SUPREME VENTURES GROUP

2019 Annual Report

Making **Winners** Everyday

Introducing the NEW

SUPREME VENTURES

GROUP

18th ANNIVERSARY

We're all grown up!

Still making winners every day...

just in a brand new outfit!

$50.77B

WINNINGS

To you
it's a life changer,
a dream come true.

ALMOST
$8B

CONTRIBUTED TO THE GOVT.

To you
it's infrastructure,
health care,
nation building.

OVER
30,000

JOBS CREATED
(DIRECT & INDIRECT)

To you
it's the ability to send
your kids to school, put
food on the table.

OVER
1,700

TERMINALS ISLANDWIDE

To you
it's helping your
small business grow.

In 2019

everything we did was to bring everyday people closer
to their dreams

So keep on dreaming, because we haven't stopped.

SUPREME VENTURES GROUP

OUR MISSION

Create value for our stakeholders through innovative gaming solutions for the Caribbean.

OUR CORE VALUES

A WINNING ATTITUDE

PASSION AND FUN

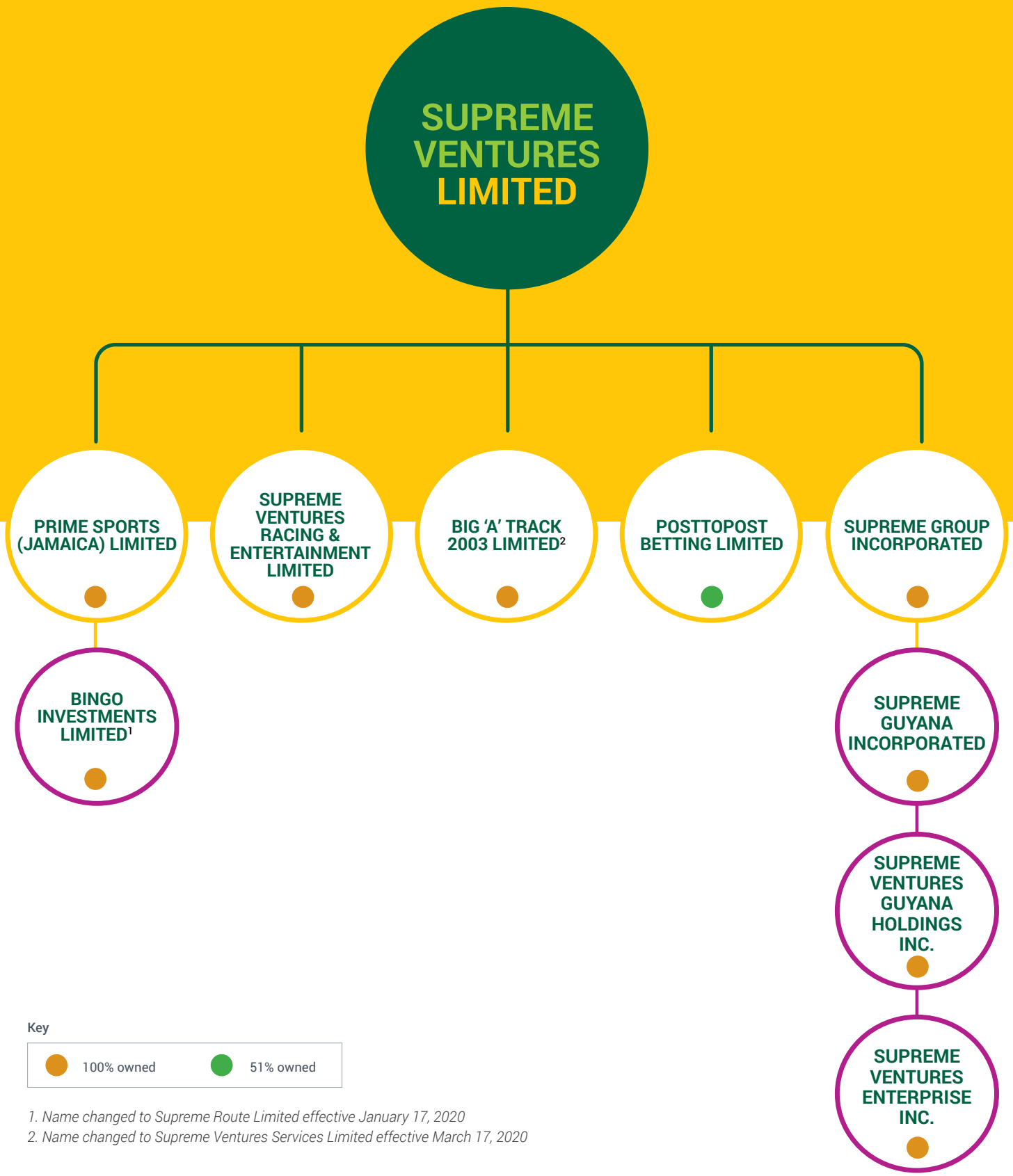
CONTINUOUS INNOVATION

ACCOUNTABILITY

STRAIGHTFORWARD

CONTENTS

GROUP STRUCTURE



Key

100% owned

51% owned

1. Name changed to Supreme Route Limited effective January 17, 2020
2. Name changed to Supreme Ventures Services Limited effective March 17, 2020

ABOUT US

Supreme Ventures is the leading gaming and entertainment group of companies in Jamaica and the region. This is a title earned over 18 years of innovation, strategized risk and a genuine love for the thrill of gaming.

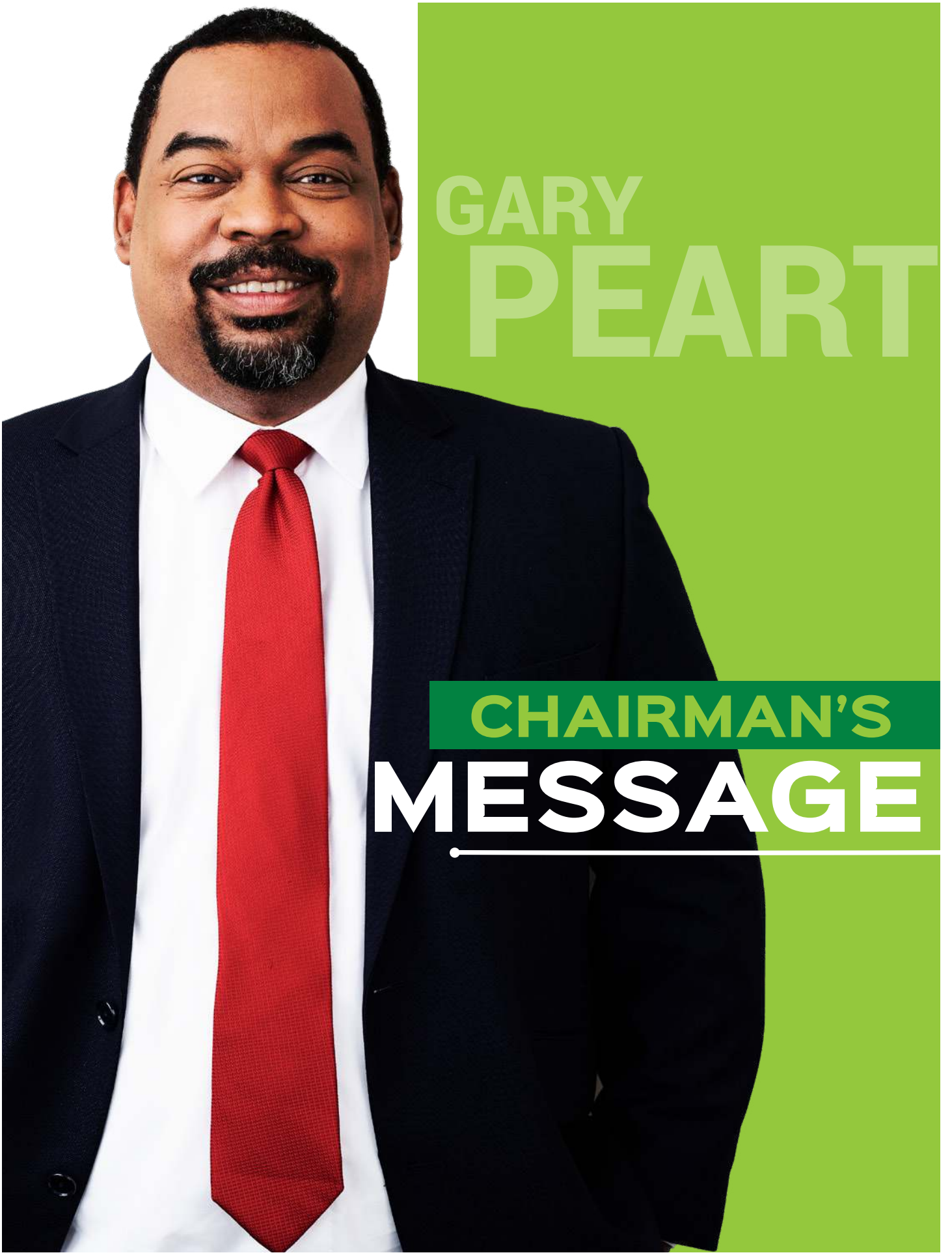
What started out as an entrepreneurial journey into the lottery business, has become a group of companies that span the length and breadth of gaming options in Jamaica. A dominant force in gaming, Supreme now promotes horse racing, sports betting, slot machines, gaming lounges and online gaming assets that bring lotteries, horse racing and sports betting to the palm of your hand.

Built on the premise of community, Supreme continues to make an impact on small businesses through our ever-expanding retailer network. That network has grown, feeding the Jamaican dream of successful business ownership through brand building with our lottery and sports betting retailers. We have also seen the benefit of that growth in the Off Track Betting business, bringing the excitement of horse racing to new parishes and communities. Supreme is a homegrown company and is a testament to the tenacity of the Jamaican entrepreneurial spirit.

Our thrust into digital displays our dexterity as a brand ready for the future. We take advantage of each opportunity to build brand Supreme and hosting some of our more popular consumer brands on mobile was the perfect opportunity to revolutionize our business. 2019 saw the launch of SV Games, the first locally based mobile gaming app in Jamaica, the expansion of the MBet mobile platform for horse racing, and the upgrade of JustBet Mobile to streamline the sports betting process and make it easier for sports lovers to get in the game.

Supreme Ventures is part of the fabric of Jamaica and has made a significant contribution to nation building on various fronts. We have donated over $18 billion to the Government coffers which safeguards the country's culture, health, arts, sports and educational social activities. We have also contributed $7.8 billion through our taxes for 2019. We have made immeasurable contribution to the various communities we operate in, children in state care and education through our good causes, executed chiefly through the Supreme Ventures Foundation.

We are on a mission of growth and expansion that will take brand Supreme to new frontiers and most importantly, result in positive outcomes in the communities and countries in which we operate.



GARY PEART

CHAIRMAN'S MESSAGE

> In the year 2019 we celebrated our 18th anniversary and saw financial results which we would describe as record breaking and impressive.

In the fast changing, technology driven world that we live in today, there is one constant that is undeniable – people drive the success of companies. People are the engine that put companies on the path to growth, and people working together to win, is the single most important investment that any company can make.

In the year 2019, we celebrated our 18th anniversary and saw financial results which we would describe as record breaking and impressive. These achievements illustrate the power of a clear strategy, the power of a strong team, and the power of a commitment to "making winners every day."

Our industrious cadre of over 500 employees were key to increasing our revenue by over 16%, and our net profit by over 18% in 2019. The year's performance enabled us to increase our support of the government's critical work by over $1 billion to $7.8 billion, continuing to make Supreme Ventures one of the largest contributors to the government's coffers.

While we continue to grow our Company, we passionately play our part as solid corporate citizens, having contributed almost $2 billion per year for the past 18 years to good causes across Jamaica. With over $18 billion turned over to culture, health, the arts, sports and education to date, and over $50 billion in winnings paid out to our customers in 2019, it is safe to say that Supreme gives back to the community that supports our business in a winning partnership.

The Group has maintained a clear focus on product, channel and country diversification over the past 24 months. This was illustrated in 2019 with the Guyana launch of Sports Betting, Cash Pot and Money Time products, the implementation of an exciting new platform for our Sports Betting customers in Jamaica, the acquisition of majority shareholding in PostToPost Betting Limited, and the continued improvement of the horse racing product at the iconic Caymanas Park.

We are proud that for the first time in the history of horse racing in Jamaica, persons can now watch the sport of kings from Caymanas Park online. We have relentlessly invested in the future of the Company, and the over 20,000 direct and indirect jobs that are supported from the track, and the community of "horsemen" who keep its engine running.

Supreme is cognizant of our role in keeping dreams alive. The Group conducts millions of transactions every day across our varied platforms and in our retail stores. In 2019, we sold millions of tickets, representing millions of interactions with our brand which we will leverage for the growth and expansion of the Group. We have changed the dynamic of the relationship with our customers, from top down to cyclical and our 2020 plans include extending this convenience to other aspects of our customers lives, beyond our gaming and entertainment products.

While we move full speed ahead in realizing our objectives, I would like to thank our shareholders for showing their confidence in the future of Supreme. Supreme's share value has increased by over 100% over the past 24 months and the number of shareholders has grown from 4,308 in 2018 to 5,443 in 2019, an indication of the growing investor confidence in the company.

In the face of challenges during the year, our winning team took us above and beyond our 2018 achievements, breaking records and solidifying our position as the premier gaming and Sports Betting entity in the Caribbean.

I am grateful for the continued expertise and guidance provided by our Board of Directors. The Board expresses its gratitude to Mr. W. David McConnell for his leadership and service during the year as Chairman of the Board, a position which he held until June 12, 2019. We are pleased to have strengthened our Board by welcoming Nicholas Mouttet and Damian Chin-You as Directors during the year. On behalf of the Board, I would like to recognize the dedication and commitment of our Senior Management team, and the hard work and diligence of their team members across the company in delivering a memorable year in 2019.

While I consider the year 2019 as being an exciting milestone for the company, I am even more optimistic about the year to come. We continue to be driven by innovation and will launch new products in 2020, expand our mobile channel reach into new segments, and offer our best in class lottery products in new markets. 2020 will indeed be another Supreme year!

Gary Peart (Mr.)
Chairman
Supreme Ventures Limited

ANN-DAWN YOUNG SANG

PRESIDENT & CEO'S MESSAGE

The Supreme Ventures Group (SVG) firmly believes in the concept of strong partnerships and a culture of cooperation that produces a win-win effect on our business, and the economic environment in which we have operated over the past 18 years.

That philosophy of mutual achievement and success has generated amazing results for our Company and our customers in 2019. With the support of our partners across the SVG eco-system, we have pushed ourselves to achieve the most successful year of growth in the Company's history, and the biggest winning payout to customers ever recorded. We are committed to making winners every day across our group of companies.

Supreme has expanded beyond the shores of Jamaica and the horizons of our original popular lottery games, growing our brand and increasing our revenue through strategic initiatives and aggressive growth strategies. We solidified our position as an industry leader through successful acquisitions, technological innovations and product expansion, while strengthening our core business in parallel. 2019's results are a clear indication that our strategic direction is indeed working and headed in the right direction.

We once again broke our previous year's record by increasing our revenue by $10.13 billion or 16.09%, over 2018's results. Driven by gross ticket sales of $73.09 billion, our net profit after tax of $2.47 billion represented an increase of $375 million or 18% more than our numbers in 2018. Our expense management strategies have produced solid results in 2019, achieving an operating expense efficiency ratio of 5.54%, which in tandem with solid revenue growth has led to our Total Comprehensive Income for the year increasing to $2.47 billion.

These results have allowed us to grow our significant partnership with the Jamaican government, having directly contributed billions to the Jamaican economy since our inception. This year, we were proud to contribute $7.8 billion to the growth and development of the country through government taxes and fees.

In 2019, segments within our core business lines such as lotteries and PINS, as well as our Sports Betting brands JustBet and AnyBet were big contributors to the year's success. These segments continued to deliver results above expectations, earning $3.52 billion, an increase of 25.65% over prior year, due to the strategic initiatives implemented during the year. Our Sports Betting segment (excluding AnyBet), achieved gross ticket sales of $1.31 billion and segment results of $18 million, a significant achievement in a post-World Cup year.

PostToPost Betting Limited contributed approximately $39.5 million for the first six months of operations since our acquisition of majority shareholding.

We continue to be passionate about one of Jamaica's favorite pastimes, horse racing and the Caribbean's most iconic and oldest track, Caymanas Park. The Park celebrated its 60th birthday in 2019 and we were honoured to be the stewards during this historic milestone. To date, Supreme has invested over $2 billion in the horse racing product through various infrastructural improvements, the implementation of overseas broadcasting of the horse racing signal, the implementation of a new tote system & betting platform and the expansion of the OTB network by 100%. These improvements and our ongoing investment have put the horse racing segment on a positive growth trajectory, recording increased revenues of 14% in 2019, an improvement of $846.6 million over prior year.

In January 2019, we officially launched our Guyanese operations with a grand opening, and spent the year focusing on infrastructure buildout through new partnerships, as well as the rollout of new products. The buildout of the agent network is ongoing in 2020 and will provide a platform for the accelerated growth of the business in tandem with the expected economic growth in the country.

Our shareholders support and confidence has been invaluable in 2019, and we reward their confidence with the commitment and dedication that produces sustainable growth in their business and solid returns on their investment. Total profits attributable to shareholders in 2019 increased by 16%, and our earnings per share of 92.59 cents has enabled the Group to pay dividends to external shareholders of 60 cents for the quarter ended September 2019, with a further 20 cents being recommended as the full and final payment for 2019. This will bring the total dividends per share to 80 cents or 86% for 2019, representing an increase of 2.60% in comparison to the prior year.

Supreme Ventures continues to create winners every day across the country. Our winning spirit and our effective partnerships have enabled our customers to realize an increase in total winnings for the year of over $6 billion or 14.97% over 2018, to bring the total payouts to customers to $50.77 billion in 2019. We fulfilled our promise to give our customers more ways to win and provided a new mobile channel for lottery games, launching the Supreme

> The group's performance in 2019 could never have taken place without the commitment and dedication of #TeamSupreme

Games App in early 2019. We are proud of our winning track record and remain committed to the implementation of technological solutions for our customers.

SVG gives back and positively impacts the lives of our communities through the work of our Foundation, which in 2019 launched a critical fire safety program for children in state care as well as Supreme Heroes, our community sustainability program designed to increase capacity in businesses that are directly supporting the social safety net in their communities.

The Group's performance in 2019 could never have taken place without the commitment and dedication of #TeamSupreme; our hard-working family that made all things possible. They continue to go above and beyond and remain focused on ensuring the sustainability and growth of the business. I thank them sincerely for their support and I remain humbled to lead such a talented team.

We would also like to thank our network of retail partners, the persons who represent our business to our customers each and every day. Their professionalism and investment in our mutual success is truly inspiring, and we would not be here today at this pinnacle without their support.

Our reputation is built on leading the industry in compliance and innovation and we must thank our Regulators for their continued oversight and guidance. And, we are of course immensely grateful to our Board of Directors whose expertise is continuously shared as we move from strength to strength.

The Supreme Ventures Group is ready for the next step in the history of our Company, and we are excited to see where the journey takes us. We are proud of the legacy created by the Company over the past 18 years, and the future looks promising as we step forward together.

Ann-Dawn Young Sang (Mrs.)
President & CEO
Supreme Ventures Limited

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

The presentation and content of this Management Discussion and Analysis (MD&A) is the responsibility of the management of Supreme Ventures Limited and its subsidiaries ("SVL", "the Supreme Ventures Group", "the Group", "we" and "our"). The objective of this MD&A is to provide more context for the Group's performance for its 2019 financial year relative to previous years as well as to highlight significant components of the Group's financial position as at 31 December 2019. This MD&A should be read in conjunction with the Group's financial statements and accompanying notes which have been prepared in accordance with International Financial Reporting Standards (IFRS) and audited by PricewaterhouseCoopers. All amounts are represented in Jamaica dollars, unless otherwise indicated.

MACROECONOMIC ENVIRONMENT

The Jamaican economy strengthened in 2019, although at a slower rate than 2018. This was a continuation of the growth trend the country has been experiencing. In addition, the important Debt to GDP ratio saw a decline to under 100%, reducing by 9.5% from 101% in 2018.

As the economy continued its expansion and more fiscal space was created, with the Debt to GDP reduction, this resulted in Jamaica achieving the lowest ever unemployment levels on record of 7.2%.The Jamaica Stock Exchange also saw an expansion of 34.26% for 2019 over 2018, which resulted from growing market activity.

These positive numbers were tempered by a slight decline in tourism arrivals by 1.98%, and a decline in business confidence, while consumer confidence maintained an upward trend of 2.6 points. The expectation, however, despite the positive 2019 macro indicators, are that economic performance will decline in 2019. This is expressed somewhat in the business confidence Index, which saw a 10.7 point decline over calendar year 2018. Despite this, there was optimism at the end of 2019 for the growth prospects.

The exchange rate was again relatively stable year over year, but continued to show volatile swings during the year. Businesses continued to express concern with the volatile short term movements because of the impact on planning.

The following are a few macroeconomic indicators which influenced the local business environment in 2019.

Macroeconomic Indicators

Indicator	2019	2018	Change
GDP Growth (estimated)	1.00%	1.80%	- 0.8pp
Debt to GDP	91.50%	101% (2)	-9.5%
Inflation	6.20%	2.40%	+ 3.80 pp
Debt	1.97 Tn	1.95 Tn	1.03%
Exchange Rate	J$132.57	J$127.72	-3.80%
NIR	US$3.16Bn	US$3.01Bn	4.98%
Unemployment Rate	7.20%	8.7% (1)	- 1.5pp
Tourist Arrivals	4,233,266	4,318,600	-1.98%
Stock Market Performance (Main Market)	509,916.44	379,790.86	34.26%
Business & Consumer Confidence	131.3 & 180	147.0 & 175.5	- 10.7pp & 2.6 pp

1. *Unemployment rate was last measured at October 2019*
2. *GDP is at market prices at 2019 fiscal year end 2019 (March) and Debt is measured at December 2019*

MANAGEMENT DISCUSSION & ANALYSIS

FIVE YEAR STATISTICAL REVIEW

	2019	2018	2017	2016	2015
Income Statement					
Gross Ticket Sales ($'000)	73,092,357	62,960,996	56,164,724	44,921,339	43,847,020
Gross Profit ($'000)	7,902,274	6,492,047	5,628,522	4,108,502	3,722,847
Operating Expenses (1) ($'000)	4,055,409	3,550,247	2,918,052	2,468,415	2,589,222
EBITDA ($'000)	4,020,972	3,165,845	2,931,574	1,903,568	1,999,983
Profit After Taxation ($'000)	2,473,634	2,098,408	1,398,656	1,178,468	1,183,750
Balance Sheet Information					
Total Assets ($'000)	9,421,680	6,615,444	6,175,160	5,433,350	5,900,514
Long Term Liabilities ($'000)	2,161,331	503,220	592,583	26,604	-
Working Capital ($'000)	2,253,657	1,107,164	1,396,777	965,449	748,896
Stockholders Equity ($'000)	3,696,288	3,285,158	3,121,224	3,800,201	3,594,037
Cash Flow Analysis					
Trade and Other Receivables ($'000)	1,640,922	805,333	1,002,229	864,100	752,155
Cash and Cash Equivalents ($'000)	3,592,465	2,979,524	2,440,750	1,499,908	1,639,049
Retained Earnings ($'000)	1,666,619	1,255,489	1,091,555	1,767,052	1,564,368
Cash provided by Operating Activities ($'000)	2,163,361	2,678,536	2,416,475	894,412	1,343,488
Capital Expenditure ($'000)	635,115	423,052	522,948	183,286	136,441
Dividends(2) ($'000)	2,109,721	1,819,706	1,476,864	949,412	1,081,274
Special Dividends ($'000)	-	237,353	685,686	-	606,569
Financial Ratios					
Return on Equity	66.06%	63.88%	44.81%	31.01%	32.94%
Return on Assets	26.25%	31.72%	22.65%	21.69%	20.06%
Current Ratio	1.70	1.39	1.57	1.60	1.62
Effective Tax Rate	28.54%	27.35%	35.11%	29.09%	26.70%
Operating Expenses Ratio	5.55%	5.64%	5.20%	5.49%	5.91%
Return to Stockholders					
Earnings per stock (cents)	92.59	79.57	53.03	44.69	44.89
Dividends per stock (cents)	80.00	78.00	82.00	36.00	41.00
Dividend Yield	3.14%	4.51%	7.11%	6.86%	8.84%
Dividend Payout Ratio	86.40%	86.72%	105.60%	80.55%	91.33%
Total Return to Stockholders	52.20%	56.63%	135.24%	20.91%	
Price Earnings Ratio	27.54	21.72	21.74	11.75	10.34
Book Value Per Stock ($)	$1.40	$1.25	$1.18	$1.44	$1.36
Stock Prices					
Closing Stock Price (JSE)	$25.50	$17.28	$11.53	$5.25	$4.64
Percentage change in stock price	47.57%	49.87%	119.62%	13.15%	132.00%
Other Data					
Annual Inflation	6.2%	2.4%	5.2%	1.7%	3.7%
Exchange Rate US$1.00 = J$	$133.26	$128.62	$125.33	$128.44	$120.42
Cash Pot Liability	72.18%	71.38%	71.21%	71.61%	71.30%

(1) Operating Expenses excludes depreciation & amortization and adds net impairment losses

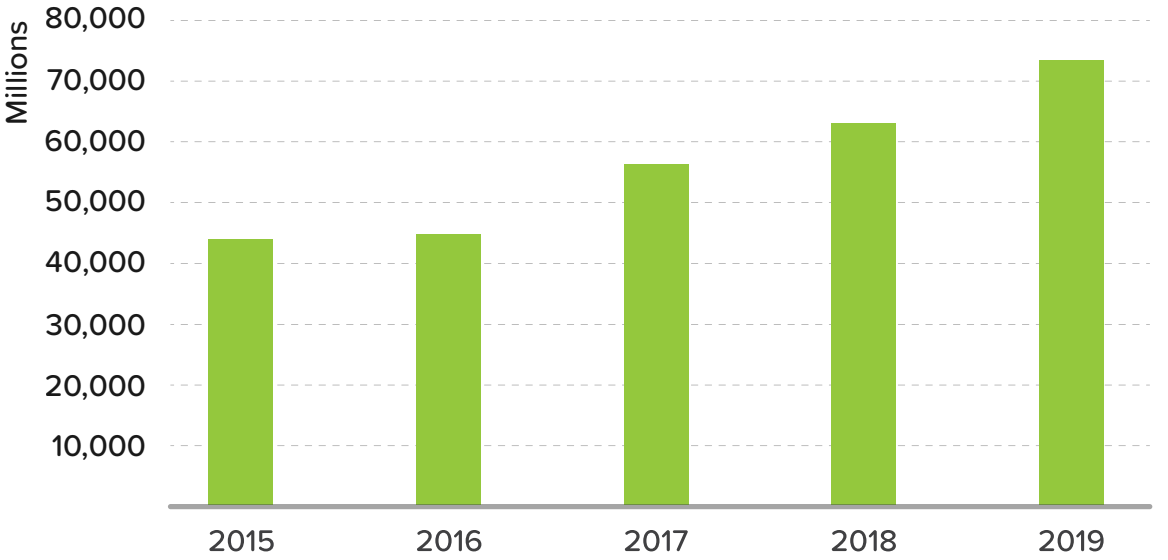
(2) Dividends represented here reflect the amounts declared and paid in respect of each year

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE

2019 saw record Gross Ticket Sales of $73 billion, a 16.09% growth over 2018. Profit After Taxation (Total Comprehensive Income) was at a record high for the Group, coming in at $2.5 billion, an increase of 18% over 2018. This record Profit After Tax resulted from EBITDA of $4.0 billion, an increase of 27.0% over 2018, and for the first time EBITDA topped the $4.0 billion mark.

Gross Ticket Sales, 2019



The increase in Gross Ticket Sales of $10.1 billion, year over year, was driven mainly by Lottery ($5.7 billion, 12.6%) and an increase of $846.6 million or 13.8% in horse racing revenues.

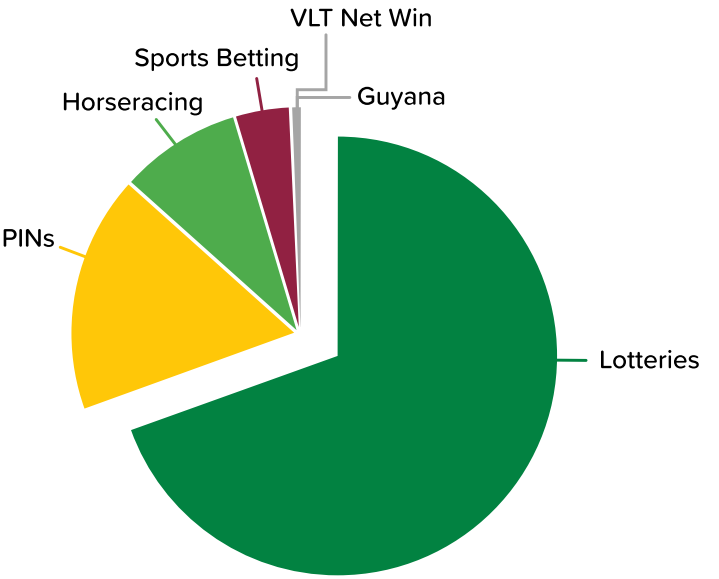
For 2019, the Group paid over approximately $7.8 billion in fees and taxes to the Government, representing an increase of 15% over 2018. The amount paid to the Government is 3.12 times more than the Group Profit After Tax, signifying the important contribution SVG makes to the Government.

The Lottery segment, which is the core of the Group's operation continues to perform well and we expect this trend to continue with SVL holding its market leader position.

Similarly, we saw significant year over year growth in the Sports Betting operations, with revenues climbing by 10.7%. Sports Betting has proven to be the fastest growing market segment in terms of revenue growth, and we expect that this trend will continue due to its target market appeal.

We continued the build out of the Guyanese operations and Supreme Ventures Racing and Entertainment Limited (Caymanas) operations. Both entities came in at losses for the year. Notably, SVREL losses were reduced in 2019 over 2018, signifying the progress being made.

Gross Tickets Sales (by Segment), 2019



MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE *(Cont'd)*

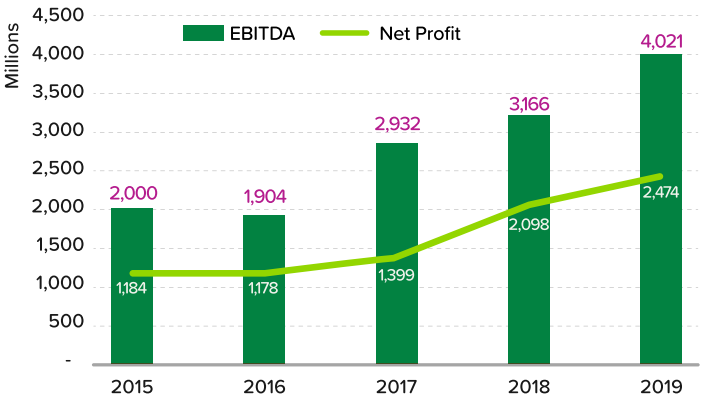
The Group's performance was driven by deliberate actions aimed at improving revenue growth and cost containment. These initiatives included the following:

i. Continued focus on expanding the footprint for our lottery products throughout Jamaica, supported by marketing and promotional efforts.

ii. Expansion of the Off-Track Betting (OTB) network for our horse racing products, made possible by the implementation of a state-of-the-art Tote system, which also improved our tracking and reporting capabilities. There was also increased efforts to improve the operational efficiencies at SVREL.

iii. Strategic initiatives in Sports Betting which saw greater focus on cost management and improvements in operational efficiencies as one of the fastest growing gaming segments globally and locally capturing a higher market share among younger millennials.

EBITDA and PAT



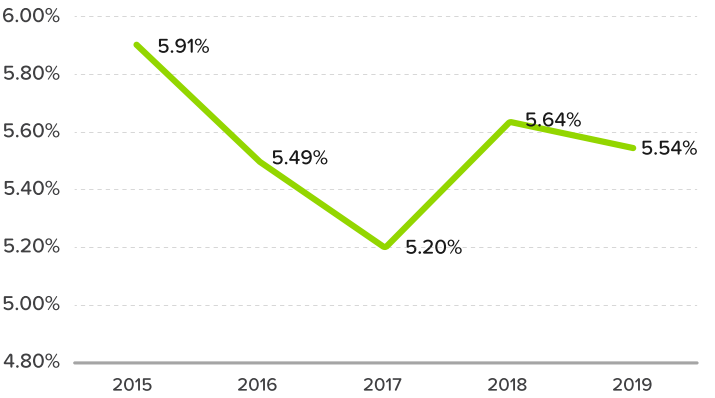
The Group's Operating Expense Efficiency (excluding depreciation and impairment) ratio improved to 5.54% (5.64% in 2018). The stringent cost management practices have yielded positive results for the year.

Selling General & Administrative Expenses	4,436,894
Less: Depreciation & Amortization	(422,911)
Add: Impairment Losses	41,426
Operating Expenses	4,055,409

Operating expenses totaled $4.06 billion for the year. This includes impairment losses and excludes depreciation and amortization.

In 2019 for example, we incurred costs relating to the Guyana operations, one-time redundancy costs and building internal capacity, both of which will set a platform for future growth.

Operating Expense Efficiency Ratio



We expanded our Human Resource capacity, and repositioned our Marketing and Business Development for greater market impact. These strategic decisions have started to bear fruit, as reflected in the significant increase in our lottery and sports betting revenues, and not to be outdone, the reduction in the average losses incurred by SVREL.

Our careful management of the business saw an increase in our cash balances of $612 million, while maintaining an enviable dividend payment record and an acquisition of 51% share ownership in PostToPost Betting Limited. We continue to maintain a healthy Current Ratio and improved Return on Equity to 66.06% (63.88% in 2018) and Return on Assets to 26.25% in 2019. The return on assets ratio would have been impacted by the increase in other receivables as a result of an increase in prepayments for a future acquisition.

Our Effective Tax Rate of 28.54%, an increase of 1.2% over prior year, is testament to deliberate strategies and careful tax planning.

MANAGEMENT DISCUSSION & ANALYSIS

FIVE YEAR FINANCIAL PERFORMANCE

	2019 A	2018 A	2017 A	2016 A	2015 A
Revenue - Non-fixed odd wagering games, horse racing and pin codes	23,289,501	19,484,179	17,755,425	11,489,076	10,266,084
Income from fixed odd wagering games, net of prizes	15,226,809	13,451,851	11,925,402	10,166,014	10,351,359
Total Gaming Income	**38,516,310**	**32,936,030**	**29,680,827**	**21,655,090**	**20,617,443**
Direct Costs	(30,614,036)	(26,443,983)	(24,074,214)	(17,546,588)	(16,200,107)
Gross profit	7,902,274	6,492,047	5,606,613	4,108,502	4,417,336
Other Income	174,107	224,045	237,659	251,493	163,768
Selling, general and administrative expenses	(4,436,894)	(3,844,128)	(3,423,659)	(2,709,768)	(2,971,402)
Net Impairment losses on financial assests	(41,426)	-	(318,107)	11,988	8,101
Operating Profit	**3,598,061**	**2,871,964**	**2,102,506**	**1,662,215**	**1,617,803**
Finance costs	(145,797)	(56,026)	(60,863)	(323)	(2,973)
Revaluation gain investment property	**9,446**	**72,500**	**4,726**		
Profit before taxation	3,461,710	2,888,438	2,046,369	1,661,892	1,614,830
Taxation	(988,076)	(790,030)	(647,713)	(483,424)	(431,080)
Net Profit, being Total Comprehensive Income for the Year	**2,473,634**	**2,098,408**	**1,398,656**	**1,178,468**	**1,183,750**
Net Profit, being Total Comprehensive Income for the Year is Attributable to					
Stockholders of parent company	2,441,816	2,098,408			
Non-controlling interest	31,818				
	2,473,634	**2,098,408**	-	-	-
Earnings per stock (cents)	**92.59 cents**	**79.57 cents**	**53.03 cents**	**44.69 cents**	**44.89 cents**

Trade and Other Receivables balances increased to $1.6 billion. Of this amount, $849 million represents activities within the normal trade and are due to the increase in our Gross Revenues over prior year of $10 billion, or 16.1%. This resulted from continuing to focus specifically on receivables management, which reduced the number of days in the operating cycle and increased the ability to earn interest income or deploy additional value-added use to the cash.

This resulted in us being able to increase cash balances on hand at the end of 2019 versus 2018, despite paying out dividends, increasing the net long-term loans, and funding the operations and capital requirements of Guyana and SVREL (Caymanas Park). We expect further improvement in 2020, as we improve the operational results of both Guyana and SVREL, thereby reducing their reliance on the Group for funding.

Prize liabilities and Trade and other payables increased year over year, due to the increased activity in the operations. The current liabilities are still covered by current assets at a healthy 170% with most of the current assets being represented by cash balance. The strength of this position is reflected in a Quick Asset ratio of 1.65 times at the end of 2019 (1.34 times at end of 2018).

Equity balance at the end of 2019 improved by $411 million, or 12.5%, driven by current year profits and after dividend payments of 60 cents per share.

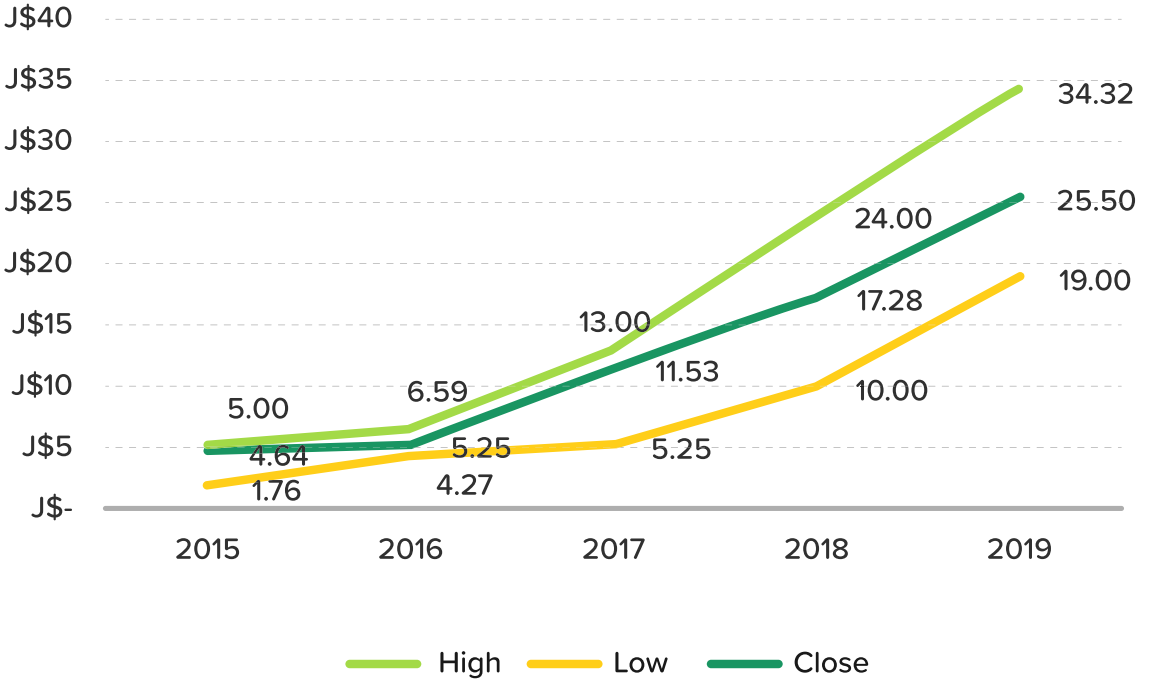
We also paid off the term loan balance due to Sagicor, which was for the acquisition of Caymanas Track, and negotiated additional facilities during the year resulting in the Long-term payables increasing to $1.4 billion.

MANAGEMENT
DISCUSSION & ANALYSIS

DIVIDENDS & STOCKHOLDERS' RETURNS

The share price continued to improve in 2019, showing 5 years of growth, closing out 2019 at $25.50 per share, a 47.6% increase over the $17.28 price at the end of 2018. This resulted in a 52.03% Return to Shareholders. Since the end of 2015 when the share price closed at $4.64 per share, there has been a 450% increase on the price.

Share Price Movement



MANAGEMENT DISCUSSION & ANALYSIS

SEGMENT RESULTS

The Lottery segment continued to be the greatest contributor to Group revenues, with Gross Ticket sales accounting for 69.4% of overall Gross Sales, compared to 72% in 2018. The segment recorded an increase of 12.6%, similar growth as prior year.

Gross Ticket Sales

	2019 In $'000	**2018** In $'000	**Variance** In $'000	%
Lotteries	50,750,505	45,072,684	5,677,821	12.6%
PINs	11,351,275	9,882,295	1,468,980	14.9%
Horseracing	6,969,900	6,123,309	846,591	13.8%
Sports Betting	3,292,006	1,183,913	2,108,093	178.1%
VLT Net Win	383,871	353,927	29,944	8.5%
Other	344,800	344,868	(68)	
	73,092,357	**62,960,996**	**10,131,361**	**16.1%**

Prizes	**2019**	**2018**	**Change**	**Change %**
Lotteries	34,265,389	30,426,343	(3,462,447)	11.4%
Horseracing	4,682,483	4,106,208	(576,274)	14.0%
VLT - Coin Out	9,339,965	8,812,236	(527,729)	6.0%
Sports Betting	2,483,831	936,035	(50,181)	5.4%
	50,771,668	**44,280,823**	**(6,490,845)**	**14.7%**

The Group continued its distribution network expansion and promotional activities aimed at bringing greater access and awareness to the Lottery games. The attractiveness of the promotions plus easier access, contributed to the growth in Lottery with most games recording double digit increases during the year.

Based on the performance of the Lottery segment, there is no doubt that it remains of significant value and a very attractive entertainment offering to the public. The segment continues to contribute the lion's share of overall result, showing a segment result of $3.4 billion, whilst earning gross revenues of approximately $50.8 billion.

SPORTS BETTING

The segment recorded results of $90 million compared to a loss in 2018 of $26.8 million. Despite it being a non-World Cup year, the segment was able to grow its gross revenues by 178.1%. This performance includes PostToPost Betting results for six months.

This improvement in Sports Betting was targeted as it is one of the Group's fastest growing revenue segments. The product proves attractive to not only a younger audience but a segment seeking greater skills-based and a more engaging product offering. As this segment's average income levels increase, this becomes a much more attractive market to be in and remains an important focus for the Group.

GAMING & HOSPITALITY

The Gaming & Hospitality segment, which includes the VLTs (Video Lottery Terminals), recorded a segment result of $42.5 million ($21.2 million in 2018) representing a 100% increase.

This performance was anchored by increased net win of $30 million from $354 million in 2018, to $384 million in 2019. This improvement is driven by the turnaround of the operations and active floor management throughout the year.

The growth rates have showed the resilience of the operations and we continue to build further capacity and drive the momentum for continuous growth.

MANAGEMENT DISCUSSION & ANALYSIS

HORSE RACING

The horse racing segment continues to drive growth rates in annual revenues by 13.8% or $847 million concretizing the strong growth in the segment under SV Group Management of the operations.

Despite this revenue growth, the segment result showed a loss of $214 million for the year. This represents an improvement by 15% when compared to 2018.

Main factors contributing to the revenue growth and operational improvements included the further expansion of the off track betting parlors, introduction of English racing, exporting of signal, another successful staging of the Diamond Mile in partnership with the BGLC, along with other strategic operational initiatives executed.

PIN CODES

Revenues from the PIN Codes segment represent sale of phone credit from telecommunications providers. We recorded growth of 14.9% for 2019 over 2018. This represents a renewed momentum from previous years average growth rates. The stronger demand for top up can be linked to the increased use of data across the service providers. The segment produced a positive segment result of $132.8 million ($89 million in 2018), as a result of the increased activity and incentives received from the distributors during the year

UNALLOCATED

'Unallocated' includes net rental income from investment properties as well as income and expenses associated with sub-leased properties. Also, assets and liabilities not assigned to a segment.

STRATEGIC OUTLOOK

The Supreme Ventures Group delivered a solid performance in 2019; a landmark year of dynamic growth, strategic change and new directions. The company's core purpose "making winners every day" was achieved through historically high pay-outs to our customers, increased investment in the social welfare of the communities we serve through our donations, historically high contributions to the Government through taxes and fees, and the countless small businesses who make their living by being part of our retail network. The impact of our own growth maximizes the returns for all our stakeholders, and Supreme is committed to ensuring the continued delivery of double-digit growth each year.

For 2019 we have maintained the three main strategic themes per our 2018 – 2020 strategic plan:

1. **Execution Excellence**
2. **Building Strong Relationships**
3. **Market Dominance**

These themes will govern, guide and inform our goals and objectives, which will fall within the following main strategic initiatives:

1. Strengthening the Group's institutional capacity, innovative and competitive capabilities to sustain or improve our competitive advantage in all market segments for example
   a. Driving digital optimization and enhanced technological platforms
   b. Establish and prepare the group to entering the world of online, interactive gaming

2. Strengthening and leveraging the SVG brand through effective corporate social responsibility (CSR) – for example
   a. Maximizing the presence of the Group's Foundation to increase our social impact in the country
   b. Strengthening the Group's Brand Architecture to maximize its impact and appeal

3. Achieving profitability in the non-profitable segments through product improvement and content delivery while ensuring mobile betting channel development in each segment.

4. Prepare the Group for entering new markets by streamlining products, delivery channels and core infrastructure
   a. Continued investment in leadership training; governance and risk management focus; business diversification and new product/channel development

MANAGEMENT DISCUSSION & ANALYSIS

RISK MANAGEMENT

Our Approach

We consider risk as anything that could significantly affect the achievement of our business objectives. Therefore, the Group is exposed to many different types of risks through the various activities performed in fulfilment of its objectives. We classify our business objectives into four main areas:

1. Strategic Objectives – high-level organizational goals, aligned with the Group's vision and mission
2. Operating Objectives – internal standards of efficiency and effectiveness
3. Financial Reporting Objectives – internal and external reporting requirements
4. Compliance Objectives – adherence to statutory and regulatory requirements

Our risk management framework is geared towards effective management of the risks related to the above objectives. The Group takes an enterprise-wide approach to the identification, assessment, treatment and communication of risks. The framework is developed based on the nature and extent of the Group's activities and takes authoritative reference and/or guidance from the following sources:

- Companies Act, 2004
- Jamaica Stock Exchange rules and regulations
- Other local statutory and regulatory requirements
- Sarbanes Oxley Act (particularly, sections 302 and 404)
- COSO Framework
- ISO 31000:2009

Our Risk Management Structure

One of the main objectives of our risk management framework is to enhance our confidence and risk intelligence in seeking to maximize stakeholder returns while safeguarding existing assets. The framework is administered through its different components, which are:

- Board of Directors including its Audit, Risk and Compliance Committee
- Senior Management & Business Units
- Risk Management function

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. One of the Board's critical responsibilities is to set the Group's risk appetite, which includes managing the risks affecting the Group's strategic objectives. The Board's risk management mandate is carried out primarily through its Audit, Risk and Compliance Committee.

The Audit, Risk and Compliance Committee has oversight for the management of risks relating to the Group's financial reporting and internal control objectives. This includes monitoring the systems for ensuring the integrity of the financial statements, reviewing the effectiveness of the systems of internal control, overseeing the risk management program as well as setting and monitoring risk limits and controls. Risk limits and controls are integral to the risk management process, as they characterize the Board's risk tolerance as well as that of the regulators.

Senior Management and the Group's business units support the entity's risk management framework, promote compliance with its risk appetite, and manage risks within their spheres of responsibility based on risk limits set by the Board's Audit, Risk and Compliance Committee. Business units are responsible for the day-to-day identification and response to risk exposures within their limits and the prompt communication of issues to Senior Management. The Group's business units are intimate with the changing nature of risks facing our business and are often the first point of engagement, thereby being best able to act on our behalf in managing and mitigating those risks.

The Group's Regulatory Compliance function provides specific oversight and management of the Group's adherence to regulatory requirements, including compliance with provisions of our trade licences, anti-money laundering requirements, reporting to the competent authority and overall effective engagement of regulatory bodies. Ongoing risk management support and oversight is provided by the Finance function. One of the critical responsibilities of the Finance function is to establish and maintain effective systems for promoting risk intelligence and proper risk communication across the Group.

The scope and direction of all internal audit work is set and reviewed by the Board's Audit, Risk and Compliance Committee, which is carried out through our internal auditors. A key responsibility of our Internal Audit function is to provide objective assurance to the Board (through the Audit, Risk and Compliance Committee) on the effectiveness of the Group's risk management activities, to verify that key business risks are being managed appropriately and that the system of internal control is operating effectively.

Therefore, internal audit plays a key role in evaluating the Group's risk management processes and advocating their continued improvement. However, to preserve its

MANAGEMENT DISCUSSION & ANALYSIS

organizational independence and objectivity, the internal audit function does not take any direct responsibility for making risk management decisions or executing the risk management processes. Other key elements of the Group's operational and strategic risk management framework include:

- Core values
- Business Continuity Planning, including succession planning and emergency preparedness & recovery plan
- Systems security – Information and Physical

Core Values

Our core values guide our activities and actions and are at the heart of the Group's risk management policy.
The Group's core values are:

- A Winning Attitude
- Passion & Fun
- Continuously Innovate
- Holding Ourselves Accountable
- Be Straightforward

Integral to our success, sustainability and vision, is operating with integrity with the highest ethical standards and using world-class business practices.

Business Continuity Planning

The Group's business continuity framework includes succession planning, emergency preparedness and recovery planning, insurance risk management, business impact and scenario analyses. Our approach to business continuity planning (BCP) is to identify risks that can cause damage to the business and implement steps to mitigate these risks.

Emergency Preparedness & Recovery Planning

In practical terms, a disaster is anything that can cause a disruption in the normal operations of a business. The Group's emergency preparedness tools range from HR disaster and recovery plan, information technology security and redundancy plans, and physical security systems. For business continuity, consideration is given to all critical resources required to keep our business going. These considerations include the health and safety of our people, the integrity and stability of our product distribution systems, the security of our facilities and physical environment, and the reliability and safety of our information systems.

Succession Planning

The Group continuously develops its talent pool, building levels of feeder-groups across the entire leadership progression. Our succession planning process includes the following key elements:

1. Identification of key roles for succession planning
2. Definition of competencies and personnel profile required to perform effectively in these roles
3. Identify pools of talent with potential to perform effectively in these roles
4. Develop pools of talented employees for progression into these roles – experience and skill sets

Our succession planning not only incorporates planned availability, as people get promoted or retire, but it also includes unplanned vacancies due to resignations, terminations or even death.

Security Controls Information & Physical Systems

The Group classifies its general and information security controls in different ways to increase the resilience and agility of our systems. Controls are classified and assessed by the timing of when they are activated relative to the occurrence of a security incident:

a. Before the event (preventive)
b. During the event (detective)
c. After the event (corrective)

The Group also classifies and assesses its security controls by their nature:

a. Physical controls, i.e. locks, doors, physical storage of critical resources, etc.
b. Procedural controls, i.e. incident response protocols, security awareness and training, management review systems, etc.
c. Technical controls, i.e. user authentication (login) and logical access controls, anti-virus software, firewalls, etc.
d. Legal, regulatory and compliance controls e.g. data confidentiality, privacy laws, human rights, etc.

The effectiveness the Group's information security systems is a critical part of the annual internal audit programme. Recommendations are implemented on a timely basis and follow-up reviews are done by the internal auditors to confirm that changes are done in accordance with the objectives. Information systems security checks include:

MANAGEMENT DISCUSSION & ANALYSIS

- User access controls
- Password controls
- Data back-up
- Incident response
- System and information integrity

The Group also places strong emphasis on physical security, incorporating the use of several layers of interlocking systems which include onsite and remote surveillance systems, armed and unarmed security guards, protective barriers, access control protocols and strategic collaborations with the armed forces.

Our physical security systems are generally designed to:

1. Deter potential intruders, e.g. warning signs, restricted access points, perimeter markings
2. Detect intrusions and monitor intruders e.g. alarms, CCTV systems, and
3. Trigger appropriate incident responses (e.g. by Group security personnel, guards and police.)

The Role of Policies & Procedures

Policies define and express the Group's overall risk appetite and are developed based on the risk culture of our business units, and subject to the relevant regulatory requirements. Policies set the boundaries on the types of risks the Group is prepared to assume and specify the manner in which the Group assumes these risks. Appropriate policies and procedures are established throughout the organization and are approved by the Audit Committee.

Management of Business Risks

The main risks faced by the Supreme Ventures Group are identified as: financial risk (including credit risk, market risk, and liquidity risk), operational risk, regulatory and legal risk, and reputational risk. These are described below.

Operational Risk

Operational risk is the risk of loss from inadequate or failed internal processes, people and systems or from external events. Operational risk is embedded in all our activities and failure to manage it can result in direct or indirect financial loss, business disruption, regulatory censure, theft and fraud, workplace injury, penalties and corporate image impact. In managing this risk, we maintain a formal enterprise wide operational risk management framework that emphasizes a strong risk management and internal control culture throughout the Group.

Regulatory and Legal Risk

Regulatory risk is the risk of not complying with the regulatory and comparable requirements. Legal risk is the risk of non-compliance with legal requirements, including the effectiveness of preventing and handling litigations. The Betting, Gaming and Lotteries industries are among the most closely regulated industries, locally and internationally, and the management of our business is expected to meet high standards in all business dealings and transactions. Failure to meet regulatory and legal requirements not only poses a risk of censure and penalty but is a serious reputational risk. Business units are responsible for managing day-to-day regulatory and legal risk, while the Compliance and Finance Units along with our external advisory teams assist them by providing advice and oversight.

Prime Sports (Jamaica) Limited (PSJL), the Group's principal operating subsidiary, is licensed by the Betting Gaming and Lotteries Commission and complies with strict regulatory requirements, with specific regards to its lottery licence, as shown below.

	Minimum Reserve Requirement	2019	2018	Requirement Met
Liquidity Ratio (cash to current liabilities)	75%	112%	105%	✓
Dedicated funding for Prizes and gaming taxes	**100%**	**163%**	**162%**	✓

Reputational Risk

Reputational risk is the potential that negative publicity, whether true or false regarding the institution's business practices, action or inaction will or may cause a decline in the institution's value, liquidity or customer base. All risk can have an impact on the company's reputation, which in turn can impact the brands, earnings and capital. The management of reputational risk is overseen by the Board of Directors and the Senior Management team.

Management of Financial Risks

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk including interest rate risk, currency risk and price risk. Information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk is detailed below.

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or

MANAGEMENT DISCUSSION & ANALYSIS

combination of risks. Taking risk is core to the business and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's financial risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

An enterprise-wide risk management approach is adopted which involves employees at all levels. This framework is supported by sound risk management practices which include the establishment of enterprise-wide policies, procedures and limits, monitoring and measurement of exposure against established limits, ongoing realignment of business strategies and activities and the reporting of significant exposures to Senior Management and the Board of Directors.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board's risk management mandate is principally carried out through the Audit Committee.

The Audit Committee has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures. The Committee also ensures compliance with internal, legal and regulatory policies, identifying, monitoring, measuring and reporting significant risk exposure and making recommendations in relation to management of risk. This Audit Committee also oversees the management of financial instrument risk which includes credit, market and liquidity risks.

Credit risk

The Group is exposed to credit risk, which is the risk that its customers or counterparties may default and could cause a financial loss for the Group by failure to discharge their contractual obligations. This arises principally from cash and cash equivalents, trade receivables, and long-term receivables. Credit risk is an important risk for the Group's business and management therefore carefully monitors its exposure to credit risk.

The Group controls credit exposure by maintaining a strict collection process. Lottery sale agents are required to remit cash collections weekly which are monitored on a weekly basis by identification and transfer to designated bank accounts. A process of suppression of agent activity is triggered for non-compliance.

The Group's credit risk is managed through a framework, with particular emphasis on the following items:

Cash and cash equivalents - The Group maintains cash resources with reputable financial institutions. The credit risk is considered to be low.

Trade and long-term receivables - The Group establishes policies and procedures which govern standards for granting credit and the process of continuous monitoring and measurement in relation to credit quality through industry delinquency and debt recovery management. Trade receivables are monitored and managed by the Finance Department in collaboration with the Business Development team, which has responsibility for, amongst other things, liaising with the sales agents.

Ageing	2019	2018
Up to 30 days	98.21%	99.62%
31 – 60 days	1.54%	0.33%
61 – 90 days	0.26%	0.01%
Over 90 days	0.00%	0.00%
	100.00%	**100.00%**

Market Risk

Market risk arises from changes in market prices and rates (including interest rates and foreign exchange rates), the correlations among them and their levels of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Board and management have responsibility for the monitoring of market risk exposures by way of measurements through sensitivity analysis. Market information and additional analysis are also used to manage risk exposure and mitigate the limitation of sensitivity analysis.

	2019 USD'000	2018 USD'000
Assets	3,635	2,437
Liabilities	(616)	(169)
Net exposure	**3,020**	**2,268**

MANAGEMENT DISCUSSION & ANALYSIS

There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures risk.

Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include prize liabilities, other trade payables, long-term loans and leases. Effective liquidity risk management is essential in order to maintain the confidence of our customers and counterparties, and improves our ability to continue generate revenue, even under adverse conditions.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Board of Directors approves the Group's liquidity and funding management policies and establishes risk limits.

The Group's Finance function has direct responsibility for the management of the day-to-day liquidity. The Audit Committee provides added oversight over the Group's liquidity risk exposure, within the policy and limits frameworks established by the Board.

The management of liquidity risk is carried out through various methods which include:

1. Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;

2. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow within the local and international markets;

3. Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and

4. Maintenance of liquidity and funding contingency plans.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

The Board of Directors of Supreme Ventures Limited (SVL) is committed to governing the Company and its subsidiaries in a manner that is consistent with good governance practices and which will achieve long-term success and value for our shareholders.

The Board continued on its path of effective leadership and direction of the Company in keeping with high standards of governance, evolving best practices and relevant laws and regulations.

As the focal point for governance, the Board actively engages with the Management of the company, and our valued stakeholders, to ensure that we are operating within an environment where challenges and risks are understood, and opportunities for growth and continued success are maximized. We believe that this involved approach is vital to preserving shareholder value and engendering confidence in the Group.

Good governance is not static and requires constant improvement to our policies and practices. The Board adopts an enterprise-wide approach to corporate governance and has embarked on a path of continuous development to ensure adherence to a uniformed and relevant set of guiding principles throughout the Group.

During 2019, the Board revised and approved the Board of Directors' Charter and our Code of Corporate Governance. The Code adopts best corporate governance practices and outlines the role and responsibilities of the Board and other participants in our governance process. It is subject to an annual review by the Board. These key policies within our governance framework may be accessed on the Company's website at www.supremeventures.com.

BOARD LEADERSHIP

The Board of Directors has collective responsibility for the strategy and performance of the Group, and to give Management direction on the achievement of company goals. The interests of our many shareholders are represented and protected by the Board which ensures that there is transparency, prudence and accountability in operations to sustain the Company and its subsidiaries for the long-term. In so doing, the Board also ensures the fair and equitable treatment of our minority shareholders.

The Board utilizes a holistic approach in leading the Group. In the pursuit of strategic objectives, the Board takes into account its wide range of stakeholders whose interests are associated with those of the Company, including the community, employees and creditors who are affected by our operations. In executing its collective responsibility, our Directors are expected to exercise sound independent business judgement and to offer fresh perspectives informed by their respective skills and experience.

For the year under review, the Board deliberated on several matters in keeping with its core mandate. These include:

- Execution of the Group's strategy and long-term outlook
- Financial and operational performance against approved plans
- Review and approval of group-wide policies
- Improvements to key governance policies
- Optimization of Group Structure
- Payment of dividends
- Integrity of internal controls and risk management
- Regulatory and Compliance matters
- Financial reporting

COMPOSITION AND EXPERTISE

The Board's size and composition enable it to be effective in the discharge of its functions and responsibilities over the Group. Our Articles of Incorporation permit a maximum of fifteen Directors. As at 31st December 2019, the Board comprised thirteen (13) Directors, led by Mr. Gary Peart, Chairman and Mr. Ian K. Levy, O.D. C.D., Deputy Chairman.

Our Directors are drawn from diverse backgrounds and industries, thereby creating a balance of specialized knowledge, skills and perspectives to allow the Board to work effectively. Our Directors are recognized as strong leaders in their respective fields of work and take care in ensuring that discussions are robust and decisions are made after careful deliberation.

As at December 31, 2019, our Board comprised twelve Non-Executive Directors, four of whom were independent, and one Executive Director, being our President & CEO. During the year, Mr. Ansel Howell resigned as a Director of the Board effective November 1, 2019.

The appointment and retirement of our Directors are governed by the Company's Articles of Incorporation and our approach to recruitment is guided by best practices as outlined in our Code of Corporate Governance, regulatory considerations and the evolving needs of the business.

The Board is always considering ways in which to refresh its composition and to ensure that its Directors are equipped

CORPORATE GOVERNANCE REPORT

with the right competencies and expertise to benefit the business and operations. During 2019, the Board was pleased to appoint Mr. Damian Chin-You and Mr. Nicholas Mouttet as Directors. Damian brings to the Board over twenty years' experience in the betting and gaming industries, and a deep understanding of the industry in which we operate. Nicholas, a past Director of the Board, has a full grasp of the Company's business and brings to the Board a wealth of business and strategic expertise.

INDEPENDENCE

The Board has adopted best practices in determining the criteria for assessing independence of Directors. Independence is determined by our Code of Corporate Governance which outlines a number of factors to be considered in making an assessment. These factors include:

- Past or present employment history of the individual within the last three years;
- Receipt of any form of compensation from the Company within the last twelve months other than Directors' fees;
- Existence of a material business relationship with the Company or its subsidiaries within the last twelve months or holding any office (partner, shareholder or Director) with another entity that has such a relationship;
- Provision of audit services to the Group as external auditor, or being a partner or employee of such auditing firm within the last three years;
- Indirect or direct control of more than 5% of the voting rights of the Company;
- Family relationship with an existing Director, Senior Executive, or significant shareholder of the Company or its subsidiaries;

In keeping with our approach of infusing fresh perspectives on the Board, independent Non-Executive Directors may serve for a term not exceeding seven years and will not be eligible for re-appointment. The Board pro-actively monitors independence of its Directors on an on-going basis.

MEETINGS

The operations of the Board of Directors are guided by an approved Charter which outlines certain practices and standards necessary to enable the Board to effectively govern and oversee the business of the Company. During the financial year, the Board surpassed its minimum meeting requirements of four per year and convened ten (10) times to carry out its mandate. The Board gave particular focus and attention to the strategy and direction of the Group in a one-day Retreat at which strategy plans and budget were approved for the subsequent financial year.

	ATTENDANCE SCHEDULE (JANUARY 2019-DECEMBER 2019)							
	Board	Audit, Risk & Compliance Committee	Finance Committee*	Human Resources & Compensation Committee	Governance & Nomination Committee	Information Technology Committee	Strategic Oversight Committee	Annual General Meeting
Number of Meetings	10	8	6	3	1	5	3	1
GARY PEART	10	-	3	-	-	1	3	1
IAN K. LEVY	10	8	-	-	1	-	-	1
ANN-DAWN YOUNG SANG	10	8	6	1	1	4	3	1
W. DAVID MCCONNELL	9	1	3	-	-	-	3	1
ANSEL HOWELL	8	7	-	-	-	4	-	1
BRENT SANKAR	10	1	6	-	1	-	-	1
CHRISTOPHER BERRY	9	-	-	3	-	5	3	1
DAMIAN CHIN-YOU	5	-	-	-	-	2	-	-
DUNCAN STEWART	9	7	-	2	-	-	-	-
IAN MOORE	10	-	-	-	-	5	1	1
LANCE HYLTON	7	-	-	3	-	-	-	1
NICHOLAS MOUTTET	1	-	-	1	-	-	-	-
PETER MCCONNELL	8	8	-	-	-	-	-	-
STEVEN HUDSON	10	-	6	-	1	-	-	1

[1]The Finance Committee was disbanded effective November 1, 2019 as part of streamlining Board operations. Its remit has been subsumed under the Audit, Risk and Compliance Committee
[2]Mr. W. David McConnell was appointed as Chairman of the Audit, Risk and Compliance Committee on November 1, 2019
[3]Mr. Ansel Howell, formerly Chairman of the Audit, Risk and Compliance Committee, resigned from the Board effective November 1, 2019
[4]Mr. Sankar was appointed as a member of the Audit, Risk and Compliance Committee on November 1, 2019
[5]Mr. Damian Chin-You was appointed to the Board on June 13, 2019
[6]Mr. Nicholas Mouttet was appointed to the Board on November 1, 2019

CORPORATE GOVERNANCE REPORT

BOARD EVALUATION

An annual evaluation was conducted on the performance of the Board of Directors for the year under review as part of our continuous efforts to improve the Board's efficiency and value. The evaluation took the form of an electronic survey completed by our Directors, which assessed performance in various areas of Board operations. The results of the survey showed general satisfaction with the performance of the Board. In the ensuing financial year, the Board will give sufficient focus and priority to areas highlighted for further improvement.

INVESTOR FOCUS

As the stewards of shareholder value, the Board is constantly seeking to engage deeper with the owners of the business and to ensure that there is timely dissemination of information which is of interest to our shareholders.

The Directors encourage open dialogue with our shareholders which will give us greater insight and understanding of their views on the performance and direction of the Group and engender a relationship of trust and transparency.

The Board is constantly evaluating channels of engagement and uses its Annual General Meeting as its primary opportunity to communicate with our shareholders on the performance and long-term strategy of the Group. Shareholders may attend and participate in the Company's AGM either in person or by an appointed proxy and exercise voting rights on the business of the Company. The Directors welcome questions and feedback from our shareholders during this forum and through other formal and informal channels.

Shareholders can keep abreast of the company's performance and business highlights over the course of each year by accessing quarterly and annual financial reports from our website, through our disclosures on the website of the Jamaica Stock Exchange and by releases in the newspapers. Shareholders may also gain a better understanding of our governance landscape by accessing relevant policies on our website. Minutes of the Company's Annual General Meeting are available to our shareholders on request.

Shareholders are encouraged to communicate with us via email at communications@svlgrp.com.

OUR POLICIES

CODE OF CONDUCT

In keeping with our philosophy of sound governance and to reflect the high standards of how we do business, the Board has approved a Code of Conduct which applies to all Directors and team members. The Code is centred on the following key ethical values:

- **INTEGRITY**
- **RESPONSIBILITY**
- **RESPECT**
- **COMPLIANCE**
- **CONFIDENTIALITY AND**
- **TRUST**

These values underpin and inform the behaviours and practices that are expected within all levels of the organization.

ETHICS AND COMPLIANCE

We operate within a regulated industry, and as part of the orientation process of team members, there is mandatory training on the business operations of the Company. This involves an introduction to employees of our compliance obligations within the relevant legislative framework, with particular focus on regulatory obligations relating to Anti-money Laundering / Countering-financing of terrorism.

WHISTLE-BLOWING POLICY

The Company has an approved Protected Disclosures Policy and Procedure which provides a mechanism for employees to disclose events of suspected fraud, bribery, unethical conduct, illegal activities and other forms of improprieties. The Policy outlines the safeguards for the protection of employees and their rights under the Protected Disclosures Act and establishes suitable arrangements for proper investigation of any such disclosures.

DIVIDEND POLICY

The Board has an approved Dividend Policy which outlines its approach to distributing dividends to shareholders. Dividends are declared to shareholders at the discretion of the Board of Directors and are paid out of retained earnings. Through this Policy, the Board reflects its commitment to preserve shareholder value and to maximise returns in a prudent and transparent manner. We have established a dividend pay-out rate in any given year of ninety percent (90%) of profit after tax (less any non-cash adjustments), paid quarterly. Final adjustments are made at year-end to conform with this rate. To ensure prudence in capital management, the Board may alter this policy at its discretion.

CORPORATE GOVERNANCE REPORT

HUMAN RESOURCES POLICIES

We have an established framework of policies and programmes reflecting our standards and guiding principles for effective and efficient management of our valuable human resources. This framework is applied consistently across the Group and facilitates an environment within which employees are valued, treated equitably and high productivity is encouraged. Our policies govern key themes including: workplace expectations; employee benefits; workplace safety; performance management; use of social media and staff training and development.

ARTICLES OF INCORPORATION

As resolved by the shareholders of the Company at the last Annual General Meeting held in 2019, the Company's Articles of Incorporation were amended to increase the potential number of Directors on the Board from twelve to fifteen.

COMMITTEES OF THE BOARD

To assist in the effective discharge of its responsibilities of oversight and governance, the Board has established five standing Committees. Each Committee has delegated responsibilities over specific focal areas which are critical to the continued success and good governance of the Group. The authority, functions and responsibilities of each Committee are clearly outlined in its own Committee Charter which are available on the Company's website at www.supremeventures.com.

INFORMATION TECHNOLOGY COMMITTEE REPORT

COMMITTEE MEMBERS:

- Mr. Ian Moore | Chairman/Independent Non-Executive Director
- Mr. Christopher Berry
- Mr. Damian Chin-You
- Mr. Nicholas Mouttet

PURPOSE: The Committee supports the Board in its oversight of the broader information governance and information management & technology strategies within the Group.

FUNCTIONS include:

- Ensuring risks relating to information governance and technology management are identified and appropriate actions are taken in response to protect the business and stakeholders;
- Overseeing the implementation of the Group's strategy concerning technology infrastructure and developments;
- Providing the necessary oversight to ensure IT developments and projects deliver the expected value and efficiencies to the business;
- Performing such other duties and responsibilities which are consistent with its Charter

2019 REVIEW

During the year, the Committee gave sufficient focus to the alignment and delivery of key IT strategies and projects to support the business and operations of the group. The Committee directed and guided the execution of planned infrastructural developments to drive efficiencies in external product delivery to our customers.

GOVERNANCE AND NOMINATION COMMITTEE REPORT

COMMITTEE MEMBERS:

- Mr. Ian K. Levy, O.D.,C.D. | Chairman
- Mr. Christopher Berry
- Mr. Steven Hudson
- Mr. Brent Sankar

PURPOSE: The Committee assists the Board in its oversight of the corporate governance framework of the Group by ensuring that the Board and its operations are in keeping with appropriate standards and that there is a culture of compliance at all levels with relevant regulatory and governance requirements.

FUNCTIONS include:

- Ensuring and facilitating a formal, rigorous and transparent recruitment process for the appointment of new directors to the Board based on best practices and an objective and suitable assessment criteria;
- Identifying and recommending qualified candidates to fill vacancies occurring between annual shareholder meetings;
- Regularly reviewing and assisting the Board of Directors in organizing its operations and structure in a manner that allows for effective discharge of its duties and responsibilities;
- Reviewing and addressing issues within the corporate governance framework;
- Recommending changes to enhance the Company's corporate governance guidelines and Committee Charters;
- Performing such other duties and responsibilities which are consistent with its Charter.

CORPORATE GOVERNANCE REPORT

2019 REVIEW

During the year, the Committee effectively carried out its mandate and deliberated on a number of matters within its scope. These include:

- Role and description of Independent Non-Executive Directors
- Revisions to the Committee's Charter
- Attendance of Directors to meetings
- Process to undertake Board evaluation
- Candidacy of prospective Board members

STRATEGIC OVERSIGHT COMMITTEE REPORT

COMMITTEE MEMBERS:

- Mr. Gary Peart | Chairman
- Mr. W. David McConnell | Independent Non-Executive Director
- Mr. Christopher Berry
- Mrs. Ann-Dawn Young Sang

PURPOSE: The Committee assists the Board and gives direct focus and oversight on the implementation of key strategies and projects by ensuring the Executive team effectively translates those strategies into actionable programs and delivers on expected performance results.

FUNCTIONS include:

- Providing the necessary support and guidance on a lower frequency to the Executive team on the execution and delivery of key strategies and projects
- Performing such other duties and responsibilities which are consistent with its Charter.

2019 REVIEW

During the year, the Committee focused its deliberations on the execution of strategic priorities and projects that contributed to the sustained success and growth of the Company.

HUMAN RESOURCES AND COMPENSATION COMMITTEE REPORT

COMMITTEE MEMBERS:

- Mr. Christopher Berry | Chairman
- Mr. Duncan Stewart | Independent Non-Executive Director
- Mr. Lance Hylton | Independent Non-Executive Director
- Mr. Nicholas Mouttet

PURPOSE: The Committee assists the Board in fulfilling its responsibilities of oversight in the administration of compensation policies and programmes for Directors, Executives and general staff. The Committee monitors adherence to established principles and policies within the Group, specifically as it concerns fair and competitive compensation to Directors and Executives, and general employee welfare and benefit plans.

COMPOSITION: In keeping with best standards, the Committee comprises four Non-Executive Directors, two of whom are independent. The quorum for all meetings of this Committee is majority, and shall include an independent Non-Executive Director.

FUNCTIONS:

- Ensuring that there is proper succession planning and continuity at the Executive Management level;
- Recommending to the Board human resource related policies for approval and advising on issues affecting recruitment and retention;
- Ensuring proper administration of the compensation policies in attracting, motivating and retaining Executives and staff in general;
- Recommending to the Board and overseeing the administration of any incentive programs and equity plans;
- Overseeing and recommending reviews to the organization structure and staffing;
- Performing such other duties and responsibilities which are consistent with its Charter

2019 REVIEW

During the year, the Committee convened three meetings as required under its Charter. The Committee focused its efforts on reviewing compensation and employee benefit programmes and facilitating alignment with Board policies and direction. As its main activity undertaken for the year, the Committee facilitated and gave oversight to the implementation of a new organization structure which positions the Group optimally to maximise on expansion and growth plans.

DIRECTORS' REMUNERATION

The total Directors' fees paid across the Group in 2019 was J$106.966 million

CORPORATE GOVERNANCE REPORT

FINANCE COMMITTEE REPORT

COMMITTEE MEMBERS:

- Mr. W. David McConnell | Chairman/ Independent Non-Executive Director
- Mrs. Ann-Dawn Young Sang
- Mr. Brent Sankar
- Mr. Steven Hudson

PURPOSE: The Committee assisted the Board in its oversight of the management of the financial affairs of the Group with its main areas of responsibility being to monitor financial planning, performance and reporting across the Group in keeping with established strategic and business plans.

FUNCTIONS include:

- Reviewing Management's plans and actions in treating with exposure to financial risk;
- Receiving monthly financial reports and satisfying itself on the accuracy and fairness of financial reporting across the Group;
- Monitoring financial performance against approved business plans and budget;
- Reviewing and advising on cash management and investment strategies;
- Recommending dividend payments to the Board for approval;
- Overseeing matters pertaining to capital management and structure;
- Regularly reporting to the Board on financial affairs and performance and recommending appropriate actions as required

2019 REVIEW

During the year, the Committee convened six meetings to carry out its mandate. The Committee gave particular focus on the financial performance of companies within the Group and provided the necessary guidance and direction to Management in the execution of approved strategies and business plans within the confines of established budget and financial policies.

As part of the Board's efforts to streamline its activities and functions of oversight, the Committee was disbanded effective November 1, 2019 and its responsibilities subsumed under the Audit, Risk and Compliance Committee.

AUDIT, RISK & COMPLIANCE COMMITTEE REPORT

COMMITTEE MEMBERS:

- Mr. W. David McConnell | Chairman / Independent Non-Executive Director
- Mr. Peter McConnell | Independent Non-Executive Director
- Mr. Duncan Stewart | Independent Non-Executive Director
- Mr. Ian K. Levy, O.D. C.D.
- Mr. Brent Sankar

COMPOSITION: In keeping with best standards, the Committee comprises five Non-Executive Directors, three of whom are independent including the Committee Chairman. The quorum for all meetings of this Committee is three, two of whom must be independent Non-Executive Directors.

PURPOSE: The Committee plays an integral role in assisting the Board in its oversight of compliance, risks and governance within the Group. The Committee focuses on direct oversight and monitoring of:

- Financial reporting and operational processes;
- Systems of internal controls and compliance;
- Audit processes (internal and external);
- Systems of risk management;
- General compliance with relevant laws and regulations affecting the business and the Company's Code of Conduct

FUNCTIONS:

- Monitoring the integrity of the financial reporting of the Group in keeping with accounting standards;

- Reviewing the annual and interim financial statements and related accounting policies and assumptions and making recommendations to the Board as required;

- Reviewing findings of the external auditors and in particular initiate discussions with Management and the auditors as necessary on issues which may have arisen during the audit, including accounting and auditing judgements and levels of errors identified;

- Monitoring and reviewing the adequacy and effectiveness of established systems of internal controls and risk management which involves examining steps taken by the Board and Executive Management to address areas of concern and to control or mitigate any risk exposures;

CORPORATE GOVERNANCE REPORT

• Monitoring and reviewing the effectiveness, objectivity and independence of the external auditors and the internal audit function;

• Considering and making recommendations where necessary to the Board with respect to matters for approval at General Meetings including the appointment, re-appointment and removal of the external auditors;

• Overseeing the selection process for new auditors and investigating any issues which may affect the independence of the auditors or events leading to any resignation;

• Approving the annual internal audit plan and ensuring that the function operates with the appropriate levels of resources, independence and autonomy;

• Performing such other duties and responsibilities which are consistent with its Charter

2019 REVIEW

During the year, the Committee convened eight meetings, which exceeded the minimum requirement of four. Effective November 1, 2019, Mr. Ansel Howell ceased to be the Chairman of the Committee consequent on his resignation from the Board which was not influenced or associated with any matter before the Committee. Mr. W. David McConnell was appointed to serve as Chairman.

FINANCIAL REPORTING

The Committee reviewed and recommended the quarterly unaudited financial statements of the Group for the year under review, and the annual audited financial statements for the prior year to the Board for approval and disclosure.

In so doing, the Committee satisfied itself that financial results were reported fairly and in accordance with IFRS and other standards. The Committee also reviewed analyses and reports by Management accompanying the unaudited financial statements.

The Committee gave consideration to the proposed financial plan for the subsequent year, in an effort to understand and identify any risks to be monitored.

RISK MANAGEMENT

The Committee reviewed the risk management process within the Group and discussed the inherent risks faced by the business. The Committee monitored actions by Management in its efforts to ensure that appropriate internal controls and processes were in place to identify, evaluate and manage risks within the context of the risk appetite of the Board. Sufficient focus and assessment were placed on risks associated with the Group's lines of business and guidance given to Management on the treatment and management of those risks. The foundation was laid by the Committee for a further build-out of the Group's enterprise risk management framework.

INTERNAL CONTROL

The Committee has an ongoing process for reviewing the effectiveness and robustness of the system of internal controls. During the year, our internal audit function was outsourced and performed by KPMG, demonstrating the dedication to the integrity of the process. There was regular reporting to the Committee by KPMG on their audit findings and recommended actions to address weaknesses in areas such as corporate governance, risk management, regulatory compliance, operational and business-related processes.

The Committee challenged Management on appropriateness of actions and judgment and monitored the progress of addressing any identified issues.

The Committee recommended policies to the Board for approval, including the Company's Dividend Policy and the Group's Compliance Policy. There was also a review by the Committee of audit findings and recommendations to strengthen and improve our internal AML/CFT compliance program and to resolve any risk exposures.

CORPORATE GOVERNANCE REPORT

AUDITOR INDEPENDENCE

The Committee reviewed the work undertaken by the external auditor and each year assesses its independence, objectivity and performance. In doing so, it takes into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services. The Committee monitors the auditor's compliance with relevant regulatory, ethical and professional guidance on the rotation of partners, as well as assessing annually its qualifications, expertise, resources and the effectiveness of the audit process. As part of our review exercise, we also routinely tender for audit services to allow for natural rotation of our auditors. During the year, external audit services were provided by PricewaterhouseCoopers, and their re-appointment is being proposed to shareholders for the ensuing financial year.

W. David McConnell
Chairman
Audit, Risk and Compliance Committee

DIRECTORS' REPORT

DIRECTORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

The Directors of Supreme Ventures Limited are pleased to present their report and to submit the Consolidated Income Statement and the Consolidated Statement of Financial Position of the Company and its subsidiaries for the year ended 31st December 2019.

OPERATING RESULTS	**$'000**
Gross Profit	7,902,274
Profit before taxation	3,461,710
Taxation	(988,076)
Profit for the year	2,473,634
Earnings per stock	92.59 cents

DIVIDENDS

The following interim dividends were paid for the year under review:

- $0.21 per stock unit paid on May 24, 2019
- $0.22 per stock unit paid on September 6, 2019
- $0.17 per stock unit paid on December 4, 2019
- $0.20 per stock unit paid on April 3, 2020

The Directors recommend that the interim dividends be ratified and declared as final and that no further dividend be paid in respect of the year under review.

DIRECTORS

At the end of the year, the members of the Board were:

- Mr. Gary Peart | Chairman
- Mr. Ian K. Levy O.D. C.D. | Deputy Chairman
- Mrs. Ann-Dawn Young Sang | President & CEO
- Mr. W. David McConnell
- Mr. Brent Sankar
- Mr. Christopher Berry
- Mr. Damian Chin-You
- Mr. Duncan Stewart
- Mr. Ian Moore
- Mr. Lance Hylton
- Mr. Nicholas Mouttet
- Mr. Peter McConnell
- Mr. Steven Hudson

Pursuant to Articles 105 and 106 of the Company's Articles of Incorporation, one-third of the Directors (or the number nearest to one-third) will retire at the Annual General Meeting. The Directors retiring and offering themselves for re-election are Messrs. W. D. McConnell, Steven Hudson, Christopher Berry and Peter McConnell.

EXTERNAL AUDITORS

The Auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office.

ACKNOWLEDGEMENT

The Board of Directors expresses its gratitude and appreciation to our shareholders, stakeholders, customers and staff for their commitment and partnership in making 2019 a winning year.

BY ORDER OF THE BOARD

Nyssa-Kaye Darby
Company Secretary

BOARD OF DIRECTORS

GARY PEART | Chairman

Gary H. Peart is the Chief Executive Officer of Mayberry Investments Limited and a member of the Board of Mayberry Group Limited. He has over 20 years of corporate finance experience in the Jamaican Financial Industry. Mr. Peart also currently serves as a Director on the Boards of the Jamaica Stock Exchange, Lasco Financial Services, Lasco Distributors Limited and Ironrock Insurance.

Non-Executive Director | Appointment: October 23, 2017

IAN KENT LEVY, O.D. C.D. | Deputy Chairman

Ian Levy is a founding member of the Company and an original member of the Supreme Ventures' Board of Directors. An accomplished businessman, Ian serves as the Chairman of IAN K. (Agencies) Ltd., a highly successful company that has negotiated several contracts with French companies on behalf of the Government of Jamaica. Ian is also Chairman of LHCC Perfect Homes Ltd., a development company offering high ended units. Ian's business skills have greatly influenced the success of Supreme Ventures Limited.

In June 2005, Ian received the National Order of Merit (Chevalier de l'Ordre National du Merite) from the Government of France. He was also nominated for the Jamaica Observer Business Leader Award in 2006.

Ian has received two National Honors from the Government of Jamaica as he was conferred with the honour in the rank of Officer (OD) on October 15, 2012 and in the rank of Commander (CD) on October 17, 2016.

Non-Executive Director | Appointment: January 2, 1998

ANN-DAWN YOUNG SANG | Group President & CEO

Ann-Dawn Young Sang is SVL's first female CEO. Before joining SVL, she was the Regional Vice President for the Caribbean for International gaming Technology – IGT, the world's largest lottery operator. She has 18 years' experience in the gaming industry and over 20 years' experience at the senior management level.

Executive Director | Appointment: October 23, 2017

W. DAVID McCONNELL

W. David McConnell is Co-Managing Director and Co-Founder of Select Brands Limited, a leading wines and spirits company in Jamaica. He also sits on the Boards of Scotia Group Jamaica, Scotia Investments Jamaica Limited and IronRock Insurance Company Limited amongst others.

Independent Non-Executive Director | Appointment: November 7, 2017

BRENT SANKAR

Trinidadian Brent Sankar has over 29 years' experience in the financial, accounting and auditing industries. He held the position of Partner/Director in a consultancy company, as well as Finance Director of one of the largest private companies in Trinidad. He had an integral part of the restructuring of various companies within that Group. He is the Chief Financial Officer of a Trinidadian entity with investments throughout the Caribbean.

Non-Executive Director | Appointment: November 3, 2016

CHRISTOPHER BERRY

Christopher is the Executive Chairman of Mayberry Investments Limited and also serves on the Boards of Apex Health Care Associates, Apex Pharmacy, Lasco Financial Services, Caribbean Producers Limited, IronRock Insurance Company Limited and Mayberry Jamaican Equities Limited.

Non-Executive Director | Appointment: October 23, 2017

DAMIAN CHIN-YOU

Damian Chin-You is the Chairman of PostToPost Betting Limited, Supreme Route Limited, and Chairman and Co-Founder of Champion Gaming Company Limited. He has over 20 years' experience in the betting & gaming sector. In 2013, he was at the helm of PosttoPost during the merger of three other betting companies which saw the company becoming the largest bookmaker in Jamaica.

Non-Executive Director | Appointment: June 13, 2019

DUNCAN STEWART

Duncan has over 30 years of experience in Sales, Marketing, Finance and Fixed-Operations. He played an integral role in expanding Stewart Automotive Group of Companies and held several high-level positions including Director and General Manager.

Independent Non-Executive Director | Appointment: December 1, 2018

IAN MOORE

Ian Moore has over 25 years of consulting experience, specializing in Telecommunications and Information Technology strategy and Project Leadership. He is the Chairman of Adjoined Business Solutions.

Ian previously Chaired the Petroleum Corporation of Jamaica and was also a Director of the Port Authority of Jamaica and the Central Information Technology Office (CITO).

Independent Non-Executive Director | Appointment: June 3, 2013

LANCE HYLTON

Lance Hylton is senior partner of Hylton & Hylton Attorneys-at-Law and specializes in commercial and trust law. He has served as a director of several listed companies and government agencies or corporations. He is Vice Chairman of the Jamaica College Board of Governors and a Past President of Rotary.

Independent Non-Executive Director | Appointment: April 1, 2018

NICHOLAS MOUTTET

A previous Director of the Supreme Ventures Board, Nicholas brings to the Board a wealth of knowledge and experience in business management and strategy.

He is the Chairman and primary shareholder of Agri-Link Ltd which is a major supplier in the poultry and swine industries in Trinidad and Tobago and the wider Caribbean. Nicholas is the owner of Tropical Self Storage and serves as a Director of Zodiac International Investments & Holdings Limited.

He is also a Director and Shareholder of Green Clean Caribbean Limited, a supplier of green cleaning chemicals, and Glass Unlimited, a supplier of high-end glass fixtures and enclosures.

Non-Executive Director | Appointment: November 1, 2019

PETER McCONNELL

Peter McConnell is the Managing Director of Trade Winds Citrus Ltd. and the Chairman of Worthy Park Estates Ltd. His service to the nation includes Chairmanship of the Linstead Public Hospital, the Jamaica Citrus Protection Agency and the Supreme Ventures Foundation.

Independent Non-Executive Director | Appointment: November 7, 2017

STEVEN HUDSON

Steven Hudson's experience spans over 19 years in the field of hospitality and culinary arts, having worked with Sandals Resorts International both locally and overseas. He was also General Manager of Margaritaville and owner of Bullseye Steak & Seafood Restaurant for four years.

He is presently the Managing Director of Bearings & Seals Limited, one of Jamaica's major distributors of automotive and industrial parts.

Steven's dedicated, philanthropic work continues with the Rotary Club of Kingston where he is currently President for the year 2019/2020.

Non-Executive Director | Appointment: February 28, 2010

ANSEL HOWELL

Mr. Ansel Howell is the Principal Consultant at ADH Consultants with particular experience in Organizational Effectiveness and Change Management. He is the Chairman of the Trinidad & Tobago Mortgage Finance Co. Ltd, and the Chairman of the Home Mortgage Bank.

During the year, Ansel served as the Chairman of the Audit, Risk and Compliance Committee. Ansel resigned as a Director of the Board effective November 1, 2019.

SENIOR MANAGEMENT

ANN-DAWN YOUNG SANG
Group President & CEO

XESUS JOHNSTON
Jan. - Oct. SVP - Gaming Operations
Nov. - Dec. CO-CEO, Prime Sports (Jamaica) Limited

DENNIS CHUNG
Jan. - Oct. Chief Financial Officer
Nov. - Dec. CO-CEO, Prime Sports (Jamaica) Limited

LORNA GOODEN
Jan. - Mar. Corporate Secretary
Apr. - Dec. General Manager, SVREL

TONI SPENCER
Senior Vice President, Human Resource & Administration

KATHERINE P.C. FRANCIS
Jun. - Dec. Corporate Secretary & Senior Vice President, Regulatory Compliance, Legal & Risk

STACEY JUREIDINI
Senior Project Manager

ANDREW BROMLEY
VP, Security & Surveillance

KRISTA-GAYE FISHER
Assistant Vice President, Legal

ADEN WHITTAKER
Vice President, Operations
& IT Services

GAIL ABRAHAMS
Vice President, Marketing,
Communications & Sponsorships

DAREN ALLWOOD
Vice President, Projects

PERRY CRAWFORD
Vice President, Customer Experience
& Retail Business Development

NICKESHA EULETTE
Group Financial Controller

EMMANUEL SALAKO
Assistant Vice President, Business
Intelligence & Analytics

HEATHER GOLDSON
Jan. - Oct. Chief Marketing Officer
Nov. - Dec. Deputy CEO Prime Sports (Jamaica) Limited & Chief Marketing Officer

MANAGEMENT TEAM

Christel Derizzio
Senior Gaming Operations Manager

Dwayne Pratt
Business Intelligence Manager

Sisco Wedderburn
Customer Support Manager

Sanique Vacianna
Draw Operations Manager

Seretse Bell
Business Development Manager

Russell Rickards
Senior Facilities & Maintenance Manager

Mark Archer
Technical Support Manager

Chavette Burke
Finance Manager,
Financial Reporting, Planning & Analysis

Norris Clarke
Senior Finance Manager,
Operations

Triana Reynolds
Procurement & Risk Manager

Wayne Matthews
Senior Financial Operation
& Automation Manager

Mary-Ann Meggs
Customer Relations
& Business Development Manager

Mark Findley
Payroll Manager

Tally-Ann Morrison
Human Resources Manager

Kajay Rowe
Manager, Digital & Media Services

Chantal Simpson
Legal Officer

Nyssa-Kaye Darby
Legal Officer

Stephanie Desouza-Eubanks
Compliance Manager

Orville Thompson
Security & Surveillance Manager

Danielle Douglas
Senior Sports Betting Manager

Kathryn Spencer
Commercial Execution Manager - Retail

Andre Marks
IT Services Manager

The Supreme Ventures Group thanks all the senior managers who have moved on for their service and commitment. We wish you all the best:

Nicholas Browne
Senior Vice President, Group Operations

Cheryl Hylton
Chief Information Officer

Tashia Hutton
Vice President, Regulatory Compliance

Carolyn Bolt Nicholas
Vice President, Human Resources & Administration

SHAREHOLDINGS REPORT

SHAREHOLDINGS REPORT

SUPREME VENTURES LIMITED TOP 10 SHAREHOLDINGS As at December 31, 2019			
NAME	**JOINT HOLDER/CONNECTED INTERESTS**	**VOLUME**	**PERCENTAGE**
Zodiac Caribbean Ventures Limited	Brent Sankar	810,006,804	30.714
	Colin Mouttet	10,787,078	0.409
		820,793,882	31.123
Mayberry Jamaican Equities Limited	Christopher Berry; Gary Peart	400,219,555	15.176
Ian Kent Levy		320,541,171	12.154
Ian Kent Levy	Matthew Levy	4,000,000	0.152
		324,541,171	12.306
Janette Stewart		62,580,991	2.373
Janette Stewart	Steven Hudson	104,117,228	3.948
		166,698,219	6.321
Stephen Castagne		94,052,136	3.566
St. Elizabeth International Limited	William David McConnell	63,984,174	2.426
St. Elizabeth International Limited	William David McConnell	685,868	0.026
		64,670,042	2.452
Guardian Life Limited			
UWI ATS Pension Fund		60,000	0.002
Guardian Retirement Scheme Diversified Fund		82,483	0.003
GLL-GRS Equity Fund		401,000	0.015
Blue Chip Fund		500,000	0.019
Long Term Growth Fund		500,000	0.019
Shelter Plus Fund		500,000	0.019
Blue Chip Fund		500,000	0.019
GRS Diversified Fund		539,591	0.020
Pooled Pension Fund		570,000	0.022
Long Term Growth Fund		700,000	0.027
PFL - Pooled Equity Fund		1,200,533	0.046
CELGF		1,432,000	0.054
Pooled Equity Fund		1,500,000	0.057
Eagle Growth Fund		2,000,000	0.076
Equity Fund		2,250,000	0.085
Pensions Fund		2,691,515	0.102
Blue Chip		3,033,948	0.115
Guardian Equity Fund		3,265,692	0.124
Guardian Life Limited		2,842,348	0.108
Ordinary Life Fund		4,000,000	0.152
Surplus Fund		13,000,000	0.493
Pooled Pension Fund		19,609,039	0.744
		61,178,149	2.320
Sagicor Pooled Equity Fund		48,313,478	1.832
PWL Bamboo Holdings Group Limited	Christopher Berry	28,043,151	1.063
Sunfisher Corporation		24,648,118	0.935
	TOTAL COMBINED HOLDINGS	**2,033,157,901.00**	**77.0937**

SHAREHOLDINGS REPORT

SUPREME VENTURES LIMITED DIRECTORS' SHAREHOLDINGS As at December 31, 2019				
DIRECTOR NAME	**PRIMARY HOLDER**	**JOINT HOLDER/CONNECTED INTERESTS**	**VOLUME**	**PERCENTAGE**
Gary Peart	VDWSD Ltd	Shareholder	22,161,128	0.8403
	Mayberry Jamaican Equities Limited	Connected	400,219,555	15.1756
	Mayberry Investments Limited Pension Scheme	Connected	2,413,603	0.0915
	Mayberry Investments Limited Retirement Scheme	Connected	1,237,133	0.0469
	Mayberry Pension Limited I.R.P	Connected	1,530,612	0.0580
	Mayberry Managed Clients Account	Connected	13,146,113	0.4985
	The Mayberry Foundation Ltd.	Connected	3,000,504	0.1138
	Ironrock Insurance Company Limited	Director / Shareholder	900,000	0.0341
	Lasco Financial Services Ltd	Director / Shareholder	-	-
	Lasco Distributors Ltd	Director / Shareholder	5,000,000	0.1896
	Mayberry Managed Employee Portfolio	Connected	-	-
			449,608,648	17.0484
Ian Kent Levy	Ian Kent Levy		320,541,171	12.1543
	Ian Kent Levy	Matthew Kent Levy	4,000,000	0.1517
			324,541,171	12.3060
Steven A. Hudson	Janette Stewart	Steven A. Hudson	104,117,228	3.9479
	Janette Stewart	Connected	62,580,991	2.3730
			166,698,219	6.3209
W David McConnell	St. Elizabeth International Ltd	Director / Shareholder	63,984,174	2.4262
	St. Elizabeth International Ltd	Director / Shareholder	685,868	0.0260
	Ironrock Insurance Company Limited	Director / Shareholder	900,000	0.0341
	Scotia Investments Limited	Director	-	-
	Scotia Group	Director	-	-
	St. Elizabeth Holding Ltd	Director / Shareholder	-	-
			65,570,042	2.4863
Peter McConnell	Peter McConnell	Stephanie McConnell	6,429,498	0.2438
	United Estates Ltd Pension Plan	Connected	638,224	0.0242
	Trade Winds Citrus Ltd Pension Fund	Connected	591,121	0.0224
	Wakefield Farms Ltd.	Connected	2,000,000	0.0758
	Worthy Park Estate	Director / Shareholder	-	-
	RSF Holdings	Director / Shareholder	-	-
	Fraser Nicholas McConnell	Son	-	-
	Stephanie Ann McConnell	Wife	-	-
			9,658,843	0.3662
Brent Sankar	Zodiac Caribbean Ventures Limited	Officer	810,006,804	30.7140
	Colin Mouttet	Connected	10,787,078	0.4090
	Ice Jamaica Ltd	Director	-	-
			820,793,882	31.1230
Ian Moore	Ian Moore		-	-
	CWS Limited	Connected	-	-

SHAREHOLDINGS REPORT

SUPREME VENTURES LIMITED DIRECTORS' SHAREHOLDINGS CONT'D As at December 31, 2019				
DIRECTOR NAME	**PRIMARY HOLDER**	**JOINT HOLDER/CONNECTED INTERESTS**	**VOLUME**	**PERCENTAGE**
Ann-Dawn Young Sang	Ann-Dawn Young Sang		99,000	0.0038
	Young Sang Bakery & Superette	Connected	-	-
	Gerald Young Sang	Connected	-	-
			99,000	0.0038
Lance Hylton	Lance Hylton	Hylton & Hylton Attorneys-At-Law	-	-
Christopher Berry	Mayberry Jamaican Equities Limited	Director	400,219,555	15.1756
	PWL Bamboo Group Holdings Limited	Director	28,043,151	1.0633
	Apex Pharmacy	Shareholder	5,000,000	0.1896
	Apex Health Care	Shareholder	-	-
	Konrad Limited	Connected	2,000,000	0.0758
	Broadleaf Properties	Connected	-	-
	Konrad Berry	Connected	24,145,689	0.9156
	A+ Plus Medical Centre Ltd	Shareholder	500,000	0.0190
	Mayberry Investments Ltd	Director	-	-
	Lasco Financial	Director	-	-
	Caribbean Producers Jamaica	Director	-	-
	Ho Choi Ltd	Shareholder	12,565,400	0.4765
	Mayberry Investments Limited Pension Scheme	Sponsor Trustee	2,413,603	0.0915
	Mayberry Investments Limited Retirement Scheme	Sponsor Trustee	1,237,133	0.0469
	Mayberry Pension Limited I.R.P	Sponsor Trustee	1,530,612	0.0580
	Mayberry Managed Clients Account	Connected	13,146,113	0.4985
	The Mayberry Foundation Ltd.	Connected	3,000,504	0.1138
	Mayberry Managed Employee Portfolio	Connected	-	-
	Ironrock Insurance Company Limited	Director	900,000	0.0341
	Green Shoots Jamaica Limited	Chairman	-	-
	Patricia Yap	Connected	-	-
	William Berry	Connected	-	-
	Lauren Berry	Connected	-	-
			494,701,760	18.7582
Duncan Stewart	San Dollars Investments Limited	Director	20,526,316	0.7783
Damian Chin-You	PosttoPost Limited	Director	-	-
Nicholas Mouttet	Nicholas Mouttet	Self	-	-
	Agri-Link Limited	Director	-	-
	Tropical Self Storage	Director	-	-
	Zodiac International Investments & Holdings	Director	-	-
	Zodiac Caribbean Ventures Limited	Director/ Shareholder	810,006,804	30.714
			-	-
		TOTAL COMBINED HOLDINGS	**1,928,850,361.00**	**73.13856**

SHAREHOLDINGS REPORT

SUPREME VENTURES LIMITED SENIOR MANAGEMENT'S SHAREHOLDINGS As at December 31, 2019			
NAME	**JOINT HOLDER/CONNECTED INTERESTS**	**VOLUME**	**PERCENTAGE**
Ann-Dawn Young Sang		99,000	0.0038
Dennis Chung		-	-
Heather Goldson	David L Goldson	317,200	0.0120
Lorna Gooden	Gregory Paul Anthony Gooden	8,300	0.0003
		18,300	0.0007
		26,600	0.0010
Katherine P.C. Francis		30,000	0.0011
Stephen Summers		-	-
Toni Spencer	Adrian Spencer	592,698	0.0225
Nicholas Browne		-	-
Xesus Johnston		252,363	0.0096
	TOTAL COMBINED HOLDINGS	**1,317,861.00**	**0.0499**

CORPORATE LISTING

BOARD OF DIRECTORS

Gary Peart **(Chairman)**
Ian K. Levy, O.D. C.D. **(Deputy Chairman)**
Ann-Dawn Young Sang **(President & CEO)**
W. David McConnell
Brent Sankar
Christopher Berry
Damian Chin-You
Duncan Stewart
Ian Moore
Lance Hylton
Nicholas Mouttet
Peter McConnell
Steven Hudson

COMPANY SECRETARY

Katherine P.C. Francis, Attorney-at-Law

REGISTRAR AND TRANSFER AGENT

Jamaica Central Securities Depository Limited
40 Harbour Street
Kingston, Jamaica

EXTERNAL AUDITORS

PricewaterhouseCoopers
Scotia Centre
Cnr. Duke & Port Royal Streets
Kingston, Jamaica, W.I.

INTERNAL AUDITORS

KPMG
6 Duke Street
Kingston, Jamaica, W.I.

BANKERS

Bank of Nova Scotia Jamaica Limited
2 Knutsford Boulevard
Kingston 5, Jamaica, W.I.

National Commercial Bank Jamaica Limited
Private Banking
32 Trafalgar Road
Kingston 10, Jamaica, W.I.

CIBC First Caribbean International Bank
23 Knutsford Boulevard
Kingston 5, Jamaica, W.I.

Sagicor Bank
17 Dominica Drive
Kingston 5, Jamaica, W.I.

JMMB Bank
6-8 Grenada Way
Kingston 5, Jamaica, W.I.

Citizens Bank Guyana
Lot 231-233 Camp Street
and South Road
Lacytown, Georgetown
Guyana

ATTORNEYS

Walter H. Scott, Q.C.
Attorney-at-Law
22 Trafalgar Road, Suite #13
2nd Floor
Kingston 10, Jamaica, W.I.

John G. Graham & Company
7 Belmont Road
Kingston 5, Jamaica W.I.

Livingston Alexander & Levy
72 Harbour Street
Kingston, Jamaica, W.I.

Hylton & Hylton
19 Norwood Avenue
Kingston 5, Jamaica, W.I.

CORPORATE OFFICES

Supreme Ventures Limited
Registered Office:
4th Floor,
R. Danny Williams Bldg.
28-48 Barbados Avenue
Kingston 5, Jamaica, W.I.
Tel: (876) 754-6526
Fax: (876) 754-2143

Supreme Ventures Limited
9A Retirement Crescent
Kingston 5, Jamaica, W.I.
Tel: (876) 906-8603
Tel: (876) 920-9421
Fax: (876) 960-4397

REGISTERED OFFICES OF MAIN OPERATING SUBSIDIARIES

Prime Sports (Jamaica) Limited
4th Floor,
R. Danny Williams Bldg.
28-48 Barbados Avenue
Kingston 5, Jamaica, W.I.
Tel: (876) 754-6526
Fax: (876) 754-2143

PostToPost Betting Limited
9 Barbados Avenue
Kingston 5, Jamaica, W.I.
Tel: (876) 929-0370-3

Supreme Route Limited
Registered Office:
4th Floor,
R. Danny Williams Bldg.
28-48 Barbados Avenue
Kingston 5, Jamaica, W.I.

Business Operations:
Sovereign Commercial Center
9-11 Barbican Road, Unit 6
Kingston 6, Jamaica, W.I.
Tel: (876) 620-6859 / (876) 622-8073

Supreme Ventures Services Limited
4th Floor, R. Danny Williams Bldg.
28-48 Barbados Avenue
Kingston 5, Jamaica, W.I.
Tel: (876) 754-6526
Fax: (876) 754-2143

Supreme Ventures Racing & Entertainment Limited
Registered Office:
4th Floor,
R. Danny Williams Bldg.
28-48 Barbados Avenue
Kingston 5, Jamaica, W.I.
Tel: (876) 754-6526
Fax: (876) 754-2143

Business Operations:
Caymanas Park
Gregory Park, Portmore
St. Catherine, Jamaica, W.I.
Tel: (876) 988-2524-6
Fax: (876) 988-7781

REGISTERED OFFICES OF OVERSEAS SUBSIDIARIES

Supreme Group Incorporated (St. Lucia IBC):
c/o PKF Corporate Services Limited
Meridian Place, Choc Estate
P.O. Box Choc 8243
Castries LC02 801
Saint Lucia

Supreme Guyana Incorporated (St. Lucia IBC):
c/o PKF Corporate Services Limited
Meridian Place, Choc Estate
P.O. Box Choc 8243
Castries LC02 801
Saint Lucia

Supreme Ventures Guyana Holdings Incorporated
17B Croal Street
Stabroek
Georgetown, Guyana
South America

Supreme Ventures Enterprise Incorporated
17B Croal Street
Stabroek
Georgetown, Guyana
South America

RETAIL CENTRES

New Kingston (Prize Payment Centre)
1st Floor, R. Danny Williams Bldg.
28-48 Barbados Avenue
Kingston 5, Jamaica, W.I.
Tel: (876) 754-6526

Portmore:
Shop #6, McMaster Centre
Portmore Town Centre,
Portmore,
St. Catherine, Jamaica, W.I.
Tel: (876) 622-1426

Half Way Tree:
State Mall
15 Half Way Tree Road
Kingston 5, Jamaica, W.I.
Tel: (876) 920-3500
Fax: (876) 960-9417

Montego Bay:
Shop #40
City Centre Mall
25 St. James Street
St. James, Jamaica, W.I.
Tel: (876) 622-7783

Ocho Rios:
Shop # 3
Ocean Village Shopping Centre
Main Street, Ocho Rios
St. Ann, Jamaica, W.I.

Acropolis Barbican:
Barbican Centre
29 East Kings House Road
Kingston 5
Jamaica, W.I.
Tel: (876) 978-1299
Fax: (876) 946-9896

Spanish Town:
37 Young Street
Spanish Town
St. Catherine, Jamaica, W.I.
Tel: (876) 618-9384

Savanna-la-Mar:
Shop 16A, Hendon Mall
Savanna-la-Mar,
Westmoreland,
Jamaica, W.I.
Tel: (876) 918-0232
Fax: (876) 918-0233

CSR REPORT

CSR REPORT

CORPORATE SOCIAL RESPONSIBILITY ...The Supreme Way

The Supreme Ventures Group not only provides opportunities for our customers to win, the Company also focuses its efforts and resources on ensuring that the children of Jamaica and other vulnerable segments of society also win. In 2019, the Group strengthened its philanthropic focus on the safety of children in State Care and improving the educational circumstances of children at risk. Utilizing the Supreme Ventures Foundation (SVF) as its main vehicle, and with this strategic and targeted approach, the Company's Corporate Social Responsibility initiatives were able to make a major impact.

EDUCATION

The Supreme Ventures Foundation took an all hands on deck approach for its educational outreach activities in 2019. The activities included the "Read Across Jamaica Day," and the Junior Creators Robotics Camp.

In May, the nationally dubbed "Read Across Jamaica Day" saw a number of Supreme volunteers including senior managers from the Corporate office as well as from the office of the horse racing subsidiary, Supreme Ventures Racing and Entertainment Limited (SVREL) visiting Greenwich Primary School on Spanish Town Road, armed with colourful and engaging books.

In addition to reading to Grades One through to Five, the team donated books to the school literacy programme.

In August, the Foundation held another successful Junior Creators Robotics Camp at Ardenne High School. At the end of the week - long camp, four students received back-to-school scholarships to the tune of $200,000 for their stellar performance.

Facilitated for the fourth year by Marvin Hall of Halls of Learning, the camp focused on using teamwork, mathematics and coding to bring robots to life, and had in attendance students from six schools in the corporate area and Portmore.

Back to school preparation was a main activity for the Foundation in August and September. A team from subsidiary, SVREL, distributed school supplies ranging from fully packed school bags and book vouchers to Gregory Park and Naggo Head Primary Schools in East Central St. Catherine, as well as an additional fifty bags for a school-based program headed by the Mayor of Portmore.

The Colour Me Happy Run, a 5K walk/run focused on raising funds to construct basic schools in challenged communities, was also supported by the SVF and Supreme volunteers who participated in the run held at Hope Gardens. SVF also handed over additional backpacks and stationery to the organisers, the Kind Hearts Foundation, to distribute to the students at the newly constructed school.

SVF & CHILDREN IN STATE CARE

SVF's first act of outreach for 2019 was an effort to help children homes across the island have a great start to the new year.

Members of #TeamSupreme from various regional offices around the island identified childcare facilities in close proximity and made their new year wish come true. The Foundation was able to donate $1.2 million in much needed appliances and furniture to 10 institutions across the island. During the Easter break, the Foundation's traditional Easter Egg Hunt was held for the seventh consecutive year and feted over 150 children from state run children's homes to hours of fun, food and frolic on the grounds of Caymanas Park on Easter Monday, April 22.

Children from Maxfield Park, City of Refuge, SOS Children's Village in Stony Hill, Reddie's Place of Safety, Homestead Place of Safety and Strathmore Children's Home were divided into three houses Cocomint, Blue Bunny and Marshmallow. The homes invited were part of the SVF's flagship Fire Safety programme, which was officially kicked off with the signing of an MOU with the Ministry of Education, Youth and Information just two months before the treat.

On Labour Day, the Supreme volunteers visited the Strathmore children's home in Spanish Town to paint, clean and landscape the home, in addition to refurbishing of the

CSR REPORT

home's laundry facilities, outfitting the room with a new washer and dryer to service the needs of the 40 wards.

Children from the Homestead Place of Safety and the Jamaica National Children's Home (JNCH) were also treated to a visit by Supreme volunteers for a back to school handover. The JNCH facility was destroyed by fire weeks earlier and they were offered refuge at Homestead. The children, some of whom were transferred from the Walker's Place of Safety that was also destroyed by fire in 2018, received packed back packs, book vouchers and personal care kits.

In December, over 200 children from homes in Kingston and Montego Bay were treated to a Christmas themed afternoon at the movies, courtesy of SVF. Children from Homestead Place of Safety, JNCH and SOS Children's Village, in Kingston, as well as the children from the SOS Children's Village in Barrett Town, Melody House for Girls and Blossom Gardens in Montego Bay, all enjoyed some well needed inspiration time that included popcorn, a blockbuster hit, and even a visit from "Santa Claus" who let them dip for toys.

SPONSORSHIPS

SVL Supports The Reggae Girls World Cup Dreams

Supreme Ventures closed 2018 with an announcement of a $13 million two-year sponsorship of the national women's football team, who historically qualified for the 2019 World Cup in France in October of that year. In addition to the financial support, the company hosted several activities to ramp up excitement ahead of the Girls World Cup bid.

The first stop was at the SVL draw studio where they met members of the draw team for a game of Cash Pot Charades and a tour of the studio and draw machines.

On May 14, Supreme Ventures hosted a sendoff luncheon for the team and technical staff plus a dignified assemblage of Ambassadors, Government Ministers, SVL Directors and Senior Executives on the lawns of the French Embassy at 14 Hillcrest Avenue under the patronage of the French Ambassador Denys Wibeaux.

On Friday, May 17, which is also celebrated as Child's Day, Supreme Ventures partnered with the Reggae Girlz to provide the all-female football team from Greenwich All Age with a unique mentorship experience.

The international footballers gave advice and shared their experiences about being on the world stage with the younger ballers who were around 12 years old. To add to the excitement, the two teams engaged in a short scrimmage game and dribbling session where they both showed off their skills.

STAFF ENGAGEMENT

Supreme Ventures team's love of giving back through volunteerism was maintained in 2019. Each outreach activity was strongly supported by staff across the island.

The first outreach activity for 2019, #SimplyVestedInLove, required staff, especially those at retail centres across the island, to contact state-run child facilities in the communities in which they operate to find out their most pressing needs. The long list of appliances, furniture and personal care items were provided to each of the 10 participating facilities with the nominating staff members conducting the handovers. The SVF also orchestrated staff participation in the Sigma Corporate 5K Walk/Run in February with 60 volunteers signing up to give of their time and effort.

The sign ups rolled in for Labour Day and Colour Me Happy Run where staff members brought even more fun to the colourful 5K, with branded bottles of bubbles which became a crowd favourite at the event.

Staff members also gave of their time to make sure the 200 children treated to a movie day in both Kingston and Montego Bay had a memorable experience. Staff volunteers packed their gifts, assisted with logistics, refreshments and even dressed up like Santa and elves to hand out gifts, signaling #Supremecares.

SVREL
CAYMANAS PARK

Supreme Ventures' second year of racing promotions from Caymanas Park through its subsidiary Supreme Ventures Racing & Entertainment Limited (SVREL), has seen marked improvements in the organization and operations from the Horse racing Track. The company continues to increase the level of technological infrastructure in the racing product, upgrade the facilities in a sustainable manner, and increase revenue year over year.

While the Company is still working its way to profitability, year over year sales have increased since the lease was secured in 2017. 2019 closed with a 13.83% increase in sales over 2018.

SVREL has also widened its infrastructure to reach bettors outside the gates of Caymanas Park. A significant capital investment was made to aggressively expand the Off-Track Betting network by 100 per cent - resulting in the growth of OTB locations from 68 to 120 island wide in two years. The OTB footprint has increased in parishes such as St. Mary, Clarendon, St. Thomas, Hanover and Portland where there had not been an OTB presence for several years.

The MBet mobile betting platform was revamped and relaunched to allow punters to bet from their smartphone on local and international races. There are over 1,400 punters registered on the modernized platform.

SVREL has also made good on its objective of expanding local horse racing to markets outside of Jamaica. The company created history in the third quarter of 2019 with the successful commingling of the local betting pool with the New York Racing Association's (NYRA) hub. This was the first time that punters in North America were able to bet on live races in Jamaica, a feat made possible by installation of the AmTote totalizator system in the previous year.

Operations at the Track continue to be the heartbeat of horse racing in Jamaica, and SVREL is committed to continuing to build on the solid foundation laid to date.

iBET SUPREME
GUYANA

SVG OPENS LOTTERY OPERATIONS IN GUYANA

In a historic and groundbreaking move, Supreme Ventures Limited officially opened the doors to its Guyanese operations in Georgetown under the brand iBET Supreme in January of 2019.

With this investment, iBET Supreme introduced simulcast racing from the historic Caymanas Park to the Guyanese market, as well as American racing from legendary tracks such as Belmont Park, Saratoga and races from the exciting British racetracks.

During 2019, the Company focused largely on building out a product portfolio of offerings for the Guyanese market. Sports Betting was the second product out of the gate, followed closely by the pick one game Cash Pot, and the entertaining roulette game Money Time. In addition, iBet started the strategic build out of the retail network which is growing and which will continue to grow into 2020.

While remaining fully compliant with all laws and regulations of the Guyana Gaming Authority and the Guyana Revenue Authority, iBet plans to grow with the expanding Guyanese market which is projected to become the fastest growing economy in 2020 and beyond.

DIGITAL AGE

MOVING AHEAD IN THE DIGITAL SPACE

2019 was the year for digital across the Supreme Ventures Group as it cemented its foray into the digital space, introducing to the market innovative and groundbreaking initiatives and channels. Understanding the growth of the global gaming market over the last seventeen (18) years, especially in the interactive and mobile space, the company upgraded existing platforms and launched new channels designed to revolutionise the local gaming sector.

SUPREME GAMES

The groundbreaking app, Supreme Games, was the first lottery gaming app to be launched in Jamaica from a local company. Opening its portal with the company's two most popular games, Cash Pot and Money Time, the app was designed to attract a new customer base that demands convenience and privacy when gaming. The product also provided another access point for SVL's existing market. The Company plans to expand the mobile offering to the entire suite of lottery and numbers products in 2020.

JUSTBET MOBILE

Capitalizing on the potential growth of the global sports betting market which has doubled over the past four years, Supreme upgraded its sports betting platform in 2019. Just Bet and Just Bet Mobile now utilize a new platform provided by solutions provider, Altenar.

The new sports betting platform has a robust and modernized system that enables gamers to bet across multiple devices, gain access to both live and virtual sports, better odds and more leagues, with faster processing times in store and online. Added to these benefits, the elimination of betting slips in store provides a more streamlined and improved customer experience.

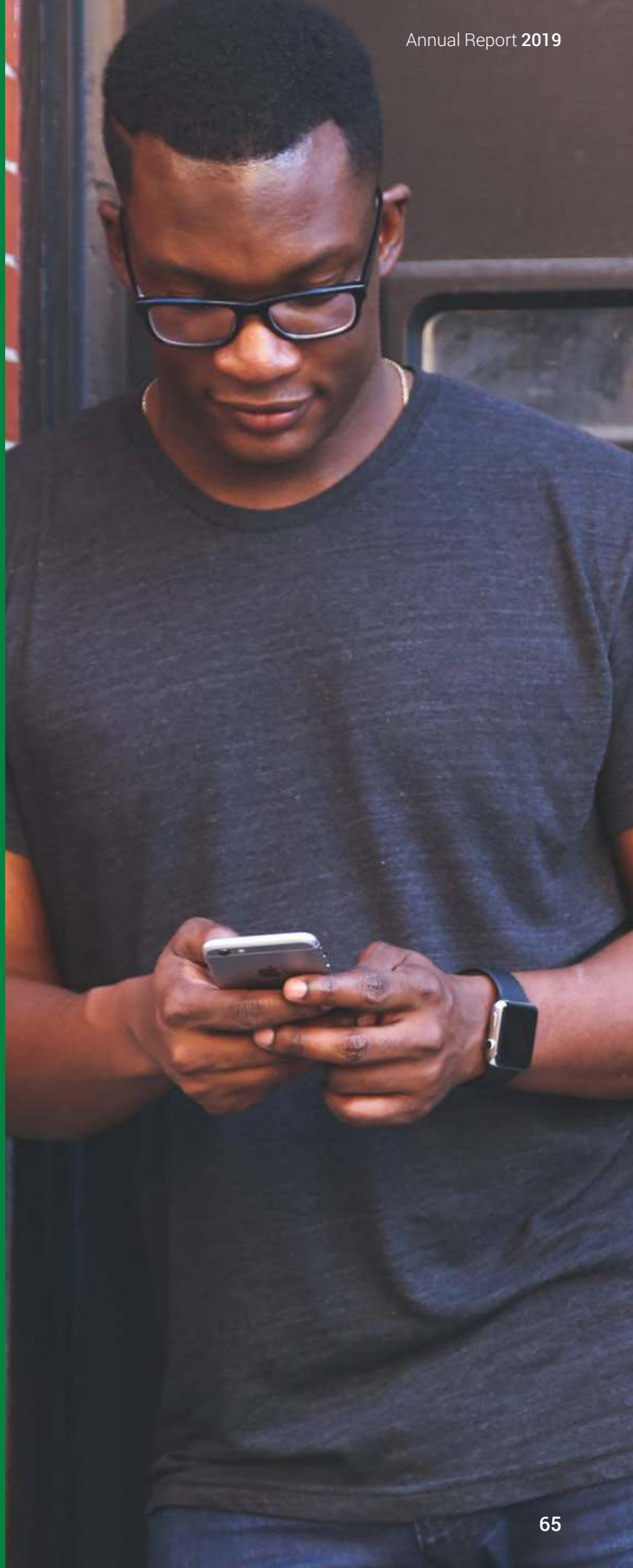
MBET

Always keeping the customer in mind, in 2019 the Supreme Ventures Group, through its subsidiary, Supreme Ventures Racing and Entertainment Limited provided its horseracing fans with an upgraded digital point of contact through which to wager, keep up with events, and access racing results from Caymanas Park & tracks around the world.

MBet has proven successful in 2019, offering punters the convenience of wagering on races from outside of Caymanas Park, as well as connectivity to their favorite sport.

ALL EYES ON DIGITAL

With the implementation of these new and improved betting platforms, the Supreme Ventures Group is bolstering its position in the digital world, particularly in the growing field of sports betting. The direction is part of the company's strategic objective to maintain its position as the number one gaming brand in the region.



SUPREME VENTURES FOUNDATION

MAKING AN IMPACT

In 2019, the Supreme Ventures Foundation (SVF) continued to focus on the support of children in state care and encouraging social sustainability. The Foundation's main corporate social responsibility programs during the year were 1) improving the fire safety status of children's homes across the country, and 2) developing the Supreme Heroes Program.

FIRE SAFETY

The Foundation kicked off the year with the important signing of a Memorandum of Understanding with the Ministry of Education, Youth & Information. The signing paved the way for a close partnership between the Child Protective & Family Services Agency, the Jamaica Fire Brigade and the SVF to execute the program. The Foundation committed to upgrading the equipment and training in 30 homes across the island over a period of two (2) years. The MOU is valued at approximately $40 million.

By the end of the first year of the programme, 13 homes across the island were retrofitted with new equipment and their staff and wards trained in evacuation techniques and proper use of the state-of-the-art fire systems.

In addition to the new equipment and training sessions, SVF embarked on a series of activities to reinforce the need for consistent fire safety protocols and establish a strong connection with the staff and wards of the beneficiary institutions.

In support of the programme, one such activity and a particularly proud moment was a night fire drill at the Mahoe Drive Mustard Seed Community organized by the Foundation. The staff of the children's home which cares for children and young adults with severe mobile and cognitive challenges, successfully evacuated their wheelchair-bound charges in record time with the help of members of the surrounding community of Seivwright Gardens.

The Fire Safety program wraps up in 2020.

SUPREME HEROES

In the last half of 2019, the Foundation undertook research to structure the new corporate sustainability program, Supreme Heroes. The program started with a call to the public to nominate persons in their communities who ran businesses and used some of the proceeds to support persons in their communities.

SUPREME VENTURES FOUNDATION

SUPREME HEROES (CONT'D)

With the selection of the four (4) heroes, SVF will conduct an Organisational Capacity Assessment of each business to determine the greatest needs and how best to build capacity through the management of monthly funds. This, while ensuring that business plans are created while implementing leadership, financial and customer service training.

The programme will end in mid-2020 with the award of a larger grant to the business that demonstrated the greatest capacity to continue driving sustainability while positively impacting the community.

LOOKING INTO THE FUTURE

The Supreme Ventures Foundation has made an indelible mark on the lives of children living in state care and will continue to ensure that these children are protected. With its targeted initiatives, the Foundation is confident that the nations' children will secure a better future which will result in a better Jamaica where all its citizens are focused on protecting and caring for the vulnerable in the society. This will auger to a better nation living the truth of what partnerships at all levels can accomplish.

The Board of SVF consists of Chairman Peter McConnell and Directors Christopher Berry and Heather Goldson.


SUPREME VENTURES


SUPREME VENTURES

MAKING AN


JUNIOR CREATORS
ROBOTICS CAMP


SUPREME VENTURES

IMPACT!

Supreme Ventures Limited

Consolidated Financial Statements
31 December 2019

Supreme Ventures Limited

Index

31 December 2019

pwc

Independent auditor's report

To the Members of Supreme Ventures Limited

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of Supreme Ventures Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2019, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

Supreme Ventures Limited's consolidated and stand-alone financial statements comprise:

- the Consolidated statement of financial position as at 31 December 2019;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of changes in equity for the year then ended;
- the Consolidated statement of cash flows for the year then ended;
- the Company statement of financial position as at 31 December 2019;
- the Company statement of comprehensive income for the year then ended;
- the Company statement of changes in equity for the year then ended;
- the Company statement of cash flows for the year then ended; and
- the notes to the consolidated and stand-alone financial statements, which include significant accounting policies.

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 stand-alone 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.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: 876) 922 7581, www.pwc.com/jm

L.A. McKnight P.E. Williams B.L. Scott B.J.Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K.Moore T.N. Smith DaSilva K.D. Powell

pwc

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.

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is comprised of 15 reporting components (7 components representing inactive entities) of which, we selected 4 components for testing. These 4 components represent the principal business units within the Group and covered entities within Jamaica.

A full scope audit was performed for Prime Sport (Jamaica) Limited, Supreme Ventures Racing and Entertainment Limited and Big 'A' Track 2003 Limited as these entities were determined to be individually financially significant entities. Additionally, based on our professional judgement, Post to Post Betting Limited was selected and audit procedures were performed on specific account transactions and balances due to the materiality of certain individual amounts to the consolidated financial statement. All of the in-scope components were audited by a PwC firm.

In establishing the overall Group audit strategy and plan, we determined the type of work that is needed to be performed at the component level by the Group engagement team and by the component auditors. The team members on the component audit team were also the same as those on the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters, as it pertains to the stand-alone financial statements in our report.

Key audit matter	How our audit addressed the key audit matter
Business combination *Refer to 2(b) and 36 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates and balances.*	

The Group acquired 51% of the issued share capital of Post to Post Betting Limited (PTBL) for a total consideration of $572 million. With the significant shareholding and certain changes to the composition of PTBL's board, management concluded that it obtained control of PTBL, and consequently, that PTBL became a subsidiary of the Group.
 	
The accounting for the acquisition was a key audit matter because it was a significant transaction for the year, given the financial and operational impacts on the Group. We focused on this area due to nature of the business combination, the requirements of which can be complex and require management to exercise judgement in determining certain estimates. The complex judgements include determining, identifying and estimating the fair value of PTBL and the intangible assets acquired. The Group was assisted by external valuation experts in this process.
	With the assistance of our valuation experts, we tested the fair value of PTBL and of the intangible assets recognized, as follows:
	• Evaluated the application of valuation methodology utilised to derive the fair value of identified intangible assets.
	• Tested the reasonableness of valuation assumptions and inputs by:
	  ○ Referencing historical information in management's cash flow projections to supporting documents and information;
	  ○ Corroborating the revenue forecasts, retention ratio, expense forecasts, capital and growth rates by comparison to independent economic and statistical data;
	  ○ Comparing the discount rates to that used by other market participants; and
	  ○ Agreeing the remaining useful life of each intangible asset identified to the period over which the cash flows are expected to be generated.
	• Tested the mathematical accuracy of management's discounted cash flows by reperforming the underlying calculations.
	• Assessed the competence and capability of management's valuation expert.
	
	Based on the procedures performed, no adjustments were considered necessary.

Impairment Assessment of Goodwill *Refer to notes 2 (g), 4(ii) and 19 to the consolidated financial statements for disclosures of related accounting policies, judgments and estimate and balances.*	
Goodwill accounts for $451 million or 4.79% of total assets for the Group as at 31 December 2019.	We tested management's assumptions used in their impairment testing model for goodwill, including the future cash flow projections, discount rates and growth rates applied. With the assistance of our valuations experts, we performed the following procedures:

Key audit matter	How our audit addressed the key audit matter
Management performs an annual impairment analysis over the goodwill balance. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. We focused on this area as the assessment of the carrying value of goodwill involves significant judgement in relation to forecasting future cash flows and is sensitive to growth rates, discount rates, weighted average cost of capital (WACC), tax rates and capital expenditures applied to the future cash flows.	• Obtained management's discounted cash flow model (DCF) including qualitative and quantitative analyses and obtained an understanding of the process used by management to determine fair value of each cash generating unit. • Agreed the 31 December 2019 base year financial information to audited results and compared the current year forecast to most recent audited results. We compared previous forecasts to actual results to assess the performance of the business and the accuracy of management's forecasting. • Tested management's assumptions as follows: ➢ ***Revenue growth rates*** – compared the revenue growth rates to historical revenue growth and externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, inflation and discount rates; ➢ ***Tax rates*** - compared the tax rate to the entity's effective tax rate; ➢ ***Capital expenditures*** –compared capital expenditures to historical amounts and discussed with management their capital expenditure plans; ➢ ***Working capital requirements*** – compared the forecasted amounts to historical working capital requirements; and ➢ ***WACC & terminal value*** – evaluated management's weighted average cost of capital and terminal value, whereby we developed a range of parameters using available market inputs and performed sensitivity analyses using these parameters to determine the reasonableness of management's fair value measurements. • Considered subsequent events and impact on the entity's cash flows and forecasts. • In testing management's evaluation model, we checked the calculations for mathematical accuracy and considered the sensitivity of the calculation by varying the key assumptions and adjustments within management's forecast. Based on the testing performed, no adjustment to the carrying value of goodwill was considered necessary.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties *Refer to notes 2 (f), 4 (i) and 18 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates and balances.*	
Investment properties represented $901 million or 9.56% of total assets for the Group as at 31 December 2019. The determination of the fair value of investment properties requires significant judgement and is inherently subjective due to, among other factors the individual nature of each property, its location and the expected future rental income for each particular property. This combined with the fact that a small percentage difference in individual property valuation assumptions when aggregated, could result in a material misstatement, is why we have focused on this area. Management, with the assistance of independent valuation experts, used a combination of two methods to value select investment property namely, the market comparison approach and the investment approach. The market comparison approach relies on suitable and substantial sales evidence of properties within the geographic location, adjusting for certain pertinent factors, to form a basis for comparison. Whereas the investment approach capitalises the net income from the investment over its projected useful life and takes into consideration a number of factors which require estimation and judgement. The key factors include estimation of rental income; determination of a capitalisation factor; and estimation of vacancy factor. In establishing the market value for the remaining investment property, management used a combined market comparison approach and a 'residual' approach where the value was determined as that residue or difference between the gross development value of the 'highest and best use' of the site less its attendant costs.	We engaged independent qualified valuation experts that evaluated the work of management's expert. With the assistance of the independent qualified valuers, we performed the following procedures: • Evaluated the competence and objectivity of management's experts. This included confirming that they are appropriately qualified and not affiliated to the Group. • Obtained an understanding of the valuation methods used by management along with significant developments within the industry. This included appropriateness of the valuation methodology used and suitability for determining market value in accordance with the financial reporting framework. • Agreed the inputs in the various methods to supporting documentation for the key factors being the estimation of rental income, the capitalisation factor and the vacancy factor. • Evaluated management's results for the estimation of rental income, the capitalisation factor and the vacancy factor by benchmarking the assumptions used to relevant market evidence, which included performing comparisons to properties within similar geographical locations adjusted for relevant factors and developed a point estimate based on the information that was obtained from performing the above procedures Based on the testing performed, no adjustment to the carrying value of investment properties was considered necessary.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

Management is responsible for the preparation of the consolidated and stand-alone financial statements that give a true and fair view in accordance with IFRS and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group and 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 management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.

pwc

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone 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 stand-alone financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and stand-alone 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 and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 or 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 stand-alone 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 or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone 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 and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying consolidated and stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Leighton McKnight.

PricewaterhouseCoopers

Chartered Accountants
28 February 2020
Kingston, Jamaica

Supreme Ventures Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Revenue - Non-fixed odd wagering games, horse racing and pin codes	6	23,289,501	19,484,179
Income from fixed odd wagering games, net of prizes	7	15,226,809	13,451,851
Total Gaming Income		38,516,310	32,936,030
Direct Costs	9	(30,614,036)	(26,443,983)
Gross Profit		7,902,274	6,492,047
Other income	10	174,107	224,045
Selling, general and administrative expenses	11	(4,436,894)	(3,844,128)
Net Impairment losses on financial assets		(41,426)	-
Operating Profit		3,598,061	2,871,964
Finance costs	13	(145,797)	(56,026)
Revaluation gains on investment properties	18	9,446	72,500
Profit before Taxation		3,461,710	2,888,438
Taxation	14	(988,076)	(790,030)
Net Profit, being Total Comprehensive Income for the year		2,473,634	2,098,408
Net Profit, being Total Comprehensive Income for the year is Attributable to:			
Stockholders of parent company		2,441,816	2,098,408
Non-controlling interest		31,818	-
		2,473,634	2,098,408
Earnings per stock unit attributable to owners of the parent during the year			
Basic and fully diluted	16	92.59 cents	79.57 cents

Supreme Ventures Limited

Consolidated Statement of Financial Position

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Non-Current Assets			
Property and equipment	17	1,828,585	1,239,162
Investment properties	18	901,946	892,500
Goodwill and intangible assets	19	1,093,199	297,002
Long-term receivables	20	28,493	29,157
Financial assets at amortised cost		1,883	1,883
Other investments	21	17,140	17,980
Deferred tax assets	22	101,058	203,530
		3,972,304	2,681,214
Current Assets			
Inventories	23	191,900	131,089
Trade and other receivables	24	1,640,922	805,333
Current portion of long-term receivables	20	1,117	1,117
Taxation recoverable		22,972	17,167
Cash and cash equivalents	25	3,592,465	2,979,524
		5,449,376	3,934,230
Current liabilities			
Prize liabilities	26	532,173	559,403
Contract liabilities		7,089	3,414
Trade and other payables	27	2,290,569	1,937,048
Current portion of lease liabilities	31	104,814	16,287
Current portion of long-term loans	30	94,120	80,804
Income tax payable		166,954	230,110
		3,195,719	2,827,066
Net Current Assets		2,253,657	1,107,164
		6,225,961	3,788,378

Supreme Ventures Limited

Consolidated Statement of Financial Position (Continued)

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Equity			
Attributable to Shareholders of the Company			
Share capital	28	1,967,183	1,967,183
Capital reserves	29	62,486	62,486
Retained earnings	15	1,666,619	1,255,489
		3,696,288	3,285,158
Non-controlling interests		368,342	-
		4,064,630	3,285,158
Non-current liabilities			
Long term payables	30	1,428,693	79,636
Lease liabilities	31	732,638	423,584
		2,161,331	503,220
		6,225,961	3,788,378

Approved for issue by the Board of Directors on 28 February 2020 and signed on its behalf:

Gary Peart **Director**

Ann Dawn Young Sang **Director**

Supreme Ventures Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Attributable to Shareholders' of the Company					
	Number of Shares '000	**Share Capital $'000**	**Capital Reserve $'000**	**Retained Earnings $'000**	**Non-Controlling Interests $'000**	**Total $'000**
Balance at 31 December 2017	2,637,255	1,967,183	62,486	1,293,257	-	3,322,926
Profit for the year and total comprehensive income	-	-	-	2,098,408		2,098,408
Transactions with stockholders						
Distributions (note 37)	-	-	-	(2,136,176)	-	(2,136,176)
Balance at 31 December 2018	2,637,255	1,967,183	62,486	1,255,489	-	3,285,158
Profit for the period and total comprehensive income	-	-	-	2,441,816	31,818	2,473,634
Non-controlling interests on acquisition of subsidiary (note 36)	-	-	-	-	370,003	370,003
Transactions with stockholders						
Distributions (note 34)	-	-	-	(2,030,686)	(33,479)	(2,064,165)
Balance at 31 December 2019	2,637,255	1,967,183	62,486	1,666,619	368,342	4,064,630

Supreme Ventures Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Cash Flows from Operating Activities			
Profit for the year		2,473,634	2,098,408
Adjustments for:			
Depreciation of property and equipment	17	341,990	260,660
Amortisation of intangible assets	19	80,921	33,281
Gain on disposal and write-off of property and equipment	10	(1,660)	(58,522)
Revaluation gains on investment properties		(9,446)	(72,500)
Bad debts recognised		41,426	4,979
Net foreign exchange gain on cash and cash equivalents		(15,884)	(22,520)
Interest income	10	(69,231)	(63,476)
Interest expense	13	145,797	53,875
Taxation	14	988,076	790,030
Operating cash flow before movement in working capital		3,975,623	3,024,215
Change in non-cash working capital balances:			
Inventories		(60,811)	57,035
Trade and other receivables		(854,818)	213,691
Trade and other payables		263,573	78,609
Prize liabilities		(27,230)	158,623
Other Investments		(840)	(872)
Cash generated by operations		3,295,497	3,531,301
Interest paid		(111,859)	(91,929)
Taxation paid, net		(1,020,277)	(760,836)
Cash provided by operating activities		2,163,361	2,678,536
Cash Flows from Investing Activities			
Payment for acquisition of subsidiary, net of cash acquired		(442,609)	-
Acquisition of property and equipment		(627,431)	(410,324)
Acquisition of intangible assets		(7,684)	(12,728)
Proceeds on disposal of property and equipment		11,086	135,429
Long-term receivables		664	625
Short-term investment		-	100,000
Interest received		70,188	89,730
Cash used in investing activities		(995,786)	(97,268)
Cash flows from operating and investing activities carried forward		1,167,575	2,581,268

Supreme Ventures Limited

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	2019 $'000	2018 $'000
Cash flows from operating and investing activities brought forward	1,167,575	2,581,268
Cash Flows from Financing Activities		
Repayment of long-term payables	(147,867)	(21,871)
Addition of long-term liabilities	1,450,000	-
Dividends paid	(2,064,164)	(2,136,176)
Additions to finance lease	327,003	132,842
Repayment of finance lease	(135,490)	(11,144)
Cash used in financing activities	(570,518)	(2,036,349)
NET INCREASE IN CASH AND CASH EQUIVALENTS	597,057	544,919
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	15,884	(6,145)
Cash and cash equivalents at the beginning of the year	2,979,524	2,440,750
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3,592,465	2,979,524

Supreme Ventures Limited

Company Statement of Comprehensive Income

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Income	8	2,976,913	2,868,851
Operating expenses	11	(427,566)	(554,927)
Operating profit		2,549,347	2,313,924
Other income	10	14,778	16,571
Finance costs	13	(37,430)	(20,804)
Profit before taxation		2,526,695	2,309,691
Taxation	14	(21,031)	(7,170)
Net Profit, being Total Comprehensive Income		2,505,664	2,302,521

Supreme Ventures Limited

Company Statement of Financial Position

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Non Current Assets			
Property and equipment	17	75,195	139,345
Investment in subsidiaries	32	3,067,112	2,094,412
Goodwill and intangible assets	19	242,663	191,990
Long-term receivables	20	331,348	344,621
Financial assets at amortised cost		1,883	1,883
Deferred tax assets	22	1,186	3,110
		3,719,387	2,775,361
Current Assets			
Income tax recoverable		8,512	12,188
Due from subsidiaries	33	83,752	186,101
Trade and other receivables	24	754,853	52,870
Cash and cash equivalents	25	376,822	59,037
		1,223,939	310,196
Current liabilities			
Trade and other payables	27	129,083	133,027
Due to Subsidiary	33	75,199	2,686
Current portion of long-term loans		89,571	80,804
Income tax payable		7,510	-
		301,363	216,517
Net Current Assets		922,576	93,679
		4,641,963	2,869,040
Equity			
Share capital	28	1,967,183	1,967,183
Capital reserve	29	62,486	62,486
Retained earnings	15	1,251,865	776,887
		3,281,534	2,806,556
Non Current liabilities			
Long-term loans	30	1,360,429	62,484
		1,360,429	62,484
Total equity and liabilities		4,641,963	2,869,040

Approved for issue by the Board of Directors on 28 February 2020 and signed on its behalf:

Gary Peart **Director** **Ann-Dawn Young Sang** **Director**

Supreme Ventures Limited

Company Statement of Changes in Equity

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares '000	Share Capital $'000	Capital Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 31 December 2017	2,637,255	1,967,183	62,486	610,542	2,640,211
Profit for the year and total comprehensive income	-	-	-	2,302,521	2,302,521
Transactions with stockholders					
Distributions (note 34)	-	-	-	(2,136,176)	(2,136,176)
Balance at 31 December 2018	2,637,255	1,967,183	62,486	776,887	2,806,556
Profit for the year and total comprehensive income	-	-	-	2,505,664	2,505,664
Transactions with stockholders					
Distributions (note 34)	-	-	-	(2,030,686)	(2,030,686)
Balance at 31 December 2019	2,637,255	1,967,183	62,486	1,251,865	3,281,534

Supreme Ventures Limited

Company Statement of Cash Flows

Year ended 31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019	2018
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		2,505,664	2,302,521
Items not affecting cash:			
Depreciation	17	4,997	8,747
Amortisation of intangible assets	19	6,182	1,939
Dividend income	8	(2,541,078)	(2,342,788)
Gain on disposal of property and equipment	8	(1,642)	1,444
Net foreign exchange gain on cash and cash equivalents		(390)	(44)
Interest income	10	(14,778)	(16,571)
Interest expense	13	36,172	17,878
Taxation	14	21,031	7,170
Operating cash flow before movement in working capital		16,158	(19,704)
Change in non-cash working capital balances:			
Due from subsidiaries		102,349	282,481
Trade and other receivables		(700,399)	(26,498)
Income tax recoverable		(751)	(2,051)
Due to subsidiaries		72,513	(117)
Trade and other payables		(12,711)	(190,975)
Cash (used in)/ generated by operations		(522,841)	43,136
Interest paid		(36,172)	(15,629)
Cash (used in)/ provided by operating activities		(559,013)	27,507
Cash Flows from Investing Activities			
Payment for acquisition of subsidiary		(572,218)	-
Acquisition of property and equipment		(6,759)	(55,343)
Acquisition of intangible assets		(98)	(690)
Proceeds on disposal of property and equipment		10,796	-
Long-term receivables		13,273	(344,621)
Short-term investment		-	100,000
Dividends received		2,541,078	2,342,788
Interest received		14,791	17,659
Cash provided by investing activities		2,000,863	2,059,793
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(2,030,769)	(2,136,176)
Investment in subsidiary		(400,482)	-
Loan proceeds		1,450,000	-
Loan repaid		(143,287)	-
Cash used in financing activities		(1,124,538)	(2,136,176)
NET INCREASE IN CASH AND CASH EQUIVALENTS		317,312	(48,876)
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		473	44
Cash and cash equivalents at the beginning of the year		59,037	107,869
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		376,822	59,037

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activity

Supreme Ventures Limited (the Company) is a public limited liability company which is listed on the Jamaica Stock Exchange. The Company's registered office is located at the 4th Floor, R. Danny Williams Building, 28-48 Barbados Avenue, Kingston 5, Jamaica, W.I.

The Company and its subsidiaries are collectively referred to as "the Group".

The main activities of the Group comprises betting, gaming and lottery operations.

The subsidiaries and their principal activities are as follows:

Name of company	Principal activity	Country of Incorporation	Percentage Ownership 2019 %	Percentage Ownership 2018 %
Prime Sports (Jamaica) Limited and its wholly-owned subsidiaries:	Betting, gaming and lottery operations licensed by the Betting, Gaming and Lotteries Commission (BGLC)	Jamaica	100	100
Bingo Investments Limited	Not trading	Jamaica	100	100
Chillout Ventures Limited	Not trading	Jamaica	100	100
Supreme Ventures Financial Services Limited	Not trading	Jamaica	100	100
Supreme Ventures Lotteries Limited	Not trading	Jamaica	100	100
Transtel Jamaica Limited	Not trading	Jamaica	100	100
Big 'A' Track 2003 Limited	Pin code sales	Jamaica	100	100
Supreme Ventures Racing and Entertainment Limited	Betting and horse-racing operations licensed by BGLC and Jamaica Racing Commission (JRC)	Jamaica	100	100
Jamaica Lottery Company Holdings Limited	Not trading	Jamaica	100	100
Supreme Ventures Holding Limited	Not trading	Jamaica	100	100
Supreme Ventures Group Incorporated	Holding Company	St. Lucia	100	100
Supreme Guyana Incorporated	Holding Company	St. Lucia	100	100
Supreme Ventures Guyana Holdings Inc	Holding Company	Guyana	100	100
Supreme Ventures Enterprise Inc	Betting & Gaming	Guyana	100	100
Post to Post Betting Limited	Betting & Gaming	Jamaica	51	-

The shareholdings for all subsidiaries are the same as they were in the prior year, with the exception of Post to Post Betting Limited, which was not a subsidiary. 51% of Post to Post Betting was acquired on July 1, 2019.. Please see note 36 for further details.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of IFRS Interpretations Committee (IFRIC IC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain items of investment property, and certain available-for-sale investments in the prior year.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on managements' best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective in current year

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has effected the following, which are immediately relevant to its operations:

- ***IFRS 16, 'Leases'*** (effective for annual periods beginning on or after 1 January 2019). The International Accounting Standards Board (IASB) published IFRS 16, 'Leases', which replaces the current guidance in IAS 17. This will require changes in accounting by lessees in particular. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules utilizing the simplified approach under the modified retrospective approach on 1 January 2019. As such on 1 January 2019 management assessed the present value of the remaining lease payments, discounted using the incremental borrowing rate and recognized the right of use asset at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments related to the lease. See note 38 for the impact of IFRS 16 on the Company and Group

- **IFRIC 23, 'Uncertainty over income tax treatments'** (effective for annual period beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The adoption of this standard did not have a significant impact on the Group.

- **Amendment to IFRS 9, Financial instruments', on prepayment features with negative compensation** (effective for annual period beginning on or after 1 January 2019). This amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The adoption of this standard is not expected to have a significant impact on the Group. The adoption of this amendment did not have a significant impact on the Group.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in current year (continued)

- **Annual improvements 2015–2017** (effective for annual period beginning on or after 1 January 2019). These amendments include minor changes to:
  - IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  - IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The Group was not significantly impacted by these annual improvements.

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group

- **Amendments to IFRS 3 –definition of a business** (effective for annual periods beginning or after January 1, 2020)**.** This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The adoption of this amendment is not expected to have a significant impact on the Group.

  Amendments to IAS 1 and IAS 8 on the definition of material (effective for annual periods beginning or after January 1, 2020). These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.The adoption of this amendment is not expected to have a significant impact on the Group.

- **Amendments to IFRS 9, IAS 39 and IFRS 7 (**effective for annual periods beginning or after January 1, 2020) – Interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.The adoption of these amendments are not expected to have a significant impact on the Group.

  There are no other new or amended standards and interpretations that are published but not yet effective that would be expected to have an impact on the accounting policies or financial disclosures of the Group.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation

(i) *Subsidiaries*

Subsidiaries are all 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 de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations involving third parties by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of previously held interest, plus fair value of consideration transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

For business combination achieved in stages, which is also referred to as a 'step acquisition', the Group remeasures the previous non-controlling interest at its acquisition-date fair value and any resulting gain or loss recognised in profit or loss or other comprehensive income (OCI) as if the non-controlling interest was directly disposed of. The non-controlling interest after remeasurement to its acquisition-date fair value is included as a part of the overall consideration for obtaining control.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss, in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's stand-alone financial statements, investments in subsidiaries are accounted for at cost less impairment.

(ii) *Disposal of subsidiaries*

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture 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.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(c) Foreign currency translation

(i) *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 each entity operates ('the functional currency'). The consolidated financial statements are presented in Jamaican Dollars, which is the company's functional and presentation currency.

(ii) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. At the statement of financial position date, monetary assets and liabilities denominated in foreign currencies are translated using the weighted average closing exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) *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 as follows:

a) Assets and liabilities for each balance sheet presented are translated at year end rates,
b) Items affecting the statement of comprehensive income are translated at average rates, and
c) The resultant gains or losses are recognised in other comprehensive income as translation gains or losses.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Revenue recognition

Revenue is measured at the fair value consideration received or receivable for sale of goods and services in the ordinary course of the Group's activities and comprise the following elements:

(i) *Lottery*
Lottery games comprise non fixed odd wagering and fixed odd wagering games for both of which income is recognized on a draw by draw basis, at the point the draw takes place. Income for non-fixed odd games is recorded at the gross ticket sales amount and for fixed odd games at the gross ticket sales amount net of prize payouts. Fixed odd wagering games relates to games where the customer is placing a bet with the Group (at a particular win rate) and is therefore entering into a derivative. No particular good or service is provided to a customer as the customer is taking a position against the Group.

Where players wager in advance, this income is deferred and only recognised in the Statement of Comprehensive Income once the draw has taken place. Lottery tickets are sold to players by contracted retail agents and company owned locations.

Unclaimed prizes- as outlined in clause number 28 of the lottery licence held by Prime Sports (Jamaica) limited, winning tickets must be redeemed within 90 days of the relevant draw unless otherwise notified. Any valid winning ticket presented after expiration of this period maybe paid provided payment is made within 180 days of the draw, after which prizes may be paid only with the written approval of the BGLC. Fifty percent (50%) of unclaimed prizes (net of taxes where applicable) is paid over to the Consolidated Fund and the remaining fifty percent (50%) paid to the BGLC.

(ii) *Video Lottery Terminal (VLT) gaming*
VLT games are offered at gaming lounges and food and beverage operations. Income is recognised as the net win from gaming activities, which is the difference between gaming wins and losses before deducting costs and expenses at the end of each gaming day.

(iii) Slots
Slots revenue is considered fixed odd wagering game. Income is recognized as the net win from gaming activities which is the difference between gaming wins and losses before deducting costs and expenses.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(d) Revenue recognition (continued)

(iv) Horseracing

Sales from the pari-mutuel pools operated at the track and off-track, are recognised upon sale of tote tickets or on performance of the underlying service.

(v) *Sports betting*

Sports betting relates to wagers on local and international sporting events offered through the agents' network. Revenue represents the net winnings from bets taken on the local and international sporting events at all branches and agents, net of refunds. Revenue is recognised when the events have taken place.

(vi) *Pin codes*

Pin codes are sold to the public by contracted retail agents. Revenue is recognized gross when pin codes are sold.

(vii) *Hospitality and related services*

Hospitality and related services include beverage sales and are recognised when the goods/services are provided.

(viii) *Management fees*

The Group provides management services to its subsidiaries. Fees are recognised when services are provided.

(ix) *Interest income*

Interest income is accrued by reference to the principal outstanding and at the effective interest rate applicable, which is the expected rate that exactly discounts estimated future cash receipts through the life of the financial asset to that asset's net carrying amount.

(x) *Rental income*

Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the lease.

(xi) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(e) Property, plant and equipment

Land and buildings comprise mainly offices. Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

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

Land, art and paintings are not depreciated as they are deemed to have indefinite lives. For all other property, plant and equipment, depreciation is calculated at annual rates on the straight-line basis to write-off the cost of the assets to their residual values over their estimated annual useful lives as follows:

Freehold buildings	20-40 years
Video lottery terminal equipment	5-10 years
Furniture, fixtures machinery & equipment	3-10 years
Computer equipment	3-5 years
Motor vehicles	5-8 years
Signs & posters	5-10 years
Leased assets	Shorter of lease term and useful lives
Leasehold improvements	Shorter of lease term and useful lives

Upon adoption of IFRS 16, the right of use asset related to leased assets has been included in Property, plant and equipment. See note 2 (s) for the accounting policy.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(e) Property, plant and equipment (continued)

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in operating profit.

Repairs and maintenance expenditure is charged to profit or loss during the financial period in which it is incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

(f) Investment properties

Investment properties, comprising freehold lands and buildings, are held for long-term rental yields, are not occupied by the Group. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other income.

(g) Intangible assets

(i) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. 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.

(ii) *Trademarks and licences*

Trademarks, licences and permits with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate, with the effect of any changes in estimate being accounted for on a prospective basis. Amortisation is charged on the straight-line basis over the estimated useful lives. Useful lives are currently estimated as follows:

Licenses and permits	5 years
Trademarks	10 years

Trademarks, licences and permits with indefinite useful lives are measured at cost less accumulated impairment losses. The useful lives of such assets are reviewed at each reporting date to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(g) Intangible assets (continued)

(iii) Other intangible assets

Other intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on the straight-line basis over its estimated useful life. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate, with the effect of any changes in the estimate being accounted for on a prospective basis.

The amortisation rates are as follows:

Computer software	3 years
Software usage rights	10 years
Branch Network	11 Years
Non-Competitive Agreement	3 years

(iv) Derecognition of goodwill and intangible assets

Intangible assets (excluding goodwill) are derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from the derecognition of intangible assets, measured as the difference between the net proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(h) Assets held for sale

Non-current assets, comprising assets and liabilities, that are expected to be recovered primarily through sale, rather than continuing use, are classified as held for sale. Assets held for sale are measured at the lower of their carrying value and fair values less cost to sell.

Impairment losses on initial reclassification as held for sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Once classified as held for sale, property and equipment are no longer depreciated.

(i) Impairment of non-financial assets

Assets that have an indefinite useful life not subject to amortisation are tested annually for impairment or more frequently if assets or changes in circumstances indicate a potential impairment. Assets that are subject to amortisation 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 asset's carrying amount 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 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 date.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(j) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets
The Group's financial assets comprise cash and short term investments, trade and other receivables and amounts due from related parties.

Financial liabilities
The Group's financial liabilities comprise payables, amounts due to related parties and borrowings.

(i) Classification of financial instruments

The Group classifies its financial assets as those to be measured at amortised cost.

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

The Group reclassifies debt investments 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.

Impairment
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group classifies its debt instruments at amortised cost.

Assets that are 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 the income statement using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the income statement.

Other financial liabilities: Long-term liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, long-term liabilities are measured at amortised cost using effective interest method.

Prize liabilities, *Trade and other payables*, and *Due to subsidiaries* are measured at amortised cost.

Lottery and sports betting prizes

All prizes are recorded at the actual amount except for the annuity-funded prize, which is paid out on a deferred basis. The actual prize expense for this type of prize is based on the present value of an annuity using the interest yield on the investment acquired to fund the annuity.

Impairment
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

Financial liabilities

The Group's financial liabilities are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned to inventories by the method most appropriate to the particular class of inventory, being valued on a first-in, first-out basis (FIFO). Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(l) Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables based on a review of all outstanding amounts at the year-end. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance. Details about the Company's impairment policies and the calculation of the loss allowance are provided in Note 3(a).

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term deposits with original maturities of three months or less, net of bank overdrafts. In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and at bank and short-term bank deposits. Bank overdrafts are shown in current liabilities on the statement of financial position.

(n) Income taxes

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted or substantively enacted tax rates are used in the determination of deferred income tax.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(n) Income taxes (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income, in which case, deferred tax is also dealt with in other comprehensive income.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(p) Share capital

Ordinary stock units are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new stock units or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(q) Borrowings

Borrowings are recognised initially at cost, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(r) Employee benefit costs

(i) The Group is the sponsoring employer of a defined contribution pension scheme under the control of trustees and administered by a licensed organisation. Contributions are recognised as an expense by the employer as incurred.

(ii) Employee leave entitlements are recognised when they accrue to employees. A provision is made for the estimated liability for vacation leave as a result of services rendered by employees up to the reporting date.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(s) Leases

Lessee

The Group leases various retail locations and equipment. Rental contracts are typically made for fixed periods of five years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates 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 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 1 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 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
- 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.
The lease payments are discounted using the lessee's incremental borrowing rates, 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.

Lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight line basis over the lease term (note 18). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(t) Finance costs

Finance costs includes interest payable on borrowings calculated using the effective interest method, interest on finance leases, material bank charges and foreign exchange gains and losses recognised in profit or loss.

(u) Dividend distribution

Dividend distribution is recognised as equity in the financial statements in which the dividends are approved by the shareholders of the Group.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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 company or the counterparty.

(w) Earnings per share

Earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(x) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results are reported to the Group's executive management (collectively considered the chief operating decision maker) which includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

All transactions between business segments are conducted on an arm's length basis, with intersegment revenue and cost eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

Overseas entities are not considered material at this time.

The Group's reportable segments under IFRS 8 are as follows:

(i)	Lottery	-	Lottery games offered through the agents' network.
(ii)	Gaming and hospitality	-	Video Lottery Terminal (VLT) games offered at gaming lounges and food and beverage operations.
(iii)	Sports betting	-	Wagers on local and international sporting events offered through the agents' network.
(iv)	Horse racing	-	Local races and simulcast sales.
(v)	Pin codes	-	Sale of pin codes through the agents' network.
(vi)	Other	-	All other income.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management

Financial risk factors

Financial risk management objectives

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk including interest rate risk, and currency risk. Information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk is detailed below.

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the business and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

A risk management approach is adopted which involves employees at all levels. This framework is supported by sound risk management practices which include the establishment of enterprise-wide policies, procedures and limits, monitoring and measurement of exposure against established limits, ongoing realignment of business strategies and activities and the reporting of significant exposures to senior management and the Board of Directors.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board's risk management mandate is principally carried out through the Audit Committee.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures. The Committee also ensures compliance with internal, legal and regulatory policies, identifying, monitoring, measuring and reporting significant risk exposure and making recommendations in relation to management of risk.

This Board Committee also has direct responsibility for the management of financial instrument risk which includes credit, liquidity and market risks.

(a) Credit risk

The Group is exposed to credit risk, which is the risk that its customers or counterparties may default and could cause a financial loss for the Group by failure to discharge their contractual obligations. This arises principally from cash and cash equivalents, trade receivables, other investment and long-term receivables. Credit risk is an important risk for the Group's business and management therefore carefully monitors its exposure to credit risk.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

The Group controls credit exposure by maintaining a strict collection process. Lottery sale agents are required to remit cash collections weekly which are monitored on a weekly basis by identification and transfer to designated bank accounts. A process of suppression of agent activity is triggered for non-compliance.

Credit review process

The Group has four types of financial assets that are subject to the expected credit loss model:

i. trade receivables,
ii. long term receivables,
iii. Intercompany and related party balances, and
iv. other debt instruments carried at amortised cost.

While cash at bank is also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group's credit risk is managed through a framework which incorporates the following:

(i) Cash and cash equivalents

The Group maintains cash resources with reputable financial institutions. The credit risk is considered to be low.

(ii) Trade and long-term receivables

The Group establishes policies and procedures which govern standards for granting credit and the process of continuous monitoring and measurement in relation to credit quality through industry delinquency and debt recovery management.

Trade receivables are monitored and managed by the Finance Department in collaboration with the Field Area Management team, which has responsibility for liaising with the sales agents.

The Group's average credit period on the sales of services is seven days. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. To measure the expected credit losses, the Group first considers whether any individual customer accounts require specific provisions. Loss rates are then assigned to these accounts based on an internal risk rating system considering various qualitative and quantitative factors. All other non-specific trade receivables are then Grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 1 January 2019 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 and other factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP growth to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for trade receivables:

31 December 2019	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Expected loss rate	0.15%	35.06%	57.16%	100%	52.65%
Gross carrying amount $'000 – trade receivables	395,744	9,514	2,438	442,067	849,763
Loss allowance provision $'000	600	3,336	1,394	442,067	447,397

31 December 2018	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Expected loss rate	1.12%	1.15%	1.72%	99.79%	51.89%
Gross carrying amount $'000 – trade receivables	378,126	6,613	5,664	413,650	804,053
Loss allowance provision $'000	4,251	76	97	412,800	417,224

The closing loss allowance provision for trade receivables as at 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

	2019	**2018**
	$'000	**$'000**
Opening loss allowance at 1 January	417,224	408,245
Increase in loss allowance recognised in profit or loss during the period	60,669	28,033
Receivables written off during the year as uncollectible	-	-
Unused amounts reversed	(30,496)	(19,054)
Closing loss allowance at 31 December	447,397	417,224

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst other, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 360 days past due.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Trade receivables and contract assets (continued)

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The ageing analysis of trade receivables is as follows:

	2019	2018
	$'000	$'000
Current	354,022	371,785
8 to 30 days	41,722	28,391
31 to 60 days	9,514	6,888
61 to 90 days	2,438	5,721
Over 90 days	442,067	391,268
	849,763	804,053

Other debt instruments at amortised cost

Other financial assets at amortised cost include balances due from related parties, long term receivables, short term investments and other receivables.

All of the entity's debt instruments at amortised cost are considered to have low credit risk and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management considers these instruments 'low credit risk' when there is a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

There was no opening loss allowances calculated on balances due from related parties and short term investments and no movement during the current year. The loss allowance for other debt instruments at amortised cost as at 31 December reconciles to the opening loss allowance as follows:

	2019	2018
	$'000	$'000
Opening loss allowance at 1 January	8,241	12,241
Increase in loss allowance recognised in profit or loss during the period	11,169	-
Receivables recovered	-	(4,000)
Closing loss allowance at 31 December	19,410	8,241

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Trade receivables that are considered impaired

Certain trade receivables are considered impaired and have been fully provided for. The movement in the provision for these trade receivables was as follows:

	2019 $'000	2018 $'000
At start of year	417,224	408,245
Provision for credit losses	60,669	28,033
Unused amounts reversed	(30,496)	(19,054)
At end of year	447,397	417,224

Credit exposure for trade receivables

The credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector, was as follows:

	2019 $'000	2018 $'000
Lottery agents	707,978	700,354
VLT Gaming Customers	23,707	23,754
Sports Betting Agents	66,756	33,022
Off-Track Betting Parlours	51,322	46,923
	849,763	804,053
Less: Provision for credit losses	(447,397)	(417,224)
	402,366	386,829

(b) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

There has been no material change in the Group's exposure to liquidity risk or the manner in which it measures and manages liquidity risk.

(i) Management of liquidity risk

The Board of Directors approves the Group's liquidity and funding management policies and establishes risk limits.

The Group's Finance Department has direct responsibility for the management of the day-to-day liquidity. The Audit Committee provides added oversight over the Group's liquidity risk exposure, within the policy and limits frameworks established by the Board.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

The management of liquidity risk is carried out through various methods which include:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow within the local and international markets;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Maintenance of liquidity and funding contingency plans.

An analysis of the undiscounted cash flows of the Group's financial liabilities on the basis of their earliest possible contractual maturity is presented below. The analysis provided is by estimating timing of the amounts recognised in the statement of financial position. The Group does not expect that its creditors will demand the payment of funds at the earliest date possible.

	The Group						
	Less than 6 Months $'000	6-12 Months $'000	1-2 Years $'000	2-5 Years $'000	Over 5 Years $'000	Total Contractual Cashflows	Carrying amount (assets)/ Liabilities $'000
				2019			
Prize liabilities	532,173	-	-	-	-	532,173	532,173
Trade and other payables	1,792,307	-	-	-	-	1,792,307	1,792,307
Long term payables	41,499	59,619	299,304	767,382	743,105	1,910,908	1,522,813
Lease liabilities	105,311	69,593	153,078	313,483	912,232	1,553,698	837,452
	2,471,290	129,212	452,382	1,080,865	1,655,337	5,789,086	4,684,745
				2018			
Prize liabilities	559,403	-	-	-	-	559,403	559,403
Trade and other payables	1,824,694	-	-	-	-	1,824,694	1,824,694
Long term payables	37,754	52,856	66,198	7,200	7,266	171,274	161,354
Lease liabilities	9,614	12,290	61,133	171,193	902,267	1,156,497	423,583
	2,431,465	65,146	127,331	178,393	909,533	3,711,868	2,969,034

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

The Company

	Less than 6 Months $'000	6-12 Months $'000	1-2 Years $'000	2-5 Years $'000	Over 5 Years $'000	Total Contractual Cashflows	Carrying amount (assets)/ Liabilities $'000
				2019			
Trade and other payables	103,397	-	-		-	103,397	103,397
Due to related party	75,199	-	-		-	75,199	75,199
Long Term Payables	36,688	52,883	288,089	732,584	701,361	1,811,605	1,450,000
	215,284	52,883	288,089	732,584	701,361	1,990,201	1,628,596
				2018			
Trade and other payables	133,027	-	-	-	-	133,027	133,027
Due to related party	2,686	-	-	-	-	2,686	2,686
Long term payables	37,004	51,806	64,398	-	-	153,208	143,287
	172,717	51,806	64,398	-	-	288,921	279,000

(c) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Board and management have responsibility for the monitoring of market risk exposures by way of measurements through sensitivity analysis. Market information and additional analysis are also used to manage risk exposure and mitigate the limitation of sensitivity analysis.

There has been no material change to the Group's exposure to market risks or the manner in which it manages and measures risk.

(i) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk as a result of transactions that are denominated in a currency other than the Jamaica dollar. The main currency giving rise to the exposure in the current year was the United States dollar.

Foreign currency risk management

The Group manages its foreign currency risk by ensuring that the net exposure in foreign currency denominated assets and liabilities is kept to an acceptable level by monitoring currency positions.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

The following table summarises the Group's exposure to foreign currency exchange rate risk:

	The Group	
	2019	**2018**
	USD	**USD**
	J$'000	**J$'000**
Assets		
Cash and cash equivalents	479,850	312,041
	479,850	312,041
Liabilities		
Trade and other payables	(81,270)	(21,639)
	(81,270)	(21,639)
Net exposure	398,580	290,402

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

	The Company	
	2019	**2018**
	USD	**USD**
	J$'000	**J$'000**
Assets		
Cash and cash equivalents	12,968	1,813
Liability		
Trade and other payables	(2,872)	(3,116)
Net exposure	10,096	(1,303)

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

The Group's sensitivity to a 4% revaluation or 6% devaluation (2018: 2% revaluation or 4% devaluation) of the Jamaica dollar against the USD is demonstrated below and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign-currency-denominated monetary items and adjusts the translation at period end for a 4% increase or 6% decrease (2018: 2% increase or 4% decrease) in the foreign exchange rates.

The increase or decrease in the relative value of the Jamaica dollar on the foreign currency exposure would have an effect on profit/loss as reflected below:

	The Group			
	2019		**2018**	
	Devaluation	**Revaluation**	**Devaluation**	**Revaluation**
	6%	4%	4%	2%
	$'000	**$'000**	**$'000**	**$'000**
USD	23,915	15,943	11,616	5,808

	The Company			
	2019		**2018**	
	Devaluation	**Revaluation**	**Devaluation**	**Revaluation**
	6%	4%	4%	2%
	$'000	**$'000**	**$'000**	**$'000**
USD	606	404	(52)	(26)

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Mismatch of positions between assets and liabilities in periods of rising or declining interest rates may also result in loss of earnings. Management sets limits on the level of mismatch of interest rate re-pricing that may be undertaken. This is monitored on a periodic basis.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

Management of interest rate risk

Interest rate risk exposure is measured using sensitivity analysis.

	The Group		The Company	
	Carrying value		Carrying value	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Fixed rate instruments:				
Financial assets	1,695,128	1,606,195	37,221	36,632
Financial liabilities	2,304,591	601,139	1,450,000	143,288
Variable rate:				
Financial assets	649,813	109,409	328,462	1,082

Interest rate sensitivity analysis

Interest rate sensitivity has been determined based on the exposure to interest rates for the Group's long-term loan receivable and short-term deposits at the end of the reporting period as these are substantially the interest sensitive instruments impacting the Group's financial results. For floating rate assets, the analysis assumes the amount of asset outstanding at the statement of financial position date was outstanding for the whole period. A 100 basis point increase or 100 basis point decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management

(c) Market risk (continued)

(i) Interest rate risk (continued)

If market interest rates had been 100 basis points higher or lower and all other variables were held constant, the effect on the Group's profit would have been as follows:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Effect of increase of 100 basis points (2018:100 basis points on profit) on profit	6,498	1,094	3,285	11
Effect of decrease of 100 basis points (2018:100 basis points on profit) on profit	(6,498)	(1,094)	(3,285)	(11)

(d) Capital management

The capital structure of the Group consists of equity attributable to the stockholders of the parent company comprising issued capital, reserves and retained earnings.

The Group's objectives when managing its capital structure, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

(i) To comply with the capital and cash reserve requirements set by the regulators;

(ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and

(iii) To maintain a strong capital base to support the development of its business in accordance with licensing requirements.

Net debt to equity ratio

The net debt to equity ratio increased from 18% to 59% following the adoption of IFRS 16 *Leases.* Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019. The net debt includes loan balance of $1.45 billion acquired during the year, excluding this loan the ratio increased from 18% to 23%.

There were no other material changes to the Group's approach to capital management during the year. The Group is exposed to externally imposed capital requirements through debt covenants as outlined in the loan agreement with Sagicor. The financial covenants include: the Minimum debt service coverage ratio, Current ratio and maximum leverage ratio. The Group was in compliance with the financial covenants as at the year end.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management

(e) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the fair value of an instrument is measured by using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, valuation techniques are used that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If it is determined that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – Quoted market price (unadjusted) in an active market for identical assets or liabilities.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads, and other premiums used in estimating discount rates.

Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(e) Fair value measurement(continued)

The following methods and assumptions have been used:

(i) The fair value of cash and cash equivalents, trade and other receivable, other investment and trade and other payable are assumed to approximate their carrying values due to their relatively short-term nature.

(ii) The carrying value of long-term receivables, contingent consideration payable, long-term payables and prize liabilities approximate their fair values as they are carried at amortised cost and the interest rates are reflective of current market rates for similar transactions.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The key sources of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements, or which have a risk of material adjustment in the next year, are as follows:

(i) Revaluation of investment properties

The Group uses professional valuators to determine the fair value of its investment properties. Valuations are determined through the application of a variety of different valuation methods which are all sensitive to the underlying assumptions chosen.

(ii) Impairment of goodwill and intangible assets

Impairment of goodwill and intangible assets is dependent upon management's internal assessment of future cash flows from the cash-generating units that gave rise to the goodwill and intangible assets. That internal assessment determines the amount recoverable from future use of those units. In addition, the estimate of the amount recoverable from future use of those units is sensitive to the discount rates used.

(iii) Allowance for expected credit losses on receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.

(iv) ***Determining the 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 administrative offices, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, 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 Group could replace the assets without significant cost or business disruption.

Supreme Ventures Limited

Notes to the Separate Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting

	2019							
	Lottery	**Horseracing**	**Gaming & Hospitality**	**Sports Betting**	**Pin Codes**	**Others**	**Unallocated**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-fixed odd wagering games	3,606,036	6,969,900	383,871	575,023	11,351,275	403,396	-	23,289,501
Income from fixed odd wagering games	14,631,709	-	-	595,100	-	-	-	15,226,809
Total gaming income	18,237,745	6,969,900	383,871	1,170,123	11,351,275	403,396	-	38,516,310
Result								
Segment result	3,389,073	(214,206)	42,497	90,020	132,790	6,180	82,476	3,528,830
Interest income								69,231
Net foreign exchange loss								(31,684)
Finance costs								(114,113)
Revaluation gain investment property								9,446
Profit before taxation								3,461,710
Taxation								(988,076)
Profit for the year								2,473,634
Other information								
Capital expenditure	325,427	90,050	96,002	255,229	-	-	95,780	862,488
Depreciation, amortisation and write-offs	135,769	105,058	96,583	80,826	-	-	4,675	422,911
Segment assets	2,509,155	959,778	287,938	1,238,616	995,600	-	3,430,593	9,421,680
Segment liabilities	1,187,604	788,117	43,181	381,885	813,940	-	2,142,323	5,357,050

Supreme Ventures Limited

Notes to the Separate Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

	2018							
	Lottery	**Horseracing**	**Gaming & Hospitality**	**Sports Betting**	**Pin Codes**	**Others**	**Unallocated**	**Group**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-fixed odd wagering games	2,779,780	6,123,309	353,927	-	9,882,295	344,868	-	19,484,179
Income from fixed odd wagering games	13,203,974	-	-	247,877	-	-	-	13,451,850
Total gaming income	15,983,754	6,123,309	353,927	247,877	9,882,295	344,868	-	32,936,030
Result								
Segment result	2,909,227	(252,078)	21,208	(26,892)	89,113	27,147	40,763	2,808,488
Interest income								63,476
Net foreign exchange loss								(2,151)
Finance costs								(53,875)
Revaluation gain investment property								72,500
Profit before taxation								2,888,438
Taxation								(790,030)
Profit for the year								2,098,408
Other information								
Capital expenditure	57,676	228,571	17,453	313	-	18,231	100,808	423,052
Depreciation, amortisation and write-offs	98,092	124,181	44,690	30,909	3,016	-	42,497	343,385
Segment assets	2,611,139	959,378	243,953	16,724	1,212,060	37,584	1,534,559	6,615,397
Segment liabilities	1,402,833	890,247	62,120	21,095	813,287	7,678	133,027	3,330,285

Supreme Ventures Limited

Notes to the Separate Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

6. Revenue - Non-Fixed Odd Wagering Games, Horse Racing and Pin Codes

The group recognised non-fixed odds revenue of $23.29 billion in 2019 (2018: $19.48 billion).

Revenue is recognised at a point in time.

7. Income from Fixed Odd Wagering Games

The group recognised gross sales from fixed odds wagering games of $49.89 billion (2018: $43.48 billion) and after prize pay-outs of $34.66 billion (2018: $30.02 billion), resulting in net gaming income of $15.23 billion (2018: $13.45 billion)

8. Income

	The Company	
	2019	**2018**
	$'000	**$'000**
Gain on disposal of property, plant and equipment	1,642	1,444
Management fee income	434,193	524,164
Dividend income	2,541,078	2,342,788
Miscellaneous income	-	455
	2,976,913	2,868,851

Supreme Ventures Limited

Notes to the Separate Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

9. Direct Costs

	The Group	
	2019	**2018**
	$'000	**$'000**
Lottery and Sports betting prizes	1,408,314	1,337,412
Horseracing dividends	5,047,042	4,106,208
Pin Codes	10,520,546	9,156,904
Gross Profit surcharge	3,737,421	3,097,083
Agents' commissions	3,268,413	3,012,620
Service contractor fees	2,667,882	2,375,898
Good cause fees	1,860,223	1,651,303
Contributions to Guyana Gaming Authority	174	-
Contributions to BGLC	941,671	836,569
Horseracing purse fees	726,115	709,939
Horseracing satellite services	300,757	67,500
Contributions to JRC	74,992	58,875
Others	60,486	33,672
	30,614,036	26,443,983

10. Other Income

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Interest income	69,231	63,476	14,778	16,571
Rental income	36,958	26,116	-	-
Gain on disposal of property, plant and equipment	1,660	58,522	-	-
Miscellaneous income	66,258	75,931	-	-
	174,107	224,045	14,778	16,571

Supreme Ventures Limited

Notes to the Separate Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

11. Expenses by Nature/ Selling, General and Administrative Expenses

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Staff costs (Note 12)	1,571,248	1,320,243	146,789	171,061
Rental and utilities	341,415	357,230	5,547	2,064
Auditors' remuneration	41,227	28,700	16,298	9,378
Depreciation and amortisation (Note 17 & 19)	422,911	293,881	11,181	10,686
Professional fees	233,713	313,600	97,723	170,520
Marketing and business development	423,139	218,694	13,594	1,424
Draw expenses	224,380	240,402	-	-
Subscription and donations	207,478	104,281	9,155	6,583
GCT irrecoverable	164,453	176,896	17,815	27,975
Security	129,772	107,216	7,777	9,858
Licences and other fees	100,400	97,547	168	5,954
Local and foreign travel	42,350	59,449	2,125	27,945
Repairs and maintenance	191,621	188,879	76	304
Equipment and motor vehicle expenses	21,869	49,509	1,298	1,985
Bad debts	-	4,979	-	-
Directors' fees	106,966	102,935	80,732	80,948
Bank charges	51,499	48,071	848	1,225
Internal audit remuneration	2,134	20,798	2,134	19,637
Administrative expenses	116,594	74,538	11,874	5,528
Insurance	38,005	26,480	1,763	1,621
Others	5,720	9,800	669	231
	4,436,894	3,844,128	427,566	554,927

Supreme Ventures Limited

Notes to the Separate Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

12. Staff Costs

Staff costs comprise:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Salaries and wages	1,198,904	943,890	99,094	102,526
Payroll taxes – employer's portion	133,810	106,669	15,344	15,502
Pension costs – defined contribution	26,957	25,776	233	582
Other	211,577	243,908	32,118	52,451
	1,571,248	1,320,243	146,789	171,061

13. Finance Costs

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Interest on bank overdraft and long-term loans	39,936	21,183	36,172	17,878
Interest on obligations under finance lease	74,177	32,692	-	-
Net foreign exchange losses	31,684	2,151	1,258	2,926
	145,797	56,026	37,430	20,804

14. Taxation

Taxation is based on profit before tax and comprises:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Current tax	937,509	827,380	19,107	4,802
Deferred tax (Note 22)	50,567	(37,350)	1,924	2,368
	988,076	790,030	21,031	7,170

Supreme Ventures Limited

Notes to the Separate Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

14. Taxation (Continued)

The tax on the profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Profit before tax	3,461,710	2,888,438	2,526,695	2,309,691
Tax calculated at 25%	865,428	722,110	631,673	577,423
Expenses not deductible for tax purposes	28,439	17,866	18,160	8,860
Income not subject to tax	-	-	(635,269)	(585,697)
Tax in respect of prior years	5,490	(9,271)	7,555	3,687
Other charges and credits	88,719	59,325	(1,088)	2,897
Tax charge	988,076	790,030	21,031	7,170

(a) Tax losses of the Group amounting to $789 million (2018: $578 million) subject to agreement with the Commissioner General, Tax Administration Jamaica, are available for set-off against future taxable profits of the subsidiaries. Unutilised tax losses can be carried forward indefinitely and can be used to offset up to 50% of each year's taxable profits.

(b) A deferred tax asset of $167 million (2018: $77 million) in Supreme Ventures Racing & Entertainment Limited has not been recognised, as directors and management consider that the entity is in its development phase and the strategies initiated to utilise the deferred tax asset are still in progress.

Supreme Ventures Limited

Notes to the Separate Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

15. Net Profit and Retained Earnings

The net profit and retained earnings attributable to the shareholder of the Group are reflected in the accounts of the Company and its subsidiaries as follows:

Net profit	**2019 $'000**	**2018 $'000**
The Company	2,505,664	2,302,521
Less Dividend Income from subsidiaries	(2,541,078)	(2,342,788)
Less Management fee income from subsidiaries	(434,193)	(524,164)
The Company	(469,607)	(564,431)
Subsidiaries	2,911,423	2,662,839
	2,441,816	2,098,408

Retained earnings	**2019 $'000**	**2018 $'000**
The Company	1,251,865	776,887
Subsidiaries	414,754	478,602
	1,666,619	1,255,489

16. Earnings per Stock Unit

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders, by the weighted average number of ordinary stock units in issue during the year.

	2019 $'000	**2018 $'000**
Profit for the year attributable to ordinary shareholders	2,441,816	2,098,408
Number of shares	2,637,255	2,637,255
Total earnings per share attributable to ordinary share holders	**92.59 cents**	**79.57 cents**

Supreme Ventures Limited

Notes to the Separate Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

17. Property and Equipment

	The Group												
	Freehold Land	Freehold Buildings	Leased Property	Leasehold Improvements	Leased Tote Equipment	Video Lottery Terminal Equipment	Furniture, Fixtures, Machinery & Equipment	Computer Equipment	Motor Vehicles	Arts & Paintings	Signs & Posters	Capital Work-in-Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost													
December 31, 2017	33,700	84,272	417,911	402,273	-	475,355	1,131,908	106,421	136,209	2,634	33,458	26,455	2,850,596
Additions	-	-	-	23,199	-	16,381	150,948	32,505	41,661	216	2,767	142,647	410,324
Transfers	-	-	-	8,787	-	-	59,632	85	-	-	-	(68,504)	-
Disposals/Write-offs	(20,700)	(27,447)	-	(32,078)	-	(113,166)	(435,796)	(31,345)	(67,866)	-	(25,700)	(11,978)	(766,076)
December 31,2018	13,000	56,825	417,911	402,181	-	378,570	906,692	107,666	110,004	2,850	10,525	88,620	2,494,844
Additions	-	1,878	247,946	42,921	-	43,520	107,995	51,462	50,918	-	12,643	68,148	627,431
Acquisition of subsidiary	-	121,961	222,228	29,499	-	-	103,305	27,552	12,610	-	6,786	-	523,941
Transfers (i)	-	2,787	-	11,075	-	-	43,682	22,978	-	-	792	(144,659)	(63,345)
Transfer previously existed finance leases (i)	-	-	5,291	(5,291)	101,185	-	(101,185)	-	-	-	-	-	-
Disposals/Write-offs	-	-	-	-	-	-	(2,374)	(451)	(21,700)	-	-	-	(24,525)
December 31, 2019	13,000	183,451	893,376	480,385	101,185	422,090	1,058,115	209,207	151,832	2,850	30,746	12,109	3,558,346
Accumulated depreciation													
December 31,2017	-	12,346	11,609	308,036	-	399,231	746,528	80,403	100,398	-	27,566	-	1,686,117
Depreciation	-	1,621	13,930	38,833	-	24,111	148,122	17,851	14,867	-	1,325	-	260,660
Disposals/Write-offs	-	(3,674)	-	(32,079)	-	(113,166)	(420,181)	(30,087)	(66,208)	-	(25,700)	-	(691,095)
December 31, 2018	-	10,293	25,539	314,790	-	310,176	474,469	68,167	49,057	-	3,191	-	1,255,682
Depreciation	-	3,036	118,835	33,853	20,237	28,437	87,722	25,892	21,300	-	2,678	-	341,990
Acquisitions through business combinations	-	254	21,176	19,772	-	-	68,592	23,562	10,425	-	2,767	-	146,548
Transfer previously existed finance leases	-	-	882	(882)	8,432	-	(8,432)	-	-	-	-	-	-
Disposals/write-offs	-	-	-	-		-	(1,463)	(238)	(12,758)	-	-	-	(14,459)
December 31,2019	-	13,583	166,432	367,533	28,669	338,613	620,888	117,382	68,024	-	8,636	-	1,729,761
Net book values													
December 31, 2019	13,000	169,868	726,944	112,852	72,516	83,477	437,227	91,824	83,808	2,850	22,110	12,109	1,828,585
December 31, 2018	13,000	46,532	392,372	87,391	-	68,394	432,223	39,499	60,947	2,850	7,334	88,620	1,239,162

Supreme Ventures Limited

Notes to the Separate Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

17. Property and Equipment (Continued)

The Company

	Freehold Land $'000	Freehold Buildings $'000	Leasehold Improvements $'000	Furniture, Fixtures, Machinery & Equipment $'000	Computer Equipment $'000	Motor Vehicles $'000	Art & Paintings $'000	Signs & Posters $'000	Capital Work in Progress $'000	Total $'000
Cost										
December 31,2017	13,000	56,824	22,417	269,117	21,144	27,671	2,543	24,642	-	437,358
Additions	-	-	2,317	849	-	-	-	-	52,177	55,343
Disposal/Write-offs	-	-	(22,417)	(245,435)	(20,630)	(5,299)	-	(24,642)	-	(318,423)
December 31, 2018	13,000	56,824	2,317	24,531	514	22,372	2,543	-	52,177	174,278
Additions	-	-	-	1,215	494	-	-	-	5,050	6,759
Transfers	-	2,787	(2,317)	-	-	-	-	-	(57,227)	(56,757)
Disposal/Write-offs	-	-	-	-	(451)	(18,500)	-	-	-	(18,951)
December 31, 2019	13,000	59,611	-	25,746	557	3,872	2,543	-	-	105,329
Accumulated depreciation										
December 31, 2017	-	8,926	22,416	251,805	20,654	14,722	-	24,642	-	343,165
Depreciation	-	1,420	-	3,421	206	3,700	-		-	8,747
Disposal/Write-offs	-	-	(22,416)	(244,022)	(20,600)	(5,299)	-	(24,642)	-	(316,979)
December 31, 2018	-	10,346	-	11,204	260	13,123	-	-	-	34,933
Depreciation	-	1,490	-	3,153	47	307	-	-	-	4,997
Disposal/Write-offs	-		-	-	(238)	(9,558)	-	-	-	(9,796)
December 31, 2019	-	11,836	-	14,357	69	3,872	-	-	-	30,134
Net book values	-	-	-	-	-	-	-	-		-
December 31, 2019	13,000	47,775	-	11,389	488	-	2,543	-	-	75,195
December 31, 2018	13,000	46,478	2,317	13,327	254	9,249	2,543	-	52,177	139,345

Supreme Ventures Limited

Notes to the Separate Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

17. Property and Equipment (Continued)

Rights-of-use assets

The company adopted IFRS 16 as at 1 January 2019

(i) Amounts recognised in the balance sheet

a) The balance sheet shows the following amounts relating to leases:

Right-of-use assets	**2019 $'000**	**1 January 2019 $'000**
Buildings	726,945	634,986
Equipment	72,516	92,753
	799,461	727,739

b) As at 31 December 2018, leasehold Improvements and furniture, fittings and equipment where the Group is a lessee under a finance lease are as follows:

	Leased Equipment $'000	**Leasehold Improvement $'000**
Cost	101,185	5,291
Accumulated Depreciation	(8,432)	(882)
Net book values	92,753	4,409

As at January 1, 2019 leased assets previously classified as operating leases are presented as in the property, plant and equipment disclosure note.

c) Capital Work in Progress was transferred during the year as follows:

	$'000
Capitalized spend expensed	205
Property Plant & equipment	81,314
Intangible Asset	63,140
Transferred Amount	144,659

Recognition of the right-of-use assets upon the adoption of IFRS 16 is $238 million. During the financial year additions through new leases and acquisitions amounted to $211 million

Supreme Ventures Limited

Notes to the Separate Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

17. Property and Equipment (Continued)

Rights-of-use assets (continued)

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	**2019 $'000**	**2018 $'000**
Buildings	140,010	14,812
Equipment	20,237	8,432
	160,247	23,244

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 the commencement date less any lease incentives received

Right-of-use assets are generally depreciated over 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.

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 *Leases*. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 31.

Supreme Ventures Limited

Notes to the Separate Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

18. Investment Properties

(i) Non-current assets at fair value

	2019	2018
	$'000	$'000
Opening balance at 1 January	892,500	820,000
Net Gain from fair value adjustments	9,446	72,500
Closing balance at 31 December	901,946	892,500

Investment properties include the Group's interest in freehold land held by Jonepar Development Limited, a related party, amounting to $72.5 million (2018: $72.5 million). The properties were valued by independent valuators, Allison Pitter & Company as at October 04, 2019, who estimated a value of $901.9 million (2018: $892.5 million). This is categorised as level 3 in the fair value hierarchy.

The Group has leased its investment property to Exodus Gaming and Entertainment Limited (Exodus) for an initial period of fifteen years commencing on August 11, 2015 with an option to renew the lease for a further fifteen years.

Exodus also has the option to purchase the property at any time after the fifth anniversary of the commencement date at a price to be agreed between Exodus and PSJL within sixty days of the option notice being served. If no agreement is reached within the stipulated time, then the price will be the higher of US$4,500,000 or the market value on the date of the option notice, as determined by independent valuators.

Rental income of $25 million (2018: $24 million) was earned from investment properties for the current reporting period. Direct operating expenses incurred during the year in relation to investment properties amounted to $ 4.38 million (2018: $3.36 million).

The following table analyses the investment properties carried at fair value, by valuation method.

Fair value at December 2019 $'000	Fair value at December 2018 $'000	Valuation Technique (s)	Unobservable inputs	Range of unobservable inputs (Probability-weighted average)	Relationship of unobservable inputs to fair value
901,946	892,500	The combination of three methods to value a certain piece of investment properties namely: the market comparison approach, the investment approach and the replacement cost approach. In establishing the market value for the other investment property, the appraiser combined the market comparison approach with a 'residual' approach	The net rents are further reduced by a provision for letting delays and voids throughout the life of the investment. A capitalization rate in the order 7% to 9 % is used. This is based on yields extracted from past sales for real property in the subject use class. Discount rates as per investors' expectations in the market currently, are assessed in the range of 5.5% to 7.0% for similar USD yielding real estate investments.	• 3 - 5% • 7%-9% • 5.5%-7.0%	The estimated fair value would increase/(decrease) if: Expected yield, discount, inflation and foreign exchange rates used changes. Any variations in actual development costs including in developers profit percentage.

Supreme Ventures Limited

Notes to the Separate Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

18. Investment Properties (Continued)

Lessor arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for the contract include CPI increases of 2% annually, but there are no other variable lease payments that depend on an index or rate.

Although the Group is exposed to changes in the residual value at the end of the current lease, the current lease arrangement states that the original term of the lease is fifteen (15) years with an option to renew the lease for a further fifteen (15) years.

Expectations about the future residual values are reflected in the fair value of the properties

Minimum lease payments receivable on leases of investment properties are as follows

	2019 $'000	2018 $'000
Within 1 Year	29,631	24,492
Between 1 and 2 years	30,224	24,982
Between 2 and 3 years	30,828	25,482
Between 3 and 4 years	31,445	25,991
Between 4 and 5 years	32,073	26,511
Later than 5 years	184,393	184,357
	338,594	311,815

Supreme Ventures Limited

Notes to the Separate Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

19. Goodwill and Intangible Assets

	The Group							The Company			
	Computer Software	Trademarks & Licences	Branch Network	Non-Competitive Agreement	Software Usage Rights	Goodwill	Total	Computer Software	Trademarks	Goodwill	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost											
December 31, 2017	105,932	446,713	-	-	80,558	189,953	823,156	14,956	121	189,953	205,030
Additions	8,883	3,845	-	-	-	-	12,728	670	20	-	690
Adjustments	(9,370)	-	-	-	-	-	(9,370)	(9,370)	-	-	(9,370)
December 31,2018	105,445	450,558	-	-	80,558	189,953	826,514	6,256	141	189,953	196,350
Acquisition of subsidiary	4,881	97,000	407,000	39,000	-	261,360	809,241	-	-	-	1,618,482
Additions	7,260	423	-	-	-	-	7,683	-	98	-	98
Transfers	63,140	-	-	-	-	-	63,140	56,757	-	-	56,757
Adjustments (i)	-	(2,946)	-	-	-	-	(2,946)	-	-	-	-
December 31,2019	180,726	545,035	407,000	39,000	80,558	451,313	1,703,632	63,013	239	189,953	253,205
Accumulated Amortisation											
December 31, 2017	81,569	367,640	-	-	56,392	-	505,601	11,791	-	-	11,791
Amortisation	11,396	13,829	-	-	8,056	-	33,281	1,916	23	-	1,939
Adjustments	(9,370)	-	-	-	-	-	(9,370)	(9,370)	-	-	(9,370)
December 31,2018	83,595	381,469	-	-	64,448	-	529,512	4,337	23	-	4,360
Amortisation	21,051	18,762	18,498	6,500	16,110		80,921	6,175	7	-	6,182
December 31,2019	104,646	400,231	18,498	6,500	80,558	-	610,433	10,512	30	-	10,542
Carrying values											
December 31, 2019	76,080	144,804	388,502	32,500	-	451,313	1,093,199	52,501	209	189,953	242,663
December 31, 2018	21,850	69,089	-	-	16,110	189,953	297,002	1,919	118	189,953	191,990

(i) Capitalized spend transferred to expense.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

19. Goodwill and Intangible Assets (Continued)

(a) Licences

Licences include Video Lottery Terminal (VLT) licences for certain gaming lounge operations which were previously considered to have an indefinite useful life and were assessed for impairment annually. Management has determined that the remaining licence, at December 31, 2016, has an estimated useful life of 5 years based on the maximum tenure stated in the Betting, Gaming and Lotteries Act. The impairment test was carried out by comparing the recoverable amount, as determined based on value in use calculations, with the carrying value of the assets and licences assigned to these operations. Revenue growth was projected for the next seven (7) years and the recoverable amount was determined to be higher than its carrying amount and no impairment loss was recognised. The seven (7) year period was used because the VLT operations are in an investment phase and the next three (3) years are projected to yield volatile results.

The key assumptions used in the estimation of value in use were as follows:

	The Group	
	2019	**2018**
Pre-tax Discount rate	16.5%	18.7%
Terminal value growth rate	4.0%	4.0%
Budgeted EBITDA growth rate in terminal year	4.0%	4.0%

(b) Software usage rights

This comprises one-time software user rights fee paid to Intralot Jamaica Limited related to sports betting. The amount is being amortised over the life of the contract, which is ten (10) years.

(c) Distribution Network, Non-Compete Agreement and Trademarks – Post to Post

- Branch Network
  This comprises of a network of 36 locations with the acquisition of Post to Post Betting Limited, where 18 are company operated and 18 operated by third parties. The amount is being amortised over an estimated life of eleven (11) years.
- Non-Competitive Agreement
  This relates to a non-compete agreement that Post to Post has with vendors of which the warrantors agree that they will not, while holding a beneficial interest in the shares in the Company and for a period of 24 months thereafter, compete with the Business of the Company. The amount is being amortised over the life of the contract, which is three (3) years.
- Trademark
  Post to Post trades under the trademark Anybet. A value of $97 million was assigned and is being amortised over an estimated life of ten (10) years

The key assumptions used in the estimation of value in use were as follows:

	2019
Pre-tax Discount rate	19.5%
Terminal value growth rate	4.7%
Budgeted EBITDA growth rate in terminal year	4.0%

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

19. Goodwill and Intangible Assets (Continued)

(d) The amortisation of computer software, trademarks and licences, branch network, non-competitive agreement and software usage rights is included in operating expenses (note 11).

(e) Goodwill

	The Group and the Company	
	2019	**2018**
	$'000	**$'000**
Goodwill	451,313	189,953

The goodwill impairment test is carried out by comparing the recoverable amount of the Group's cash-generating unit (CGU) to which goodwill has been allocated, to the carrying amount of that CGU. The CGU recognising goodwill for the Group are the Lottery segment and Post to Post

Management has determined that goodwill at December 31, 2019 is not impaired based on an assessment of the recoverable amount of the CGU. The recoverable amount of the CGU was determined based on value-in-use calculations. Revenue growth was projected for the next five (5) years and the recoverable amount was determined to be higher than its carrying amount and no impairment loss was recognised.

The key assumptions used in the estimation of value-in-use were as follows:

	The Group and the Company		
	Post to Post	**Lottery**	**Lottery**
	2019	**2019**	**2018**
Pre-tax discount rate	19.5%	19.5%	22.2%
Terminal value growth rate	4.7%	4.7%	3.0%
Budgeted EBITDA growth rate in terminal year	4.0%	4.7%	3.0%

(f) If the budgeted terminal value revenue growth rate had been 1% lower than management's estimates for the Post to Post CGU, the Group would have an impairment of $643,000 If the pre-tax discount rate had been 1% higher than management's estimates, the Group would have impairment of $17,047,000.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

20. Long-Term Receivables

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
(a) Island Holdings Limited	29,610	30,274		-
Supreme Ventures Racing & Entertainment Limited	-	-	331,348	344,621
	29,610	30,274	331,348	344,621
Less: Current portion	(1,117)	(1,117)	-	-
	28,493	29,157	331,348	344,621

(a) Island Holdings Limited (IHL)

On April 27, 2015, IHL purchased the shares of Exodus Gaming and Entertainment Limited (Exodus), which was incorporated by PSJL on February 20, 2015, for US$300,000. Payment of the sale proceeds commenced on February 1, 2016 and is to be paid in 121 instalments of US$750 per month for the first five years and US$1,500 for the next five years with a final lump sum payment of US$165,000. No interest is charged on the outstanding balance, but overdue payments attract interest at twelve (12) percent per annum from the due date of payment until the past due amount is settled.

As the receivable is interest-free it has been re-measured in accordance with IAS 39, with interest being imputed based on an appropriate market rate. The imputed interest is being amortised over the repayment period and the amount shown is net of the unamortised discount of $3.2 million (2018: $3.7 million) at the reporting date using the effective interest method.

The balance outstanding is secured by a charge on the shares in Exodus. The sale agreement also requires an option to purchase in which IHL or its nominee was granted an option to purchase at an option price of US$1.00, PSJL's interest in Jonepar Development Limited and a licence agreement permitting IHL or its nominee to use lands owned by Jonepar for parking purposes (note 18).

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

21. Other Investments

This represents cash invested by the Group to fund prize liabilities associated with the PayDay game. The Group has contracted with a licensed security dealer to act as the investment manager and paying agent to fulfil the prize liability stream consequent on PayDay wins. At the reporting date, the sums were invested in a resale agreement, the fair value of underlying securities of which was $17,911,100 (2018: $18,879,100).

22. Deferred Tax Asset

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets	101,058	203,530	1,186	3,110

Deferred taxation is attributable to the following:

(a) Group

	2019	**2018**
	$'000	**$'000**
Property and equipment	96,323	48,856
Investment properties	37,188	13,551
Intangible assets	(69,233)	(2,054)
Trade and other receivables	(1,259)	(2,430)
Trade and other payables	184	17,002
Tax losses	31,156	144,391
Other	6,699	(15,786)
Net asset	101,058	203,530

(i) Net deferred tax is recognised in the Group Statement of Financial Position, as follows:

	2019	**2018**
	$'000	**$'000**
Deferred tax assets in Company	1,186	3,110
Deferred tax assets in subsidiaries	99,872	200,420
Deferred tax assets	101,058	203,530

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

22. Deferred Tax Asset (Continued)

(ii) Movement in net temporary differences during the y
as follows:

	1 January 2019	Acquisition of subsidiary	2019 Recognised in profit/loss $'000	Balance at December 31 $'000
Property and equipment	48,856	15,142	32,325	96,323
Investment properties	13,551	-	23,637	37,188
Intangible assets	(2,054)	(69,233)	2,054	(69,233)
Trade and other receivables	(2,430)		1,171	(1,259)
Trade and other payables	17,002	184	(17,002)	184
Tax losses	144,391		(113,235)	31,156
Other	(15,786)		22,485	6,699
Total	203,530	(53,907)	(48,565)	101,058

	2018 Balance at January 1 $'000	Recognised in profit/loss $'000	Balance at December 31 $'000
Property and equipment	70,294	(21,438)	48,856
Investment properties	16,893	(3,342)	13,551
Intangible assets	(3,168)	1,114	(2,054)
Trade and other receivables	(2,238)	(192)	(2,430)
Trade and other payables	18,166	(1,164)	17,002
Tax losses	63,438	80,953	144,391
Other	2,795	(18,581)	(15,786)
Total	166,180	37,350	203,530

(b) Company

	2019 $'000	2018 $'000
Property and equipment	(1,664)	4,806
Trade and other receivables	(867)	(1,825)
Other	3,717	129
Net asset	1,186	3,110

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

22. Deferred Tax Asset (Continued)

Movements in net temporary differences during the year are as follows:

		2019	
	Balance at January 1	**Recognised in profit/loss**	**Balance at December 31**
	$'000	**$'000**	**$'000**
Property and equipment	4,806	(6,470)	(1,664)
Trade and other receivables	(1,825)	958	(867)
Other	129	3,588	3,717
Total	3,110	(1,924)	1,186

		2018	
	Balance at January 1	**Recognised in profit/loss**	**Balance at December 31**
	$'000	**$'000**	**$'000**
Property and equipment	3,728	1,078	4,806
Trade and other receivables	(2,089)	264	(1,825)
Trade and other payables	574	(574)	-
Unused tax losses	3,555	(3,555)	-
Other	(290)	419	129
	5,478	(2,368)	3,110

23. Inventories

	The Group	
	2019	**2018**
	$'000	**$'000**
Pin codes	168,151	112,798
Operational inventory	19,683	16,024
Food and beverage	4,066	2,267
	191,900	131,089

The cost of inventories recognised as direct expense during the year for the Group was $10.5 billion (2018: $9.2 billion).

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

24. Trade and Other Receivables

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current assets				
Trade receivables from contracts with customers (Note a)	849,763	804,053	-	-
Less: provision for credit losses	(447,397)	(417,224)	-	-
	402,366	386,829	-	-
Other receivables and prepayments (Note b)	1,233,481	412,472	751,384	49,388
Accrued interest	5,075	6,032	3,469	3,482
	1,640,922	805,333	754,853	52,870

(a) Included in trade receivables are amounts of $ 741 million (2018: $733 million) representing amounts receivable from agents that support lottery and sports betting sales.

(b) Other receivables and prepayments for the Group and Company, includes a deposit of $723 million paid towards the acquisition of Champion Gaming Limited. (refer to Note 40)

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

25. Cash and Cash Equivalents

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cash in hand and at bank	2,850,176	2,481,051	339,601	22,405
Certificate of deposits	650,453	251,134	37,221	36,632
Resale agreements	91,836	247,339	-	-
	3,592,465	2,979,524	376,822	59,037

(a) As at December 31, 2019, the fair value of the underlying securities of resale agreements amounted to $91,835,864.93 (2018: $251,469,000).

(b) The weighted average interest rate on the Certificate of deposits at the year end is 4.03%.

(c) Restricted cash includes the following:

(i) An amount of $20 million (2018: $20 million), which is the minimum regulatory requirement to fund the Lucky 5 and Top Draw game, was set aside as a reserve by Prime Sports (Jamaica) Limited (PSJL), a subsidiary.

(ii) As a condition of its lottery licence, PSJL is required to establish a dedicated bank account into which funds are deposited to ensure that on a continuous basis throughout the term of the licence, the credit balance on that account is not less than 100% of the aggregate amount of its liabilities, which include prize liabilities, fees payable to BGLC, gaming taxes payable to the Government of Jamaica and contribution to CHASE Fund. At the reporting date, the balances in the dedicated bank accounts totalled $914 million (2018: $1.09 billion), which is in excess of the reserve requirement of $560 million (2018: $419 million).

(iii) An amount of $ 5.8 million (2018: $5.8 million) is restricted to facilitate a guarantee issued in favour of Jamaica Public Service Company Limited for the provision of electricity services.

(iv) An amount of $20.2 million (2018: $12.6 million) was set aside as a performance bond guarantee arrangement by Prime Sports (Jamaica) Limited. This is a requirement of the Betting, Gaming and Lotteries Act granting a Bookmaker's permit to PSJL.

(v) Cash and cash equivalents include $41.4 million, which represents restricted funds. These monies are managed by Supreme Ventures Racing & Entertainment Limited on behalf of racehorse owners and are used to claim/buy horses from other owners.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

26. Prize Liabilities

	The Group	
	2019	**2018**
	$'000	**$'000**
Local lottery games ((a) below)	195,361	232,682
Multi-jurisdictional lottery game ((b) below)	259,672	261,246
Horse-racing Dividends	76,346	58,525
Sports Betting	794	6,950
	532,173	559,403

(a) This represents the prize liabilities associated with the local lottery games operated under licence by the subsidiary, Prime Sports (Jamaica) Limited, including an amount accrued for the advertised jackpot of $45 million (2018: $61 million).

(b) The Super Lotto game is a multi-jurisdictional game with the following countries being a party to the Super Lotto agreement entered into by the Company on July 27, 2009: Anguilla, Antigua and Barbuda, Barbados, Bermuda, Jamaica, St. Kitts and Nevis, St. Maarten, United States Virgin Islands, Dominican Republic (up to February 27, 2015) and Paraguay (since April 7, 2014). Under the rules of the Super Lotto game, and as agreed by BGLC, jackpot contributions are calculated and accumulated based on a specified portion of every bet.

27. Trade and Other Payables

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	1,156,522	1,148,576	-	-
Contributions payable to the BGLC	57,350	49,302	-	-
Government taxes payable	53,117	66,466	-	-
Accruals	502,809	319,546	25,686	86,828
Other payables	520,771	353,158	103,397	46,199
	2,290,569	1,937,048	129,083	133,027

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

28. Share Capital

Authorised:
3,000,000,000 ordinary stock units at no par value

	2019	2018
	$'000	$'000
Stated capital:		
2,637,254,926 ordinary stock units, issued and fully paid	1,967,183	1,967,183

29. Capital Reserve

This includes gains arising on the scheme of reorganisation and amalgamation of subsidiaries within the Group in 2008.

The reserve is stated net of costs associated with the reorganisation and amalgamation and capital distributions.

30. Long-term Payables

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
(a) PayDay prize liability	17,140	17,152		-
(b) Loans payable	1,505,673	143,288	1,450,000	143,288
	1,522,813	160,440	1,450,000	143,288
Less: current portion	(94,120)	(80,804)	(89,571)	(80,804)
	1,428,693	79,636	1,360,429	62,484

(a) PayDay prize liability represents the present value of a monthly prize annuity of $150,000 due and payable for twenty (20) years, expiring October 25, 2036. It is stated net of an unamortised discount of $13 million (2018: $14 million).

(b) Loans payable represents

I. Balance of mortgage loan from Sagicor Bank Jamaica Limited to purchase building which houses Post to Post Head Office with interest accruing at a rate of 9.5% per annum, for 10 years.

II. Credit facility of $450 million from Sagicor Bank Jamaica Limited, to support the Group's acquisition of Post to Post operations (note 39). The loan facility includes a moratorium of 12 months on principal payments, with interest accruing at a rate of 6.35% per annum, for five (5) years.

III. Syndicated Loan facility of $1 billion administered by Sagicor Bank Jamaica Limited, to support the Group's plans for future acquisition. The loan facility includes a moratorium of 6 months on principal payments, with interest accruing at a rate of 6.5% for the first five (5) years and thereafter a variable rate with a ceiling of 9.5%, for five (5) years.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

31. Lease Liabilities

The Group currently has long term lease agreements as follows:

(i) For the lease of Caymanas Park.
(ii) For the lease of the Horseracing Tote system (Amtote)
(iii) For the lease of the entertainment space at Sabina Park
(iv) For the lease of the Prime Sports Jamaica Limited company operated Betting & Gaming Shops
(v) For the lease of the Post to Post Betting Limited Bet Shops
(vi) For the lease of the Supreme Ventures Enterprise Incorporated Administrative office and Betting & Gaming Shops

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Lease liabilities	**2019 $'000**	**1 January 2019 $'000**
Current	104,814	103,398
Non-current	732,638	574,678
	837,452	678,076

As at December 31, 2018 the Group had three obligations under finance lease

	1 January 2019 $'000	**Additions Adoption of IFRS 16 $'000**	**Balance at December 31 $'000**
Current	103,398	87,111	16,287
Non-current	574,678	151,094	423,584
	678,076	238,205	439,871

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019 $'000	**2018 $'000**
Interest expense (included in finance cost)	74,177	32,692
Expenses relating to short term leases (included in selling, general and administrative expenses	44,086	-
	118,263	32,692

The total cash outflow for leases in 2019 was $135.49 million

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

31. Lease Liabilities (Continued)

(iii) Incremental borrowing rate

The incremental borrowing rate, the Group:

-where possible, uses recent third-party financing received by our bankers as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, e.g. term, country, currency and security

(iv) Lease payments

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.

(v) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

As at 31 December 2019, potential future cash outflows of $194 million (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

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 $26 million

32. Investment in Subsidiaries

	The Company	
	2019	**2018**
	$'000	**$'000**
Prime Sports (Jamaica) Limited	1,938,651	1,938,651
Supreme Ventures Racing and Entertainment Limited	150,000	150,000
Big 'A' Track 2003 Limited	5,760	5,760
Post to Post Betting Limited (note a)	572,218	-
Supreme Guyana Incorporated	400,482	-
Transtel Jamaica Limited	1	1
	3,067,112	2,094,412

(a) On June 14, 2019, the Company agreed to acquire major shareholdings of Post to Post Betting Limited. The original Post to Post shareholders will retain 49% ownership of the company giving SVL majority shareholding in Post to Post of 51%.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

33. Related Party Transactions and Balances

		The Company	
		2019	**2018**
		$'000	**$'000**
(a)	Long term receivables – Supreme Ventures Racing and Entertainment Limited	331,348	344,621
(b)	Due from subsidiaries:		
	Prime Sports (Jamaica) Limited	-	-
	Supreme Ventures Racing and Entertainment Limited	61,276	54,067
	Big 'A' Track 2003 Limited	7,372	525
	Supreme Venture Guyana Holdings Incorporated	15,104	131,509
		83,752	186,101
(c)	Due to subsidiary		
	Prime Sports (Jamaica) Limited	75,199	2,686
		75,199	2,686

(i) Identity of related parties

The Company has a related party relationship with its directors, subsidiaries, companies with common directors, and a jointly controlled entity. "Key management personnel" represents directors of the Company and certain members of the Group's executive management.

(ii) Trading transactions with related parties

Prime Sports (Jamaica) Limited is provided with technical services by a former related entity (up to November 30, 2019), Intralot S.A., its affiliates and subsidiaries. Intralot receives a fee based on agreed percentages of net revenues for its other services.

(iii) The consolidated and company income statements include the following transactions with related parties:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Subsidiaries -				
Management fees	-	-	434,193	526,063
Interest income	-	-	13,525	13,785
Dividend income	-	-	2,541,078	2,342,788
Other related parties -				
Interest and other income earned	56,518	32,641	-	-
Other expenses	183,262	56,007	-	-

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

33. Related Party Balances and Transactions (Continued)

(d) Compensation of key management personnel

The remuneration of members of key management during the year was as follows:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Management remuneration	452,471	305,593	158,989	109,451
Post-employment benefits	4,195	4,722	-	-
	456,666	310,315	158,989	109,451

(e) The following have been charged in arriving at profit before income tax:

	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Directors' emoluments -				
Director's Fees	106,966	102,937	80,732	80,948
Management remuneration	109,563	88,170	109,563	88,170
Pension contributions	9,520	8,041	9,520	8,041

(f) Provisions or write-offs

No provisions or write-offs have been recognised for amounts advanced to key management or related parties.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

34. Distributions

(a) Distributions to shareholders of the Parent Company

		2019	2018
		$'000	**$'000**
Final dividend for 2017 paid March 23, 2018	- 12¢		316,470
Special dividend paid March 23, 2018	- 8¢	-	210,980
First interim dividend paid June 1, 2018	- 21¢	-	553,824
Special dividend paid June 1, 2018	- 9¢	-	237,353
Second interim dividend paid August 20, 2018	- 15¢	-	395,588
Third interim dividend paid November 23, 2018	- 16¢	-	421,961
Final dividend for 2018 paid March 22, 2019	- 17¢	448,416	-
First interim dividend paid May 24, 2019	- 21¢	553,824	-
Second interim dividend paid September 6, 2019	- 22¢	580,196	-
Third interim dividend paid December 4, 2019	- 17¢	448,250	-
		2,030,686	2,136,176

(b) Distributions to non-controlling interest

		2019	2018
		$'000	**$'000**
Special dividend paid December 1, 2019	- $5.23	33,479	-

(c) Proposed

At a meeting of the Board of Directors held on 28 February 2020, a dividend of 20 cents per share was declared.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

35. Contingencies and Commitments

(a) Contingencies – litigations

EGE Limited (formerly Epsilon Global Equities Limited):

On December 15, 2008 a civil suit was filed by EGE Limited (then called Epsilon Global Equities Limited) against the Company and its founding stockholders. The matter was decided in 2011, with a judgement in favour of the founding stockholders and the Company. An appeal to the Court of Appeal was also dismissed on 30th May 2017 again in favour of the Company and stockholders. A further appeal has been made to the Judicial Committee of the Privy Council. The attorneys representing the Company expect to succeed and that the appeal will not result in a financial liability to the Company.

Talisman Capital Alternative Investment Fund and EGE Limited:

In August 2012, a civil suit was filed in the Courts of Florida, USA, by Talisman Capital Alternative Investment Fund and EGE Limited citing as defendants the Company and certain of its stockholders. This suit is in respect of most of the same issues decided in the Supreme Court in Jamaica in favour of the Company and some of its stockholders (see above).

In April 2013, the Federal Bankruptcy Court in Florida granted a motion by SVL and other defendants to dismiss the complaint. The plaintiffs then filed objections to the dismissal. Subsequently, the court granted a motion by SVL and other defendants to strike out the objections. The plaintiffs then moved for reconsideration of the order. The motions were heard and SVL and other defendants were successful on the motions and were either discharged from the proceedings or the plaintiffs were ordered to re-file the proceedings. The Plaintiffs have appealed the Order. The appeal has been heard and the decision is pending.

The attorneys representing SVL expect SVL's position to be upheld by the Appeal Court.

(b) Contingencies - Guarantees

Pursuant to the Articles of Incorporation of the Company and a resolution of the directors, the Company has issued a duly executed and stamped deed of debenture and a duly executed guarantee to the Betting, Gaming and Lotteries Commission (BGLC). The Company and the BGLC have agreed that the secured debenture and the guarantee constitute compliance by the subsidiary, Prime Sports (Jamaica) Limited (PSJL), with the requirements of the licence granted by BGLC that the equity capitalisation of PSJL be not greater than $500 million, and PSJL will accordingly be treated as having $500 million of stockholders' equity for the purpose of the condition of the BGLC licence that refers to stockholders' equity. Accordingly, BGLC will hold the Company responsible and liable for any breaches of the licence by its subsidiary, PSJL.

(c) Contingencies - Prime Sports (Jamaica) Limited

In accordance with the requirements of the Betting, Gaming and Lotteries Act granting a Bookmaker's permit to Prime Sports (Jamaica) Limited (PSJL), a performance bond guarantee arrangement was executed with The Bank of Nova Scotia Jamaica Limited (BNS) for an amount of $20.2 million. Under the said performance bond covering the period December 24, 2019 to January 02, 2025, BNS would pay on demand any sums which may from time to time be demanded by the BGLC up to a maximum aggregate sum of $20.2 million. The bank guarantee is secured by a hypothecated term deposit in the amount of $20.2 million.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

35. Contingencies and Commitments (Continued)

(d) Contingencies - Super Lotto Jackpot Liability

As required under Condition 7 attached to the approval granted by the BGLC to promote the multi-jurisdictional game, 'Super Lotto', the Company, as the applicant, has made arrangements for a stand-by financing facility of $600 million from BNS. Under the said stand-by facility, which is renewable annually, BGLC has been identified as the beneficiary in order to ensure that a Super Lotto jackpot winner in Jamaica is settled with the prize money and also to ensure that the necessary taxes on such a prize payment are settled with the revenue authorities in Jamaica.

(e) Commitment - Licence fees to the Betting, Gaming and Lotteries Commission (BGLC)

In accordance with conditions attached to the lottery, sports betting and VLT licences granted by the BGLC, annual licence fees aggregating $49.6 million (2018: $45.7 million) fall due for payment each year.

(f) Capital commitments

	The Group	
	2019	**2018**
	$'000	**$'000**
Machinery and equipment	14,212	-
Leasehold improvements	30,284	-
Furniture, fixtures, machinery and equipment	152	25
Signs and posters	612	-
Computer equipment	2,726	1,238
Computer software	17,980	3,310
Work-in-progress	-	6,163
	65,966	10,736

(g) Non-cancellable operating leases

The Group leases various offices, retail stores and equipment under non-cancellable operating leases expiring within six months to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short term and low-value leases.

	The Group	
	2019	**2018**
	$'000	**$'000**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows		
Within one year	-	21,904
Later than one year but not later than 5 years	-	232,326
Later than 5 years	-	902,267
	-	1,156,497

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

35. Contingencies and Commitments (Continued)

(h) Sponsorship commitments

Commitments pursuant to sponsorship agreements entered into by the Group are as follows:

	The Group	
	2019	**2018**
	$'000	**$'000**
2019	-	57,050
2020	6,663	6,550
	6,663	63,600

(i) Contingent commitment

The Group has a commitment to develop and modernize the Caymanas Park, which involves the following outlays:

Milestone	Implementation period from commencement date	**$'000**
Phase 1	Within two (2) years	200,000
Phase 2	Between year three (3) and year (5)	300,000
		500,000

If the Group fails to implement any milestone by the relevant deadline, the Group shall deposit with CTL the amount allocated for the achievement of said milestone and CTL shall hold the funds in escrow in a commercial bank in Jamaica provided that:

(a) If milestone is later achieved or replaced as agreed by the Group and GOJ's Project Monitoring Committee, the funds together with interest thereon shall be returned to the Group; or

(b) If the lease is terminated without the achievement of said or replaced Milestone, CTL shall be entitled to retain the funds together with interest thereon.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

36. Acquisition of Post to Post Betting Limited

On 1 July 2019, the Group acquired 51% stake in Post to Post Betting Limited. Post to Post Betting Limited is licensed under the Betting, Gaming and Lotteries Act to carry out its main activities of sports betting, horseracing, slot machines and virtual gaming.

Since the date of acquisition, the betting operations has contributed revenue of $846 million and attributable post-acquisition profit of $43 million to the Group's results in the period to December 31, 2019. If the acquisition had occurred on January 1, 2019, management estimates that revenue from the operations would have been $1.70 billion, and profit for the year would have been $126 million

The following summarises the fair value of the identifiable assets and liabilities recognised by the Group at the date of acquisition:

(i) Identifiable assets acquired

	2019
	$'000
Property and equipment	176,341
Trade and other receivables	34,823
Cash and cash equivalents	129,609
Deferred tax asset	15,326
Intangible assets	547,881
Leased asset	201,052
Lease liability	(206,067)
Deferred Tax liability	(69,233)
Trade and other payables	(81,817)
Tax Payable	(11,806)
Borrowings	(55,248)
Net identifiable assets acquired	680,861
Non-Controlling Interest	370,003
Cash Consideration transferred	572,218
Less net identifiable assets acquired	(680,861)
Goodwill	261,360

(ii) Cash flow on acquisition

	2019
	$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash Consideration	572,218
Less: balance acquired	
Cash	(129,609)
Net Outflow of cash	442,609

(iii) Acquisition-related costs

In 2019 The Group incurred acquisition-related costs of $31 million which was fully incurred by the Company. These costs have been included in professional fees expenses' in profit for the current period.

(iv) Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non- controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interest's interests in Post to Post Betting Limited, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See Note 2 for the Group's accounting policies for business combinations.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

36. Acquisition of Post to Post Betting Limited (Continued)

(v) The fair value of certain material asset categories was established as follows:

1. Property and equipment:

   The value of property and equipment were assessed as net book values as at the date of acquisition.

2. Intangible assets:

   The value of trademark and acquired contracts was assessed through market benchmarking information provided by independent data specialists through the multi-period excess earnings method, performed by a qualified independent valuator using the incremental cash flow method.

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

37. Net Debt Reconciliation

	Group			Company		
	Lease Liabilities $'000	**Loan liabilities $'000**	**Total $'000**	**Lease Liabilities $'000**	**Loan Liabilities $'000**	**Total $'000**
Net debt as at 1 January 2018	(315,712)	(380,934)	(696,646)	-	(380,934)	(380,934)
Cash flows						
Addition	(132,842)	(35,031)	(167,873)	-	(17,878)	(17,878)
Repayment	11,144	237,647	248,791	-	237,647	237,647
Foreign exchange adjustment	(2,461)	-	(2,461)	-	-	-
Interest paid	-	17,878	17,878	-	17,878	17,878
Net debt as at 31 December 2018	(439,871)	(160,440)	(600,311)	-	(143,287)	(143,287)
Recognised on adoption of IFRS 16	(238,205)	-	(238,205)	-	-	-
Net debt as at 1 January 2019	(678,076)	(160,440)	(838,516)	-	(143,287)	(143,287)
Cashflows						
Acquisition through business combination - leases	(206,067)	(55,248)	(261,315)	-	-	-
Addition	(84,199)	(1,474,367)	(1,558,566)	-	(1,468,770)	(1,468,770)
Repayment	135,489	148,167	283,656	-	143,287	143,287
Foreign exchange adjustment	(4,599)	-	(4,599)	-		
Interest paid	-	19,075	19,075	-	18,770	18,770
Net debt as at 31 December 2019	(837,452)	(1,522,813)	(2,360,265)	-	(1,450,000)	(1,450,000)

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

38. Changes in Accounting Policies

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet at the 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had been previously 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 at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8.3%.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has 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 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has 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.*

(ii) Measurement of lease liabilities

	2019
	$'000
Operating lease commitments disclosed as at 31 December 2018	284,409
Discounted using the lessee's incremental borrowing rate at the date of initial application	235,552
Finance lease liabilities recognized as at 31 December 2018	5,255
Short-term leases not recognised as a liability	(28,774)
Adjustments as a result of a different treatment of extension and termination options	26,172
Lease liability recognised as at 1 January 2019	238,205
Of which are:	
Current lease liabilities	87,111
Non-current lease liabilities	151,094
	238,205

(vii) Measurement of right-of-use asset

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised on the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by 238.20 million
- lease liabilities – increase by $238.20 million

Supreme Ventures Limited

Notes to the Financial Statements
31 December 2019
(expressed in Jamaican dollars unless otherwise indicated)

38. Changes in Accounting Policies (Continued)

(ii) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases (see note 18 (ii)) as a result of the adoption of IFRS 16.

Impact on segment disclosures and earnings per share

Segment assets and segment liabilities for December 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas operating lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy:

	Assets $'000	Liabilities $'000
Lotteries	156,574	160,890
Sports Betting	179,877	193,174
Video Lottery Terminals	8,700	8,898
	345,151	362,962

As at December 31, 2019, the following segments included Finance leases under IAS 17 prior to the adoption of IFRS 16

	Assets $'000	Liabilities $'000
Horse Racing	450,957	472,958
Unallocated	3,353	1,532
	454,310	474,490

Earnings per share decreased by 0.36 cents per share for the year ended 31 December 2019 as a result of the adoption of IFRS 16.

The Group leases various office space, retail offices and equipment. Rental contracts are typically made for periods ranging from 1 year to 10 years and these may be fixed term or have the option to be renewed or extend, extension options are described in (i) below. 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, but leased assets may not be used as security for borrowing purposes.

Until December 31, 2018, leases of property, plant and equipment were classified as operating leases. Payments made under these operating leases were charged to the statement of income on a straight-line basis over the period of the lease.

From 1 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 Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term.

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

Supreme Ventures Limited

Notes to the Financial Statements

31 December 2019

(expressed in Jamaican dollars unless otherwise indicated)

38. Changes in Accounting Policies (Continued)

The lease payments are discounted using the incremental borrowing rate which is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.
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.

Payments associated with short-term leases are recognised as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

39. Non-Controlling Interest

The table below shows the summarised financial information for Post to Post Betting Limited that has a non-controlling interest:

Statement of financial position	**2019**
	$'000
Total assets	555,964
Total liabilities	352,520
Net assets	203,444
Non-controlling interest	368,342
Statement of comprehensive income	
Revenue	845,495
Direct profit for the period	71,177
Consolidation adjustments	
Other comprehensive income	-
Total comprehensive income	71,177
Profit allocated to non-controlling interest	34,876
Adjustment allocated to non-controlling interest	(3,059)
Accumulated non-controlling interest	31,818

40. Subsequent Event

Business Acquisition
On January 2, 2020 the Group under its subsidiary Bingo Investments Limited acquired the assets of Champion Gaming Limited for $2.78 billion. As a result of the transaction, a minority interest has acquired 49% of the shares of Bingo Investments Limited. Bingo Investments Limited name was changed to Supreme Route Limited effective January 17, 2020.

The Group will become an important player in the Gaming (Slots) industry in Jamaica by improving the company's profitability based on synergies.

NOTES


SUPREME VENTURES GROUP
MAKING
WINNERS
EVERYDAY!
PLEASE GAME RESPONSIBLY
18+

Supreme Ventures Group
supremeventures.com