

**AUTOMATIC SYSTEMS LTD.
BOARD COMMITTEES AND MANAGEMENT**

Board of Directors

Chairperson and Non-Executive Director

M.A. Eric ESPITALIER NOEL

Executive Directors

M.L. Jean HARDY (*up to 31 December 2022*)

J. O. Guillaume HARDY (*as from 01 January 2023*)

Non-Executive Directors

Ravindra CHETTY

M.L. Jean HARDY (*as from 01 January 2023*)

Sarah A. M. HELLER

O. Farouk A. A. HOSSSEN

Michel J.L. NAIRAC

M.A. Eric ESPITALIER NOEL

John A. STUART

Arvind Lall DOOKUN

Independent Directors

Mushtaq M. O. N. OOSMAN

Angelique Anne COQUET- DESVAUX DE MARIGNY (*appointed on 08 August 2022, resigned on 11 November 2022 and appointed on 10 February 2023*)

Alternate Director

To O. Farouk A. A. HOSSSEN: M.L Jean HARDY

Audit and Risk Committee

Mushtaq M. O. N. OOSMAN – Chairperson

O. Farouk A. A. HOSSSEN

Arvind Lall DOOKUN

Corporate Governance (Nomination and Remuneration) Committee

Ravindra CHETTY - Chairperson

M. A. Eric ESPITALIER NOEL

M.L. Jean HARDY

Senior Management

Robert C.Y.F. AH YAN – General Manager

**AUTOMATIC SYSTEMS LTD.
ADMINISTRATION**

Registered Office

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

Company Secretary

Box Office Ltd
2nd Floor, Palm Square, 90906 La Mivoie, Tamarin
Tel: 4834309

Registry and Transfer Office

ECS Secretaries Ltd (up to 04 January 2022)
3rd Floor Labama House
Sir William Newton Street Port Louis
Tel: 2121998

MCB Registry & Securities Ltd (as from 05 January 2022)
Sir William Newton Street, Port Louis, Mauritius
Tel: 2025000

External Auditors

Deloitte
7th- 8th Floor, Standard Chartered Tower 19-21 Bank Street, Cybercity, Ebène

Internal Auditors

Ernst & Young
6th Floor, Icon Ebène, Rue de L'institut, Ebène

Legal Advisors

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

ENS Africa
19 Church Street, Port Louis

Notary

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

Bankers

The Mauritius Commercial Bank Limited
SBM Bank (Mauritius) Ltd
Afrasia Bank Limited

AUTOMATIC SYSTEMS LTD. DIRECTORS' REPORT

The Directors are pleased to present to the Company's stakeholders the annual report together with the audited financial statements of Automatic Systems Ltd. (the "Company" or "ASL") and its wholly owned subsidiary Megawin Ltd (collectively referred to as the "Group") for the year ended 31 December 2022. The annual report is published on the Company's website: <https://automaticsystemsLtd.mu/>

The results of the Company for the year under review have dropped slightly compared to 2021. Football betting produced better results while the Tote turnover decreased significantly.

The Company recorded a turnover of Rs 1.286 billion (2021: Rs 1.484 billion) whilst profit after tax attributable to shareholders of the Company decreased from Rs 31.4 million to Rs 30.2 million.

The main factors that affected the Tote turnover were:

- The high betting tax;
- The decrease in number of runners per race; and
- The uncertainties and challenges faced by the horse racing industry.

The first race meeting for the 2022 season was organised by the new horse-racing organiser, People's Turf PLC (PTP) on the 5th of June 2022 (2021: 15 May). The turnover for the year decreased by 26% from Rs 1.048 billion in 2021 with 38 meetings to Rs 776.66 million in 2022 for 39 meetings in total; the first 5 meetings were held in-camera. A decrease of 28% has been noted in the average turnover per horse-racing meeting, from Rs 27.6 million in 2021 to Rs 19.9 million in 2022. Although the public was allowed at the racecourse as from the 1st of July 2022, a decrease in turnover has been noted for Off course, Teletote and SMS betting.

The financial statements of the Group and the Company are set out on pages 45 to 86. The auditors' report on these consolidated and separate financial statements is on pages 42 to 44.

Background and Nature of the Group's Operations

The Company was incorporated in 1991 for the purpose of operating the Tote System, a betting platform that is transparent, reliable and auditable. The Tote is a pool betting system where all the stakes money placed on a particular type of bet on a particular race gets pooled together and is then divided out to the winners after deductions are made. The final payout is calculated by a software at the closure of bets, leaving no room for dispute or controversial claims against the Company, the Horse Racing Organisers namely MTC Sports and Leisure Ltd ("MTCSL") and People's Turf PLC ("PTP") or the Government. All punters having a similar winning combination receive the same amount of dividend, irrespective of the time at which the bet is placed. The Company receives a fixed commission, irrespective of which horse comes first. This system is operated in all major racing jurisdictions such as the United States, France, Hong Kong, Australia, Singapore and South Africa and has an international recognition.

The Company is listed on the official market of the Stock Exchange of Mauritius since 1994 and has, at 31 December 2022, 1,651 shareholders on its register.

Since its incorporation, the Company runs a totalisator system (Tote) of betting on races in Mauritius organised by the MTCSL and as from 2022, by both MTCSL and PTP, under the brand *Supertote*.

**AUTOMATIC SYSTEMS LTD.
DIRECTORS' REPORT (CONT'D)**

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

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

The Company was also the pioneer in SMS betting on the Tote in 2008 and a new more user-friendly application was launched in 2017 to facilitate betting by SMS. The number of account holders for telephone and SMS betting is constantly increasing.

As an illustration of the Board and Management's innovation and sustainability mindset and as a measure of diversification, the Company incorporated Megawin Ltd in 2014, for its operations in Africa. The first countries of operation were Kenya and Nigeria. Operations are presently being held in Ivory Coast, only.

Management and Board of Directors

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

At the end of 2022, Mr M.L. Jean Hardy submitted his resignation as Executive Director effective as from 01 January 2023 and remains as Non-Executive Director. The Board wishes to thank Mr Jean Hardy for his commitment and his invaluable contribution to the Company which he founded in 1991.

Mr Guillaume Hardy was acting as consultant and has been appointed as Executive Director as from the 1st of January 2023.

Challenges and Risks

Although the public was allowed at the racecourse as from the 6th race meeting, the Company still experienced a significant drop in its turnover which can be attributed to many uncertainties surrounding the horse racing industry, the increase of betting tax by 2% in September 2021, the introduction of a third Tote Organiser in November 2022 and post COVID-19 effects.

The Directors are well aware that one of the major risks for the Company's activities is its dependence on the horse racing industry and the capacity of horse racing organisers to be sustainable. The Horse Racing Division (HRD) delivered a licence of Horse Racing Organiser to a new entity, People's Turf PLC (PTP) in 2022. The start of the racing season was delayed in 2022 and started in June as the MTCSL did not obtain its licence while the other horse racing organiser was not ready to start its operations. Both racing organisers shared the organisation of 39 meetings. The integrity of the racing industry is very important to bring public confidence. The uncertainty that surrounded the organization of horse racing had a negative impact on the Tote turnover as illustrated below:

**AUTOMATIC SYSTEMS LTD.
DIRECTORS' REPORT (CONT'D)**

YEAR IN REVIEW

Horse racing operations at a glance:

Year	1 st race day	Number of race meetings	On course operations	Total Tote turnover	Total payment to punters	Average Tote turnover per meeting	Payment to Government through various taxes and licences
2021	15 May 2021	38	Only in camera	Rs 1,047.5M	Rs 737.9M	Rs 27.6M	Rs 180.9M
2022	05 Jun 2022	39	First 5 meetings in camera	Rs 776.7M	Rs 537.7M	Rs 19.9M	Rs 171.7M

Football operations at a glance:

Year	Turnover (Rs)	Income (Rs)	GGR (Rs)	GGR %
2021	436.8 M	105.6 M	53.2 M	13.7
2022	508.6 M	138.6 M	72.7 M	16.3

The horse racing season started in-camera on the 5th of June 2022 and for the first 5 race meetings during which period the Tote counters at the Champ de Mars did not operate and bets were accepted only at our off-course outlets, by telephone and by sms through the Supertote mobile application. The 2022 Racing season consisted of 39 meetings compared to 38 in 2021. The public was allowed at the racecourse as from the 6th race meeting. On-course turnover has been impacted in 2022 during meetings organized by PTP since there are no terminals onsite at PTP. The Tote income for the year decreased from Rs 309.6 million to Rs 238.9 million although with one additional race meeting.

Football betting operations ran throughout the whole year and income for the year in review reached Rs 138.6 million compared to Rs 105.6 million in 2021. Betting tax remained 14% on gross stakes with a direct impact on payouts to clients.

There was a slight increase in operating expenses due to inflation and the appreciation of the US Dollar and Euro against the Mauritian Rupee in 2022, but in general, expenses were well contained throughout the year.

Profits for the Company amounted to Rs 30.2 million compared to Rs 31.4 million at 31 December 2021 while Group profits for the year reached Rs 31.2 million compared to Rs 41.3 million in 2021. The table below illustrates the Company's performance derived from its local operation for the past three years.

		2022	2021	2020
		Rs Million	Rs Million	Rs Million
Income*	Horse racing	238.9	309.6	258.1
	Football	138.6	105.6	111.3
Total Income		377.5	415.2	369.4
NSF		14.4	14.9	14.8
Government Tax and Duty		157.8	167.5	134.1
GRA Licenses		13.9	13.4	16.4
Responsible Gambling Levy		2.7	2.6	2.5
Total contribution to Government and Local Authorities		174.9	198.4	167.8
Commission to Horse Racing Organisers		40.6	62.0	48.1
Profit for the year		30.2	31.4	36.5

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

**AUTOMATIC SYSTEMS LTD.
DIRECTORS' REPORT (CONT'D)**

Despite having 39 race meetings held compared to 38 in 2021, income from horse racing decreased from Rs 309.6 million to Rs 238.9 million. Football income increased from Rs 105.6 million to Rs 138.6 million. Government Tax and Duty decreased from Rs 167.5 million in 2021 to Rs 157.8 million in 2022 explained by the drop on horse racing turnover.

Despite the challenges, the Company maintained a dividend payment of Rs 6.00 per share to its shareholders in December 2022 (2021: Rs 6.00 per share). The Dividend was paid in January 2023.

Year	2018	2019	2020	2021	2022
Share price at 31 December (Rs)	94.50	100.25	87.00	105.00	98.0
Total dividend per share declared during the year (Rs)	5.00	5.00	5.00	6.00	6.00

Totalisator

Despite 39 race meetings in 2022 compared to 38 in 2021, the Company's turnover decreased by 26% from Rs 1.048 billion in 2021 to Rs 776.7 million in 2022 as illustrated in the table below.

Turnover comparison						
	Total Turnover (Rs)		Variance	Turnover per meeting (Rs)		Variance
	2021	2022		2021	2022	
On Course	4,183,301	44,556,626	965%	110,087	1,142,478	938%
Off Course	627,366,173	448,121,742	-29%	16,509,636	11,490,301	-30%
Teletote	178,642,166	112,220,777	-37%	4,701,110	2,877,456	-39%
SMS	237,278,019	171,760,800	-28%	6,244,158	4,404,123	-29%
TOTAL	1,047,469,659	776,659,945	-26%	27,564,991	19,914,358	-28%

The average turnover per horse-racing meeting decreased by 28% from Rs 27.6 million to Rs 19.9 million.

On Course

The first 5 race meetings were held in-camera and the public was allowed at the racecourse as from the 6th race meeting. As a result, the oncourse turnover reached Rs 44.6 million in 2022.

Off Course

Despite the fact that there was one additional meeting in 2022, the Company's Off Course turnover for its 24 outlets decreased significantly by 29% and the average turnover per meeting decreased significantly by 30%.

The performance of each outlet is closely monitored and scrutinized. A performance appraisal based on criteria such as customer service, cleanliness and maintenance, turnover performance, innovative measures for punters and staff rating is carried year in year out to identify the best-managed outlet.

TELETOTE AND SMS

The website offers a user-friendly process for the opening of accounts; the number of accounts opened online from the Company's website has increased significantly from 1,137 in 2014, to reach 6,528 in 2020 and 5,824 in 2021. For the year in review, 3,400 new accounts were opened.

**AUTOMATIC SYSTEMS LTD.
DIRECTORS' REPORT (CONT'D)**

Teletote

Like the other segments of revenue, the total turnover of the Teletote for the year was Rs 112.2 million, representing a significant decrease of 37% compared to 2021. The average turnover per meeting for the year in review (Rs 2.9 million) decreased significantly by 30% (Rs 4.7 million in 2021).

The Teletote activity and trend over the last 5 years:

Year	Turnover Rs	Accounts Opened	No of Meetings	Average Turnover per meeting Rs
2018	194,999,121	4,627	37	5,270,247
2019	171,243,697	4,082	38	4,506,413
2020	150,670,137	6,528	32	4,708,442
2021	178,642,166	5,824	38	4,701,110
2022	112,220,777	3,400	39	2,877,456

SMS betting

The SMS betting turnover for the year in review decreased by 28% (2022: Rs 171.8 million) compared to Rs 237.3 million in 2021. The average turnover per race meeting also decreased by 29%.

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

The App offers a convenient way to bet and is being used more and more by Teletote account holders as demonstrated in the table below. In 2022, SMS betting represented 22% of the Tote turnover.

Turnover - SMS Betting (Rs)				
2018	2019	2020	2021	2022
82,915,899	117,958,262	149,909,387	237,278,019	171,760,800
Percentage of total turnover (%)				
2018	2019	2020	2021	2022
8.18%	11.16%	16.14%	22.65%	22.12%

FOOTBALL

Football betting operations ran all year round with no COVID-19 restrictions in 2022. The 2022 FIFA World Cup tournament was exceptionally played in November and December, the turnover increased by 16.4% to reach

Rs 508.6 million in 2022 compared to Rs 436.8 million in 2021. This was the best ever turnover realised by the Company since the start of football betting in 2008.

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

**AUTOMATIC SYSTEMS LTD.
DIRECTORS' REPORT (CONT'D)**

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

Year	Number of Booked Bets	Average Booked Bets per Month	Amount Rs	Average per Month Rs	Total Turnover Rs	% of Turnover
Jul - Dec 2018	420,697	70,116	32,453,794	5,408,966	216,454,683	15%
2019	1,352,054	112,671	113,637,612	9,469,801	411,536,698	28%
2020	1,493,416	124,451	133,144,366	14,793,818	356,375,940	37%
2021	2,194,232	219,423	221,019,564	22,101,956	436,780,704	51%
2022	2,595,432	216,286	282,888,173	23,574,014	508,555,581	56%

In the fixed odds business, competitive odds is key to maintain or gain market share. The betting tax remained at 14% and the Company continued to offer attractive bonuses on pay outs ranging from 7% to 25%.

The gross profit margin (being bets struck net of winnings) constantly increased over the past years, from 16.2% in 2018 to 18.9% in 2019, to 23.0% in 2020 but dropped to 13.7 % in 2021 and increased to 16.3% in 2022.

The football income increased from Rs 105.6 million in 2021 to Rs 138.6 million in 2022.

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

Gross Gaming Revenue Football Betting					
	2018	2019	2020	2021	2022
Turnover after tax	396,776,193	374,124,436	320,995,386	387,270,490	446,101,388
Payment to winners	332,530,764	303,460,794	247,163,160	334,070,431	373,397,148
Gross Gaming Revenue	64,245,429	70,663,642	73,832,226	53,200,059	72,704,240
GGR Margin	16.2%	18.9%	23.0%	13.7%	16.3%

DEVELOPMENT IN AFRICA

Megawin Ltd ('Megawin'), involved in sports betting in Africa, more particularly in Ivory Coast through Mohio Gaming, reached its eighth year of operation in 2022.

During 2021, the Company acquired the 49% shares held by Mr Andrew Weeks in Megawin Ltd which is now a wholly owned subsidiary.

Megawin has a contract with LONACI the National Lottery of Ivory Coast to offer virtual dog racing through its retail network and is continuously on the watch for new opportunities in Africa. Its turnover is composed of commission on sales.

The table below illustrates the turnover, the total commission received and the profit realised in MUR. The improvement of profits year on year is attributable to an increase in commission and turnover:

Megawin					
	2018	2019	2020	2021	2022
	€	€	€	€	€
Turnover of Operators	17,277,406	15,833,556	16,308,808	19,889,492	21,758,648
Commission received	460,401	471,245	613,418	740,024	923,757
	MUR	MUR	MUR	MUR	MUR
Operational Profit	5,787,198	6,807,613	14,351,519	16,855,358	20,216,411

**AUTOMATIC SYSTEMS LTD.
DIRECTORS' REPORT (CONT'D)**

WEBSITE

The Company operates three websites as follows:

- www.supertote.mu – main website for Tote Betting and featuring live racing, training and race videos as well as comprehensive horse forms. Teletote accounts can be opened online and accounts can be funded by credit card directly through a secured PCI DSS compliant platform. Credit card deposits online amounted to Rs 13.0 million in 2022 compared to Rs 17.8 million in 2021, representing a decrease of nearly 27%.
This Supertote website is very popular, the total number of Visitors decreased from 569,863 in 2021 to 552,613 in 2022. The number of Page Views also decreased from 62.6 million in 2021 and to 53.3 million in 2022. www.supertote.mu remains the top ranked website for horse racing in Mauritius on Google search engine.
- www.superscore.mu – exclusively covers football betting. The website proposes features such as online booking of bets and live news. The total number of Visitors increased from 165,352 in 2019 to 217,153 in 2020 to 266,818 in 2021 and to 303,612 in 2022.
- www.automaticsystemsltd.com – conveys information on the Company's corporate structure, its Management and Administration, corporate events and financials.

SOCIAL MEDIA

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

Supertote has its own Facebook page with approximately 21,900 followers. Valuable information such as training videos, carry forwards, short movie adverts and big payouts amongst others are posted on the Facebook page. The Company also organises contests, where Company's branded gifts are offered to winners. The popularity of such contest is rapidly increasing.

CORPORATE SOCIAL RESPONSIBILITY ('CSR')

In line with the provisions of the current Gambling Regulatory Authority Act which caters for the totality of CSR funds to be remitted to the Gambling Regulatory Authority (the 'GRA'), the Company has contributed an amount of Rs 2.7 million in 2022 representing 2% of the gross gambling yield for the running of a National Responsible Gambling Program.

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

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

OUTLOOK

Tote

The introduction of a third Tote organiser at the end of the horse racing season 2022 will have an impact on the Company's Tote turnover. The main attribute of Totalisator is the size of the betting pools. A third Tote Organiser and two separate pools will further dilute the size of the betting pools and will affect the dividends paid to the punters. The betting tax rate of 14% introduced in 2021 already impacted the Tote turnover in 2022 and will continue to do so if not reviewed.

**AUTOMATIC SYSTEMS LTD.
DIRECTORS' REPORT (CONT'D)**

The directors remain very cautious about the future of Totalisator betting on local horse racing due to the numerous uncertainties surrounding the racing industry. The future of the historic racing organiser is also a major concern since they will not operate in 2023.

Football

The total turnover has been on an upward trend for the last three years and an increase in turnover may be expected for 2023.

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

Africa

Megawin operates only in Ivory Coast for the moment. With an increase in turnover of 9% compared to 2021, commission received improved by 25%. The Company expects the 2023 performance to remain on par with 2022 as the number of betting terminal is not expected to grow further this year.

Megawin continues prospecting opportunities for online gaming in Western African countries. Megawin has a contract with FRANCI, a company based in Ivory Coast to prospect other markets within the region of Western Africa.

Overseas Investment

In 2020, the Company invested the equivalent of £180,275 representing an equity stake of 7.09% in RPPG Media Ltd. At the reporting date, the fair value of the investments held in RPPG Media Ltd has been determined as nil given that the investee had surrendered its licence to the UK Gambling Commission and has no intention to operate. However, the founders are currently looking to sell the technology which will trigger the partial reimbursement of the initial investment made by ASL.

Financial Outlook

With the confirmation that the MTCSL, the founder of the horse racing industry in Mauritius will not operate in 2023, the directors believe that this will have an impact on the horse racing industry. The MTCSL boasted an international recognition in the organisation of Horse Racing since 1812 and its closure can only have a negative impact on the horse racing industry for the future. Although the HRD confirmed that 36 race meetings will be organised in 2023, the directors, however, do not expect any growth for 2023.

Football turnover is expected to increase this year as the trend for the first three months of the year is very encouraging.

Megawin should maintain the same profit level as 2022. Taking into consideration these various factors, the financial results for the coming year will depend on the performance of the Totalisator betting on horse racing.