annual report 2013

asl
AUTOMATIC SYSTEMS LTD.

contents

MESSAGE TO SHAREHOLDERS

Dear Shareholder,
Your Board of Directors is pleased to present the Annual Report of Automatic Systems Ltd for the year ended 31 December 2013. This report was approved by the Board of Directors on 18 March 2014.

The financial statements of the Company are set out on page 32 to 71 and the Auditors' report is on page 31.

As a shareholder, you are invited to attend the Annual Meeting of the Company which will be held as follows:

Date: Tuesday 13 May 2014
Time: 15 00hrs
Venue: The Mauritius Turf Club, Champ de Mars, Port Louis

The notice of the Annual Meeting can be viewed on page 74 of the Annual Report.

Kind regards,

M. A. Eric Espitalier Noël
Chairman

J. D. Gérard Pascal
Director

FINANCIAL HIGHLIGHTS

	2013 Rs M	2012 Rs M Restated
STATEMENT OF COMPREHENSIVE INCOME		
Total Revenue	**1,193.1**	1,101.4
Government Tax	**119.0**	107.9
Operating Profit	**50.0**	31.7
Profit before taxation	**49.1**	29.1
Taxation	**8.1**	5.8
Profit for the year	**41.0**	23.2
	Rs	Rs
FINANCIAL RATIOS		
Earnings per share	**11.60**	6.57
Dividend per share	**10.00**	9.50
Share price (at 31 Dec)	**115.00**	72.00

BOARD AND COMMITTEES, MANAGEMENT

BOARD OF DIRECTORS

Chairman and Independent Director

M. A. Eric Espitalier Noël

Executive Directors

M. L. Jean Hardy

J. O. Guillaume Hardy – Managing Director (appointed as Director on 15/03/2013 and Managing Director on 18/03/2014)

Non-Executive Directors

Hervé Henry

Michel J. L. Nairac

John A. Stuart

Independent Directors

Ravindra Chetty

O. Farouk Hossen

J. D. Gérard Pascal

Arvind Lall Dookun (appointed on 15/03/2013)

Jowaheer Lall Dookun (deceased on 7/02/2013)

Alternate Directors

To O. Farouk Hossen: M. L. Jean Hardy

To Hervé Henry: M. L. Jean Hardy (up to 8 March 2013)

To Jowaheer Lall Dookun (deceased on 7/02/2013):
Arvind Lall Dookun (up to 7/02/2013)

AUDIT COMMITTEE

Gérard Pascal (Chairman)

Hervé Henry

O. Farouk Hossen

CORPORATE GOVERNANCE COMMITTEE

Ravindra Chetty (Chairman)

Eric Espitalier Noël

M. L. Jean Hardy

Jowaheer Lall Dookun (deceased on 7/02/2013)

MANAGEMENT

Robert Ah Yan – System Manager

ADMINISTRATION

REGISTERED OFFICE
C/o Box Office Ltd
2nd Floor, Nautica Commercial Centre, Royal Road, Black River

COMPANY SECRETARY
Box Office Ltd
2nd Floor, Nautica Commercial Centre, Royal Road, Black River

REGISTRY AND TRANSFER OFFICE
ECS Secretaries Ltd
3rd Floor, Labama House, Sir William Newton Street, Port Louis

AUDITORS
PricewaterhouseCoopers
18 Cybercity, Ebène

LEGAL ADVISOR
Me Hervé Duval
5th Floor, St James Court, St Denis Street, Port Louis

Me Clarel Benoit
Benoit Chambers, 9th Floor, Orange Tower, Cybercity, Ebène

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

BANKERS
The Mauritius Commercial Bank Ltd
State Bank of Mauritius Ltd

DIRECTORS' REPORT

REVIEW OF THE BUSINESS

The 2013 financial year witnessed an improvement in the Company's turnover – from Rs 1,101 Billion to Rs 1,193 Billion with an increase in both totalisator and football betting revenues.

The company's profits continued to progress, from Rs 23 Million to Rs 41 Million; earnings per share also followed the same trend to reach Rs 11.60 compared to Rs 6.57 in 2012. An interim dividend of Rs 7.00 per share was declared in November 2013 and a final dividend of Rs 3.00 per share was declared in December 2013.

During the year, ASL maintained its social engagement towards sports, education and alleviation of poverty.

TURNOVER AND PROFIT FOR THE YEAR

		2012	2013
		MUR M	MUR M
Total Revenue	Horse Racing	925	937
	Football	176	256
Profit for the year		23	41

HORSE RACING

The Totalisator turnover has increased by 1.3% in 2013 reaching Rs 937 Million (Rs 925 Million in 2012), positively impacted by the increase in the number of race meetings from 38 to 40 for the year. However, it is to be noted that the turnover per race decreased by 7% compared to 2012.

The Totalisator turnover per race meeting has been declining since 2008. The main reason is the competitive environment in which the Company operates with new players such as the Lotto, football betting, Off course Bookmakers and SMS Pariaz. On line gaming also is very popular with the younger generation and represents a growing market in Mauritius with strong marketing campaigns from Ladbrokes and other players. Online gambling is considered to be unfair competition as these companies operate in tax free jurisdictions and don't pay taxes to the Mauritius Government.

OFF COURSE BETTING

The Off course Betting turnover increased by 1% to reach Rs 556 Million in 2013, owing mostly to the increase in race meetings.

The Company did not have to relocate the Palma outlet in 2013 as the Rivière Du Rempart outlet had to be closed. Also, the Flacq outlet could not be opened due to legal constraints. On a positive note, the Palma outlet performed way better than in 2012 in both Horse Racing and Football.

The Rivière du Rempart outlet had to be closed during the year and the drop from 24 to 23 outlets slightly impacted on the Company's growth.

It is expected to start the operations in Flacq before the start of the 2014 racing season bringing the Company's number of outlets back to 24. Relocating existing outlets is very difficult because of lengthy administrative procedures but it is intended to relocate less performing outlets to more appropriate sites with the objective to maximize revenues.

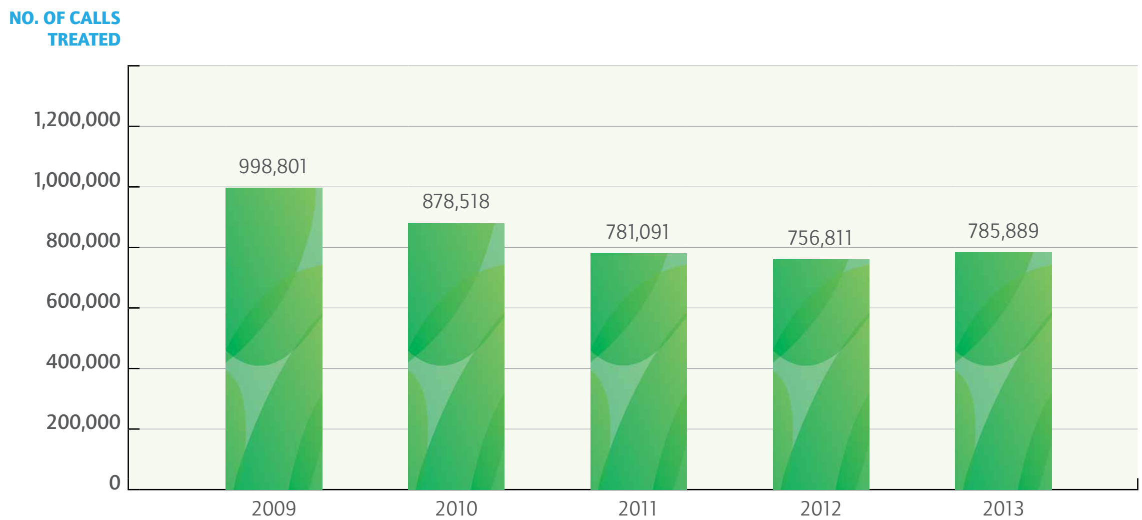
TELETOTE

The Teletote turnover amounted to Rs 220 Million in 2013 which represents an increase of 2% over 2012 (Rs 215 Million). A shift has been noted in the betting pattern in favour of SMS betting as showed by the combination of SMS and Teletote betting which increased by 4%.

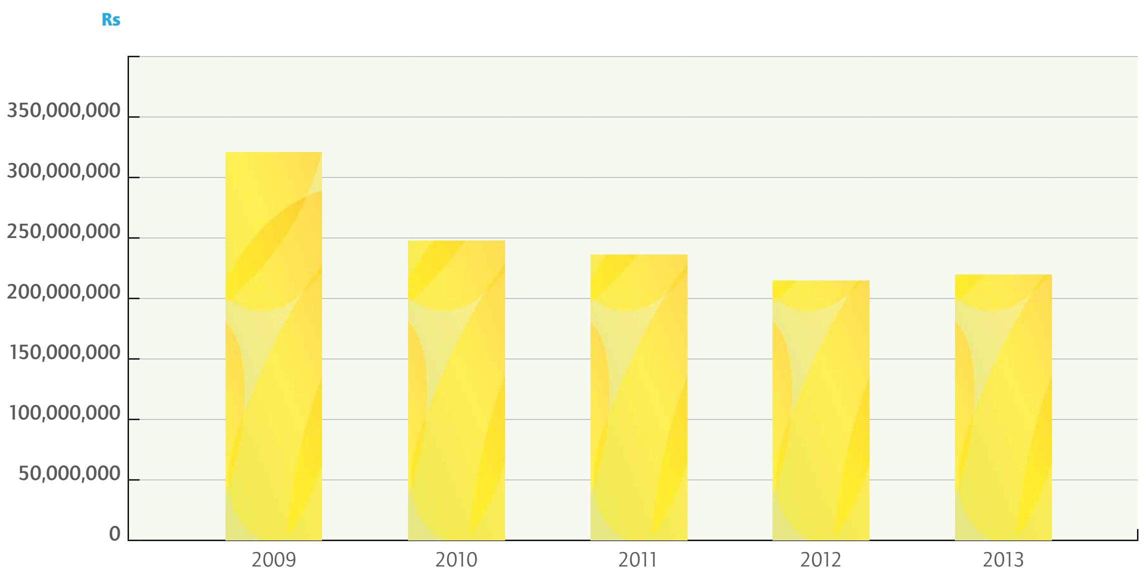
The number of calls treated in 2013 reached 785k (757k in 2012) representing an increase of 4%. 1,494,310 bets were registered representing an increase of 3% as compared to 1,446,747 bets in 2012. The number of Teletote accounts opened also increased by 47% to reach 950 in 2013, of which 385 accounts were opened online.

A new feature was implemented after the 5th race meeting whereby Teletote account holders were able to fund their account online and 440 deposits were so registered.

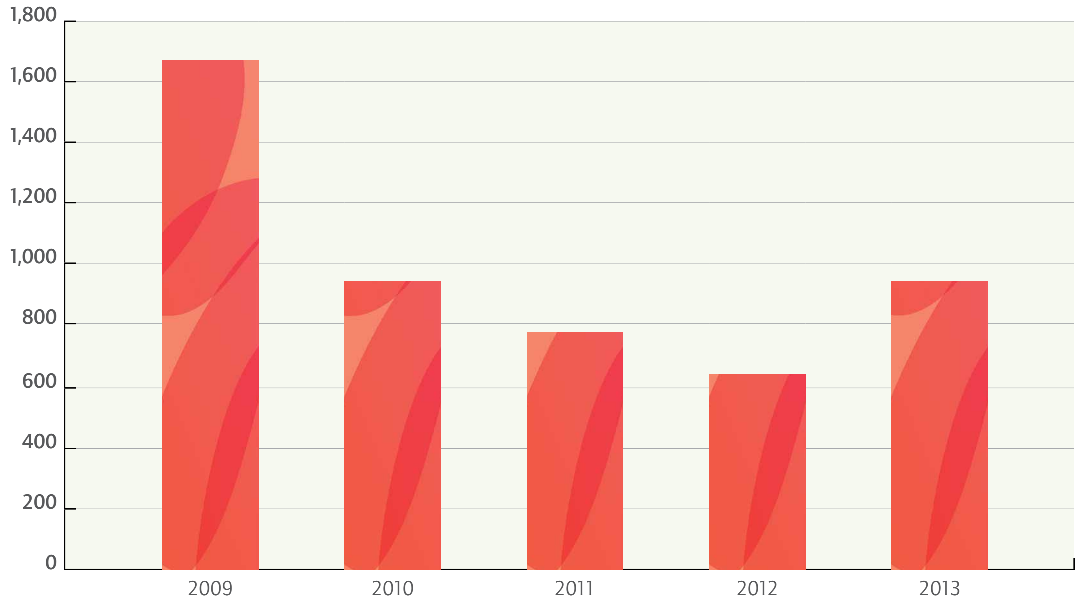
TELETOTE CALLS



TELETOTE TURNOVER



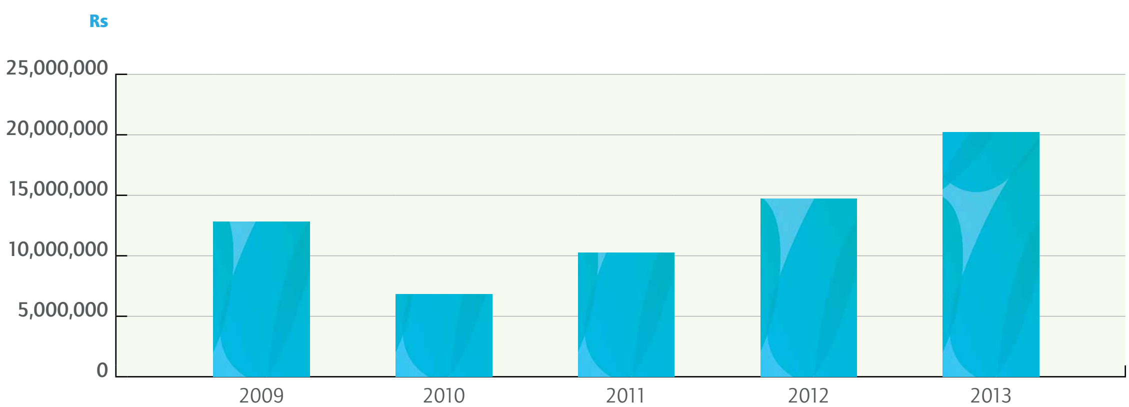
TELETOTE ACCOUNTS OPENED



SMS BETTING

SMS betting turnover reached Rs 20 Million in 2013, representing an increase of 36% compared to 2012 (Rs 14.8 Million). The Company has been able to measure the positive impact of its very aggressive advertising campaign to promote SMS betting in 2013 and is now working on a new application to be launched in 2014, to further boost that line of business. There is a strong belief that the future lies with smartphones and androids and the plan is that the Company keeps abreast of the latest technologies and release new applications from time to time in order to offer an easy and convenient betting platform.

SMS BETTING TURNOVER



DIRECTORS' REPORT (cont'd)

ON COURSE

On course turnover has been steadily decreasing since 2009 with the emergence of Off course betting, telephone and SMS betting, and this trend continued in 2013 whereby turnover further decreased by 2% to Rs 142 Million (Rs 145 Million in 2012) despite the increase in the number of race meetings.

FOOTBALL

Fixed odd betting on football reached a turnover of Rs 256 Million in 2013 representing an increase of 45% over 2012 (Rs 176 Million). This exceptional performance was achieved following innovative measures such as the introduction of tax free betting whereby the Company chose to bear the tax payable by punters. We increased the number of matches offered and introduced new bets which proved very popular with our punters; we carried out promotional activities to attract new clients and also launched an aggressive marketing campaign in the press.

The level of Gross Profit for 2013 was exceptionally high and impacted positively on the financial results of the Company. It is however important to bear in mind that fixed odd betting remains very risky and volatile and the gross profit margin is directly dependent on result of football matches and the performance of favourites.

ADVERTISING

SUPERTOTE

Taking into consideration budget constraints in 2013, the ASL advertising budget was spent mainly on newspapers and sports magazines.

There were no new product launches in 2013 but new visuals were created to boost some services and refresh the communication aspect, such as Teletote, exotic bets and SMS Betting. Furthermore, a new TV commercial was created for maximum brand visibility in cinemas.

The promotions of big jackpots for Pick 8 and Pick 6 Carry Forwards as well as big pay-outs were advertised in the press and on MBC TV during the Turf Time programme.

Media wise, there was a weekly presence in the main sports Magazines throughout the year and there has been a constant presence on the web with orange.mu relaying different messages. Last but not least, there was a strong media presence for Supertote Golden Trophy and this major event was celebrated with maximum coverage.

SUPERSCORE

In 2013, the Superscore communication maintained a strong focus on the Pre-match aspect, featuring Superscore football odds on Premier League matches and advertising placement was secured in weekly football magazines and newspaper supplements.

Moreover, there were specific campaigns to advertise the following: 'Zero Tax' services in the press and on billboards for the beginning of the English Premier League Season, the advantages offered by Superscore compared to competitors were highlighted, the opening of a new Off course outlet in Tamarin and the change of address of the Flacq outlet were advertised, dedicated promos in specific Off course agencies, detailed communication during Champions League and a web presence in lekip.mu; all formed part of the communication strategy.

CORPORATE SOCIAL RESPONSIBILITY

ASL deeply cares about the environment in which it operates and acknowledges its responsibility towards the community. In the year under review, it has pursued and increased its objectives in this area, in line with its policy of supporting education, health and alleviation of poverty and focusing on the less privileged sections of society.

Along these lines, ASL contributed Rs 811,695. The Company maintained its support from previous years to:

- the Supertote Red Ribbon Trophy in collaboration with PILS on Supertote Race Day whereby a cheque of Rs 150,000 was remitted to the NGO to assist its battle against HIV Aids and its rampaging effects on our Mauritian youth and society in general;
- the Mouvement Civique de Baie Du Tombeau received Rs 150,000 to help finance the running of "L'Ecole de la Vie", specialised in the rehabilitation of street children from the vicinity of Baie du Tombeau;
- Caritas received Rs 150,000 as a support to its poverty alleviation and social justice enhancement programme. ASL also invited children from the less privileged area of Triolet, under the care of Caritas, to attend the Supertote racing day;
- the Haemophilia Patients and Parents Support Group received Rs 100,000 to assist their action towards those suffering from haemophilia and other inherited bleeding disorders;
- the Garderie and Maternelle Etoile Association, which provides day care and education to children in need in the region of Black River, received Rs 111,695.

In addition, ASL supported new projets as follows:

- Fondation Cours Jeanne D'Arc, college geared at children with learning difficulties, received Rs 50,000 as a contribution towards its free education programme for children coming from vulnerable groups, representing 55% of their students. Their aim is to help reducing poverty through a more human education program;
- The Muscular Dystrophy Association, aimed at providing assistance to persons suffering from muscular dystrophy, which is an incurable disease, received Rs 100,000.

DIRECTORS' REPORT (cont'd)

SPONSORSHIP

Once again, ASL has been true to its promise and has sponsored one of the most important events of the Racing Calendar, the Supertote Golden Trophy which is a Group 2 race. During the day, five other prestigious races namely the Supertote Exotic Bets Trophy, the Teletote Trophy, the Off course Trophy, the Supertote Red Ribbon Trophy and the Supertote SMS Betting Trophy were also sponsored. As in the past years, the public, whether at the Champ de Mars or in the Off course outlets, fervently supported the event and greatly contributed to its success.

As mentioned under our CSR heading, 40 unprivileged children from Triolet, accompanied by Caritas, attended the race day and were thrilled by the experience as most of them had never been to the Champ de Mars before.

An additional prize of Rs 100,000 was offered to Mr Gilbert Rousset, Stable Manager of Intercontinental, who won the Supertote Golden Trophy in brilliant style and the Maiden Cup subsequently.

ASL sponsored one race during the international jockeys' week end held on 30 November/1 December 2013 and the TV program Turf Time screened the day prior to the race day and the live racing program screened on MBC digital channel 9.

As in the past, ASL continued to sponsor the online Tipping Challenge organized by the MTC on its website, the Press Tipping Challenge as well as international equestrian events held at the Club Hippique de Maurice and the Centre Equestre de La Louisa.

OUTLOOK

TOTALISATOR

The Totalisator betting reached a peak in 2009 and has been regularly declining since, for a numerous number of reasons. However, it is to be noted that due to the increase in the number of race meetings in 2013, the turnover did increase slightly. The Mauritius Turf Club has sought and obtained permission from the Authorities to hold 43 race meetings in 2014. This measure shall help to maintain a positive trend and boost Tote revenues.

FOOTBALL

LEVY

The Government has introduced, in respect of 2014, a new levy on football betting of Rs 24,000 per week per outlet which will, on the basis of the existing facilities, represent an expense of Rs 26 Million yearly for ASL. This will impact negatively on the Company's financial results and has become a major concern as regards the sustainability of football betting operations.

A committee has been set up by the Minister of Finance and Economic Development to review the football betting tax structure. ASL will be making due representations to the Committee and is hopeful that a less stringent tax structure would be applied in the future, based of the gross operating profit instead of volume of outlets which would be more sustainable by the Industry.

	Turnover	Government Taxes and licences (GRA & Local Authorities)	Percentage of Government taxes and licenses against turnover
2013	1,193,037,441	133,117,899	11%
Budgeted 2014	1,260,000,000	161,813,000	13%

Looking forward, a growth in football turnover is expected once again this year with the upcoming World Cup which will be held in Brazil in June 2014.

Finally, ASL is pleased to inform its clients that, as frequently requested by them in the past, free printed football fixtures will now be distributed every weekend in all its outlets.

NEW PROJECT – WEBSITE

ASL will completely revamp its website as from 2014 and will propose three different websites dedicated to: (1) Tote betting and horse racing news; (2) Football betting and (3) Corporate information.

The **www.supertote.mu** website will offer new features such as horse racing news, race cards, training shots as well as horses' forms with videos of past performances and tips. This comprehensive website will provide up-to-date and valuable information to our punters.

A new Superscore website will be launched with live odds, scores and actualized news from the different football leagues.

Finally, the corporate website will be dedicated to and relay information on the corporate structure, management and administration, corporate events, financial statements, communiqués and investors news.

DEVELOPMENT IN AFRICA

The Directors believe that Africa has a huge potential in the field of sports betting. Contacts have already been established with potential partners to seek out business opportunities.

Signed by

M. A. Eric Espitalier Noël
Chairman

J. D. Gérard Pascal
Director

18 March 2014

CORPORATE GOVERNANCE REPORT

STATEMENT OF COMPLIANCE

The Board of Directors of Automatic Systems Ltd ("ASL") ensures that the principles of good Corporate Governance, as applicable in Mauritius, are fully adhered to and form an integral part of the Company's business practices. It is also committed to fair financial disclosure to its shareholders and all the stakeholders at large.

The Company has not complied with section 2.8.2 of the Code of Corporate Governance (the "Code") regarding the disclosure of remuneration of Directors on an individual basis. Reasons for non-compliance are provided in this report.

PRINCIPAL ACTIVITY

The main activities of ASL are the running of a totalisator system (tote) of betting on races in Mauritius organised by the Mauritius Turf Club branded under Supertote and the organisation of fixed-odds betting on foreign football matches branded under Superscore; both in accordance with the provisions of the Gambling Regulatory Authority Act 2007.

THE COMPANY'S STRUCTURE

ASL, incorporated on 18 March 1991, is listed on the official market of the Stock Exchange of Mauritius Ltd since 12 October 1994.

CONSTITUTION OF THE COMPANY

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

BOARD OF DIRECTORS

The Company has a unitary board composed of 10 Directors, with a suitable mix of two executive, three non-executive and five independent Directors. The functions and responsibilities of the Chairperson and the Executive Directors are separate.

For board meetings, a quorum of 5 directors is required if the board is composed of 8 or 9 directors and a quorum of 6 directors is required if the board is composed of 10 or 11 directors.

New Directors are given an induction pack upon their appointment in order to get acquainted with the Company and they are also encouraged to meet with the Company's Executive Directors and Senior officers to benefit a better insight of the operations.

In line with the Code and the Constitution of the Company, all directors stand for re-election and/or re appointment on a yearly basis. The names of all present directors, their profile and categories as well as their directorships in other listed companies are set out on page 20, 72 and 73.

MANAGING DIRECTOR

Mr Guillaume Hardy was appointed as Executive Director on 15 of March 2013 and as Managing Director on 18 of March 2014.

BOARD CHARTER

The Board is of the view that the responsibilities of the directors should not be confined in a board charter and has consequently resolved not to adopt one for the moment.

BOARD EVALUATION

A board evaluation was conducted in 2013. Feedback obtained therefrom is used to maintain and improve the effectiveness of the Board.

BOARD ACTIVITY DURING THE YEAR

The Board met 4 times in 2013 and the individual attendance by directors is detailed on page 24.

DEALING IN SHARES OF THE COMPANY

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

The directors endeavour to follow the principles of the Model Code for Securities Transactions by Directors of Listed Companies as detailed in Appendix 6 of the Mauritius Stock Exchange Listing Rules 2000. ASL has also set up a procedure whereby any director purporting to deal in the shares of the Company should inform the Chairperson accordingly.

The Company keeps an Interests Register in accordance with the Companies Act 2001 and an Insiders Register pursuant to the Securities Act 2005. The registers are regularly updated with the information submitted by the directors and/or other insiders as applicable.

CORPORATE GOVERNANCE REPORT (cont'd)

The table below sets out, as at 31 December 2013, the directors' respective category, direct and indirect interests, number of other directorships in listed companies:

	Category	Direct Interest		Indirect Interest	Number of Other Directorships in Listed* Companies
Directors/Alternates		Shares	%	%	
Ravindra CHETTY	IND	100	0.0	nil	-
M. A. Eric ESPITALIER NOËL	IND	nil	nil	nil	3
Jean HARDY (Also alternate to O. Farouk A. HOSSEN)	ED	nil	nil	0.2	-
Herve HENRY	NED	nil	nil	nil	-
O. Farouk A. HOSSEN	IND	22,049	0.6	nil	-
Michel J. L. NAIRAC	IND	nil	nil	nil	-
J. D. Gérard PASCAL	IND	1,319	0.0	0.2	-
John A. STUART	NED	nil	nil	nil	-
Guillaume HARDY	ED	nil	nil	nil	-
Arvind Lall DOOKUN	NED	10,411	0.3	0.1	-

ED - Executive Director
IND - Independent Director
NED - Non Executive Director
* On the official market of the Stock Exchange of Mauritius Ltd

BOARD COMMITTEES

AUDIT COMMITTEE

The Audit Committee also performs the duties of the Risk Committee and assists the Board, among other things, in overseeing:

- The quality and integrity of financial statements and public announcements related thereto;
- The Company's compliance with legal and regulatory requirements;
- The scope and effectiveness of the external audit function as well as the qualifications, experience and independence of the external auditors;
- The effectiveness of the Company's systems of internal control and practices;
- The policies and procedures established to minimize business risks, including the risk of money laundering through the tote system;
- The integrity and effectiveness of the automated system managing the bets on Supertote;
- The adequacy of the insurance cover subscribed by the Company.

CORPORATE GOVERNANCE NOMINATION AND REMUNERATION COMMITTEE

The Corporate Governance Nomination and Remuneration Committee has the following objectives:

CORPORATE GOVERNANCE

- To review the Constitution and structure of the Company in the light of the Code of Corporate Governance;
- To assist the Board in the implementation of the Code of Corporate Governance;
- To ensure that the Company's Annual Report complies with the provisions of the Code of Corporate Governance.

NOMINATION

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

REMUNERATION

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

Please refer to page 26 for internal control, and risk management.

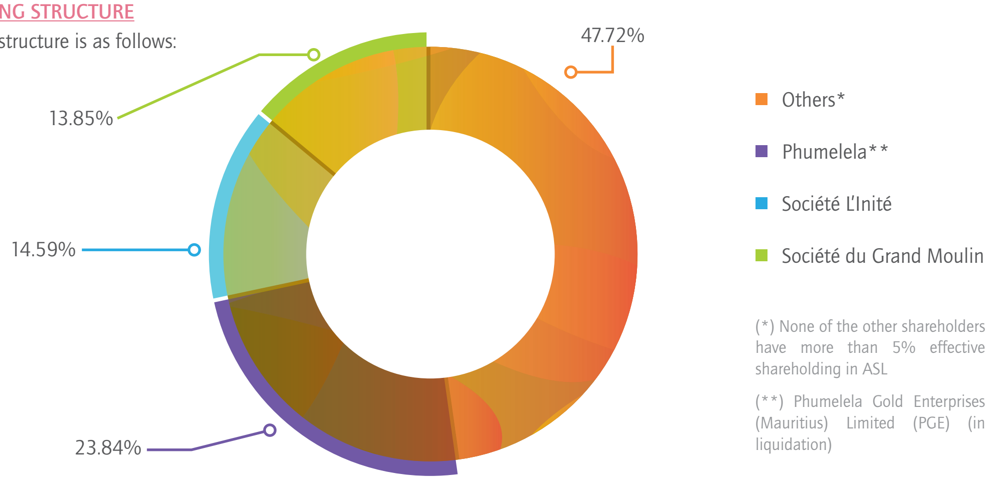
SHAREHOLDING

At 31 December 2013, the Company's share capital amounted to Rs 24,745,000 divided into 3,535,000 ordinary shares of Rs 7 each and there were 1,650 shareholders on the registry (2012: 1,647).

During the year 2013 the Shareholders of Draper Investments Ltd (DIL), which held 59.60% of the shares of the Company, resolved to proceed with a voluntary winding up of DIL. The liquidator attributed the 59.60% shares held by DIL in ASL to its shareholders in pro rata of their shareholding.

CASCADE HOLDING STRUCTURE

ASL shareholding structure is as follows:



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

(**) Phumelela Gold Enterprises (Mauritius) Limited (PGE) (in liquidation)

Phumelela Gold Enterprises (Mauritius) Limited, a domestic company ultimately owned by foreign shareholders, is in voluntary winding up since 24 June 2013.

CORPORATE GOVERNANCE REPORT (cont'd)

On 31 December 2013, the following shareholders held directly and indirectly more than 5% of the ordinary share capital of ASL.

	Direct Interest		Indirect Interest
	No. of ordinary shares	% holding	% holding
Société du Grand Moulin	489,686	13.9	-
Société L'Inité	515,919	14.6	-
Phumelela Gold Enterprises (Mauritius) Limited 'In liquidation'	842,647	23.8	-

Common Directorships of ASL holding structure:

	SGM	SLI	PGEL
M. L. Jean Hardy		√ (Gerant)	
Hervé Henry	√ (Gerant)		
John A. Stuart			√

SGM - Société du Grand Moulin
SLI - Société L'Inité
PGEL - Phumelela Gold Enterprises (Mauritius) Limited 'In liquidation'

The Company's shareholding profile as at 31 December 2013 was as follows:

Number of shares held (range)	Number of shareholders	Total number of Shares for the range	Percentage held
1 - 500	1,290	207,784	5.9
501 - 1,000	186	125,319	3.5
1,001 - 5,000	123	270,439	7.7
5,001 - 10,000	21	147,903	4.2
10,001 - 50,000	22	440,022	12.4
50,001 - 100,000	2	153,562	4.3
100,001 - 250,000	3	341,726	9.7
250,001 - 500,000	1	489,686	13.9
500,001 - 99,999,999	2	1,358,559	38.4
	1,650	3,535,000	100.0

Summary of shareholder category at 31 December 2013:

	Number of shareholders	Total number of Shares held	Percentage held
Individual	1,582	1,312,993	37.1
Insurance & Assurance Companies	3	131,472	3.7
Pension & Providence Funds	1	2,700	0.1
Investment & Trust Companies	1	20,900	0.6
Other Corporate Bodies	63	2,066,935	58.5
	1,650	3,535,000	100.0

SHARE PRICE INFORMATION

At 31 December 2013, the share price of the Company was Rs 115 (Rs 72 at 31 December 2012).

DIVIDEND POLICY

The Company has no formal dividend policy. The payment of dividend is subject to the performance of the Company, its cash flow and its capital expenditure requirements. For the year ended 31 December 2013, the Directors have approved the distribution of an interim dividend of Rs 7 per share and a final dividend of Rs 3 per share.

SHAREHOLDERS' AGREEMENT

The Company does not have a Shareholders' Agreement.

SHAREHOLDERS COMMUNICATION AND EVENTS

The Company communicates with its shareholders, investment community and other stakeholders via press releases, publication of quarterly results, dividend declarations and the Annual Report which is also available on the Company's website **www.supertote.mu.**

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

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

CORPORATE GOVERNANCE REPORT (cont'd)

Statement of Remuneration Policy

The remuneration structure with regard to Directors' fees for 2013 comprised of two components, namely, a basic yearly fee and an attendance fee as follows:

	Board		Audit Committee	Corporate Govenance Committee
	Fixed Fee	Attendance Fee	Attendance Fee	Attendance Fee
Chairman	60,000	17,500	12,500	12,500
Members	15,000	12,500	7,500	7,500

The table below sets out the details of attendance of directors at meetings during 2013 and directors fees perceived in relation thereto:

	Attendance at meetings during 2013			
Directors/Alternates	Board	Audit Committee	Corporate Governance Committee	Directors' Fees
M. A. Eric ESPITALIER NOËL	4/4	-	2/2	145,000
Jean HARDY	4/4	-	2/2	80,000
Herve HENRY	4/4	4/4	-	95,000
O. Farouk A. HOSSEN	4/4	3/4	-	87,500
Ravindra CHETTY	3/4	-	2/2	77,500
J. D. Gérard PASCAL	4/4	4/4	-	115,000
John A. STUART	1/4	-	-	27,500
Michel J. L. NAIRAC	1/4	-	-	27,500
Guillaume HARDY	3/3	-	-	52,500
Arvind Lall DOOKUN	3/3	-	-	52,500

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

Please refer to page 28 of Other Statutory Disclosures in respect of directors' emoluments. Remuneration paid to Executive Director has not been disclosed individually as the directors consider this information as very sensitive in their working environment.

EMPLOYEES

ASL currently employs, on a full time basis, 27 persons who are involved in the daily operations of the Company. During the racing season, 13 casual workers are called upon on a full time basis as well as 250 part time casuals working as tellers, technicians, supervisors and runners. Furthermore, for its Off course operation, ASL has a working arrangement with 24 agents/supervisors, each employing an average of 8 casual workers during the racing season.

The remuneration package of the employees and casual workers is decided upon at the discretion of the Executive Directors, taking into account prevailing market conditions and the job profile and responsibilities of such employees.

SHARE OPTION PLAN

The Company does not have any share-option plan.

PROFILE OF SENIOR OFFICER

Please refer to page 73 of the report.

INTERESTS OF SENIOR OFFICER – EXCLUDING DIRECTORS

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

SUSTAINABILITY REPORTING

The Company endeavours to adopt environmentally, socially and ethically sound business behaviour and understands that sustainability reporting is not an increased burden but a tool towards making better resource allocation decisions.

ASL has opted to use the referential model standard ISO 9001 Quality Management Systems – Requirements as a guide to document its existing system into procedures and work instructions that are and will be systematically followed by everyone for attaining right result, the first and every time. ASL is compliant with the requirements of ISO 9001 Standard. ASL keeps its documents up to date and thereby maintains its certification through yearly internal and external quality audits.

ETHICS

The Company's Code of Ethics was circulated to all employees and agents in 2013 and new employees joining the Company thereafter are apprised of the Code of Ethics during their induction session. They are also given a copy of the Code of Ethics.

CARBON REDUCTION COMMITMENT

The Company is conscious of its impact on the environment and firmly intends to reduce its carbon footprint over time.

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

In this respect, ASL uses thermal ticket rolls which are produced by the Koehler Group from Germany. The latter has strict policies as regards to the protection of the environment and uses defined processes, certified according to DIN EN ISO 9001, ISO 14001, ISO 27001, and IEC OHSAS 18001.

As measures taken in 2013 to reduce power consumption, neon lights were replaced by low power Hi Lux LED lamps in one of our call centers and offices.

FUTURE COMMITMENTS

In 2014 ASL will reduce its power consumption with the following measures:

- To redo the false ceiling in Teletote A with Hi Lux LED lamps to reduce heat usage and air con power consumption;
- To relocate and reduce the number of UPS in order to optimize power distribution and consumption;
- To progressively replace existing Air Conditioners by new low power models.

HEALTH AND SAFETY

The Company endeavours to provide a safe environment to its employees and other stakeholders. The Company has a Health & Safety consultant to ensure that the Company complies with the relevant prescribed health and safety norms and abides by the existing legislative and regulatory frameworks pertaining thereto. Ten employees have been trained to use firefighting equipment and undergo staff evacuation in case of emergency. Furthermore, four of ASL's staff are qualified first aiders.

The Company continuously strives to install a safety culture at all times and is committed at providing a health and Safe environment at work. The Company has adopted a general statement of health and safety policy.

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

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

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

CORPORATE GOVERNANCE REPORT (cont'd)

SOCIAL ISSUES

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

MANAGEMENT AGREEMENT

The Company does not have a Management Agreement.

RELATED PARTY TRANSACTIONS

Please refer to Note 26 on page 69 of the Financial Statements.

CORPORATE SOCIAL RESPONSIBILITY

Please refer to page 15 of the Directors' Report for disclosures in respect of Corporate Social Responsibility.

INTERNAL CONTROL AND RISK MANAGEMENT

The directors have resolved not to appoint an internal auditor for the time being in view of the costs involved. The Audit Committee works closely with the external auditors to ensure that the Company's system of control effectively enables the Company to mitigate the risks inherent to its activity.

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

RISK MANAGEMENT

The Board is responsible for the overall management of risks and has delegated to the Audit Committee the responsibility of implementing a structure and process to help identify, assess and manage risks. Risks reviews are regularly conducted and mitigating measures implemented accordingly.

The main risks faced by the Company are as follows:

Market

The Company operates in a highly competitive and regulated market and finds it challenging to maintain its market share. The Company's revenue is directly affected by the number of race meetings held annually, the number of Off course betting shops which it is allowed to operate, the performance of the Mauritian economy and the number of Bookmakers operating outside the racecourse. Management regularly assesses the changes in the Company's business environment and adopts the appropriate measures to contain any adverse impact on profitability.

Operational

The operational risks relate to internal processes which are regulated by information technology software controlling the betting operations of the Company. That system is closely monitored at management level with cash reconciliations being prepared and verified on a weekly basis. The integrity of the betting system provided and tested by Amtote International Inc. represents the main operational risk. However all software changes at program level are made by Amtote International Inc. The Amtote Betting System is secured with proper controls at different levels. The database is the property of Amtote International Inc. and users cannot make changes thereto but can only generate reports from the system.

As regards the risks related to money laundering, satisfactory procedures are in place to mitigate such risks.

IT operations and business processes are continuously being reviewed, monitored and improved wherever possible. IT and Security policies, standards and guidelines have been implemented. One of the main improvements for 2013 was the implementation of the secondary site with the redundant AmTote equipment and necessary infrastructure. The secondary site is running live with real-time data. It is intended that BCP (business continuity plan) will be used to respond to disruptions of critical business processes whereby a faster recovery can take place.

Other risks

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

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

Ravindra Chetty
Director

Sophie Gellé
Box Office Ltd
Secretary

18 March 2014

OTHER STATUTORY DISCLOSURES

CONTRACT OF SIGNIFICANCE

During the year under review, there was no contract of significance to which ASL was a party and in which a director of ASL was materially interested either directly or indirectly.

DIRECTORS

A list of directors of the Company is given on Page 7.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company have service contracts that need to be disclosed under Section 221 of the Companies Act 2001.

INDEMNITY INSURANCE

During the year under review, the directors have renewed the indemnity insurance cover for directors'/officers' liability, such policy covers the risks arising out of the acts or omissions of the directors and officers of the Company except in cases of fraudulent, malicious or willful acts or omissions.

DIRECTORS' SHARE INTEREST

The interests of the directors in the securities of the Company as at 31 December 2013 are disclosed at Page 20.

DIRECTORS' EMOLUMENTS

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

	2013	2012
	Rs 000	Rs 000
Non-Executive Directors	**628**	628
Executive Directors	**6,288**	2,772

DONATIONS/CSR

Donations made during the year were as follows:

	2013	2012
	Rs	Rs
Caritas	**150,000**	110,000
PILS	**150,000**	100,000
Haemophilia Association of Mauritius	**100,000**	70,000
Mouvement Civique de la Baie du Tombeau	**150,000**	80,000
Fondation Cours Jeanne D'Arc	**50,000**	Nil
Garderie et Maternelle L'Etoile Association	**111,695**	89,640
The Muscular Dystrophy Association	**100,000**	Nil
Fondation pour la formation au football	**Nil**	50,000
Total	**811,695**	**499,640**

AUDITORS' REMUNERATION

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

	2013	2012
	Rs 000	Rs 000
Audit fees	700	500
Non-Audit fees	409	80

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

For the year under review, the Directors report that:

- the financial statements fairly present the state of affairs of the Company as at the end of the financial period and the result of operations and cash flows for that period;
- the external auditors are responsible for reporting on whether the financial statements are fairly presented;
- adequate accounting records and an effective system of internal controls and risk management have been maintained;
- appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently;
- the financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS);
- the financial statements have been prepared on the going concern basis;
- they are responsible for safeguarding the assets of the Company;
- they have taken reasonable steps for the prevention and detection of fraud and other irregularities; and
- the Code of Corporate Governance has been adhered to in all material aspects and reasons provided for in cases of non-compliance

By Order of the Board

M. A. Eric Espitalier Noël
Chairman

J. D. Gérard Pascal
Director

18 March 2014

SECRETARY'S REPORT

AUTOMATIC SYSTEMS LTD

Under Section 166(d) of the Companies Act 2001

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

Sophie Gellé
Box Office Ltd
Company Secretary

18 March 2014

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AUTOMATIC SYSTEMS LTD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Automatic Systems Ltd (the "Company") on pages 32 to 71 which comprise the statement of financial position at 31 December 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements on pages 32 to 71 give a true and fair view of the financial position of the Company at 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

MAURITIAN COMPANIES ACT 2001

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

(a) we have no relationship with or interests in the Company other than in our capacities as auditor and tax advisor of the Company;

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

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

FINANCIAL REPORTING ACT 2004

The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and on whether the disclosure is consistent with requirements of the Code.

In our opinion, the disclosure in the annual report is consistent with the requirements of the Code.

OTHER MATTER

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

PricewaterhouseCoopers

Mushtaq Oosman,
licensed by FRC

18 March 2014

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

		2013 Rs 000	2012 Rs 000 Restated
Revenue		1,193,090	1,101,449
Cost of sales (Note 7)		(983,301)	(920,382)
GROSS PROFIT		209,789	181,067
Other income		1,202	1,347
Selling expenses		(38,309)	(35,062)
Operating expenses		(73,058)	(67,325)
Payments to The Mauritius Turf Club		(49,664)	(48,314)
OPERATING PROFIT (Note 8)		49,960	31,713
Finance income		282	216
Finance costs		(1,158)	(2,853)
Finance (costs)/income – net (Note 10)		(876)	(2,637)
PROFIT BEFORE TAXATION		49,084	29,076
Taxation (Note 11)		(8,080)	(5,841)
PROFIT FOR THE YEAR		41,004	23,235
Other comprehensive income:			
Remeasurements of post-employment benefit obligations		(82)	3,090
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		40,922	26,325
BASIC AND DILUTED EARNINGS PER SHARE (Note 12)	Rs	11.60	6.57

The notes on pages 36 to 71 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2013

	As at 31 December		As at 1 January
	2013	2012	2012
	Rs 000	Rs 000	Rs 000
		Restated	Restated
ASSETS			
Non-current assets			
Plant and equipment (Note 13)	**13,750**	15,504	21,261
Goodwill (Note 14)	**73,514**	73,514	73,514
Available-for-sale financial assets (Note 15)	**100**	104	104
Trade and other receivables (Note 16)	**1,761**	-	-
	89,125	89,122	94,879
Current assets			
Trade and other receivables (Note 16)	**12,700**	11,781	13,138
Cash and cash equivalents (Note 17)	**2,454**	4,168	3,107
Inventories (Note 18)	**145**	187	650
	15,299	16,136	16,895
Total assets	**104,424**	105,258	111,774
EQUITY			
Share capital (Note 19)	**24,745**	24,745	24,745
Share premium (Note 20)	**1,168**	1,168	1,168
Retained earnings	**13,821**	7,834	15,092
Total equity	**39,734**	33,747	41,005
LIABILITIES			
Non-current liabilities			
Deferred income tax liability (Note 22)	**171**	766	2,061
Post-employment benefit obligations (Note 21)	**2,568**	2,890	4,735
	2,739	3,656	6,796
Current liabilities			
Trade and other payables (Note 23)	**42,042**	34,876	20,340
Bank overdraft (Note 17)	**4,207**	28,216	42,249
Dividend payable (Note 24)	**10,605**	-	-
Current income tax liability (Note 11)	**5,097**	4,763	1,384
	61,951	67,855	63,973
Total liabilities	**64,690**	71,511	70,769
Total equity and liabilities	**104,424**	105,258	111,774

Authorised for issue by the Board of directors on 18 March 2014 and signed on its behalf by:

M. A. Eric Espitalier Noël
Chairman

J. D. Gérard Pascal
Director

The notes on pages 36 to 71 form an integral part of the financial statements.

FINANCIAL STATEMENTS (cont'd)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital Rs 000	Share premium Rs 000	Retained earnings Rs 000	Total equity Rs 000
Balance as at 01 January 2012 (as previously reported)	24,745	1,168	20,390	46,303
Effect of changes in accounting policies	-	-	(5,298)	(5,298)
Balance as at 01 January 2012 (restated)	24,745	1,168	15,092	41,005
Profit for the year	-	-	23,235	23,235
Other comprehensive income for the year	-	-	3,090	3,090
Profit and total comprehensive income for the year	-	-	26,325	26,325
Transaction with owners				
Dividends (Note 24)			(33,583)	(33,583)
Total transactions with owners			(33,583)	(33,583)
Balance as at 31 December 2012 (restated)	24,745	1,168	7,834	33,747
Balance as at 01 January 2013 (restated)	24,745	1,168	7,834	33,747
Profit for the year	-	-	41,004	41,004
Other comprehensive income for the year	-	-	(82)	(82)
Profit and total comprehensive income for the year	-	-	40,922	40,922
Transaction with owners				
Dividends (Note 24)	-	-	(35,350)	(35,350)
Unclaimed dividends	-	-	415	415
Total transactions with owners	-	-	(34,935)	(34,935)
Balance as at 31 December 2013	24,745	1,168	13,821	39,734

The notes on pages 36 to 71 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
	Rs 000	Rs 000
		Restated
Cash flows from operating activities		
Profit before taxation	49,084	29,076
Adjustments for:		
Depreciation of plant and equipment (Note 13)	9,089	9,210
Profit on disposal of plant and equipment	(306)	(190)
Dividend income (Note 10)	(117)	(124)
Interest income (Note 10)	(165)	(92)
Interest expense (Note 10)	1,158	2,853
Net post-employment benefit (credit)/charge	(404)	1,245
Working capital changes		
Decrease in inventories	42	463
(Increase)/decrease in trade and other receivables	(2,680)	1,357
Increase in trade and other payables	7,586	14,550
Cash generated from operations	63,287	58,348
Interest received (Note 10)	165	92
Income tax paid (Note 11)	(7,530)	(3,273)
Corporate Social Responsibility contribution paid (Note 11)	(812)	(500)
Interest paid (Note 10)	(1,158)	(2,853)
Net cash from operating activities	53,952	51,814
Cash flows from investing activities		
Payments for purchase of plant and equipment (Note 13)	(7,335)	(3,451)
Proceeds from sales of plant and equipment	306	190
Dividends received (Note 10)	117	124
Net cash used in investing activities	(6,912)	(3,137)
Cash flows from financing activities		
Dividends paid (Note 24)	(24,745)	(33,583)
Net cash used in financing activities	(24,745)	(33,583)
Net increase in cash and cash equivalents	22,295	15,094
Cash and cash equivalents at beginning of year	(24,048)	(39,142)
Cash and cash equivalents at end of year (Note 17)	(1,753)	(24,048)

The notes on pages 36 to 71 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013

1. GENERAL INFORMATION

The Company is incorporated in Mauritius as a public company with limited liability and is listed on the Stock Exchange of Mauritius.

The Company's principal activities is the running of a totalisator system (tote) of betting on races in Mauritius organised by the Mauritius Turf Club ('MTC') and the organisation of fixed-odds betting on foreign football matches, both in accordance with the provisions of the Gambling Regulatory Authority Act 2007.

The address of its registered office is c/o Box Office Ltd, 2nd Floor, Nautica Commercial Centre, Royal Road, Black River, Republic of Mauritius.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The financial statements of Automatic Systems Ltd (the "Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets. The financial statements are presented in Mauritian Rupees ('Rs'), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Company's accounting policies. The area which involves a higher degree of judgement in the financial statements is disclosed in Note 3 to the financial statements.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company

The following new standards and amendments to standards are mandatory for the first time for the financial year end beginning 01 January 2013:

- 'Amendment to IAS 1, 'Financial Statement presentation', regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).
- IAS 19, 'Employee benefits' was revised in June 2011. The changes on the Company's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See Note 28 for the impact on the financial statements.
- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) New and amended standards adopted by the Company (cont'd)

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the Company until 1st January 2014, however the Company has decided to early adopt the amendment as of 1st January 2013.
- Amendments to IAS 36, "Impairment of assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS36 by the issue of IFRS 13. The amendment is not mandatory for the Company until 1st January 2014, however the Company has decided to early adopt the amendment as of 1st January 2013.

(b) New standards and interpretations not yet adopted by the Company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1st January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business combination and goodwill

The Company acquired 100% of the shares of HH Management Ltd ('HHM'), effective from 01 January 2011.

Business combinations are accounted for using the acquisition method of accounting. The consideration transferred in a business combination is measured at fair value at the date of acquisition. This consideration includes the cash paid plus the fair value at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Company. The fair value of consideration transferred also includes contingent consideration arrangements at fair value. Directly attributable acquisition-related costs are expensed in the current period and reported within general and administrative expenses. At the date of acquisition, the Company recognises the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business. The identifiable assets acquired and the liabilities assumed are initially recognised at fair value. Where the Company does not acquire 100% ownership of the acquired business non-controlling interests are recorded as the proportion of the fair value of the acquired net assets attributable to the non-controlling interest. Goodwill is recorded as the surplus of the consideration transferred over the Company's interest in the fair value of the acquired net assets. Any goodwill and fair value adjustments are recorded as assets and liabilities of the acquired business in the functional currency of that business. When the initial accounting for a business combination is incomplete at the end of a reporting period, provisional amounts are used. During the measurement period, the provisional amounts are retrospectively adjusted and additional assets and liabilities may be recognised to reflect new information obtained about the facts and circumstances that existed at the acquisition date which would have affected the measurement of the amounts recognised at that date, had they been known. The measurement period does not exceed twelve months from the date of acquisition. Goodwill is not amortised, but is assessed for possible impairment at each reporting date and is additionally tested annually for impairment. Goodwill may also arise upon investment in associates, being the surplus of the cost of investment over the Company's share of the fair value of the net identifiable assets. Such goodwill is recorded within investments in associates. Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and if they do not result in a loss of control.

In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of HH Management Ltd ('HHM'), this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant amongst these is the premium attributable to the skilled workforce which are required to operate on the system.

Amalgamation of HH Management Ltd ('HHM')

On 17 October 2011, the Company obtained clearance from the registrar of Companies to amalgamate the activities of its wholly owned subsidiary, HHM. The transaction is a business combination involving entities/businesses under common control and is scoped out from IFRS 3, 'Business Combinations'. The Company has therefore applied the predecessor accounting method to account for the combination for the 31 December 2011 year end as follows:

- Incorporated the acquired entity's ('HHM') results and statement of financial position as if both entities (acquirer and acquiree) had always been combined.
- The financial statements at 31 December 2011 consequently reflect both entities' full year's results, even though the business combination may have occurred part of the way throughout the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

Foreign currency translation

(a) Functional and presentation currency

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

(b) 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. 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in the statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

Equipment	12.5%
Teletote	12.5% to 20.0%
Off course equipment	12.5% to 20.0%
Electrical installation and equipment	12.5%
Office equipment and furniture	12.5% to 20.0%
Motor vehicles	20%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are included in other income/(cost)-net in profit or loss.

Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ('CGUs'), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

The combined entity from the business combination that occurred at 31 December 2011 (i.e., the Company and HHM) has the following characteristics:

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

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

iii. skilled workforce are required to operate the system.

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. 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.

Plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

- **Classification**

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified in non-current assets. The Company's loans and receivables comprise of trade and other receivables and cash and cash equivalents in the statement of financial position.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in the other category. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing model, making maximum use of market inputs and relying as little as possible on entity specific inputs.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

- **Recognition and measurement**

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of finance income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of "other income" when the Company's right to receive payments is established.

- **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.

Impairment of financial assets

- **Assets carried at amortised cost**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets (cont'd)

- **Assets carried at amortised cost (cont'd)**

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

- **Assets classified as available-for-sale**

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria referred to in above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Inventories

Inventories consist of ticket rolls and are stated at the lower of cost and net realisable value. Cost is determined on an average cost basis. Net realisable value is the estimated selling price in the ordinary course of business.

Trade receivables

Trade receivables are amounts due from Off course betting agents in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are a classified as current assets. If not, they are presented as non-current assets.

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Share capital

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

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as a separate line item in current liabilities on the statement of financial position.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Current and deferred income tax

The tax expense for the period comprises current, deferred income tax and Corporate Social Responsibility contribution. Tax is recognised in profit or loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only 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 assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee benefits

The Company has changed its post-employment scheme from defined benefit plan to a defined contribution plan effective as from 01 January 2013.

(a) Pension obligations

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

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

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

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

(b) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

The Company recognises a provision where contractually obliged or where there is past practice that has created a constructive obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee benefits (cont'd)

(c) Termination benefits

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

(d) Profit-sharing and bonus plans

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

Provisions

Provisions are recognised when: the Company 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 the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in relation to horse racing and football bets. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below.

(a) Sales of services

The Company runs a totalisator system of betting for horse racing and provides football betting using a fixed odd mechanism. Bets are recognised as revenue when they are placed at the counters (both on course and Off course), over the telephone or through SMS.

Revenue is measured at fair value of the consideration received / receivable.

(b) Interest income

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

(c) Dividend income

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

Dividend distribution

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 21.

Useful lives of plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management remains the responsibility of the Board of directors to whom the Audit and Risk committee reports.

- **Market risk**

a) Foreign exchange risk

The transactions of the Company are carried out in Mauritian Rupees. Hence, there is no exposure to foreign exchange risk.

b) Price risk

The Company is exposed to equity securities price risk because of investment classified as available-for-sale. Given that the investment comprises only 0.10% (2012: 0.10%) of the total assets, the impact on equity is not considered significant.

c) Interest rate risk

The Company's interest rate risk arises from cash at bank and bank overdraft. The Company has no other exposure to interest rate risk. The Company does not use financial instruments to hedge interest rate risk.

Based on the simulations performed, at 31 December 2013, the impact on post-tax profit of 50 basis points increase/decrease in interest rate would be a maximum decrease/increase of Rs 7,452 (2012 – Rs 102,000), respectively.

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

- **Credit risk**

The Company only accepts bets on a cash basis and is therefore not exposed to credit risk in its core business operation.

The Company is however exposed to trade receivables from Off course agents as the Off course agents have the responsibility to remit the proceeds from betting to the Company on a weekly basis. The amounts presented in the statement of financial position are net of allowances for doubtful receivables estimated by the Company's management based on prior experience and the current economic environment. The Company's management make a monthly analysis of the aged debtors listing for Off course agents and determine the appropriate level of specific impairment to be provided for long outstanding trade receivables from agents. The impairment is determined on a case by case basis based on response and follow-ups made with the Off course agents. Note 16 of the financial statements provide a disclosure of the credit risk the Company is exposed to at the reporting period.

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

The Company's policy is to maximise returns on interest-bearing assets.

4. FINANCIAL RISK MANAGEMENT (cont'd)

- **Credit risk (cont'd)**

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

	2013 Rs 000	2012 Rs 000
Trade receivables (neither past due nor impaired)		
Counterparties without external credit rating		
Group 1	-	-

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

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2013 is the carrying value of the financial assets in the statement of financial position.

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

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

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

	2013 Rs 000	2012 Rs 000
Trade receivables (past due but not impaired)		
Past due but not impaired:		
By up to 30 days	**1,860**	3,426
Greater than 365 days	**400**	738

	2013 Rs 000	2012 Rs 000
Trade receivables individually determined to be impaired		
Carrying amount before impairment loss	**5,349**	5,428
Provision for bad debts	**(3,292)**	(3,292)
	2,057	2,136

The individually impaired receivables mainly relate to Off course agents, which are in unexpectedly difficult economic situations.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

4. FINANCIAL RISK MANAGEMENT (cont'd)

- **Liquidity risk**

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

Management monitors rolling forecasts of the Company's liquidity reserve, comprising of undrawn borrowings and cash and cash equivalents, on the basis of expected cash flows in order to ensure that it meets operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants where applicable on its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal balance sheet ratios/targets.

All the Company's financial liabilities comprising of trade and other payables and bank overdrafts have a contractual maturity date of less than one year. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

As the Company has no long term external borrowings as at 31 December 2013, the gearing ratio does not apply but when we take into account the current year's bank overdraft, the company's gearing ratio stands at 4.34% (2012: 41.61%).

	2013 Rs 000	2012 Rs 000 Restated
Borrowings (Note 17)	**4,207**	28,216
Less: Cash and cash equivalents (Note 17)	**(2,454)**	(4,168)
Net debt	**1,753**	24,048
Total equity	**39,734**	33,747
Total capital	**41,487**	57,795
Gearing ratio	**4.23%**	41.61%

Fair value estimation

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4. FINANCIAL RISK MANAGEMENT (cont'd)

Fair value estimation (cont'd)

2013	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000
Assets				
Available-for-sale financial assets	-	-	100	100

2012	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000
Assets				
Available-for-sale financial assets	4	-	100	104

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Given that the level 3 investment comprises only **0.10%** (2012: 0.10%) of the total assets, the directors do not consider it material to determine the fair value of the investments using the valuation techniques set out above.

5. FINANCIAL INSTRUMENTS BY CATEGORY

At 31 December 2013	Loans and receivables Rs 000	Available-for-sale financial assets Rs 000	Total Rs 000
Assets			
Available-for-sale financial assets	-	100	100
Trade and other receivables (Note 16)	4,317	-	4,317
Cash and cash equivalents (Note 17)	2,454	-	2,454
	6,771	100	6,871

	Other financial liabilities at amortised cost Rs 000	Total Rs 000
Liabilities		
Trade and other payables (Note 23)	42,042	42,042
Bank overdraft (Note 17)	4,207	4,207
	46,249	46,249

In disclosing trade and other receivables as a financial instrument, an amount of **Rs 10,144,312** (2012: Rs 5,481,750) representing prepayments and deposits, has been excluded.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

5. FINANCIAL INSTRUMENTS BY CATEGORY (cont'd)

At 31 December 2012	Loans and receivables	Available-for-sale financial assets	Total
	Rs 000	Rs 000	Rs 000
Assets			
Available-for-sale financial assets	-	104	104
Trade and other receivables (Note 16)	6,300	-	6,300
Cash and cash equivalents (Note 17)	4,168	-	4,168
	10,468	104	10,572

	Other financial liabilities at amortised cost	Total
	Rs 000	Rs 000
Liabilities		
Trade and other payables (Note 23)	34,876	34,876
Bank overdraft (Note 17)	28,216	28,216
	63,092	63,092

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors considers the business from a product perspective, whereby distinction can be made between betting on horse racing and betting on foreign football.

Over and above betting on horse racing, another operating segment, betting on foreign football, was introduced in June 2008. It is classified as a reportable segment since it satisfies the quantitative thresholds of IFRS 8 (paragraph 13):

Betting on foreign football segment's reported revenue is more than 10% of the total revenue; reported profit is greater than 10% of the combined reported profit; and assets are greater than 10% of the combined assets of the two operating segments of the Company.

The reportable operating segments derived their revenue primarily from betting by punters on course, Off course and through the telephone.

The Board of Directors assesses the financial performance of the operating segments based on Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA).

6. SEGMENT INFORMATION (cont'd)

The segment information provided to the Board of directors for the reportable segments for the year ended 31 December 2013 is as follows:

	Horse racing	Foreign football	Total
	Rs 000	Rs 000	Rs 000
Revenue	937,281	255,809	1,193,090
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	19,526	39,523	59,049
Depreciation	7,140	1,949	9,089
Income tax	6,348	1,732	8,080
Total assets	82,035	22,389	104,424
Additions to non- current assets (other than financial instruments and deferred income tax assets)	5.762	1,573	7,335
Total liabilities	50,820	13,870	64,690

The segment information provided to the Board of directors for the reportable segments for the year ended 31 December 2012 is as follows:

	Horse racing	Foreign football	Total
	Rs 000	Rs 000	Rs 000
Revenue	925,497	175,952	1,101,449
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	34,375	6,548	40,923
Depreciation	7,739	1,471	9,210
Provision for impairment of trade receivables	3,292	-	3,292
Income tax	4,908	933	5,841
Total assets	88,443	16,815	105,258
Additions to non- current assets (other than financial instruments and deferred income tax assets)	2,900	551	3,451
Total liabilities	60,087	11,424	71,511

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

6. SEGMENT INFORMATION (cont'd)

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

	2013 Rs 000	2012 Rs 000 Restated
EBITDA	59,049	40,923
Depreciation	(9,089)	(9,210)
Finance income – net	(876)	(2,637)
Profit before taxation	49,084	29,076

7. COST OF SALES

Payment to winners	847,243	794,340
Fixed odd expenses	-	(492)
Government tax	118,989	107,904
Payment to National Solidarity Fund	13,436	12,579
Pools carried forward	3,633	6,051
	983,301	920,382

8. OPERATING PROFIT

Operating profit is stated after charging/(crediting):		
Depreciation of plant and equipment (Note 13)	9,089	9,210
Profit on disposal of plant and equipment	(306)	(190)
Impairment of trade and other receivables (Note 16)	-	3,292
Commission to Off course agents	29,548	27,092
Repairs and maintenance	3,580	2,732
Licences and municipality taxes	6,240	6,114
Staff cost (Note 9)	28,627	24,267
Auditor's remuneration		
– audit services	700	500
– non-audit services	409	80

9. STAFF COST

	2013 Rs 000	2012 Rs 000 Restated
Wages and salaries	26,022	20,278
National pension fund contribution	668	598
Net post-employment benefit (credit)/charge	(404)	1,245
Transport costs	1,059	981
Staff welfare and other costs	1,282	1,165
	28,627	24,267

10. FINANCE INCOME – NET

	2013 Rs 000	2012 Rs 000
Interest income from bank	165	92
Dividend income	117	124
	282	216
Interest expense	(1,158)	(2,853)
Finance income – net	(876)	(2,637)

11. TAXATION

The Company is liable to income tax on its profits, as adjusted for income tax purposes, at the rate of 17% (2012 – 17%). The 17% tax rate consists of 15% corporate income tax and 2% Corporate Social Responsibility.

	2013 Rs 000	2012 Rs 000
Income tax expense:		
Current income tax based on the profit for the year as adjusted for tax purposes at **17.0%** (2012 – 17.0%)	9,197	7,122
(Over)/under provision in previous year	(522)	15
Deferred income tax (Note 22)	(595)	(1,570)
Effect of changes in income tax rate	-	274
	8,080	5,841

FINANCIAL STATEMENTS (cont'd)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

11. TAXATION (cont'd)

	2013 Rs 000	2012 Rs 000
Current income tax liabilities:		
At 01 January	**4,763**	1,384
Paid during the year (including CSR contributions)	**(8,341)**	(3,773)
(Over)/under provision in previous year	**(522)**	15
Charge for the year	**9,197**	7,137
At 31 December	**5,097**	4,763

The reconciliation between the actual income tax rate of **16.46%** (2012 – 20.09%) and the applicable rate of **17.00%** (2012 – 17.00%) is as follows:

	2013	2012
(As a percentage of profit before tax)	%	%
Applicable income tax rate	**17.00**	17.00
Effect of:		
Non – allowable expenses	**0.56**	2.17
Non-taxable income	**(0.04)**	(0.07)
(Over)/under provision of income tax in previous year	**(1.06)**	0.05
Effect of change in income tax rate	-	0.94
Actual income tax rate	**16.46**	20.09

12. EARNINGS PER SHARE

Earnings per share is calculated on the profit after taxation of **Rs 41,004,000** (2012 – Rs 23,235,000) and on **3,535,000** issued ordinary shares outstanding during the two years under review.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

13. PLANT AND EQUIPMENT

	Equipment Rs 000	Teletote Rs 000	Off course equipment Rs 000	Electrical installation and equipment Rs 000	Office equipment and furniture Rs 000	Motor Vehicles Rs 000	Total Rs 000
Cost:							
At 01 January 2012	50,261	31,572	3,811	8,900	14,385	2,224	111,153
Additions	1,909	-	-	210	182	1,150	3,451
Disposal	-	-	-	-	-	(1,157)	(1,157)
Asset written off	(5,119)	(11,792)	-	(3,695)	(2,747)	-	(23,353)
At 31 December 2012	47,051	19,780	3,811	5,415	11,820	2,217	90,094
Additions	728	1,022	-	633	487	4,465	7,335
Disposal	-	(647)	-	(131)	-	(871)	(1,649)
At 31 December 2013	47,779	20,155	3,811	5,917	12,307	5,811	95,780
Accumulated depreciation:							
At 01 January 2012	34,841	30,445	3,811	7,136	12,481	1,178	89,892
Charge for the year	5,881	857	-	577	1,029	866	9,210
Disposal adjustment	-	-	-	-	-	(1,159)	(1,159)
Asset written off	(5,119)	(11,792)	-	(3,695)	(2,747)	-	(23,353)
At 31 December 2012	35,603	19,510	3,811	4,018	10,763	885	74,590
Charge for the year	5,972	224	-	695	814	1,384	9,089
Disposal adjustment	-	(647)	-	(131)	-	(871)	(1,649)
At 31 December 2013	41,575	19,087	3,811	4,582	11,577	1,398	82,030
Net book amount:							
At 31 December 2013	6,204	1,068	-	1,335	730	4,413	13,750
At 31 December 2012	11,448	270	-	1,397	1,057	1,332	15,504

The bank overdraft facilities of the Company is secured by a floating charge on all the assets of the Company.

FINANCIAL STATEMENTS (cont'd)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

14. GOODWILL

	2013	2012
	Rs 000	Rs 000
At 01 January and 31 December	73,514	73,514

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

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

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

The directors have assessed that there is no impairment of goodwill during the year (2012 – NIL).

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

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

i. it operates a main frame system based on which both horse racing and football bettings take place;
ii. there are terminals (points of sale) all over the island but which are not able to operate independently of the main frame; and
iii. skilled workforce are required to operate the system.

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

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

The directors have assessed that there is no impairment of goodwill based on the fair value less cost to sell assessment made at 31 December 2013 (2012: NIL).

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Listed shares Rs 000	Unquoted shares Rs 000	Total Rs 000
At 01 January and 31 December 2012	4	100	104
Disposed	(4)	-	(4)
At 31 December 2013	-	100	100

The investment in listed shares consists of 100 ordinary shares in United Basalt Products Limited ("UBPL"). All the shares held in UBPL have been disposed during the year.

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

All available-for-sale financial assets is denominated in Mauritian Rupee (Rs).

16. TRADE AND OTHER RECEIVABLES

	2013 Rs 000	2012 Rs 000
Trade receivables	7,609	9,592
Less: Provision for impairment of trade receivables	(3,292)	(3,292)
	4,317	6,300
Prepayments	6,020	785
Other debtors	4,124	4,696
	14,461	11,781

All trade and other receivables are classified as current assets in the statement of financial position except for Rs 1,761,000 which is classified as non-current assets since collection is expected after one year or more.

Included within trade and other receivables is an amount of **Rs 8,956,784** (2012: Rs 8,956,784) representing amounts receivable from six Off course agents. This amount is set off against the amount payable to Societe du Nouveau Moulin L'Inite as the Company intends to realise the asset and settle the liability simultaneously further to the acquisition of HHM by the Company.

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

16. TRADE AND OTHER RECEIVABLES (cont'd)

As of 31 December 2013, trade receivables of **Rs 4,316,973** (2012: Rs 6,300,000) were past due but not impaired. These relate to a number of independent agents for whom there is no recent history of default. The ageing of these trade receivables is as follows:

	2013 Rs 000	2012 Rs 000
Up to 30 days	**1,860**	3,426
Greater than 365 days	**2,457**	2,874
	4,317	6,300

As of 31 December 2013, trade receivables of **Rs 5,348,737** (2012: Rs 5,428,000) were past due for more than 365 days and impaired for an amount of Rs 3,292,000 at 31 December 2013 (2012: **Rs 3,292,000)**. An amount of **Rs 400,000** is past due for more than 365 days but not impaired at 31 December 2013 (2012: 738,000).

The carrying amounts of the Company's trade and other receivables are denominated in Mauritian Rupees ('Rs').

The other classes within trade and other receivables do not contain impaired assets.

Movements on the Company's provision for impairment of trade receivables is as follows:

	2013 Rs 000	2012 Rs 000
At 01 January	**3,292**	553
Provision for receivables impairment	-	2,944
Write off	-	(205)
At 31 December	**3,292**	3,292

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

17. CASH AND CASH EQUIVALENTS

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

	2013 Rs 000	2012 Rs 000
Cash at bank	**2,454**	4,168
Bank overdraft	**(4,207)**	(28,216)
Cash and cash equivalents as disclosed in the statement of cash flows	**(1,753)**	(24,048)

The bank overdraft facilities of the Company is secured by a floating charge on all the assets of the Company.

18. INVENTORIES

	2013	2012
	Rs 000	Rs 000
Ticket rolls	145	187

The net movement in inventories included as expense amounted to **Rs 41,840** (2012: Rs 463,622).

19. SHARE CAPITAL

	2013	2012	2013	2012
	Number	Number	Rs 000	Rs 000
Authorised:				
Ordinary shares of **Rs 7** each	5,000,000	5,000,000	35,000	35,000
Issued and fully paid:				
Ordinary shares of **Rs 7** each	3,535,000	3,535,000	24,745	24,745

20. SHARE PREMIUM

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

(i) the preliminary expenses of the Company; or

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

The share premium account may also be applied:

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

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

21. POST-EMPLOYMENT BENEFITS

Following the closure of the defined benefit scheme as at 01 January 2013, all active employees were transferred to a defined contribution scheme. As such, there are no retirement benefit obligations in respect of the active members. Any gains arising from the change in the pension promise of employees have been disclosed under the 'Effects of curtailment/settlement' item in profit or loss. The liabilities also include provision for retirement gratuities payable under the Employment Rights Act. The latter provides for a lump sum at retirement based on final salary and years of service. As the employees are members of a defined contribution plan, half of any lump sum and 5 years of pension (relating to employer's share of contributions only) payable from the pension fund have been offset from the retirement gratuities.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

21. POST-EMPLOYMENT BENEFITS (cont'd)

Pension benefits

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

	2013 Rs'000	2012 Rs'000 Restated
At 01 January 2013		
As previously reported	(2,890)	563
Prior year adjustment in equity for unrecognised actuarial losses	-	(5,298)
As restated	(2,890)	(4,735)
Total expense as below	404	(1,245)
Actuarial gains/(losses) recognised in Other Comprehensive Income	(82)	3,090
At 31 December 2013	(2,568)	(2,890)

The amounts recognised in profit or loss are as follows:

	2013 Rs'000	2012 Rs'000 Restated
Current service cost	-	690
Scheme expenses	-	2
Cost of insuring risk benefits	-	38
Past service cost	2,486	-
Effect of curtailment/settlements	(2,890)	-
Service Cost	(404)	730
Net Interest Cost	-	515
Net pension cost	(404)	1,245

The actual return on plan assets amounted **Rs 4,940** for the year ended 31 December 2013 (2012: Rs 426,083).
The movement in the liability recognised in the statement of financial position is as follows:

	2013 Rs'000	2012 Rs'000 Restated
At 01 January	(2,890)	(4,735)
Total expense – as shown above	404	(1,245)
Actuarial gains/(losses) recognised this year	(82)	3,090
At 31 December	(2,568)	(2,890)

21. POST-EMPLOYMENT BENEFITS (cont'd)

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

	2013 Rs'000	2012 Rs'000
At 01 January	(10,395)	(11,860)
Current service cost	-	(690)
Interest cost	(10)	(1,190)
Employees' contribution	-	-
Past Service Cost	(2,486)	-
Effect of curtailments/settlements	2,890	-
Actuarial loss/(gains)	(76)	3,338
Benefits paid	-	7
Transfer to defined contribution plan	7,382	-
At 31 December	(2,695)	(10,395)

The movement in fair value of plan assets is as follows:

	2013 Rs'000	2012 Rs'000
At 01 January	7,504	7,125
Expected return on plan assets	10	675
Employer's contribution	-	-
Scheme expenses	-	(2)
Cost of insuring risk benefits	-	(38)
Employees' Contribution	-	-
Actuarial (losses)/gains	(5)	(249)
Benefits paid	-	(7)
Transfer to defined contribution plan	(7,382)	-
At 31 December	127	7,504

Plan assets are comprised as follows:

	2013 Rs'000	2013 %	2012 Rs'000	2012 %
Overseas equities	48	37.8	2,814	37.5
Overseas fixed interest securities	29	22.8	1,688	22.5
Fixed interest	44	35.4	2,627	35.0
Properties	6	4.7	375	5
Total market value of assets	127	100	7,504	100

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

21. POST-EMPLOYMENT BENEFITS (cont'd)

The asset of the plan are invested in Anglo Mauritius' deposit administration fund. The latter is expected to produce a smooth progression of return from one year to the next. The breakdown of the assets above correspond to a notional allocation of the underlying investments based on the long term strategy of the fund.

As the fund is expected to produce a smooth return, a fairly reasonable indication of future returns can be obtained by looking at historical ones. Therefore, the long term expected return on asset assumption has been based on historical performance of the fund.

In terms of individual expected returns, the expected return on equities has been based on an equity risk premium above a risk free rate. The risk free rate has been measured in accordance to the yields on government bonds at the measurement date.

The fixed interest portfolio includes government bonds, debentures, mortgages and cash. The expected return for this asset class has been based on yields of government bonds at the measurement date.

The principal actuarial assumptions used were as follows:

	2013	2012
	%	%
Discount rate	**7.0**	8.5
Expected rate of return on plan assets	**7.0**	8.5
Future long-term salary increase	**5.0**	7.0
Future guaranteed pension increase	**0.0**	0.0

Plan assets

None of the plan assets are invested in shares of the Company or in property used by the Company.

Mortality rate

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience. The average life expectancy in years of a pensioner retiring at age 60 on the reporting date is as follows:

	2013	2012
Male	**10**	10
Female	**9**	9

21. POST-EMPLOYMENT BENEFITS (cont'd)

The average life expectancy in years of a pensioner retiring at age 60, 20 years after the reporting date is as follows:

	2013	2012
Male	10	10
Female	9	9

	2013 Rs'000	2012 Rs'000
At 31 December:		
Present value of defined benefit obligations	(2,695)	(10,394)
Fair value of plan assets	127	7,504
(Deficit)/surplus	(2,568)	(2,890)
Experience adjustments on plan liabilities	(76)	3,339
Experience adjustments on plan assets	(5)	(249)

The Company has not made any contribution to the pension scheme for the year ending 31 December 2013 (2012: nil).

	2009 Rs'000	2010 Rs'000	2011 Rs'000	2012 Rs'000	2013 Rs'000
Defined benefit obligations	(5,757)	(7,532)	(11,860)	(10,394)	(2,695)
Plan assets	5,031	5,930	7,125	7,504	127
Surplus/(Deficit)	(725)	(1,601)	(4,734)	(2,890)	(2,568)
Experience gains/(loss) on plan liabilities	(448)	(698)	(3,130)	3,339	(76)
Experience gains/(loss) on plan assets	(197)	(204)	(228)	(249)	(5)

Sensitivity analysis

	2013 Rs 000	2012 Rs 000
Decrease in Defined Benefit Obligation due to 1% increase in Discount	492	N/a
Increase in Defined Benefit Obligation due to 1% increase in future long-term salary assumption	624	N/a

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

22. DEFERRED TAX LIABILTIES

	2013 Rs 000	2012 Rs 000
At 01 January	**766**	2,061
Income statement credit	**(595)**	(1,570)
Effect of changes in income tax rate	**-**	275
At 31 December	**171**	766

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

	At 01 January 2013	Effect of changes in income tax rate	Credit to statement of comprehensive income	At 31 December 2013
Accelerated capital allowances	**1,487**	-	**(709)**	**778**
Provision for bad debts	**(559)**	-	-	**(559)**
Retirement benefit obligations	**(162)**	-	**114**	**(48)**
	766	-	**(595)**	**171**

	At 01 January 2012	Effect of changes in income tax rate	Credit to statement of comprehensive income	At 31 December 2012
Accelerated capital allowances	2,060	275	(848)	1,487
Provision for bad debts	(83)	(11)	(465)	(559)
Retirement benefit obligations	84	11	(257)	(162)
	2,061	275	(1,570)	766

23. TRADE AND OTHER PAYABLES

	2013 Rs 000	2012 Rs 000
Other accounts payable and accruals	**36,276**	26,478
Teletote deposits	**4,035**	4,062
Unclaimed dividends declared in prior years	**1,731**	4,336
	42,042	34,876

24. DIVIDENDS

Dividend payable

	2013	2012
	Rs 000	Rs 000
At 01 January	-	-
Declared during the year – Rs 10.0 (2012 – Rs 9.5) per share	35,350	33,583
Paid during the year – Rs 7.0 (2012 – Rs 9.5) per share	(24,745)	(33,583)
At 31 December 2013	10,605	-

25. COMMITMENTS

At 31 December 2013, capital expenditure of the Company approved by the directors but not yet contracted for amounted to **Rs 9,975,000** (2012: Rs 6,260,000).

26. RELATED PARTY TRANSACTIONS

(a) Directors' remuneration

	2013	2012
	Rs 000	Rs 000
Executive directors	6,288	2,772
Non-executive directors	628	628
	6,916	3,400

(b) Transactions with related parties

Societe du Nouveau Moulin L'Inite is considered to be a related party to ASL since the two companies have two common key management personnel.

At 31 December 2013, an amount of **Rs 8,956,784** (2012: Rs 8,956,784) is payable to Societe du Nouveau Moulin L'Inite. This amount payable is included in trade and other receivables and consists of amounts receivable from six Off course agents.

This amount is set off against the amount payable to Societe du Nouveau Moulin L'Inite as the Company intends to realise the asset and settle the liability simultaneously further to the acquisition of HHM by the Company.

During the year no transactions have occurred between ASL and Societe du Nouveau Moulin L'Inite.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2013 (cont'd)

27. BANK FACILITIES

The Company has floating rate borrowing facilities of **Rs 45 m** (2012: Rs 56 m). The facilities are subject to review on a regular basis. The bank overdraft facilities of the Company is secured by a floating charge on all the assets of the Company.

The Company has drawn **Rs 4,207,220** (2012: Rs 28,216,000) of the above mentioned facility at 31 December 2013.

28. PRIOR YEAR RESTATEMENT

The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense/income to be calculated as the product of the net defined benefit liability/asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on plan assets.

The effects of the changes to the accounting policies is shown in the tables below:

	As previously reported	Increase/(decrease)	As restated
	Rs 000	Rs 000	Rs 000
Statement of financial position			
At 31 December 2011			
Retained earnings	20,390	(5,298)	15,092
Post-employment benefits liability/(assets)	(563)	5,298	4,735
Statement of comprehensive income			
At 31 December 2012			
Operating expenses	67,590	(265)	67,325
Remeasurements of post-employment benefit obligations	-	3,090	3,090
Statement of financial position			
At 31 December 2012			
Retained earnings	9,777	(1,943)	7,834
Post-employment benefits liability/(assets)	947	1,943	2,890

29. THREE YEAR SUMMARY

	2013 Rs 000	2012 Rs 000 Restated	2011 Rs 000 Restated
Non-current assets			
Plant and equipment	**13,750**	15,504	21,261
Goodwill	**73,514**	73,514	73,514
Available-for-sale financial assets	**100**	104	104
Trade and other receivables	**1,761**	-	-
Current assets			
Trade and other receivables	**12,700**	11,781	13,138
Inventories	**145**	187	650
Cash and cash equivalents	**2,454**	4,168	3,107
Equity			
Number of shares issued (thousands)	**3,535**	3,535	3,535
Issued and fully paid shares	**24,745**	24,745	24,745
Share premium	**1,168**	1,168	1,168
Retained earnings	**13,821**	7,834	15,092
Non-current liabilities			
Deferred income tax liabilities	**171**	766	2,061
Post-employment benefit liability	**2,568**	2,890	4,735
Current liabilities			
Trade and other payables	**42,042**	34,876	20,340
Bank overdraft	**4,207**	28,216	42,249
Dividend payable	**10,605**	-	-
Current income tax liabilities	**5,097**	4,763	1,384
Statement of comprehensive income			
Revenue	**1,193,090**	1,101,449	1,183,288
Profit before taxation	**49,084**	29,076	17,700
Profit for the year	**41,004**	23,235	14,266
Statement of cash flows			
Dividends paid	**24,745**	33,583	5,303

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS PROFILES

M. A. ERIC ESPITALIER-NOËL (CHAIRPERSON) – INDEPENDENT DIRECTOR

Appointed Director in 2004

Chairperson of the Company since July 2004, M. A Eric Espitalier-Noël, born in 1959, holds a Bachelor's degree in Social Sciences from the University of Natal in South Africa and a Master degree in Business Administration from the University of Surrey (UK). In 1986, he joined ENL Limited of which he is today an executive director. He is currently the CEO of ENL Commercial Ltd. He is also a director of the following listed companies:

Rogers & Company Ltd, ENL LAND Limited, ENL Commercial Ltd, ENL Investment Ltd (DEM), ENL Ltd (DEM), Livestock Feed Ltd (DEM) and Les Moulins de la Concorde Ltée (DEM).

M. L. JEAN HARDY – EXECUTIVE DIRECTOR

Appointed Director at incorporation in 1991

Appointed Alternate Director to Hervé Henry in 1991 and to O. Farouk A. Hossen in 2002

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

GUILLAUME HARDY – MANAGING DIRECTOR

Appointed Director in 2013 and Managing Director in 2014

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

He joined the Tote in September 2003 as Off course Manager and was nominated General Manager of Automatic Systems Ltd in 2012.

HERVÉ HENRY – NON-EXECUTIVE DIRECTOR

Appointed Director at incorporation in 1991

Hervé Henry, born in 1946, is the holder of a 'Diplôme de Perfectionnement en Administration des Entreprises' from the University of Aix, Marseilles. He was one of the co-founder of Hardy Henry & Cie Limitée in 1976. He is a director of Hardy Henry & Cie Limitée and its affiliated companies.

RAVINDRA CHETTY S.C – INDEPENDENT DIRECTOR

Appointed Director in 1997

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

O. FAROUK A. HOSSEN – INDEPENDENT DIRECTOR

Appointed Director in 1991

O. Farouk A. Hossen, born in 1945, holds the Fellowship of the Association of British Opticians and Masters for practice in contact lenses. He practised the profession in England for three years before settling in Mauritius where he established practice as an optician since 1972 and foundered F. Hossen Opticians Ltd, F. Hossen Optical Manufacture Ltd, F. Hossen Medic optics Ltd. He is a director of number of companies and of four public companies. He had the opportunity to sit on the board of the State Bank of Mauritius for two years. He is a director of the Bramer Banking Corporation Limited.

J. D. GÉRARD PASCAL – INDEPENDENT DIRECTOR

Appointed Director in 1991

J. D. Gérard Pascal, born in 1951, became a Fellow Member of the Association of Certified Accountants in 1983. He was an audit manager at De Chazal Du Mée, Chartered Accountants, before joining Rogers & Company Ltd in 1982 as Group Accountant. He was appointed Group Finance Manager in 1986 and Chief Finance Executive in 2004. Mr Pascal retired from Rogers in 2006.

JOHN A. STUART – NON-EXECUTIVE DIRECTOR

Appointed Director in 2008

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

MICHEL J. L. NAIRAC – INDEPENDENT DIRECTOR

Appointed Director in 2012

Michel J. L. Nairac was born in Mauritius in 1954. He completed his schooling in 1972 and obtained his Cambridge 'O' and 'A' levels at the College du St Esprit. After working for a year as a trainee at De Chazal Du Mée, he studied and completed his Articles of Clerkship with Coopers and Lybrand in Durban, South Africa.

Michel J. L Nairac ventured into the restaurant trade for a period before starting his own agency business, Michel Nairac Bloodstock, in 1986, which continues to operate in the Equine industry.

Through Michel's dealings in the world of thoroughbred horseracing he became a Director of the KZN Owners and Trainers Association, a membership entity for Owners and Trainers in KwaZulu-Natal, and was elected its Chairman in 2000.

With the amalgamation of the Racing Clubs in KwaZulu-Natal he became a Director of Gold Circle (Pty) Limited, the company that operates thoroughbred horseracing and totalisator betting in the provinces of KwaZulu-Natal and the Western Cape in South Africa. In 2001 he was appointed as CEO of Gold Circle, a position he currently holds. Gold Circle employs in excess of 2 000 people and operates five racecourses, five training centers and manages 200 totalisator betting outlets. The company has an annual betting turnover in excess of R2 billion.

ARVIND LALL DOOKUN – NON-EXECUTIVE DIRECTOR

Appointed Director in 2013

Arvind Lall Dookun, born in 1963, holds a Textile Technology Diploma from the UMIST (Textile Dept. BIHE Bolton UK), HND in Clothing Technology and an Institute Diploma BA Hons equivalent in Clothing Fashion Business Management from the London College of Fashion part of the University of the Arts, London UK. He is an Associate member of the Textile Institute, Manchester UK and a Fellow of the Mauritius Institute of Directors. He is the Managing Director of General Export and Economic Development Services Ltd (ESC company) and Executive Director of I-Mediate Ltd which are Risk Advisors & Insurance Brokers licensed by the FSC.

SENIOR MANAGER'S PROFILE

ROBERT AH YAN – TOTE AND SPORTS SYSTEMS MANAGER

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

He joined Hardy Henry & Cie Limitée as Administrative Officer in 1992. He was promoted Assistant Manager in 1995 and as Manager in 2002 when the company was awarded ISO9001. He is the Tote and Sport Systems Manager of Automatic Systems Ltd since 2011. Over these 20 years of service, he followed numerous Management and IT courses and is continuously updating his skills, knowledge and professional competence. He is a Professional Member of ISACA (Information Systems Audit and Control Association) since February 2013 and has successfully passed the CISA (Certified Information Systems Auditor) June 2013 exams.

NOTICE TO SHAREHOLDERS

Notice is hereby given that the annual meeting of Automatic Systems Ltd ('the Company') will be held at the Mauritius Turf Club, Port Louis, on Tuesday 13 May 2014 at 15 00hrs to transact the following business:

AS ORDINARY BUSINESS

1. To consider the Annual Report 2013 of the Company.
2. To consider and adopt the audited financial statements of the Company for the year ended 31 December 2013.
3. To receive the report of PriceWaterhouseCoopers, the auditors of the Company.

4-13. To re-elect the following persons who, conformably to the Company's constitution, retire from office at the present meeting, to hold office as Directors of the Company until the next annual meeting of the Company (as separate resolutions):

4. M. A. Eric Espitalier Noël
5. Ravindra Chetty
6. M. L. Jean Hardy
7. Hervé Henry
8. O. Farouk Hossen
9. Michel Nairac
10. J.D Gérard Pascal
11. John A. Stuart
12. Guillaume Hardy
13. Arvind Lall Dookun

14. To note that PricewaterhouseCoopers, having indicated their willingness to continue in office, will be automatically re-appointed as auditors of the Company and to authorise the Board of Directors to fix their remuneration.

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy of his/her choice to attend and vote instead of him/her and that proxy needs not also be a member.

To be effective,

- **For individuals:** the instrument of proxy and, if applicable, a power of attorney or other authority under which it is signed and a certified copy by a Notary of that power of attorney
- **For corporations:** the instrument appointing a proxy and an extract of resolution of its Directors or other governing body;

should be delivered at the Share Registry and Transfer office, ECS Secretaries Ltd, 3rd Floor, Labama House, 35 Sir William Newton Street, Port Louis not less than 24 hours before the time scheduled for the meeting, i.e, by Monday 12 May 2014 at 15 00hrs.

For the purpose of the annual meeting, the Directors have resolved, in compliance with Section 120 of the Companies Act 2001, that the shareholders who are entitled to receive notice and attend the annual meeting shall be those shareholders whose names are registered in the Share Register of the Company as at 22 April 2014.

The minutes of the annual meeting held on 10 May 2013 are available for consultation by the shareholders at the Registered Office of the Company.

The minutes of the annual meeting to be held on 13 May 2014 shall be available for consultation and comments at the Registered Office address of the Company one month after the annual meeting from 13 June 2014 to 14 July 2014.

By Order of the Board

Sophie Gellé
Box Office Ltd
Company Secretary

18 March 2014

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