

DIRECTORS' REPORT

The Directors are pleased to present to the Company's stakeholders the annual report together with the audited financial statements of Automatic Systems Ltd (the "Company" or "ASL") and its wholly owned subsidiary Megawin Ltd (collectively referred to as the "Group") for the year ended 31 December 2024. The annual report is published on the Company's website: <https://automaticsystemsLtd.mu/>

Background and Nature of the Group's Operations

The Company was incorporated in 1991 for the purpose of operating the Tote System on horse racing. The Tote System is a betting platform that is transparent, reliable and auditable as it is a pool betting system where 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 room for dispute or controversial claims against the Company, the Horse Racing Organiser 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 recognized worldwide and is operated in all major racing jurisdictions such as the United States, France, Hong Kong, Australia, Singapore and South Africa.

The Company is listed on the official market of the Stock Exchange of Mauritius (SEM) since 1994 and has, at 31 December 2024, 1,636 shareholders on its register. As a listed entity, its results are published on a quarterly basis on its website and on the SEM's platform.

Since its incorporation, the Company runs a Totalisator System (Tote) of betting on races in Mauritius organised by the Mauritius Turf Club (MTC), in 2022, by both Mauritius Turf Club Sports & Leisure (MTC SL) and People's Turf PLC (PTP) in 2023 and 2024, under the brand Supertote.

In 2004, as a measure to move away from the existing illegal betting operations which has a very negative impact on the horse racing industry, the Regulatory Authorities authorised off course betting. To date, the Company operates 24 outlets, spread across the Island. The Company's continuous challenge remains finding alternative locations and obtaining permits to replace closing outlets, which may occur due to unforeseen circumstances. Therein lies a risk for the Company, as a reduction in number of off-course outlets would have a direct impact on its turnover.

In 2008 the Company started to organise fixed-odds betting on foreign football matches under the brand Superscore, in accordance with the provisions of the Gambling Regulatory Authority (GRA) Act 2007.

The Company was also the pioneer in SMS betting on the Tote in 2008 and a new more user-friendly application was launched in 2017 to facilitate betting by SMS. The number of account holders for telephone and SMS betting reached a peak in 2020 to then be on a downward trend.

As an illustration of the Board and Management's innovation and sustainability mindset and as a measure of diversification, the Company incorporated Megawin Ltd in 2014, for its operations in Africa. The first countries of operation were Kenya and Nigeria. Operations during 2023 were held in Ivory Coast only. The Company has no operating contract for Megawin in 2024 following the termination of the contract with Ivory Coast in December 2023.

"The Company receives a fixed commission, irrespective of which horse comes first".



DIRECTORS' REPORT (CONT'D)

Management and Board of Directors

Mr. Robert Ah Yan acts as General Manager of the Company since the resignation of Mr. Guillaume Hardy as Managing Director in July 2020.

Mr. Guillaume Hardy acts as Executive Director as from the 1st of January 2023 and provides a daily support to the Management team.

YEAR IN REVIEW

The Company's results

The Company's turnover reached Rs 722.7 million (2023: Rs 1.076 billion) and its income (net of winnings) reached Rs 240.0 million (2023: Rs 277.8 million).

Despite a significant 57.4% drop in Tote income for the third year in a row to reach Rs 59.7 million compared to Rs 140.2 million in 2023, the Company recorded a turnaround in results, from a net loss of Rs 57.0 million in 2023 to a net loss of Rs 13.0 million at 31 December 2024. This was attributable to an increase of 31% in football income which reached Rs 180.3 million compared to Rs 137.6 million in 2023. The expenses related to the Tote operation were well contained; a slight decrease in operating expenses over 2023 was noted due to a reduced number of race meetings. In addition, the 2023 and 2024 results were negatively impacted by a one-off goodwill impairment of Rs 43.1 million and Rs 13.3 million respectively.

The tote turnover for the year decreased from Rs 455.1 million in 2023, with 37 meetings, to Rs 193.0 million in 2024 with 24 meetings. A decrease of 35% has been noted in the average turnover per horse-racing meeting, from Rs 12.3 million in 2023 to Rs 8.0 million in 2024. The decrease applied to all channels of tote revenue.

Horse racing operations at a glance:

| Year | 1st race day | Number of race meetings | On course operations | Total Tote turnover | Total payment to punters | Average Tote turnover per meeting | Payment to Government through various taxes and licences |
|------|--|-------------------------|----------------------|---------------------|--------------------------|-----------------------------------|--|
| 2023 | 18 Mar 2023 – postponed to 25 March 2023 | 37 | Infield only | Rs 455.1M | Rs 314.9M | Rs 12.3M | Rs 148.2M |
| 2024 | 04 May 2024 | 24 | Infield only | Rs 193.0M | Rs 134.9M | Rs 8.0M | Rs 104.7M |

The on-course turnover has been impacted by the restriction on terminal operations allowed in the infield area only and with PTP also operating their Tote terminals at their facilities on the racecourse. The Tote income for the year decreased from Rs 140.2 million to Rs 59.7 million.

The main factors that affected the Tote turnover were:

- The betting tax on gross stakes at 14%;
- The decrease in the number of race meetings and the number of runners per race;
- The uncertainties and challenges faced by the horse racing industry where a lack of confidence from the public at large in the racing industry was evident; and
- The entry of a new competitor with a new Tote licence awarded to PTP.

For the year under review, PTP was the sole horse-racing organiser for two years in a row. The first race meeting for the 2024 season was held on the 4th of May 2024 (2023: 25 March).

The financial statements of the Group and the Company are set out on pages 45 to 90. The auditors' report on these consolidated and separate financial statements are on pages 41 to 43.

Challenges and Risks

The Directors are well aware that one of the major risks for the Company's activities is its dependence on the horse racing industry. The racing season started in May 2024 with PTP as the sole racing organiser. Public confidence in the industry is highly reliant on the integrity of the racing industry.

DIRECTORS' REPORT (CONT'D)

Football operations at a glance :

| Year | Turnover (Rs) | Turnover after tax (Rs) | Income (Rs) | GGR (Rs) | GGR % |
|------|---------------|-------------------------|-------------|----------|-------|
| 2023 | 620.7 M | 544.4 M | 137.6 M | 57.3 M | 10.5 |
| 2024 | 529.7 M | 464.6 M | 180.3 M | 111.9 M | 24.1 |

Football betting operations ran throughout the whole year and income for the year in review reached Rs 180.3 million compared to Rs 137.6 million in 2023; payout in 2024 was lower, at Rs 352.5 million compared to Rs 487.1 million in 2023. Betting tax remained at 14% on gross stakes with a direct impact on payouts to clients.

The Group's Results

Loss for the Group amounted to Rs 12.8 million compared to Losses of Rs 60.6 million at 31 December 2023.

The table below illustrates the Company's performance derived from its local operation for the past three years.

| | | 2024 | 2023 | 2022 |
|--|--------------|------------|------------|------------|
| | | Rs Million | Rs Million | Rs Million |
| Income* | Horse racing | 59.7 | 140.2 | 238.9 |
| | Football | 180.3 | 137.6 | 138.6 |
| Total Income | | 240.0 | 277.8 | 377.5 |
| NSF | | 6.6 | 10.9 | 14.4 |
| Government Taxes | | 92.1 | 132.2 | 157.8 |
| GRA Licenses | | 12.6 | 16.0 | 13.9 |
| Responsible Gambling Levy | | 3.6 | 2.5 | 2.7 |
| Total contribution to Government and Local Authorities | | 114.9 | 161.5 | 188.8 |
| Commission to Racing Organiser | | 9.7 | 23.7 | 40.6 |
| (Loss) / Profit for the year | | (13.0) | (57.0) | 30.2 |

*Income is composed of bets struck net of winnings.

- 24 race meetings held in 2024 compared to 37 in 2023.
- Income from horse racing decreased from Rs 140.2 million to Rs 59.7 million
- Football income increased significantly from Rs 137.6 million to Rs 180.3 million.
- Government Tax and Duty decreased from Rs 148.2 million in 2023 to Rs 104.7 million in 2024 explained by the drop on horse racing turnover.

In December 2024, the Directors have resolved, until there is more visibility on the horse racing industry in general, not to declare any dividend for the financial year ending 31 December 2024.

| Year | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|-------|--------|-------|-------|-------|
| Share price at 31 December (Rs) | 87.00 | 105.00 | 98.00 | 70.25 | 79.75 |
| Total dividend per share declared during the year (Rs) | 5.00 | 6.00 | 6.00 | 1.50 | 0.00 |

DIRECTORS' REPORT (CONT'D)

Totalisator

With 13 race meetings less in 2024 compared to 2023 and an average turnover per horse-racing meeting which decreased by 35%, from Rs 12.3 million in 2023 to Rs 8.0 million in 2024, the Company's turnover decreased by 58% from Rs 455.1 million in 2023 to Rs 193.0 million in 2024 as illustrated in the table below.

| Turnover comparison | | | | | | |
|---------------------|---------------------|-------------|----------|---------------------------|-----------|----------|
| | Total Turnover (Rs) | | Variance | Turnover per meeting (Rs) | | Variance |
| | 2023 | 2024 | | 2023 | 2024 | |
| On Course | 23,719,145 | 12,594,025 | -47% | 641,058 | 524,751 | -18% |
| Off Course | 270,289,415 | 119,893,549 | -56% | 7,305,119 | 4,995,565 | -32% |
| Teletote | 58,361,606 | 23,036,183 | -61% | 1,577,341 | 959,841 | -39% |
| SMS | 102,722,633 | 37,481,647 | -64% | 2,776,287 | 1,561,735 | -44% |
| TOTAL | 455,092,799 | 193,005,404 | -58% | 12,299,805 | 8,041,892 | -35% |

On Course

The Company only operated terminals in 'La Plaine' and did not operate any terminal at the facilities of the Racing Organiser PTP. The On Course turnover decreased from Rs 23.7 million in 2023 to Rs 12.6 million in 2024.

Off Course

The Company's Off Course turnover for its 24 outlets decreased significantly by 56%. The average turnover per meeting also decreased by 32%.

The performance of each outlet is closely monitored. A performance appraisal based on criteria such as customer service, cleanliness and maintenance, turnover performance, innovative measures for punters and staff rating is carried year in year out to identify the best-managed outlet. In April 2024, approval was obtained from the Gambling Regulatory Authority to relocate the football licence of Rose Hill outlet to Riviere du Rempart.

TELETOTE AND SMS

The www.supertote.mu 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 1,137 in 2014, to reach 6,528 in 2020 and has decreased to 2,227 in 2023. For the year in review, 1,008 new accounts were opened.

Teletote

Like the other segments of revenue, the total turnover of the Teletote for the year reached Rs 23.0 million, representing a major decrease of 61%. The average turnover per meeting for the year in review was slightly less than Rs 1.0 million compared to Rs 1.6 million in 2023, representing a decrease of 39%.

The Teletote activity and trend over the last 5 years:

| Year | Tunover (Rs) | Accounts Opened | No of Meetings | Average Turnover per Meeting (Rs) |
|-------------|-------------------|-----------------|----------------|-----------------------------------|
| 2020 | 150,670,137 | 6,528 | 32 | 4,708,442 |
| 2021 | 178,642,166 | 5,824 | 38 | 4,701,110 |
| 2022 | 112,220,777 | 3,400 | 39 | 2,877,456 |
| 2023 | 58,361,606 | 2,227 | 37 | 1,577,341 |
| 2024 | 23,036,183 | 1,008 | 24 | 959,841 |

DIRECTORS' REPORT (CONT'D)

SMS betting

The SMS betting turnover for the year in review decreased by 64% (2024: Rs 37.5 million) compared to Rs 102.7 million in 2023. The average turnover per race meeting also dropped by 37%.

SMS betting operates by having the bet placed 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 and is downloadable from www.supertote.app; all bets are placed by SMS. The PWA technology enables automatic upgrade when a new version of the App is released.

In 2024, SMS betting represented 19% of the Tote turnover illustrated in the table below:

| Turnover - SMS Betting (Rs) | | | | |
|----------------------------------|-------------|-------------|-------------|-------------------|
| 2020 | 2021 | 2022 | 2023 | 2024 |
| 149,909,387 | 237,278,019 | 171,760,800 | 102,722,633 | 37,481,647 |
| Percentage of total turnover (%) | | | | |
| 2020 | 2021 | 2022 | 2023 | 2024 |
| 16.14% | 22.65% | 22.12% | 22.57% | 19.42% |

Online booking of bets is more and more popular as demonstrated in the table below:

| Year | Number of Booked Bets | Average Booked Bets per Month | Amount Rs | Average per Month Rs | Total Turnover Rs | % of Turnover |
|-------------|-----------------------|-------------------------------|--------------------|----------------------|--------------------|---------------|
| 2020 | 1,493,416 | 165,935 | 133,144,366 | 14,793,818 | 356,307,036 | 37% |
| 2021 | 2,194,232 | 219,423 | 221,019,564 | 22,101,956 | 436,780,704 | 51% |
| 2022 | 2,595,432 | 216,286 | 282,888,173 | 23,574,014 | 508,555,581 | 56% |
| 2023 | 4,378,585 | 364,882 | 362,441,033 | 30,203,419 | 620,694,832 | 58% |
| 2024 | 3,361,255 | 280,105 | 310,259,828 | 25,854,986 | 529,693,561 | 59% |

In the fixed odds business, offering competitive odds is key to maintain or gain market share. The betting tax remained high at 14%. The Company continued to offer attractive bonuses on pay outs ranging from 7% to 25%. For the EURO 2024 football competition, the Company offered additional promotions to its customers to boost sales during that competition.

FOOTBALL

The turnover for football decreased by 14.7% to reach Rs 529.7 million in 2024 compared to Rs 620.7 million in 2023.

The Company constantly strives to innovate and offers very competitive odds along with a variety of appealing bets. The football betting software offers many possibilities such as online booking of bets. Customers can book their bets on <https://superscore.mu/> where they receive a code which is then tendered to the teller in any Superscore outlet for the bet to be placed and validated. These innovations have contributed to maintain the Company's market share in a very competitive environment.

The chart below illustrates the Gross Gaming Revenue (Turnover after tax less winnings) realised on football betting. In the fixed odds business, the Gross Gaming Revenue is dependent on the outcome of matches.

DIRECTORS' REPORT (CONT'D)

FOOTBALL (cont'd)

The chart below illustrates the Gross Gaming Revenue (Turnover after tax less winnings) realised on football betting. In the fixed odds business, the Gross Gaming Revenue is dependent on the outcome of matches.

| Gross Gaming Revenue Football Betting | | | | | |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| Turnover after tax | 320,995,386 | 387,270,490 | 446,101,388 | 544,437,577 | 464,386,376 |
| Payment to winners | 247,163,160 | 334,070,431 | 373,397,148 | 487,123,158 | 352,524,692 |
| Gross Gaming Revenue | 73,832,226 | 53,200,059 | 72,704,240 | 57,314,419 | 111,861,684 |
| GGR Margin | 23.0% | 13.7% | 16.3% | 10.5% | 24.1% |

The results achieved in 2024 were quite exceptional and were attributable to the increase in gross profit margin due to the significant decrease in payment to winners. The Company's income on football, despite the decrease in turnover from Rs 620.7 million in 2023 to 529.7 million in 2024, increased from Rs 137.6 million in 2023 to Rs 180.3 million in 2024.

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. Teletote accounts can be funded by credit card directly through a secured PCI DSS compliant platform and via blink by Emtel mobile application. Credit card deposits online amounted to Rs 3.0 million in 2024 compared to Rs 9.0 million in 2023, representing a significant decrease of nearly 67%. This Supertote website is very popular, the total number of visitors decreased from 521,980 in 2023 to 295,828 in 2024. The number of Page Views also decreased from 37.4 million in 2023 and to 20.4 million in 2024. **www.supertote.mu** remains 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 total number of visitors increased from 165,352 in 2019 to 470,464 in 2023 and dropped to 395,758 in 2024.
- **www.automaticsystems ltd.com** – the website was redesigned in 2023 and conveys information on the Company's corporate structure, its Management and Administration, corporate events and financials.

SOCIAL MEDIA

The Company uses social media as a communication tool and to promote its brands. Social media is also used to interact with customers and attend to their requests.

Supertote has its own Facebook page with approximately 23K followers. Valuable information such as training videos, carry forwards, short movie adverts and big payouts amongst others are posted on the Facebook page. The Company also organises contests, where Company's branded gifts are offered to winners. The popularity of such contests is rapidly increasing.

CORPORATE SOCIAL RESPONSIBILITY ('CSR')

In line with the provisions of the current Gambling Regulatory Authority Act the totality of CSR funds, in case of profits, are to be remitted to the Mauritius Revenue Authority (the 'MRA'). The Company usually contributes a certain percentage of its gross gambling yield for the running of a National Responsible Gambling Program. Because the Company incurred losses in 2023, no CSR contribution or contribution to the National Responsible Gambling Program were made.

The objective of the program, which is still at an incipient stage is to institute responsible gambling and to provide professional support to compulsive gamblers. Gambling must remain a leisure, and compulsive gamblers can get free counselling and support for their addiction by calling a toll-free number provided by the GRA. This number is conspicuously displayed in all our betting outlets.

DIRECTORS' REPORT (CONT'D)

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

OUTLOOK

Tote

The Directors welcome the fact that the Mauritius Turf Club (MTC) the historic racing organizer will take over the organization of Horse Racing in 2025. The integrity concerns and lack of confidence in the previous racing organizer has had a negative impact on the Tote business. This change will certainly bring back confidence and the Directors expect a positive turnaround in the turnover, which has significantly declined over the past three years.

Football

The Company operates in a very competitive market and, to increase or at least maintain its market share, it keeps innovating through new offers, competitive odds as well as bonuses. Higher bonuses result in lower margins for the Company.

In August 2024, the Company made an application for a licence to operate by remote communication to the GRA. If the said licence is obtained, a positive impact on football turnover should be expected. Without the remote communication, the expectations for 2025 are to realise a turnover on par with 2024.

Africa

DEVELOPMENT IN AFRICA

Megawin Ltd ('Megawin') a wholly owned subsidiary of the Company has been involved in sports betting in Africa. The contract with Ivory Coast was terminated in December 2023 after nine years of operations. The Company had no contracts and therefore did not derive any revenue in 2024.

Megawin continues to prospect opportunities for virtual gaming in Western African countries and has a contract with FRANCI, a Company based in Ivory Coast to prospect other markets within the region of Western Africa. The contract is on a revenue sharing basis if we sign new contracts through them on the African Continent. FRANCI has established contacts with operators in Burkina Faso and Cameroon which are at a negotiation stage. Africa remains a very uncertain

market and the signature of new contracts this year will determine the future of Megawin.

Financial Outlook

The Directors believe that having the Mauritius Turf Club (MTC), the founder of the horse racing industry in Mauritius, operating in 2025, will certainly boost the horse racing industry. However, the Directors are conscious of the huge challenges ahead to revive the racing industry. The Authorities have demonstrated a clear intention to support the MTC with 20 race meetings scheduled to take place this year from July onwards. Additionally, the Directors expect the Government to reduce the betting tax which will have a positive impact on the Tote's performance and on the horse racing industry in general.

The Gross Profit margin for football betting in 2024 has been exceptionally high compared to previous years. The Directors believe that the turnover on football has reached its peak and do not expect further growth. Income on football will depend on results and is difficult to forecast due to the uncertainty of the fixed odds business.

Megawin's future is reliant on new contracts with betting operators. The Company is currently negotiating with operators in two countries and, at this stage there is no guarantee that a deal will be concluded, thus making the future of Megawin quite uncertain.