports.

Please refer to pages 27 and 28 for disclosures in respect of internal control and risk management.

Corporate Governance (Nomination and Remuneration) Committee

The objectives of the Corporate Governance (Nomination and Remuneration) Committee are as follows:

Corporate Governance

- Review the Constitution and structure of the Company in the light of the Code of Corporate Governance;
- Assist the Board in the implementation of the Code of Corporate Governance and review all governance documents before submission to the Board for approval;
- Lead the self appraisal of Directors' process; and
- Ensure that the Company's Annual Report complies with the provisions of the Code of Corporate Governance.

Nomination

- Ascertain whether potential new Directors are fit and proper and are not disqualified from being Directors;
- Ensure that potential new Directors are fully cognisant of what is expected from a Director;
- Ensure that the right balance of skills, expertise and independence is maintained on the Board;
- Ensure that there is a clearly defined and transparent procedure for shareholders to recommend potential new Directors; and
- Ensure that potential new Directors are free from material conflict of interests and not likely to simply act in the interests of a major shareholder, substantial creditor or significant supplier of the Company.

Remuneration

- Determine, develop and agree on the Company's general policy on executive and senior management remuneration;
- Determine specific remuneration packages for Executive Directors of the Company, including but not limited to basic salary, benefits in kind, annual bonuses, performance-based incentives, pensions and other benefits;
- Determine any criteria necessary to measure the performance of Executive Directors in discharging their functions and responsibilities; and
- Recommend to the Board the appropriate level of Directors' fees.

The attendance by members is detailed at page 26.

PRINCIPLE 3 – DIRECTORS' APPOINTMENT PROCEDURES

• Election & Re-election of Directors

The Corporate Governance (Nomination & Remuneration) Committee reviews all new appointments to the Board and committees prior to recommending same to the Board for approval until submission to the shareholders for approval at the Annual Meeting. In line with the Code and the Constitution of the Company, all Directors stand for re-election and/or reappointment on an annual basis.

The names of all present Directors, their profile, categories and directorships in other listed companies as well as the Company Secretary's profile are set out on page 19 to 20.

The appointment process as defined above as well as the Directors' profile and the Company Secretary's profile are not presented separately on the website and can be viewed in the present annual report, which is posted on the Company's website.

• Directors' Induction

The Board assumes the responsibilities for the induction of new Directors. New Directors are given an induction pack upon their appointment in order to get acquainted with the Company, its policies and procedures. They are also encouraged to meet with the Company's Executive Directors and Senior Officers to benefit from a better insight into the operations of the Company.

All new Directors have attended and participated in an induction and orientation process.

• Directors' Training

Despite the Company not providing in house Director Training and Development, as it does not have the resources for such training, Directors are encouraged to avail training from service providers offering such services. The Board does not review the professional development and ongoing education of Directors as, according to its Board Charter, each Director shall ensure that he/she has the knowledge and training he/she considers appropriate to be able to perform his/her role as Director in an efficient manner.

• Succession Planning

The Board assumes the responsibilities for succession planning to ensure that the Company continues to operate successfully in all circumstances. The Company being very IT focussed, the system is not reliant on a single person; there is a strong IT team well acquainted with the IT system and operations. The Executive Directors are also very active in the day to day operations and are well acquainted with the system and the Company's activities.

PRINCIPLE 4 - DIRECTORS' DUTIES, REMUNERATION & PERFORMANCE

All Directors are aware of their duties and are expected to objectively discharge their duties and responsibilities in the best interest of the Company. Directors are aware that they should, in their position, act with care, skill and diligence and do their utmost to avoid conflicts of interests or situations where that can be perceived as conflicts.

• Conflict of Interest

The Board is conscious that transactions between the Company and its Management, Directors or Shareholders may be a source of conflict of interest and ensures that transactions are disclosed in the interest register.

The Board charter, which can be viewed on the website, includes a guideline on conflict of interests and related party transactions and on the Directors' duty to disclose.

An interest register is maintained at the offices of the Company Secretary and is available for consultation to shareholders upon written request to the Company Secretary.

• Related Party Transactions

Related party transactions are set out on note 28. No related party transactions were outside the scope of the Company's Board Charter.

• Information, Information Technology (IT) & Information Security Governance:

Information management is an essential part of good IT governance, which in turn is a cornerstone in corporate governance. An integral part of the IT governance is information security, in particular pertaining to personal information.

The Board is responsible of overseeing information governance within the Company and ensures that performance of information and IT systems are adequate. An IT Risk Register is reviewed by the Audit and Risk Committee twice a year – or earlier if required, and a report made to the Board thereafter.

The Company has Information Technology (IT) Policies which identify the rules and procedures for all individuals accessing and using an organisation's IT assets and resources. Users of the information system may only access those information system assets for which they have been explicitly authorized by the asset owner. Users may use the information system only for purposes for which they have been authorized, i.e. for which they have been granted access rights.

Effective IT Security Policy is of essence to the Company and part of the organisation's culture which combines the legal requirements and current best practice for an information security management policy for the Company.

PRINCIPLE 4 - DIRECTORS' DUTIES, REMUNERATION & PERFORMANCE (CONT'D)

• Information, Information Technology (IT) & Information Security Governance (Cont'd):

Core principles for information security management, as defined in ISO/IEC 27002, are adapted to the local situation for the following areas:

- Risk assessment;
- Organising information security;
- Frequent monitoring of the capital & IT expenditures in line with budgets;
- Asset management;
- Human resources security;
- Physical security and restrictions to access in some cases;
- Communications and operations Management;
- Access control;
- System development and Maintenance;
- Information security incident Management;
- Business continuity management; and
- Compliance.

The Board and Management are involved in information and IT governance to the extent that they:

- Oversee the realised total capital expenditures for IT in line with budget at Board meetings;
- Regularly evaluate the information security systems; and
- Assess the need for independant evaluation from external experts on IT governance.

The IT Policies can be viewed on the Company's website.

• General Data Protection Regulation

The Company held a workshop in 2018 for all employees organised by Ahnee Duval Chambers. The aim of the workshop was to brief the employees about Data Protection in Mauritius, its legal perspective and practical application.

ASL has nominated a team of employees and a Data Protection Officer for the implementation of the policies during the course of 2019. The Company has hired the expertise of EY in 2019 for the implementation of Data Protection policies within the organisation. The Company adopted a Data Protection policy and the recommendations of EY are being implemented so that compliance to the Data Protection Act is achieved before the end of 2020.

PRINCIPLE 4 - DIRECTORS' DUTIES, REMUNERATION & PERFORMANCE (CONT'D)

• Remuneration of Directors

The Corporate Governance committee that also includes the remuneration committee annually reviews Directors remuneration. If considered appropriate, the Committee then makes the necessary recommendation for review to the Board.

The Board shall act on the recommendation from the Corporate Governance Committee and either, if it considers it fair to the Company, determine the appropriate remuneration or compensation, or bring its recommendation to shareholders at the Annual Meeting for a decision by ordinary resolution of shareholders.

The Corporate Governance and Remuneration Committee also reviews the remuneration packages of the Senior Managers and Executive Directors, including but not limited to basic salary, benefits in kind, annual bonuses, performance-based incentives, share incentives, pensions and other benefits.

The remuneration structure with regards to Directors' fees has been last reviewed at the Annual Meeting of 2017 and comprises two components, namely, a basic yearly fee and an attendance fee as follows:

	Board		Audit and Risk Committee		Corporate Governance Committee	
	Fixed Fee	Attendance Fee	Fixed Fee	Attendance Fee	Fixed Fee	Attendance Fee
Chairperson	90,000	17,500	60,000	15,000	60,000	12,500
Members	45,000	12,500	30,000	7,500	30,000	7,500

The table below sets out the details of attendance of Directors at meetings during 2019 and Directors' remuneration perceived:

	Attendance at Meetings during 2019			
Directors / Alternate	Board	Audit and Risk Committee	Corporate Governance Committee	Total Directors' Remuneration MUR
M. A. Eric Espitalier-Noël	3/3	-	2/2	187,500
M. L. Jean Hardy	3/3	-	2/2	2,629,575
O. Farouk A. A. Hossen	3/3	2/4	-	127,500
Sarah A. M.heller	2/3	-	-	70,000
Ravindra Chetty	2/3	-	2/2	155,000
John A. Stuart	2/3	-	-	70,000
Michel J. L. Nairac	2/3	-	-	70,000
J. O. Guillaume Hardy	3/3	-	-	3,816,335
Arvind Lall Dookun	3/3	4/4	-	142,500
Mushtaq M. O. N. Oosman	2/3	4/4	-	190,000

Non-executive Directors have not received remuneration in the form of share options or bonuses associated with the Company's performance.

PRINCIPLE 4 - DIRECTORS' DUTIES, REMUNERATION & PERFORMANCE (CONT'D)

• Code of Ethics

The Company is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders. This commitment, which is actively endorsed by the Board, is based on the fundamental belief that business should be conducted honestly, fairly and legally.

The Company's Code of Ethics has been approved by the Board and has been circulated to all employees and agents. It can be viewed on the Company's website (**www.automaticsystemsltd.mu**). New employees joining the Company are given a copy of the Code of Ethics and are apprised thereof during their induction session.

The new Compliance Officer will review the code of ethics during the course of 2020 and a part on whistleblowing will be added. The Compliance officer will thereafter monitor the Code of Ethics on a yearly basis.

PRINCIPLE 5 – RISK GOVERNANCE & INTERNAL CONTROL

The Board is ultimately responsible for risk governance and internal control system and for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. A Risk Register as well as an IT Risk Register are regularly reviewed and monitored by management and by the Audit and Risk Committee and are presented to the Board with recommendations where applicable.

• Internal Control & Risk Management

AmTote International Inc continues to provide a line monitoring of the automated system whereby its engineers can analyse the operations in real time and can intervene if need be from their base in the USA. The automated system cannot be tampered with and it is subjected to regular foolproof tests.

• Risk Management

The Board has the overall responsibility for the Group's governance of risk and for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The Board has delegated to the Audit and Risk Committee the responsibility of implementing structures and processes to help identify, assess and manage risks. Risk reviews are regularly conducted and mitigating measures are implemented accordingly. The Audit and Risk Committee works closely with the Management and External Auditors to ensure that the Company's system of control effectively enables the Company to mitigate the risks inherent to its activity.

The Company is aware that its major risks are beyond its control.

The main risks faced by the Company are as follows:

Taxes and Levies

The Company is tributary to Government decisions as regards to taxes and levies. The impact of taxes and levies on the cost structure of the Company is considerable and not necessarily linked to performance. The taxes and licences paid to Authorities represent about 47% of the Company's income. The Company communicates its concern regarding current tax legislations to the authorities on a regular basis.

PRINCIPLE 5 – RISK GOVERNANCE & INTERNAL CONTROL (CONT'D)

• Risk Management (Cont'd)

Market

The Company is operating in a highly competitive and challenging environment and has to face unfair competition from illegal betting. In this difficult environment the Company's know-how and experience coupled with well spread outlets contribute to keep up its competitive edge.

Numerous factors directly affect the Company's revenue, such as: the number of race meetings held annually, the quality of the racing fixtures, the number of Off-Course betting shops allowed to operate, the performance of the Mauritian economy and the number of Bookmakers operating outside the racecourse. Changes in the Company's business environment are regularly assessed by Management so as to contain as far as possible, any adverse impact on profitability.

The Company activities being much regulated, moving outlets or expanding its activities is a challenge.

IT & Operational

The operational risks relate to internal processes which are regulated by Information Technology systems and software controlling the betting operations of the Company. These systems are closely monitored at management level with cash reconciliations done daily and further reconciliation are prepared and verified on a weekly basis.

The integrity of the betting system provided and tested by AmTote International Inc. which is based in the USA, represents the main operational risk for horse racing betting. However, all software changes concerning the AmTote Betting System are made only by AmTote International Inc and are secured with proper controls at different levels. The database belongs to AmTote International Inc. and users cannot make changes thereto but can only generate reports from the system.

Similarly, the integrity of the betting system provided by Falcon Wagering Solutions Pty Ltd which is based in Melbourne, Australia and tested by iTech Labs Australia also represents another operational risk for sports (football) betting. All software changes concerning the Falcon Wager Betting System are made only by Falcon Wagering Solutions Pty Ltd and are secured with proper controls at different levels. The betting engine belongs to Falcon Wagering Solutions Pty Ltd and the database is secured with passwords which are only known by Falcon Wagering Solutions Pty Ltd. Thus, users cannot make changes thereto but can only generate reports from the system.

Satisfactory procedures are in place to mitigate the risks related to money laundering.

IT operations and business processes are regularly audited, monitored, improved and updated wherever possible. IT and Security policies, standards and guidelines have been implemented. As a security for the business continuity, the Company has a secondary site with the redundant AmTote equipment and necessary infrastructure. The secondary site is running live with real-time data. It is intended to use a BCP (business continuity plan) to respond to disruptions of critical business processes whereby a faster recovery can take place.

Compliance

The Company operates in a much regulated environment. To ensure that the Company complies with outside regulatory and legal requirement applying to its activities as well as its internal policies, a Compliance Officer joined the Company in February 2020. He also act as Data Protection Officer and Money Laundering Reporting Officer.

Other Risks

Other risks relate to the reputation of the Company and physical disasters and accidents. The Board of the Company ensures that the Company operates according to a high standard of ethics and fairness with regards to the horse racing industry, regulators, punters and the public.

Physical disasters and accidents are insurable risks which are covered through insurance policies upon advice from insurance brokers. These policies have also been reviewed by the Audit and Risk Committee which considers such insurance covers to be adequate.

The Company is aware of the risk that punters shift to other products due to lack of confidence in the racing industry. To mitigate that risk, permanent communication is maintained with the relevant authorities.

PRINCIPLE 6 – REPORTING WITH INTEGRITY

The Board is responsible for the preparation of accounts that fairly present the state of affairs of the Company and the Group. The Annual Report includes financial statements that are prepared in accordance with International Accounting Standards and the Companies Act. The Annual report is published in full on the Company's website.

• Carbon Reduction Commitment

The Company's activities do not have a major impact on environment. Nevertheless, being conscious that every step, even small ones, matters, the Company constantly tries to reduce its carbon footprint over time. In that respect, the Company wishes to thank its shareholders who agreed to contribute to this endeavour by accepting to support the Board's decision to provide the annual report of Automatic Systems Ltd in electronic format. Other shareholders are encouraged to follow the same path. Shareholders wishing to encourage this initiative are invited to contact the Share Registry and Transfer Office at ECS Secretaries Ltd on the 2121998.

Furthermore, the Company is committed to a green type of sustainability and to a reduction of adverse environmental impact, as part of its long-term strategy for sustained growth.

The Company has taken the following measures in 2019 to reduce its power consumption:

- The Company promotes online paperless betting and works with Topco for the production of thermal paper rolls for physically placed bets. Topco imports their raw materials from the Koehler Paper Group (ISO14001) based in Germany and the Koehler group is committed to environment protection;
- DC drive Air Conditioning units with lower power consumption have replaced the previous models;
- Some mercury based fluorescent lamps have been replaced by LED low energy lamps across the offices;
- InkJet Printers with Refillable Ink Tanks have been installed in several outlets and at the head office; Implementation of online bet booking for football betting further promotes online paperless betting. This can be done through the superscore.mu website or at booking terminals (kiosk) placed in a few outlets;
- Newsletter are now sent by e-mail instead of by post. This considerably reduces paper based newsletters. Clients are encouraged to register to our online newsletter in order to reduce paper consumption; and
- The Company recycles most of its paper consumption at its head office through Paper Link Ltd who collects paper waste for recycling.

Future Commitments

The Company is committed to continuously:

- Reduce paper and ink cartridge consumption;
- Consider the factor of energy-efficient when acquiring new equipment;
- Replace fluorescent lamps by low energy LED lamps; and
- Continue to add more booking terminals (kiosk) in outlets.

• Donations/CSR

In line with the dispositions of the current Gambling Regulatory Authority Act which provide for the totality of CSR funds to be remitted to the GRA, the Company has contributed an amount of Rs 2.8 million (Rs 3.3 million in 2018) for the setting up of a national responsible gambling program.

Corporate Governance Report (Cont'd)

PRINCIPLE 6 – REPORTING WITH INTEGRITY (CONT'D)

• Health & Safety

The Company endeavours to provide a safe environment to its employees and other Stakeholders and has a Health & Safety consultant to ensure compliance with the relevant prescribed health and safety norms and existing legal and regulatory frameworks pertaining thereto. Employees followed a training on the usage of firefighting equipment and staff evacuation in case of emergency. Furthermore, four employees are qualified first aiders.

The Company continuously strives at instilling a safety culture among its employees and is committed to providing a Healthy and Safe environment at work. The Company has adopted a general statement of health and safety policy.

The Company continuously carries out risk assessments and implements appropriate measures to eliminate health and safety hazards.

The Company has the following measures in place to prevent accidents and work related injuries, namely:

- Training of employees;
- Regular Risk assessment;
- Safety Audit;
- Training to enable supervisors to carry out Task Risk Evaluation;
- Empowering its Supervisors to take decisions in the face of dangers and hazards at work;
- Encouraging employees to report potential hazards, accidents or unsafe conditions; and
- Ensuring that Contractors are fully compliant with health and safety issues.

• Social Issues

In the recruitment and promotion of its team members, the Company practises fair policies, based on merit.

• Annual Meeting

The next Annual Meeting is scheduled for the 25th September 2020 at 14 00hrs at Champ de Mars Port Louis. The notice can be viewed on the Company's website.

The list of shareholders' meeting's questions and answers and votes are not published on the website as shareholders can have access to the minutes of the said meetings in accordance with section 226 of the Companies Act. The minutes of the 2020 Annual Meeting will be available to shareholders as from 26th October 2020.

PRINCIPLE 7 – AUDIT

• Internal Audit

EY has been appointed as Internal Auditors at the end of 2018. Their first assignment was in February 2019.

The Internal Audit team has unrestricted access to the records, management and employees of the Company. The Internal Auditor is expected to maintain an open and constructive line of communication with Management and reports to the Audit and Risk Committee (ARC).

The Company has an effective and independent internal audit function that has the respect, confidence and co-operation of both the Board and the management. The Internal Audit reports made during the year were:

- Compliance Audit and ITGC Review - all aspects of compliance in relation to the various applicable legislation were reviewed;
- ITCG - the Company's activity being highly reliant on IT in general, controls and procedures were reviewed;
- Cybersecurity review; and
- Bookmaker Management and operations review.

The Internal Audit reports were discussed at the ARC in the presence of the Internal Auditors and a report was presented at the following Board.

• Internal Control & Risk Management

The Board acknowledges that it has overall responsibility for the Company's systems of risk management and internal control and for ensuring their effectiveness.

Some of the most significant risks facing the Company pertain to the economic, social, environmental, technological and political factors affecting the countries from where the Company derives business. Reputational, foreign exchange and interest rates risks also have a direct impact on the Company's and the Group's business.

For the financial risk factors, refer to note 4 of the financial statements.

• External Audit

PriceWaterhouse Coopers are the external auditors of the Company. Their reappointment will not be proposed at the next Annual Meeting as their tenure of office will be reviewed in 2020 in line with the Financial Reporting Act 2004. Their replacement will be subject to a tender exercise and a recommendation for the appointment of new Auditors will be made at the 2020 Annual Meeting.

The ARC is responsible for reviewing with the external auditors the letter of engagement, terms and nature of the audit scope and approach and for ensuring that no restrictions or limitations have been placed on the scope. The external auditors report directly to the ARC which is also responsible for monitoring the external auditors' independence, objectivity and compliance with ethical, professional and regulatory requirements.

During the financial year ended December 2019 the ARC has met four times and the external auditors were present at the ARC where the Audited Financial Statement were presented and reviewed. The Executive Directors were in attendance during those meetings.

Auditors are expected to observe the highest standards of business and professional ethics and, in particular, that their independence is not impaired in any manner. They have the duty to maintain their independence and objectivity at all times, especially when providing other than audit service to the Company or the group. Any conflicts or potential conflict of any kind are expected to be reported to the ARC or the Chairperson of the Board without delay.

The main issues are reported in the External Auditors' Key Audit Matters on page 44. No other issues were brought to the attention of the ARC or the Board.

Corporate Governance Report (Cont'd)

PRINCIPLE 8 – RELATIONS WITH SHAREHOLDERS & OTHER KEY STAKEHOLDERS

• Shareholder Information

The Board of Directors places great importance on an open and transparent communication with all the stakeholders of the Company. In line with the Listing Rules, it also endeavours to inform the shareholders on matters affecting the Company by communiques in the press and disclosures in the Annual Report.

• Dividend Policy

The Board has not adopted a formal dividend policy and distributes dividends subject to the Company's profitability, capital expenditure requirements and investment plan. Dividends are declared subject to the solvency test being satisfied, as required by the Companies Act 2001.

For the year ended 31 December 2019, the Directors have approved the distribution of a final dividend of Rs 5.00 per share (2018: Rs 5.00).

• Relationship with Shareholders & Stakeholders

The Company maintains a close relationship with its shareholders. Through publications of quarterly results, Shareholders are informed of material events affecting the Company. The Secretary is also available to provide any information or advice upon request.

The Board acknowledge its responsibility of ensuring that an appropriate dialogue takes place among the Company, its shareholders and other key stakeholders. Shareholders are invited to attend the Annual Meeting which is a forum for exchange with Directors.

• Employees

The Company recognises the importance of its workforce which is key to the Company's performance. The Company currently employs, on a full time basis, 28 persons who are involved in the daily operations of the Company. 240 casual workers were recruited during the racing season. Furthermore, for it's off-course operation, the Company has a working arrangement with 20 agents/supervisors, each employing an average of 8 casual workers during the racing season.

• Share Price Information

At 31 December 2019, the share price of the Company was Rs 100.25 (Rs 94.50 at 31 December 2018). An update share price can be viewed on the Company's website or on the website of the Stock Exchange of Mauritius.

• Shareholders' Agreement

No Shareholders' Agreement exists between the Company and related parties.

• Shareholders Communication & Events

The Company communicates with its Shareholders, investment community and other Stakeholders via press releases, publication of quarterly results, dividend declarations and the Annual Report which is also available on the Company's website **www.automaticsystemsltd.mu** - The website also provides interesting information on the Company's activites, financials and governance.

The key events and shareholder communications of the Company are set out below:

Month	Event
March	Abridged end-of-year results and approval of Annual Report
May	Sending of Annual Report and notice of Annual Meeting to Shareholders
May	Annual Meeting
May, August, November	Publication of quarterly financial reports
December/January	Declaration/payment of dividend (if applicable)

• Shareholding

At 31 December 2019, the Company's share capital amounted to Rs 24,745,000 divided into 3,535,000 ordinary shares of Rs 7 each. There were 1,624 shareholders on the registry compared to 1,605 in 2018.

PRINCIPLE 8 – RELATIONS WITH SHAREHOLDERS & OTHER KEY STAKEHOLDERS (CONT'D)

- **Shareholding** (Cont'd)

Cascade Holding Structure

The Company's shareholding structure is as follows:

(*) None of the other shareholders have more than 5% effective shareholding in the Company.

Corporate Governance Report (Cont'd)

PRINCIPLE 8 – RELATIONS WITH SHAREHOLDERS & OTHER KEY STAKEHOLDERS (CONT'D)

• Shareholding (Cont'd)

On 31 December 2019, the following shareholders held directly and indirectly more than 5% of the ordinary share capital of ASL.

	Direct Interest	
	No. of Ordinary Shares	% Holding
Société L'Inité	520,667	14.73
Société du Grand Moulin	489,686	13.85
Gold Circle (Proprietary) Limited	421,324	11.92
MCB (A/C The MCB Ltd Super Fund) PF 1075499-1	302,000	8.54

Common Directorships of ASL holding structure:

	SLI	PGL	GCPL	ML
M. L. Jean Hardy	* (Gerant)			*
M. A. Eric Espitalier-Noël				*
Michel J. L. Nairac			*	*
J. O. Guillaume Hardy				*

SLI - Société L'Inité • **GCPL** - Gold Circle (Proprietary) Limited • **ML** - Megawin Ltd

The Company's shareholding profile as at 31 December 2019 was as follows:

Number of Shares Held (Range)	Number of Shareholders	Total Number of Shares for the Range	Percentage Held
1-500	1,254	198,458	5.614
501-1,000	180	124,601	3.525
1,001-5,000	133	301,980	5.543
5,001-10,000	24	162,549	4.598
10,001-50,000	24	511,855	14.480
50,001-100,000	1	56,900	1.610
100,001-250,000	4	444,980	12.588
250,001-500,000	3	1,213,010	34.314
500,001-99,999,999	1	520,667	14.729
	1,624	3,535,000	100

Summary of Shareholder category at 31 December 2019:

	Number of Shareholders	Total Number of Shares Held	Percentage Held
Individual	1,533	1,252,361	35.427
Insurance & Assurance Companies	3	2,557	0.072
Pension & Providence Funds	33	537,915	15.217
Investment & Trust Companies	3	22,156	0.627
Other Corporate Bodies	52	1,720,011	48.657
	1,624	3,535,000	100

OTHER STATUTORY DISCLOSURES

• Contract of Significance

There was no contract of significance to which Automatic Systems Ltd was party to and in which a Director of the Company was materially interested either directly or indirectly.

• Directors Service Contract

There are no service contracts between the Company and its Directors. None of the Directors has a service contract that needs to be disclosed under Section 221 of the Companies Act 2001.

• Directors Share Interest

The interests of the Directors are disclosed on page 22 of this report.

• Profile of Senior Officers

Please refer to page 19 of the report.

• Interests of Senior Officer – Excluding Directors

The Senior Officer does not hold any interests in the shares of the Company whether directly or indirectly.

• Management Agreement

The Company does not have a Management Agreement.

• Directors

A list of Directors of the Company is given on Page 18.

• Directors' Emoluments

Remuneration and benefits (including bonuses and commissions) received and receivable from the Company were as follows:

	2019	2018
Non-Executive Directors	**1,040,000**	1,117,500
Executive Directors	**6,445,910**	6,665,910

• Auditors' Remuneration

The fees paid to the Auditors, for audit and other services were:

	2019	2018
Audit Fees	**984,000**	971,750
Tax Services Fees	**186,000**	109,825

Tax Services were provided by PriceWaterhouseCooper. No other non-audit services were availed during the reporting financial year.

Ravindra Chetty
Chairperson of the Corporate Governance (Nomination and Remuneration) Committee

M. A. Eric Espitalier-Noël
Chairperson

Box Office Ltd
Secretary

Corporate Governance Report (Cont'd)

OTHER STATUTORY DISCLOSURES (CONT'D)

• Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities for:

a) Leading and controlling the Company and meeting all legal and regulatory requirements;

b) Succession planning;

c) Approving the Charters of the two sub committees – namely the Audit and Risk Committee Charter and the Corporate Governance (Nomination and Remuneration) Committee Charter;

d) Adequate accounting records and the maintenance of effective internal control systems;

e) Approving the Code of Ethics;

f) The preparation of the Group's and the Company's financial statements to fairly state the affairs of the Company and the Group. (The said financial statement adhere to international accounting standards. There has been no departure from these international accounting standards to report and not material uncertainties have been identified);

g) A fair, balanced and understandable assessment of the Company's financial, environmental, social and governance position, performance and outlook;

h) The use of appropriate accounting policies supported by reasonable and prudent judgments and estimates;

i) The Company's adherence to the New Code of Corporate Governance (2016);

j) The governance of risk and for determining the nature and extent of the principal risks the Company is willing to take in achieving its strategic objectives, and for ensuring that the Company develops and executes a comprehensive and robust system of risk management; and

k) Ensuring that an appropriate dialogue takes place among the Company, its shareholder and other key stakeholders.

The Directors affirm that:

i) The Company is a public interest entity as defined by law;

ii) The Company is headed by an effective Board, and responsibilities and accountabilities within the Company (including at the level of Senior Management) are known to all parties;

iii) Appropriate Board committees, namely the Audit & Risk Committee and the Corporate Governance Committee (Nomination and Remuneration Committee) have been set up to assist the Board in the effective performance of its duties;

iv) Adequate accounting records and an effective system of risk management have been maintained;

v) Appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently;

vi) International Financial Reporting Standards, the Financial Reporting Act and the Mauritius Companies Act have been adhered to. Any departure has been disclosed, explained and quantified in the consolidated and separate financial statements;

vii) They have assessed the Company as a going concern and have a reasonable expectation that the Company will continue to operate for the foreseeable future and meet its liabilities as they fall due;

viii) Affirm that the Board and the Audit and Risk Committee regularly monitor and evaluate the Company's operational risk; and

ix) Affirm that the Board acknowledges its responsibility to monitor and evaluate the Company's compliance risk.

• Statement of Directors' Responsibilities in Respect of the Financial Statements at December 31, 2019.

The Company's Directors are responsible for the preparation and fair presentation of the financial statements, comprising the statements of financial position at December 31, 2019, the statements of profit or loss and other comprehensive income, the statements of changes in equity, statement of cash flows, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001 and Financial Reporting Act 2004.

The Director's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting judgments and estimates that have been used consistently.

The Directors have made an assessment of Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The Directors report that the External Auditors are responsible for reporting on whether the financial statements are fairly presented.

The Directors confirm that:

i) adequate accounting records and an effective system of internal controls and risk management have been maintained;

ii) appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;

iii) International Financial Reporting Standards have been adhered to. Any departure in the interest in fair presentation has been disclosed, explained and quantified;

The Directors confirm that the Code of Corporate Governance has been adhered to.

Approved by the Board of Directors on 16 March 2020 and signed on its behalf by:

By Order of the Board

M. A. Eric Espitalier-Noël
Chairperson

Mushtaq M. O. N. Oosman
Director

Date: 16/03/2020

GOAAAL!

“Dernié minit pou zwé! Nou lékip pé fer draw. Pas pé bon! Si nou ti kapav met enn goal zoli net! Kouma nou dir, tou posib dan football. 35 ségonn resté. Anou gard lespwar. Alalila: nou lékip pé ataké, stad anflamé. Samem dernié sans. Défans advers tini ferm. Népli kapav tini enplas dan fotey. ‘Tapé piti, Tapé!’ Atakan fer enn double-kick... **GOAAAL**!!! Samem nou dir: tan ki larbit pa souflé fini, match pankor fini!”

Statement of Compliance

(Section 75 (3) of the Financial Reporting Act)

Name of Public Interest Entity (PIE): AUTOMATIC SYSTEMS LTD ('ASL')

Reporting Period: Financial year ended 31 December 2019

We the Directors of Automatic Systems Ltd confirm that to the best of our knowledge the PIE has complied with all of its obligations and requirements under the Code of Corporate Governance.

SIGNED BY:

Mr. M. A. Eric Espitalier-Noël
Chairperson

Mr. Ravindra Chetty
Director

Date: 16/03/2020

Secretary's Report

(Section 166(d) of the Companies Act 2001)

We certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001, in terms of section 166(d).

Sophie Gellé
Box Office Ltd
Company Secretary

Date: 16/03/2020

APIYÉ !

“La Rue du Gouvernement - bann souval pou fer kontour pou rant dan laliyn drwat final. Ki pou arivé ? Nanié penkor désidé ! Anou pa perdi lespwar ! Doup doup - Léker koumans bat pli for kouma tamtam. Bann zoké déman zot séval enn dernié zéfor. Piblik ousi koumans mèt so bout. Ala ki tou dimunn népli kapav ress en plas ! Lékor frisoné. Zot koumans soté, kriyé pou donn zot souval enn dernié koudmé : **APIYÉ** zot dir ... **APIYÉ** !!!”

Independent Auditor's Report

To the Shareholders of Automatic Systems Ltd

REPORT ON THE AUDIT OF THE CONSOLIDATED & SEPARATE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of Automatic Systems Ltd (the "Company") and its subsidiary (together the "Group") and of the Company standing alone as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

What we have audited

Automatic System's consolidated and separate financial statements set out on pages 52 to 92 comprise:

- the consolidated and separate statements of financial position as at 31 December 2019;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

REPORT ON THE AUDIT OF THE CONSOLIDATED & SEPARATE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Company and Group	Company and Group
MRA Claim *[See note 27 – Tax claim from Mauritius Revenue Authority Claim ("MRA")]* In December 2014, the Company received a claim of Rs 21,571,308 from the MRA regarding racing seasons 2012, 2013 and 2014 following the examination of the Company's books and records in relation to betting tax. In June 2015, an additional amount of Rs 4,188,453 inclusive of penalty and interest in respect of racing seasons 2012, 2013 and 2014 has been claimed. In June 2019, the MRA sent another assessment notice claiming Rs 60,994,000 in respect of racing seasons 2016, 2017 and 2018. The estimation of management on the potential case of the MRA is Rs 88,900,000 as at 31 December 2019. The MRA claims that betting tax on "All for All" bets placed with the Company in respect of the above race meetings has not been properly calculated. The Company has made an appeal against this claim and an amount of Rs 8,940,000 was paid to the MRA to appeal for the case (Refer to Note 18). No provision in relation to this claim has been recognised in these financial statements, as the directors are of the opinion that, based on legal advice, it is possible but not probable that a significant liability will arise. Should the case materialise against the Company, the net assets will become negative and the going concern assumption will have to be reconsidered. This is a key audit matter as the outcome of the dispute with the MRA is uncertain and the impact of an unfavourable outcome is so significant to the Company and the Group.	We have sighted all communications between the MRA and the Company, including the tax assessments raised by the MRA. We have discussed with the directors the possibility of this liability crystallising. We have also circularised and discussed with the Company's legal advisor on the merits of this claim. We also assessed the adequacy of the disclosures in respect of this contingent liability in the financial statements.

REPORT ON THE AUDIT OF THE CONSOLIDATED & SEPARATE FINANCIAL STATEMENTS (CONT'D)

Other Information

The directors are responsible for the other information. The other information comprise information included in the annual report but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition to the responsibilities described above and our work undertaken in the course of the audit, the Mauritius Financial Reporting Act 2004 requires us to report certain matters as described below.

Corporate Governance Report

Our responsibility under the Mauritius Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance ("Code") disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Company has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Responsibilities of the Directors for the Consolidated & Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Company's financial reporting process.

REPORT ON THE AUDIT OF THE CONSOLIDATED & SEPARATE FINANCIAL STATEMENTS (CONT'D)

Auditor's Responsibilities for the Audit of the Consolidated & Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

REPORT ON THE AUDIT OF THE CONSOLIDATED & SEPARATE FINANCIAL STATEMENTS (CONT'D)

Auditor's Responsibilities for the Audit of the Consolidated & Separate Financial Statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal & Regulatory Requirements

Mauritian Companies Act 2001

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

a) we have no relationship with or interests in the Company or any of its subsidiary other than in our capacity as auditor and tax advisor of the Company and as tax advisor of the subsidiary;

b) we have obtained all the information and explanations we have required; and

c) in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

REPORT ON THE AUDIT OF THE CONSOLIDATED & SEPARATE FINANCIAL STATEMENTS (CONT'D)

Other Matter

This report, including the opinion, has been prepared for and only for the Company's shareholders, as a body, in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers **Olivier Rey**, licensed by FRC

16 March 2020


WEEEH!

“ Pli sityasyon la difisil pli li eksitan non ? Adrénalinn la monté. Nou aret pran kont ki pé arivé otour nou. Nou ress konsantré pou pa rat nanié. Nou sel obzektif : gayné. Dan sa bann moman-la, koumadir nou gard tou nou lémosyon andan nou, atann ziska ki nou souval pass bit an prémié, ou nou lékip met enn goal. Lerla... nou explozé, koumadir nou inn délivré. Et là, sagrin zorey bann lézot kan zot pou tann nou kriyé : **WEEEEEEHHHHHH** ! ”

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
Income (Note 7)	413,999	397,551	395,000	378,996
Government taxes and duties	(156,821)	(155,627)	(156,821)	(155,627)
Payment to National Solidarity Fund	(17,665)	(16,321)	(17,665)	(16,321)
Net income	239,513	225,603	220,514	207,048
Other income	3,112	1,205	6,172	3,712
Selling expenses	(44,512)	(43,516)	(32,072)	(31,477)
Operating expenses	(104,095)	(106,653)	(104,095)	(106,653)
Loss allowance on trade receivables	(59)	(1,737)	(59)	(1,313)
Payments to The Mauritius Turf Club	(55,063)	(52,759)	(55,063)	(52,759)
Operating profit (Note 8)	38,896	22,143	35,397	18,558
Finance income	249	4	-	-
Finance costs	(958)	(367)	(958)	(15)
Finance costs – net (Note 10)	(709)	(363)	(958)	(15)
Profit before income tax	38,187	21,780	34,439	18,543
Income tax expense (Note 11)	(6,192)	(5,049)	(5,035)	(4,065)
Profit for the year	31,995	16,731	29,404	14,478
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Changes in the fair value of financial assets (Note 17)	106	125	106	125
Re-measurements of post-employment benefit obligations (Note 23)	249	(750)	249	(750)
Deferred tax charge relating to re-measurements of post employment benefits (Note 24)	(42)	127	(42)	127
Re-measurements of post-employment benefit obligations – net of tax	207	(623)	207	(623)
Total other comprehensive income for the year	313	(498)	313	(498)
Total comprehensive income for the year	32,308	16,233	29,717	13,980
Profit for the year attributable to:				
Owners of the Company	29,226	14,378	29,404	14,478
Non-controlling interests	2,769	2,353	-	-
	31,995	16,731	29,404	14,478
Total comprehensive income attributable to:				
Owners of the Company	29,539	13,880	29,717	13,980
Non-controlling interests	2,769	2,353	-	-
	32,308	16,233	29,717	13,980
Basic and diluted earnings per share (Note 12)	8.27	4.07	8.32	4.10

The notes on pages 57 to 92 are an integral part of these consolidated financial statements

STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2019

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
ASSETS				
Non-current assets				
Plant and equipment (Note 13)	29,153	25,969	28,808	25,242
Right-of-use assets (Note 14)	4,973	-	4,973	-
Goodwill (Note 15)	73,514	73,514	73,514	73,514
Investment in subsidiary (Note 16)	-	-	1,020	1,020
Financial assets at fair value through other comprehensive income (Note 17)	1,702	1,596	1,702	1,596
Deferred income tax asset (Note 24)	1,937	1,489	1,924	1,489
	111,279	102,568	111,941	102,861
Current assets				
Inventories (Note 20)	544	350	544	350
Trade and other receivables (Note 18)	21,553	16,611	20,866	12,097
Cash and cash equivalents (Note 19)	31,114	32,101	20,243	24,877
Restricted cash (Note 30)	14,152	9,355	14,152	9,355
	67,363	58,417	55,805	46,679
Total assets	178,642	160,985	167,746	149,540
EQUITY				
Equity attributable to owners of the Company				
Share capital (Note 21)	24,745	24,745	24,745	24,745
Share premium (Note 22)	1,168	1,168	1,168	1,168
Post-employment benefits reserve	183	(24)	183	(24)
Fair value reserve	1,602	1,496	1,602	1,496
Retained earnings	59,689	47,974	57,645	45,752
	87,387	75,359	85,343	73,137
Non-controlling interests	2,940	3,111	-	-
Total equity	90,327	78,470	85,343	73,137
LIABILITIES				
Non-current liabilities				
Deferred income tax liability (Note 24)	-	51	-	-
Post-employment benefits (Note 23)	3,400	3,434	3,400	3,434
Lease liabilities (Note 14)	2,615	-	2,615	-
	6,015	3,485	6,015	3,434
Current liabilities				
Trade and other payables (Note 25)	38,779	45,482	36,344	42,530
Provision (Note 31)	14,050	10,557	14,050	10,557
Lease liabilities (Note 14)	2,069	-	2,069	-
Dividend payable (Note 26)	20,615	20,125	17,675	17,675
Current income tax liability (Note 11)	6,787	2,866	6,250	2,207
	82,300	79,030	76,388	72,969
Total liabilities	88,315	82,515	82,403	76,403
Total equity and liabilities	178,642	160,985	167,746	149,540

Authorised for issue by the Board of directors on 16 March 2020 and signed on its behalf by:

Mr. Mushtaq M. O. N. Oosman
Director

Mr. M. A. Eric Espitalier-Noël
Chairperson

The notes on pages 57 to 92 are an integral part of these consolidated financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to Owners of the Parent							
	Share Capital	Share Premium	Post-Employment Benefits Reserve	Fair Value Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
GROUP								
Balance as at 01 January 2018	24,745	1,168	599	1,371	50,668	78,551	3,709	82,260
Profit for the year	-	-	-	-	14,378	14,378	2,353	16,731
Other comprehensive income for the year	-	-	(623)	125	-	(498)	-	(498)
Total comprehensive income for the year	-	-	(623)	125	14,378	13,880	2,353	16,233
Transactions with owners								
Dividends (Note 26)	-	-	-	-	(17,675)	(17,675)	(2,450)	(20,125)
Write back of dividend payable	-	-	-	-	102	102	-	102
Other movements	-	-	-	-	501	501	(501)	-
Total transactions with owners	-	-	-	-	(17,072)	(17,072)	(2,951)	(20,023)
Balance as at 31 December 2018	24,745	1,168	(24)	1,496	47,974	75,359	3,111	78,470
Profit for the year	**-**	**-**	**-**	**-**	**29,226**	**29,226**	**2,769**	**31,995**
Other comprehensive income for the year	**-**	**-**	**207**	**106**	**-**	**313**	**-**	**313**
Total comprehensive income for the year	**-**	**-**	**207**	**106**	**29,226**	**29,539**	**2,769**	**32,308**
Transactions with owners								
Dividends (Note 26)	**-**	**-**	**-**	**-**	**(17,675)**	**(17,675)**	**(2,940)**	**(20,615)**
Write back of dividend payable	**-**	**-**	**-**	**-**	**164**	**164**	**-**	**164**
Total transactions with owners	**-**	**-**	**-**	**-**	**(17,511)**	**(17,511)**	**(2,940)**	**(20,451)**
Balance as at 31 December 2019	**24,745**	**1,168**	**183**	**1,602**	**59,689**	**87,387**	**2,940**	**90,327**

The notes on pages 57 to 92 are an integral part of these consolidated financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONT'D)

	Share Capital	Share Premium	Post-Employment Benefits Reserve	Fair Value Reserve	Retained Earnings	Total Equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
COMPANY						
Balance as at 01 January 2018	24,745	1,168	599	1,371	48,847	76,730
Profit for the year	-	-	-	-	14,478	14,478
Other comprehensive income for the year	-	-	(623)	125	-	(498)
Total comprehensive income for the year	-	-	(623)	125	14,478	13,980
Transactions with owners						
Dividends (Note 26)	-	-	-	-	(17,675)	(17,675)
Write back of dividend payable	-	-	-	-	102	102
Total transactions with owners	-	-	-	-	(17,573)	(17,573)
Balance as at 31 December 2018	24,745	1,168	(24)	1,496	45,752	73,137
Profit for the year	**-**	**-**	**-**	**-**	**29,404**	**29,404**
Other comprehensive income for the year	**-**	**-**	**207**	**106**	**-**	**313**
Total comprehensive income for the year	**-**	**-**	**207**	**106**	**29,404**	**29,717**
Transactions with owners						
Dividends (Note 26)	**-**	**-**	**-**	**-**	**(17,675)**	**(17,675)**
Write back of dividend payable	**-**	**-**	**-**	**-**	**164**	**164**
Total transactions with owners	**-**	**-**	**-**	**-**	**(17,511)**	**(17,511)**
Balance as at 31 December 2019	**24,745**	**1,168**	**183**	**1,602**	**57,645**	**85,343**

The notes on pages 57 to 92 are an integral part of these consolidated financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
Cash flows from operating activities				
Profit before income tax	38,187	21,780	34,439	18,543
Adjustments for:				
Depreciation of plant and equipment (Note 13)	9,059	8,864	8,678	8,424
Depreciation of right of use assets (Note 14)	1,770	-	1,770	-
Impairment of plant and equipment (Note 13)	-	64	-	64
(Profit)/loss on disposal of plant and equipment (Note 13)	(675)	(284)	(675)	(284)
Loss allowance on trade receivables (Note 8)	59	1,737	59	1,313
Dividend income (Note 8)	(148)	(175)	(3,208)	(2,725)
Interest income (Note 10)	(249)	(4)	-	-
Interest expense (Note 10)	958	15	958	15
Net post-employment benefit charge (Note 23)	215	241	215	241
Working capital changes				
Decrease/(Increase) in inventories	(194)	159	(194)	159
Decrease/(increase) in trade and other receivables	(5,001)	8,681	(8,828)	11,719
Movement in restricted cash (Note 30)	(4,797)	(9,355)	(4,797)	(9,355)
Decrease in trade and other payables	(6,701)	5,567	(6,186)	3,695
Movement in provision (Note 31)	3,493	3,352	3,493	3,352
Cash generated from operations	35,976	40,642	25,724	35,161
Interest received (Note 10)	249	4	-	-
Net income tax paid (Note 11)	(2,812)	(8,384)	(1,468)	(7,088)
Interest paid (Note 10)	(593)	(15)	(593)	(15)
Net cash from operating activities	32,820	32,247	23,663	28,058
Cash flows from investing activities				
Payments for purchase of plant and equipment (Note 13)	(12,244)	(15,089)	(12,244)	(15,089)
Proceeds from sales of plant and equipment	675	295	675	295
Dividends received	148	175	3,208	175
Net cash used in investing activities	(11,421)	(14,691)	(8,361)	(14,619)
Cash flows from financing activities				
Dividends paid (Note 26)	(19,961)	(14,022)	(17,511)	(14,022)
Repayment of lease liabilities (Note 14)	(2,425)	-	(2,425)	-
Net cash used in financing activities	(22,386)	(14,022)	(19,936)	(14,022)
Net increase/(decrease) in cash and cash equivalents	(987)	3,606	(4,634)	(583)
Cash and cash equivalents at beginning of year	32,101	28,495	24,877	25,460
Cash and cash equivalents at end of year (Note 19)	31,114	32,101	20,243	24,877

The notes on pages 57 to 92 are an integral part of these consolidated financial statements

Notes to the Financial Statements
- 31 December 2019

1. GENERAL INFORMATION

Automatic Systems Ltd ('the Company') and its subsidiary's (together, 'the Group') principal activities is the running of a totalisator system (tote) of betting on horse races in Mauritius organised by the Mauritius Turf Club ('MTC') and the organisation of fixed odds betting on foreign football matches in Mauritius and in countries on mainland Africa namely Kenya, Nigeria, Uganda respectively. Both are in accordance with the provisions of the Gambling Regulatory Authority Act 2007.

The Company is a public company with limited liability, which is listed on the Stock Exchange of Mauritius and incorporated and domiciled in Mauritius. The address of its registered office is c/o Box Office Ltd, 2nd Floor, Palm Square, 90906, La Mivoie, Tamarin, Republic of Mauritius. Its main place of business is situated at Champ de Mars, Port Louis. It also operates through several Off-Course outlets located throughout the island.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

i) Compliance with IFRS

The consolidated financial statements of the Automatic Systems Ltd have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC) and comply with the Mauritian Companies Act 2001. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of financial assets at fair value through other comprehensive income.

The financial statements are presented in Mauritian Rupees ('Rs'), rounded to the nearest thousands.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1.1 *Changes in accounting policy and disclosures*

a) New standards, amendments and interpretations adopted by the Group and Company

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 01 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

The Group and the Company had to change its accounting policies as a result of adopting IFRS 16. The Company and the Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the standard on 01 January 2019. This means that the data presented for 2018 and 2019 is not comparable. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

IFRS 16, 'Leases'

In January 2016, the International Accounting Standards Board (IASB) issued IFRS 16, 'Leases'. IFRS 16 has replaced the IAS 17 standard on leases. The effective date is 01 January 2019. The new standard requires that for lessees all leases, regardless of whether they are operating or financial in nature, be on the statement of financial position and accounted for as "financial leases". There are some exemptions which can be applied and these relates to leases of 12 months or less (short-term leases), and leases of low-value assets. For such leases, the lease costs are accounted for in the same way as operating leases are accounted for today. IFRS 16 has significantly changed the way lessees account for leases, however lessor accounting remains largely the same and the classification as a finance lease or operating lease is still a consideration.

The Company and the Group have adopted IFRS 16 Leases retrospectively with the cumulative effect of initially applying the standard recognised at 01 January 2019. Comparatives for the 2018 reporting period have not been restated, as permitted under the specific transition provisions in the standard. The new accounting policies are disclosed in note 2.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 01 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 01 January 2019 was **6.10%** (Note 29). Right-of use assets were measured at the amount equal to the lease liability.

i) Practical expedients applied

In applying IFRS 16 for the first time, the Company and the Group have used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- accounting for operating leases with a remaining lease term of less than 12 months as at 01 January 2019 as short-term leases.
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company and the Group have also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

b) New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group and Company

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group's and Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1.1 *Changes in accounting policy and disclosures* (Cont'd)

IFRS 16, 'Leases' (Cont'd)

b) New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group and Company (Cont'd)

ii) Measurement of lease liabilities

	Group	Company
	2019 Rs 000	2019 Rs 000
Operating lease commitments disclosed as at 31 December 2019	4,271	4,271
Discounted using the lessee's incremental borrowing rate of at the initial application	3,722	3,722
Lease liability recognised as at 01 January 2019	3,722	3,722
Of which are:		
Current lease liabilities	1,717	1,717
Non-current lease liabilities	2,005	2,005
	3,722	3,722

2.2 *Principles of consolidation*

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position.

- *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 *Principles of consolidation (Cont'd)*

Subsidiaries (Cont'd)

- *Business combinations*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity,

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker (CODM).

The executive directors, who have been identified as the CODM, assess the financial performance and position of the Group and make strategic decision.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in thousands of Mauritian Rupees ('Rs 000'), which is the Company's functional currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Principles of consolidation (Cont'd)

- *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each statement of financial position item presented are translated at the closing rate at the date of that statement of financial position;

b) income and expenses for each income statement item presented are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

c) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group or Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Equipment	12.5%
Teletote	20%
Off-Course equipment	20%
Electrical installation and equipment	20%
Office equipment and furniture	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised in 'Other income' in the statement of comprehensive income.

Intangible assets

Goodwill

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 *Principles of consolidation (Cont'd)*

Impairment of assets

Intangible assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting period.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets (other than goodwill) that suffered impairment are reviewed for possible reversal of the impairment at each reporting period.

Financial assets

- *Classification*

The Group and Company classify its financial assets in the following categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group and the company reclassify debt investments when and only when its business model for managing those assets changes.

- *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

- *Measurement*

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company's financial assets consist of trade receivables and cash and cash equivalents which are classified into debt instruments at amortised cost. These assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. Debt instruments at amortised cost are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified in non-current assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 *Principles of consolidation (Cont'd)*

***Financial assets** (Cont'd)*

Equity instruments

The Group and the Company subsequently measures all equity investments at fair value. Where management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/ (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group and Company establish fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing model, making maximum use of market inputs and relying as little as possible on entity specific inputs.

As at 31 December 2019, the Group and Company have taken into account the net asset value of Central Depository & Settlement Co. Ltd as a proxy to determine the fair value of the available-for-sale investment that it holds in that Company. Given that the above financial assets comprises only 0.98% (2018: 0.98%) of total assets of the Group, the directors do not consider it material to determine the fair value of the investments using a more sophisticated valuation technique.

- *Impairment*

For trade receivables, the Group and the Company apply the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 4 for further details.

- *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and Company or the counterparty.

Inventories

Inventories consist of ticket rolls and are stated at the lower of cost and net realisable value. Cost is determined on using the first in, first out method. Net realisable value is the estimated selling price in the ordinary course of business.

Trade receivables

Trade receivables are amounts due from Off-Course betting agents in the ordinary course of business. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 *Principles of consolidation (Cont'd)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

Current and deferred income tax

The income tax expense for the year is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses and includes the Corporate Social Responsibility contribution.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the year ended, 31 December 2019. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, income tax is also recognised in other comprehensive income or directly in equity, respectively.

Employee benefits

The Company has changed its post-employment scheme from defined benefit plan to a defined contribution plan since 01 January 2013. The employees are also entitled to a gratuity payment on retirement under the terms of the Employment Rights Act 2008. Accordingly, the Company has calculated and provided for the gratuity payment in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 *Principles of consolidation* (Cont'd)

Employee benefits *(Cont'd)*

a) Pension obligations

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method and is recognised on the statement of financial position.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included as 'post-employment benefit' in the statement of changes in equity and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at year end is recognised as an expense accrual. The Group recognises a provision where contractually obliged or where there is past practice that has created a constructive obligation.

c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement age, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

d) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Principles of consolidation (Cont'd)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in relation to horse racing and football bets. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

a) Income

Income represents bets struck net of betting dividends paid to customers.

Betting dividends comprise punters' winnings. Unclaimed betting dividends are recognised in the statement of financial position as betting dividends payable under current liabilities. Betting dividends not claimed within 30 (thirty) days for racing and 30 (thirty) days for football from date of declaration become due to the NSF.

Income is measured at fair value of the consideration received or receivable.

b) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

c) Dividend income

Dividend income is recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are declared by the Company's Board of directors.

Leases

The Company and the Group leases various retails outlets. Rental contracts are typically made for fixed periods of **1-5 years** but may have extension options as described in below.

Contracts may contain both lease and non-lease components. The Company and the Group allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company and the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 01 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company and the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Principles of consolidation (Cont'd)

***Leases** (Cont'd)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company and the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Company and the Group are exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

3. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

3. CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS (CONT'D)

Pension benefits *(Cont'd)*

The Group's actuary determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group and Company consider the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 23.

Useful lives of plant and equipment

The Group and Company's management determine the estimated useful lives and related depreciation charges for its plant and equipment which is calculated on the basis of the depreciation rates set out in the accounting policy note on Plant and Equipment, in Note 2. The depreciation rates have been estimated according to the respective plant and equipment's useful lives and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of retail outlets, the following factors are normally the most relevant:

If there are significant penalties to terminate (or not extend), the Company and the Group are typically reasonably certain to extend (or not terminate).

If any leasehold improvements are expected to have a significant remaining value, the Company and the Group is typically reasonably certain to extend (or not terminate).

Otherwise, the Company and the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Company and the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of **Rs 5,569,000**.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group and Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, equity securities price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group and Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management remains the responsibility of the Board of directors to whom the Audit and Risk committee reports.

- *Market risk*

a) Foreign exchange risk

The transactions of the Group and Company are carried out mainly in Mauritian Rupees with very few transactions in United States Dollar and Euro. Hence, there is no significant exposure to foreign exchange risk.

b) Equity securities price risk

The Group and Company are exposed to equity securities price risk because of investment held by the Company and classified on the statement of financial position as financial assets at fair value through other comprehensive income. Given that the investment comprises only **0.94%** (2018: 0.99 %) of the Company's total assets, the impact on equity is not considered significant.

4. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors *(Cont'd)*

- *Market risk* *(Cont'd)*

c) Cash flow value Interest rate risk

The Group and Company's interest rate risk arise from cash at bank. The Group and Company do not use financial instruments to hedge interest rate risk.

Based on the simulations performed, at 31 December 2019, the impact on pre-tax profit of 50 basis points increase/decrease in interest rate would be a maximum increase/decrease of **Rs 89,000** (2018: Rs 151,000) respectively at Company level and **Rs 144,000** (2018: Rs 115,000) at Group level.

The directors consider a 50 basis point shift as being reasonable to determine the sensitivity analysis as the changes in the repo rate over the past year has not exceeded 50 basis point.

- *Credit risk*

Receivables

The Group and Company only accept bets on a cash basis and is therefore not exposed to credit risk.

The Group and Company is exposed to trade receivables from off-course agents as the off-course agents have the responsibility to remit the proceeds from betting to the Group on a weekly basis. The expected loss rates are based on the payment profiles of sales over a period of 12 months respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables estimated by the Group and Company's management based on prior experience, the current economic environment and forecasted GDP. The Group and Company's management make a monthly analysis of the aged debtors listing for off-course agents and determine the appropriate level of specific impairment to be provided for long outstanding trade receivables from agents. The impairment is determined on a case by case basis based on response and follow-ups made with the off-course agents. Note 4 of the financial statements provides a disclosure of the credit risk the Group and Company are exposed to at the end of the reporting period.

Bank

Credit risk also arises from cash at bank.

The Group and Company have no significant concentrations of credit risk as it trades with the most reputable banks and companies in Mauritius. The Group and Company have appropriate risk assessment policies in place. Credit risk is managed by regular monitoring of the credit quality of agents, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. For banks, the Group and company only banks with institutions that are of good repute.

4. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (Cont'd)

- *Credit risk (Cont'd)*

The amount that best represents the Group and Company's maximum exposure to credit risk at 31 December 2019 is the carrying value of the financial assets in the statement of financial position, as table below:

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
Trade and other receivables (Note 18)	21,553	11,818	20,866	7,304
Cash and cash equivalents (Note 19)	31,114	32,101	20,243	24,877
Restricted cash (Note 30)	14,152	9,355	14,152	9,355
	66,819	53,274	55,261	41,536

The credit quality of financial assets that is neither past due nor impaired can be assessed by historical information about counterparty default rates as follows:

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
Trade and other receivables (neither past due nor impaired)				
Counterparties without external credit rating				
Group 1	8,939	11,282	5,192	4,218
Dividend receivable from Megawin Ltd	-	-	3,060	2,550
Other receivables	9,437	504	9,437	504

Group 1 refers to existing off-course agents with no defaults in the past.

No other collateral is held in respect of trade and other receivables as disclosed on statement of financial position.

All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated, and management does not expect any losses from non-performance by these parties.

None of the Group and Company's financial assets are either past due or impaired except for the following amounts in trade receivables. The trade receivables which were past due but not impaired relate to a number of independent off-course agents for whom there is no history of default even though they settle their debts with the Group after their specified credit term. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
Trade and other receivables (past due but not impaired)				
Greater than 365 days	-	32	-	32

4. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (Cont'd)

- *Credit risk (Cont'd)*

	Group		Company	
	2019 Rs 000	2018 Rs 000	**2019 Rs 000**	2018 Rs 000
Trade and other receivables (individually determined to be impaired) (individually determined to be Impaired)				
Greater than 365 days	6,051	6,025	5,627	5,601
Less than 365 days	33	-	33	-

In disclosing trade and other receivables as a financial instrument for the Group and Company, an amount of **Rs 3,330,000** (2018: Rs 4,793,000) representing prepayments, has been excluded.

The individually impaired receivables mainly relate to off-course agents, which are in unexpected difficult economic situations.

	Group		Company	
	2019 Rs 000	2018 Rs 000	**2019 Rs 000**	2018 Rs 000
Cash at bank and short-term bank deposits (including Restricted cash)				
Baa2	28,765	41,456	17,894	34,232

- *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

Management monitors rolling forecasts of the Group and Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so, that the Group does not breach borrowing limits or covenants where applicable on its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal statement of financial position ratios/targets.

All the Group and Company's financial liabilities comprising trade and other payables have a contractual maturity date of less than one year. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Group	Company
At 31 December 2019	**Less than 1 year Rs 000**	**Less than 1 year Rs 000**
Trade and other payables	38,779	36,344
Provision	14,050	14,050
Dividend payable	20,615	17,675
	73,444	68,070
At 31 December 2018	Less than 1 year Rs 000	Less than 1 year Rs 000
Trade and other payables	45,482	42,530
Provision	10,557	10,557
Dividend payable	20,125	17,675
	76,164	70,762

4. FINANCIAL RISK MANAGEMENT (CONT'D)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt.

The Group and Company have no long term external borrowings as at 31 December 2019 and 2018.

Fair value estimation

The carrying value of trade and other receivables, cash at bank and in hand, bank overdrafts and trade and other payables are assumed to approximate their fair values.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

Group and Company

2019	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000
Assets				
Financial assets at fair value through other comprehensive income	-	-	1,702	1,702
2018	**Level 1 Rs 000**	**Level 2 Rs 000**	**Level 3 Rs 000**	**Total Rs 000**
Assets				
Financial assets at fair value through other comprehensive income	-	-	1,596	1,596

As at 31 December 2019, the Group and Company have taken into account the net asset value of Central Depository & Settlement Co. Ltd as a proxy to determine the fair value of the available-for-sale investment that it holds in that company. Given that the above financial assets comprises only **0.94%** (2018: 0.99%) of total assets of the Company, directors do not consider it material to determine the fair value of the investments using a more sophisticated valuation technique in line with requirements of IFRS 9.

5. FINANCIAL INSTRUMENTS BY CATEGORY

	At 31 December 2019			At 31 December 2018		
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total
Group	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Financial assets at fair value through other comprehensive income (Note 17)	-	1,702	1,702	-	1,596	1,596
Trade and other receivables (Note 18)	8,786	-	8,786	11,818	-	11,818
Cash and cash equivalents (Note 19)	31,114	-	31,114	32,101	-	32,101
Restricted Cash (Note 30)	14,152	-	14,152	9,355	-	9,355
	54,052	1,702	55,754	53,274	1,596	54,870

	Financial liabilities at amortised cost	Total	Financial liabilities at amortised cost	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Liabilities				
Trade and other payables (Note 25)	38,779	38,779	45,482	45,482
Provision (Note 31)	14,050	14,050	10,557	10,557
	52,829	52,829	56,039	56,039

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total
Company	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Financial assets at fair value through other comprehensive income (Note 17)	-	1,702	1,702	-	1,596	1,596
Trade and other receivables (Note 18)	8,099	-	8,099	7,304	-	7,304
Cash and cash equivalents (Note 19)	20,243	-	20,243	24,877	-	24,877
Restricted Cash (Note 30)	14,152	-	14,152	9,355	-	9,355
	42,494	1,702	44,196	41,536	1,596	43,132

	Financial liabilities at amortised cost	Total	Financial liabilities at amortised cost	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Liabilities				
Trade and other payables (Note 25)	36,344	36,344	42,530	42,530
Provision (Note 31)	14,050	14,050	10,557	10,557
	50,394	50,394	53,087	53,087

In disclosing trade and other receivables as a financial instrument for the Group and Company, an amount of **Rs 3,330,000** (2018: Rs 4,793,000) representing prepayments, has been excluded.

Notes to the Financial Statements

- 31 December 2019 (Cont'd)

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The executive directors are the chief operating decision makers have identified three reportable segments:

a) **Totalisator:** this part of the business runs a totalisator system of betting on horse races in Mauritius organised by the Mauritius Turf Club;

b) **Fixed odds:** this part of the business organises fixed odd betting on foreign football matches in Mauritius;

c) **All other segments:** The Company has incorporated the subsidiary called 'Megawin Ltd' during the year 2014 to operate foreign football betting on the African continent. Megawin Ltd has not been classified as a new reporting segment since it does not satisfy the quantitative thresholds of IFRS 8. The results of these operations are included in the 'all other segments' column.

The reportable operating segments derived their income primarily from betting by punters on course, off-course and through the telephone.

The executive directors assess the financial performance of the operating segments based on Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA).

The segment information provided to the executive directors for the reportable segments of the Group for the year ended 31 December 2019 is as follows:

	Totalisator	Fixed odds	All other segments	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Income from external customers	283,721	111,279	18,999	413,999
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	28,377	14,408	6,940	49,725
Depreciation	8,358	2,089	382	10,829
Finance costs - net	766	192	(249)	709
Income tax	(4,028)	(1,007)	(1,157)	(6,192)
Total assets	130,943	32,736	14,963	178,642
Additions to non- current assets (other than financial instruments and deferred income tax assets)	9,795	2,449	-	12,244
Total liabilities	64,410	16,102	7,803	88,315

The segment information provided to the executive directors for the reportable segments of the Group for the year ended 31 December 2018 is as follows:

	Totalisator	Fixed odds	All other segments	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Income from external customers	271,487	107,509	18,555	397,551
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	20,379	4,053	6,575	31,007
Depreciation	6,739	1,685	440	8,864
Finance costs - net	12	3	348	363
Income tax	(3,252)	(813)	(984)	(5,049)
Total assets	116,776	29,194	15,015	160,985
Additions to non- current assets (other than financial instruments and deferred income tax assets)	12,071	3,018	-	15,089
Total liabilities	59,869	14,967	7,679	82,515

Income is the actual income of the reportable segments. Except for directly attributable expenses, all other segmental information are apportioned to betting on horse racing and foreign football using a ratio (80:20) which, in the directors' view, reflect a fair estimation of the costs associated with the two segments.

6. SEGMENT INFORMATION (CONT'D)

A reconciliation of EBITDA to profit before income tax is provided as follows:

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
EBITDA	49,725	31,007	45,844	26,982
Depreciation	(10,829)	(8,864)	(10,447)	(8,424)
Finance costs –net	(709)	(363)	(958)	(15)
Profit before income tax	38,187	21,780	34,439	18,543

7. INCOME

Betting income				
Bets struck net of betting dividends paid, refunds and rebates				
Totalisator	283,721	271,487	283,721	271,487
Fixed odds	111,279	107,509	111,279	107,509
Foreign Commission	18,999	18,555	-	-
	413,999	397,551	395,000	378,996

8. OPERATING PROFIT

Operating profit is stated after charging:				
Depreciation of plant and equipment (Note 13)	9,059	8,864	8,678	8,424
Impairment of plant and equipment (Note 13)	-	64	-	64
Profit/(loss) on disposal of plant and equipment	675	284	675	284
Loss allowance on trade receivables (Note 18)	(59)	1,737	(59)	1,313
Provision for copyright fees	-	3,307	-	3,307
Commission to off-course agents	28,896	27,543	28,896	27,543
Repairs and maintenance	3,633	3,560	3,633	3,560
Licences and municipality taxes	25,377	25,349	17,597	25,348
Staff costs (Note 9)	35,060	37,201	35,060	37,201
Auditor's remuneration:				
– audit services	984	992	984	992
– internal audit services	-	-	737	-
– tax services	186	159	141	107
Dividend income	148	175	3,208	2,725

9. STAFF COSTS

Wages and salaries	28,517	28,365	28,517	28,365
National Pension Fund contribution	1,053	3,449	1,053	3,449
Transport costs	2,131	1,204	2,131	1,204
Net post-employment benefit charge	1,509	2,486	1,509	2,486
Staff welfare and other costs	1,850	1,697	1,850	1,697
	35,060	37,201	35,060	37,201

Notes to the Financial Statements

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10. FINANCE COSTS – NET

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
Finance Income				
Interest income from bank	249	4	-	-
	249	4	-	-
Finance Costs				
Interest expense	(593)	(15)	(593)	(15)
Exchange difference	-	(352)	-	-
IFRS 16- finance cost	(365)	-	(365)	-
Finance cost – net	(709)	(363)	(958)	(15)

11. INCOME TAX

The Company is liable to income tax on its profits, as adjusted for income tax purposes, at the rate of **17%** (2018: 17%). The 17% tax rate consists of 15% corporate income tax and 2% Corporate Social Responsibility.

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
Income tax expense:				
Current income tax based on the profit for the year as adjusted for tax purposes at 17% (2018: 17.0%)	6,733	3,708	5,511	3,152
Under provision of income tax in previous year	-	1,508	-	933
Under provision of deferred tax in previous year (Note 24)	-	494	-	494
Deferred income tax credit (Note 24)	(541)	(661)	(477)	(514)
Income tax charge	6,192	5,049	5,035	4,065
Current income tax asset/(liability): - Net				
At 01 January	(2,866)	(6,034)	(2,207)	(5,210)
Paid during the year	2,812	8,384	1,468	7,088
(Over) / under provision in previous year	-	(1,508)	-	(933)
Charge for the year	(6,733)	(3,708)	(5,511)	(3,152)
At 31 December	(6,787)	(2,866)	(6,250)	(2,207)

11. INCOME TAX (CONT'D)

The net current income tax liability of the Group and Company is presented as follows on the face of the statement of financial position:

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
Current income tax asset	-	-	-	-
Current income tax liability	(6,787)	(2,866)	(6,250)	(2,207)
Current income tax liability - Net	(6,787)	(2,866)	(6,250)	(2,207)

The current income tax asset has been recognised separately since this is a refund from the MRA which cannot be offset by the Company as per IAS 12.

The reconciliation between the actual income tax rate of **15.01%** for the Group (2018: 20.75%) and **14.62%** (2018: 21.93%) for the Company and the applicable rate of **17%** (2018: 17.00%) is as follows:

	Group		Company	
(As a percentage of profit before tax)	2019 %	2018 %	2019 %	2018 %
Applicable income tax rate	17.00	17.00	17.00	17.00
Effect of:				
Difference in tax rate of subsidiary	-	-	-	-
Non – allowable expenses	0.43	0.45	0.52	0.58
Non-taxable income	(2.33)	(1.75)	(2.79)	(2.29)
Under provision of income tax in previous year	-	3.02	-	3.97
Under/(over) provision of deferred tax in previous year	(0.09)	2.03	(0.11)	2.67
Actual income tax rate	15.01	20.75	14.62	21.93

12. EARNINGS PER SHARE

Earnings per share of **Rs 8.27** (2018: **Rs 4.07**) and **Rs 8.32** (2018: Rs 4.10) for the Group and Company are calculated on the profit for the year attributable to owners of the Company of **Rs 29,226,000** (2018: Rs 14,378,000) and **Rs 29,404,000** (2018: Rs 14,478,000) respectively and on the **3,535,000** issued ordinary shares for the two years under review. The Group and Company have no dilutive potential ordinary shares as at the end of reporting period.

Notes to the Financial Statements

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13. PLANT & EQUIPMENT

Group	Equipment Rs 000	Teletote Rs 000	Off-Course equipment Rs 000	Electrical installation and equipment Rs 000	Office equipment and furniture Rs 000	Motor vehicles Rs 000	Total Rs 000
Cost:							
At 01 January 2018	53,491	27,321	3,811	7,390	26,607	3,601	122,221
Additions	4,221	661	-	854	8,499	854	15,089
Disposal	-	(258)	-	(38)	(277)	(2,111)	(2,684)
Scrap	-	-	-	-	(72)	-	(72)
At 31 December 2018	57,712	27,724	3,811	8,206	34,757	2,344	134,554
Additions	1,601	1,667	-	1,597	3,721	3,658	12,244
Disposal	(957)	(20)	-	(80)	(395)	(2,938)	(4,390)
Transfer	-	-	(2,989)	-	-	2,989	-
At 31 December 2019	58,356	29,371	822	9,723	38,083	6,053	142,408
Accumulated depreciation:							
At 01 January 2018	48,532	20,844	3,811	6,380	19,427	3,408	102,402
Charge for the year	1,632	2,399	-	455	4,020	358	8,864
Disposal	-	(258)	-	(38)	(349)	(2,100)	(2,745)
Scrap	-	-	-	-	64	-	64
At 31 December 2018	50,164	22,985	3,811	6,797	23,162	1,666	108,585
Charge for the year	1,825	1,583	-	662	4,333	656	9,059
Disposal	(957)	(20)	-	(80)	(396)	(2,936)	(4,389)
Transfer	-	-	(2,989)	-	-	2,989	-
At 31 December 2019	51,032	24,548	822	7,379	27,099	2,375	113,255
Net book amount:							
At 31 December 2019	7,324	4,823	-	2,344	10,984	3,678	29,153
At 31 December 2018	7,548	4,739	-	1,409	11,595	678	25,969

13. PLANT & EQUIPMENT (CONT'D)

Company	Equipment Rs 000	Teletote Rs 000	Off-Course equipment Rs 000	Electrical installation and equipment Rs 000	Office equipment and furniture Rs 000	Motor vehicles Rs 000	Total Rs 000
Cost:							
At 01 January 2018	51,290	27,321	3,811	7,391	26,607	3,601	120,021
Additions	4,221	661	-	854	8,499	854	15,089
Disposal	-	(258)	-	(38)	(277)	(2,111)	(2,684)
Scrap	-	-	-	-	(72)	-	(72)
At 31 December 2018	55,511	27,724	3,811	8,207	34,757	2,344	132,354
Additions	1,601	1,667	-	1,597	3,721	3,658	12,244
Disposal	(957)	(20)	-	(80)	(395)	(2,942)	(4,394)
Transfer	-	-	(2,989)	-	-	2,989	-
At 31 December 2019	56,155	29,371	822	9,724	38,083	6,049	140,204
Accumulated depreciation:							
At 01 January 2018	47,499	20,844	3,811	6,380	19,427	3,408	101,369
Charge for the year	1,192	2,399	-	455	4,020	358	8,424
Disposal	-	(258)	-	(38)	(349)	(2,100)	(2,745)
Scrap	-	-	-	-	64	-	64
At 31 December 2018	48,691	22,985	3,811	6,797	23,162	1,666	107,112
Charge for the year	1,443	1,583	-	662	4,332	658	8,678
Disposal	(957)	(20)	-	(80)	(395)	(2,942)	(4,394)
Transfer	-	-	(2,989)	-	-	2,989	-
At 31 December 2019	49,177	24,548	822	7,379	27,099	2,371	111,396
Net book amount:							
At 31 December 2019	6,978	4,823	-	2,345	10,984	3,678	28,808
At 31 December 2018	6,820	4,739	-	1,410	11,595	678	25,242

Notes to the Financial Statements

- 31 December 2019 (Cont'd)

14. LEASES

i) Amounts recognised in the statement of financial position

The Company's main place of business is situated at Champ de Mars, Port Louis. It also operates through 6 Off-Course outlets across the island; namely in Terre Rouge, Port Louis, Vacoas, Palma, Petite Riviere and Quatre Bornes. The Company entered into lease agreements ranging from 1 to 5 years with the landlord of the above mentioned outlets for which we have assessed the impact of IFRS 16. The leasing contact can be renewed provided that there is a mutual agreement between the landlord and ASL. We have assessed the impact of IFRS 16 in accordance with the lease period mentioned in the lease agreements.

The statement of financial position shows the following amounts relating to leases:

	Group	Company
	2019 Rs 000	2019 Rs 000
Right-of-use assets		
Buildings	4,973	4,973
At 31 December	4,973	4,973
Lease liabilities		
Current	2,069	2,069
Non-current	2,615	2,615
At 31 December	4,684	4,684

Additions to the right-of-use assets during the 2019 financial year were **Rs Nil**.

ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	Group	Company
	2019 Rs 000	2019 Rs 000
Depreciation charge of right-of-use assets		
Buildings	1,770	1,770
At 31 December	1,770	1,770
Interest expense (included in finance cost)	365	365
Expense relating to short-term leases (included in operating expenses)	492	492
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in operating expenses)	-	-
Expense relating to variable lease payments not included in lease liabilities (included in operating expenses)	-	-

The total cash outflow for leases under IFRS 16 in 2019 was **Rs 2,424,800**.

15. GOODWILL

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
At 01 January and 31 December	73,514	73,514	73,514	73,514

Automatic Systems Ltd. ('ASL'), acquired 100% shareholding of HH Management Limited ('HHM') on 01 January 2011 pursuant to a share purchase agreement entered into between ASL and the shareholders of HHM.

15. GOODWILL (CONT'D)

The amalgamation of HHM fell within the scope of IFRS 3, 'Business Combinations' and the acquisition method of accounting was applied. The goodwill resulting from the amalgamation of HHM represents the excess of the aggregate amount of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets and liabilities acquired as well as contingent liabilities assumed.

The directors have identified the skilled workforce of HHM which cannot be recognised separately as intangible assets as being the major element of goodwill arising on the acquisition of HHM.

The directors have assessed that there is no impairment of goodwill during the year (2018 – NIL).

Goodwill does not generate cash flows independently from other assets or groups of assets and so the recoverable amount of goodwill as an individual asset cannot be determined. However, goodwill often contributes to the cash flows of CGUs. Therefore, goodwill acquired in a business combination must be allocated from the acquisition date to each of the acquirer's CGUs or groups of CGUs that are expected to benefit from the business combination.

The combined entity (i.e., the Company and HHM) has the following characteristics:

i) it operates a main frame system based on which both horse racing and football betting take place;

ii) there are terminals (points of sale) all over the island but which are not able to operate independently of the main frame; and

iii) skilled workforce are required to operate the system.

Identification of CGUs involves judgement. Based on the above, management is not able to identify any single asset or sub-group of assets that will generate cash inflows from external parties largely independently from other assets or groups of assets. Therefore there is only one CGU (in occurrence ASL) comprising all equipment of the merged entity to which goodwill will be allocated and tested.

Management reviews the business performance based on operating segments. Goodwill is monitored by management at the cash generating unit (CGU) level. It has identified both the horse racing and football betting operating segments of the entity as being one CGU as elaborated above. Goodwill is allocated and tested annually for impairment based on the CGU level.

The recoverable amount of the CGU, in occurrence ASL, has been determined based on fair value less cost to sell calculation as the Company is quoted on the Stock Exchange of Mauritius and for which there is a quoted price for the equity shares of the Company.

As at 31 December 2019, the equity of the Company has a fair value of **Rs 354,383,750** (2018: Rs 334,057,500) based on the closing share price of **Rs 100.25** (2018: Rs 94.50) per share traded on the Stock Exchange of Mauritius.

The cost to sell off the shares of the Company is brokerage fees of 0.9% claimed by investment dealers on the value of shares being sold amounting to a total of **Rs 3,189,454** (2018: Rs 3,006,518).

In light of the above assessment performed by management, there is no impairment of goodwill based on fact that the fair value less cost to sell off the equity shares of the Company of **Rs 351,194,296** (2018: Rs 331,050,983) exceeds the carrying amount of net assets as at 31 December 2019.

Sensitivity of the recoverable amount of the CGU

The recoverable amount of the CGU is most sensitive to the quoted share price of the Company. As such, as at 31 December 2019, if the quoted share price of the Company falls by **Rs 74.65** (2018: Rs 73.62) per share (i.e. falls to **Rs 25.60** (2018: Rs 20.88) per share); the recoverable amount of the CGU will equal to the carrying amount of the net assets of the Company.

16. INVESTMENT IN SUBSIDIARY

	Company	
	2019 Rs 000	2018 Rs 000
Cost:		
Balance at beginning and end of the year	1,020	1,020

i) Details of the Group's direct subsidiary are as follows:

Name of subsidiary	Cost 2019 Rs 000	Cost 2018 Rs 000	Country of incorporation	% holding	Principal activity
Megawin Ltd	1,020	1,020	Mauritius	51%	Sports betting

i) The above shares are ordinary shares and denominated in Mauritian Rupees ('Rs').

ii) Megawin Ltd was incorporated as a subsidiary on the 03 March 2014. As such, no assets and liabilities were acquired and no goodwill arose in relation to this transaction.

iii) All the undertakings of the subsidiary are included in the consolidation. The proportion of voting rights in the subsidiary undertakings held directly by the parent does not differ from the proportion of ordinary shares held.

Set out below is summarised financial information for Megawin Ltd that has a non-controlling interest that is material to the group. The amounts disclosed are before inter-company eliminations.

Summarised statement of financial position	2019 Rs 000	2018 Rs 000
Current assets	14,618	14,288
Current liabilities	8,974	8,612
Current net assets	5,644	5,676
Non-current assets	359	727
Non-current liabilities	-	51
Non-current net assets	359	676
Net assets	6,003	6,352
Accumulated NCI	2,940	3,111
Summarised statement of comprehensive income		
Revenue	18,999	18,555
Profit for the period	5,651	4,803
Other comprehensive income	-	-
Total comprehensive income	5,651	4,803
Profit allocated to NCI	2,769	2,353
Dividends declared and payable to non-controlling interests	2,940	2,450
Summarised cash flows		
Cash flows from operating activities	3,398	4,185
Cash flows from investing activities	249	4
Cash flows from financing activities	-	-
Net increase in cash and cash equivalents	3,647	4,189

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
At 01 January	1,596	1,471	1,596	1,471
Changes in fair value of financial assets recognised in other comprehensive income	106	125	106	125
At 31 December	1,702	1,596	1,702	1,596

The investment in unquoted shares consists of 1,000 ordinary shares of Rs 100 each in Central Depository & Settlement Co. Ltd.

All financial assets at fair value through other comprehensive income are denominated in Mauritian Rupees ('Rs').

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
Current				
Trade receivables	11,502	14,395	7,755	6,907
Less: Loss allowance on trade receivables	(2,716)	(3,081)	(2,716)	(2,657)
	8,786	11,314	5,039	4,250
Prepayments	3,330	4,793	3,330	4,793
Other debtors	9,437	504	9,437	504
Dividend receivable	-	-	3,060	2,550
	21,553	16,611	20,866	12,097
Non-current				
Trade receivables	2,944	2,944	2,944	2,944
Less: Loss allowance on trade receivables	(2,944)	(2,944)	(2,944)	(2,944)
	-	-	-	-

i) Included within trade and other receivables is an amount of **Rs 6,872,000** (2018: Rs 7,597,000) representing amounts receivable from six off-course agents. This amount is set off against the amount payable to Sociètè du Grand Moulin and Sociètè L'Inité as the Company intends to realise the asset and settle the liability simultaneously further to the acquisition of HHM by the Company, as per note 28.

The fair value of trade and other receivables approximate their carrying amounts as the effect of discounting is not significant.

Other receivables

Other receivables amounting **Rs 8,940,000** relate to objection fees paid to the MRA following an assessment notice received on 26 June 2019 claiming an amount of **Rs 60m** for race meetings held in 2016, 2017 and 2018. Refer to Note 27 - Contingent liabilities. This amount is repayable to Automatic Systems Ltd if the case is in their favour, thus recognised as other receivables.

18. TRADE & OTHER RECEIVABLES (CONT'D)

Group and Company

The Group and Company impairs all material receivables due for more than one year. As of 31 December 2019, trade receivables of **Rs 8,939,000** (2018: Rs 11,282,000) and **Rs 8,252,000** (2018: **Rs 6,768,000**) were neither past due nor impaired for the Group and Company respectively. These relate to a number of independent agents for whom there is no recent history of default and dividend receivable from Megawin Ltd for the Company. Refer to note 4.

As of 31 December 2019, trade receivables of **Rs 6,051,000** (2018: Rs 5,633,000) and **Rs 5,627,000** (2018: Rs 5,633,000) were past due for more than 365 days and impaired for an amount of **Rs 6,051,000** (2018: Rs 5,601,000) and **Rs 5,627,000** (2018: Rs 5,601,000) for Group and Company. An amount of **Rs 33,000** (2018: **424,000**) relates to trade receivable past due for less than 365 days and impaired during the year for Group and Company. The ageing of these trade receivables is as per note 4.

The carrying amount of the Group and Company's trade and other receivables are denominated in Mauritian Rupees ('Rs'). The other classes within trade and other receivables do not contain impaired assets.

Movements on the Group's provision for impairment of trade receivables are as follows:

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
At 01 January	6,025	4,288	5,601	4,288
Loss allowance on trade receivables	59	1,737	59	1,313
At 31 December	6,084	6,025	5,660	5,601

The maximum exposure to credit risk at the reporting period is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

19. CASH & CASH EQUIVALENTS

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
Cash at bank	28,765	30,147	17,894	22,923
Cash in hand	2,349	1,954	2,349	1,954
Cash and cash equivalents as disclosed in the statement of cash flows	31,114	32,101	20,243	24,877

20. INVENTORIES

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
Ticket rolls	544	350	544	350

The net movement in inventories included as expense amounted to **Rs 2,059,655** (2018: Rs 1,582,000).

21. SHARE CAPITAL

	Group		Company	
	2019 Number	2018 Number	2019 Rs 000	2018 Rs 000
Authorised:				
Ordinary shares of Rs 7 each	5,000,000	5,000,000	35,000	35,000
Issued and fully paid:				
Ordinary shares of Rs 7 each	3,535,000	3,535,000	24,745	24,745

22. SHARE PREMIUM

A share premium arises when the value of the consideration received for the issue of shares exceeds the nominal value of the shares issued. The share premium account is regarded as permanent capital of the Company and only certain expenses of a capital nature may be set-off against it, namely:

i) the preliminary expenses of the Company; or

ii) the expenses of, or the commission paid on, the creation or issue of any shares.

The share premium account may also be applied:

i) in paying up shares of the Company to be issued to shareholders of the Company as fully paid shares;

ii) to reflect the decrease in the share premium account arising from shares acquired or redeemed.

23. POST-EMPLOYMENT BENEFITS

The liabilities include provision for retirement gratuities payable under the Workers' Rights Act (WRA). The latter provides for a lump sum at retirement based on final salary and years of service. As the employees are members of a Defined Contribution plan, half of any lump sum and 5 years of pension (relating to Employer's share of contributions only) payable from the pension fund have been offset from the Retirement Gratuities.

Description of assets

The assets of the plan are invested in the Secured Fund. This Fund consists mainly of Local Deposits, Government Bonds and Loans.

Maturity profile of the Defined Benefit Obligation

The weighted average duration of the liabilities at 31 December 2019 is 13 years.

23. POST-EMPLOYMENT BENEFITS (CONT'D)

Pension benefits

The amounts recognised in the statement of financial position are determined as follows:

Group and Company	2019 Rs 000	2018 Rs 000
At 01 January	(3,434)	(2,443)
Total expense as below	(215)	(241)
Actuarial losses recognised in other comprehensive income	249	(750)
At 31 December	(3,400)	(3,434)

The amounts recognised in profit or loss are as follows:

Service cost	101	24
Net Interest cost	207	124
Transfer to Post-employment benefits reserve	(93)	93
Net pension cost	215	241

The movement in present value of funded obligations is as follows:

At 01 January	(3,434)	(2,443)
Current service cost	(101)	(24)
Interest cost	(207)	(124)
Actuarial gains/(losses)	249	(750)
Transfer to Reserve	93	(93)
At 31 December	(3,400)	(3,434)

The principal actuarial assumptions used were as follows:

	2019 %	2018 %
Discount rate	5.1	6.2
Future long-term salary increase	4.0	4.0
Future guaranteed pension increase	0.0	0.0
Post retirement mortality tables	Annuity Rates	Annuity Rates

Balance (deficit)/surplus	2019 Rs 000	2018 Rs 000
At 31 December:		
Deficit	(3,400)	(3,434)

The Company has not made any contribution to the pension scheme for the year ended 31 December 2019 (2018: Nil).

	2015 Rs 000	2016 Rs 000	2017 Rs 000	2018 Rs 000	2019 Rs 000
Defined benefit obligations	(2,161)	(2,750)	(2,443)	(3,434)	(3,400)
Deficit	(2,161)	(2,750)	(2,443)	(3,434)	(3,400)
Experience gains/(loss) on plan liabilities	(771)	(407)	509	(750)	249

23. POST-EMPLOYMENT BENEFITS (CONT'D)

Sensitivity analysis

	2019 Rs 000	2018 Rs 000
Decrease in Defined Benefit Obligation due to 1% increase in discount rate	866	650
Increase in Defined Benefit Obligation due to 1% increase in future long-term salary assumption	959	768
Increase in Defined Benefit Obligation due to 1% decrease in discount rate	918	759
Decrease in Defined Benefit Obligation due to 1% decrease in future long-term salary assumption	841	668

The sensitivity analyses above have been determined based on reasonable possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

Risks associates with the plan

The pension plan has been converted to a defined contribution plan, thus eliminating the risks inherent in a defined benefit plan in respect of active members. There are a few deferred members with defined benefit pension but the liabilities are not significant.

The bulk of the liabilities that we are valuing relates to the active employees who are entitled to retirement gratuities payable under the Employment Rights Act (ERA). The latter provides for a lump sum at retirement based on final salary and years of service. As the employees are members of a defined contribution plan, half of any lump sum and 5 years of pension (relating to Employer's share of contributions only) payable from the pension fund have been offset from the retirement gratuities.

As such, the risks associated to such liabilities are:

Interest rate risk: If the Bond interest rate decreases, the liabilities would be calculated using a lower discount rate, and would therefore increase.

Investment risk: Should the returns on the assets of the plan be lower than the discount rate, the defined contribution pot will be lower this resulting in a smaller offset.

Salary risk: If salary increases are higher than assumed in our basis, the liabilities would increase giving rise to actuarial losses.

24. DEFERRED INCOME TAX (ASSET)/LIABILITY

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
At 01 January	(1,438)	(1,144)	(1,489)	(1,342)
Under provision in previous year	(38)	494	(38)	494
Profit or loss (credit) / charge	(503)	(661)	(439)	(514)
Deferred income tax (Note 11)	(541)	(167)	(477)	(20)
Tax charge relating to re-measurements of post-employment benefits	42	(127)	42	(127)
At 31 December	(1,937)	(1,438)	(1,924)	(1,489)

The net deferred income tax asset of the Group and Company is presented as follows on the face of the statement of financial position:

Deferred income tax asset	(1,937)	(1,489)	(1,924)	(1,489)
Deferred income tax liability	-	51	-	-
Deferred income tax asset - Net	(1,937)	(1,438)	(1,924)	(1,489)

Deferred income tax assets and liabilities and deferred income tax (credit)/charge in the statement of comprehensive income are attributable to the following items:

Group	At 01 January 2019 Rs 000	Charge/ (credit) to profit or loss Rs 000	Debit to other comprehensive income Rs 000	Under provision of deferred tax liabilities in prior year Rs 000	At 31 December 2019 Rs 000
Accelerated capital allowances	1,958	145	-	(38)	2,065
Loss allowance on trade receivables	(1,019)	(18)	-	-	(1,037)
Provision for copyrights fees	(1,795)	(594)	-	-	(2,389)
Retirement benefit obligations	(582)	(36)	42	-	(576)
	(1,438)	(503)	42	(38)	(1,937)

	At 01 January 2018 Rs 000	Charge/ (credit) to profit or loss Rs 000	Credit to other comprehensive income Rs 000	Under provision in prior year Rs 000	At 31 December 2018 Rs 000
Accelerated capital allowances	1,206	258	-	494	1,958
Loss allowance on trade receivables	(711)	(308)	-	-	(1,019)
Provision for copyrights fees	(1,225)	(570)	-	-	(1,795)
Retirement benefit obligations	(414)	(41)	(127)	-	(582)
	(1,144)	(661)	(127)	494	(1,438)

24. DEFERRED INCOME TAX (ASSET)/LIABILITY (CONT'D)

Company	At 01 January 2019 Rs 000	Charge/ (credit) to profit or loss Rs 000	Debit to other comprehensive income Rs 000	Under provision of deferred tax liabilities in prior year Rs 000	At 31 December 2019 Rs 000
Accelerated capital allowances	1,835	210	-	(38)	2,007
Loss allowance on trade receivables	(947)	(18)	-	-	(965)
Provision for copyrights fees	(1,795)	(594)	-	-	(2,389)
Retirement benefit obligations	(582)	(37)	42	-	(577)
	(1,489)	(439)	42	(38)	(1,924)

	At 01 January 2018 Rs 000	Charge/ (credit) to profit or loss Rs 000	Credit to other comprehensive income Rs 000	Under provision in prior year Rs 000	At 31 December 2018 Rs 000
Accelerated capital allowances	1,008	333	-	494	1,835
Loss allowance on trade receivables	(711)	(236)	-	-	(947)
Provision for copyrights fees	(1,225)	(570)	-	-	(1,795)
Retirement benefit obligations	(414)	(41)	(127)	-	(582)
	(1,342)	(514)	(127)	494	(1,489)

25. TRADE & OTHER PAYABLES

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
Trade payables	6,238	9,400	3,934	6,594
Accruals	25,234	28,140	25,103	27,994
Other payables	598	1,495	598	1,495
Teletote deposits	5,403	5,108	5,403	5,108
Unclaimed dividends declared in prior years	1,306	1,339	1,306	1,339
	38,779	45,482	36,344	42,530

26. DIVIDENDS

Dividend payable

	Group		Company	
	2019 Rs 000	2018 Rs 000	2019 Rs 000	2018 Rs 000
At 01 January	20,125	14,140	17,675	14,140
Declared during the year by Company - **Rs 5** (2018: Rs 5) per share	17,675	17,675	17,675	17,675
Declared during the year by Megawin Ltd - **Rs 30** (2018: Rs 25) per share*	2,940	2,450	-	-
Paid during the year – **Rs 5** (2018: Rs 5) per share	(19,961)	(14,022)	(17,511)	(14,022)
Transfer to unclaimed dividend declared in prior years	(164)	(118)	(164)	(118)
At 31 December	20,615	20,125	17,675	17,675

*Dividend declared by Megawin Ltd during the year amounts to **Rs 6,000,000** out of which **Rs 3,060,000** is payable to the Company and **Rs 2,940,000** payable to non-controlling interests.

27. CONTINGENT LIABILITIES

Tax claim from the Mauritius Revenue Authority

In December 2014, the Company received a claim of Rs 21,571,308 from the Mauritius Revenue Authority ("MRA") regarding race meeting No. 1 of racing season 2012 to race meeting No. 43 of racing season 2014 following the examination of the Company's books and records in relation to betting tax. The MRA claims that betting tax on "All for All" bets placed with the Company in respect of the above race meetings has not been properly calculated.

Over and above the assessment dated December 2014, another assessment has been raised in June 2015 pursuant to which, an additional amount of Rs 4,188,453 inclusive of penalty and interest in respect of racing seasons 2012, 2013 and 2014 has been claimed. Thus, as at 31 December 2015, the MRA is claiming total tax due amounting to Rs 25,759,761. In June 2019, the MRA sent another assessment notice claiming Rs 60,994,000 in respect of racing seasons 2016, 2017 and 2018. The estimation of management on the potential case of the MRA is **Rs 88,900,000** (2018: Rs 64,600,000) as at 31 December 2019.

The Company has made an appeal against this claim and an amount of **Rs 8,940,000** had to be paid to the MRA to appeal for the case (Refer to Note 18). No provision in relation to this claim has been recognised in these financial statements, as the directors are of the opinion that, based on legal advice, it is possible but not probable that a significant liability will arise.

Should the case materialise against the Company, the net assets will become negative and the going concern assumption will have to be reconsidered.

Bank Guarantee

At 31 December 2019, there were contingent liabilities in respect of bank guarantees given to the Gambling Regulatory Authority from which it is anticipated that no material liabilities shall arise. At 31 December 2017, the bank guarantees having a maturity date of 31 December 2019 amounted to **Rs 2,500,000** (2018- Rs 2,500,000).

28. RELATED PARTY TRANSACTIONS

a) Key management compensation

Key management includes directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	Group		Company	
	2019 Rs 000	2018 Rs 000	**2019 Rs 000**	2018 Rs 000
Salaries and other short term employee benefits	7,381	7,938	7,381	7,938
Post-employment benefits	433	426	433	426
Total	7,814	8,364	7,814	8,364

b) Transactions with related parties

Purchase of services

	Group 2019	Group 2018	Company 2019	Company 2018
i) Entity controlled by key management personnel	591	413	991	413

c) Amount payable to related parties

Amount payable

	Group 2019	Group 2018	Company 2019	Company 2018
i) Entity controlled by key management personnel	76	56	76	56

ii) As at 31 December 2019 and 31 December 2018, services have been bought from entities controlled by key management personnel namely Mr Jean Hardy and Mr Hervé Henry, who are both executive and non-executive director of the Company respectively.

d) Year end balances arising from related party transactions

e) Transaction with subsidiary

	Company	
	2019 Rs 000	2018 Rs 000
Dividend income from and receivable from Megawin Ltd	3,060	2,550

28. RELATED PARTY TRANSACTIONS (CONT'D)

Société du Grand Moulin and Société L'Inité are considered to be related parties since that are shareholders of the Company. They also have two common key management personnel.

At 31 December 2019, an amount of **Rs 6,872,000** (2018: Rs 7,597,000) representing amounts receivable from six off-course agents is included in Trade and Other receivables. This amount is set off against the amount payable to Socièté du Grand Moulin and Socièté L'Inité as the Company intends to realise the asset and settle the liability simultaneously further to the acquisition of HHM by the Company.

During the year, no other transactions have occurred between ASL and Société du Grand Moulin and Société L'Inité.

29. BANK FACILITIES

The Company has floating rate borrowing facilities of **Rs 44 m** (2018: Rs 44 m). The facilities are subject to review on a regular basis. The bank overdraft facilities of the Company are secured by a floating charge on all the assets of the Company. The applicable interest rate on the overdraft facilities is 6.10% per annum (2018: 6.25%).

The Company has drawn Rs Nil (2018: Nil) of the above mentioned facility at 31 December 2019.

30. RESTRICTED CASH

Restricted cash relates to balance paid into an escrow account under the custody of the Company's legal counsel following the order of the Supreme Court of Mauritius on the 16 December 2016 in relation to the case between the Company and Sports Data Feed Ltd.

31. PROVISION

An amount of **Rs 14,050,000** (2018: Rs 10,557,000) has been provided in relation to the Sports Data Feed Ltd. This was previously recognised in Note 25 -Trade and Other Payables.

32. CAPITAL COMMITMENTS

The Group does not have any capital expenditure contracted for at the end of the reporting period but not yet incurred.

33. EVENTS AFTER THE REPORTING PERIOD

In January 2020, it was resolved that an investment of appromixately **Rs 7.5 m** for 106,582 shares in RPGG Media Ltd be approved. RPGG Media Ltd is a private limited company incorporated in the United Kingdom. This represents a stake of 3.1% in RGGP Media Ltd.

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