AUTOMATIC SYSTEMS LTD.

Annual Report 2009

CONTENTS

Financial Highlights

	2009	2008
	Rs M	Rs M
Statement of comprehensive income		
Total Revenue	**1,550.0**	1,328.3
Government Tax	**114.3**	106.1
Operating Profit	**35.5**	24.1
Profit before taxation	**37.6**	24.8
Taxation	**6.0**	3.6
Profit for the year	**31.6**	21.2
	Rs	Rs
Financial Ratios		
Earnings per share	**8.93**	5.99
Dividend per share	**9.00**	5.00
Share price (at 31 Dec)	**127.00**	71.00

Company Information

Executive Directors
M. L. Jean Hardy
Hervé Henry

Non-executive Directors
M. A. Eric Espitalier-Noël (*Chairperson*)
David R. H. Attenborough
(resigned on 01.03.10)
Ravindra Chetty
Jowaheer Lall Dookun
Antoine L. Harel
Charles P. L. Harel
O. Farouk A. Hossen
J. D. Gérard Pascal
L. J. Michel Rivalland
John A. Stuart

Alternate Directors
Peter R. Benton
(resigned on 01.03.10)
- Alternate to David R. H. Attenborough and John A. Stuart
Arvind Lall Dookun
- Alternate to Jowaheer Lall Dookun
M. L. Jean Hardy
- Alternate to Hervé Henry and O. Farouk A. Hossen
Antoine L. Harel
– Alternate to L.J Michel Rivalland
Charles P. L. Harel
- Alternate to Antoine L. Harel

Administrator & Secretary
ABAX Corporate Administrators Ltd
6th Floor, Tower A, 1 CyberCity, Ebène

Registrar and Transfer Office
ABAX Corporate Administrators Ltd
6th Floor, Tower A, 1 CyberCity, Ebène

Auditor
PricewaterhouseCoopers
18 Cybercity, Ebène

Registered Office
c/o ABAX Corporate Administrators Ltd
6th Floor, Tower A, 1 CyberCity, Ebène

Notice of Meeting

AUTOMATIC SYSTEMS LTD

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 Friday 14 May 2010 at 2:30 p.m. to transact the following business:-

And as ordinary business:

1. To receive and adopt the annual report and financial statements of the Company for the year ended 31 December 2009 and the report of the auditor thereon

2. To re-appoint Jowaheer Lall Dookun, who is over the age of 70, as director until the next annual meeting in accordance with S 138(6) of the Companies Act 2001

3-12. To re-elect the following persons as directors of the Company to hold office until the next annual meeting (as separate resolutions):

3. M. A. Eric Espitalier-Noël
4. Ravindra Chetty
5. M. L. Jean Hardy
6. Antoine L. Harel
7. Charles P. L. Harel
8. Hervé Henry
9. O. Farouk A. Hossen
10. J. D. Gérard Pascal
11. L. J. Michel Rivalland
12. John A. Stuart

13. To note that PricewaterhouseCoopers, having indicated its willingness to continue in office, will be automatically re-appointed as auditor and to authorise the directors to fix its remuneration

Dated this 2nd day of March 2010

BY ORDER OF THE BOARD
ABAX CORPORATE ADMINISTRATORS LTD
SECRETARY

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

- Proxy forms should be delivered at the Registered Office, c/o Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1 CyberCity, Ebène on Thursday 13 May 2010 at 2:30 p.m. at latest.

- The minutes of the annual meeting held on 08 May 2009 are available for consultation by the shareholders at the Registered Office of the Company.

- The minutes of the annual meeting to be held on 14 May 2010 shall be available for consultation and comments at the Registered Office address of the Company one month after the annual meeting from 15 to 22 June 2010.

Annual Report

The Directors have pleasure in presenting the nineteenth annual report and the audited financial statements for Automatic Systems Ltd (ASL) for the year ended 31 December 2009.

PRINCIPAL ACTIVITY

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

REVIEW OF THE BUSINESS AND FINANCIAL STATEMENTS

The profit for the year increased from Rs21.2 million to Rs31.6 million and earnings per share reached Rs8.93 in 2009 compared to Rs5.99 in 2008. A total dividend of Rs31.8 million (Rs9 per share) was declared in 2009, compared to Rs17.7 million in 2008 (Rs5 per share).

REVIEW OF THE YEAR

Total racing revenue increased by 4% in 2009, reaching Rs1,242 million compared to Rs1,190 million for the previous year. This is mainly attributable to:

(i) Three additional race meetings being held in 2009; and
(ii) Two additional outlets being in operation.

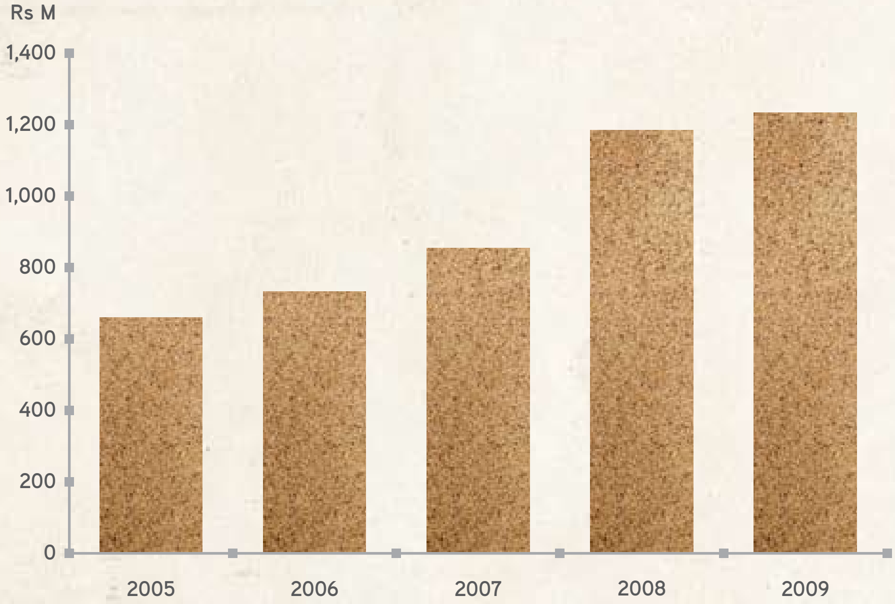
ASL operated 23 outlets throughout 2009 and a 24th outlet was operational in Quartier Militaire from the third meeting onwards (2008-22 outlets).

Teletote and Off-Course betting increased by 1% and 7% respectively to Rs321 million and to Rs697 million. However, compared to 2008, On-Course revenue decreased by 4%, from Rs219 million to Rs211 million, mainly due to a 3% drop in race course attendance. The average revenue per meeting also dropped from Rs37 million in 2008 to Rs35 million in 2009, a decrease of 5%.

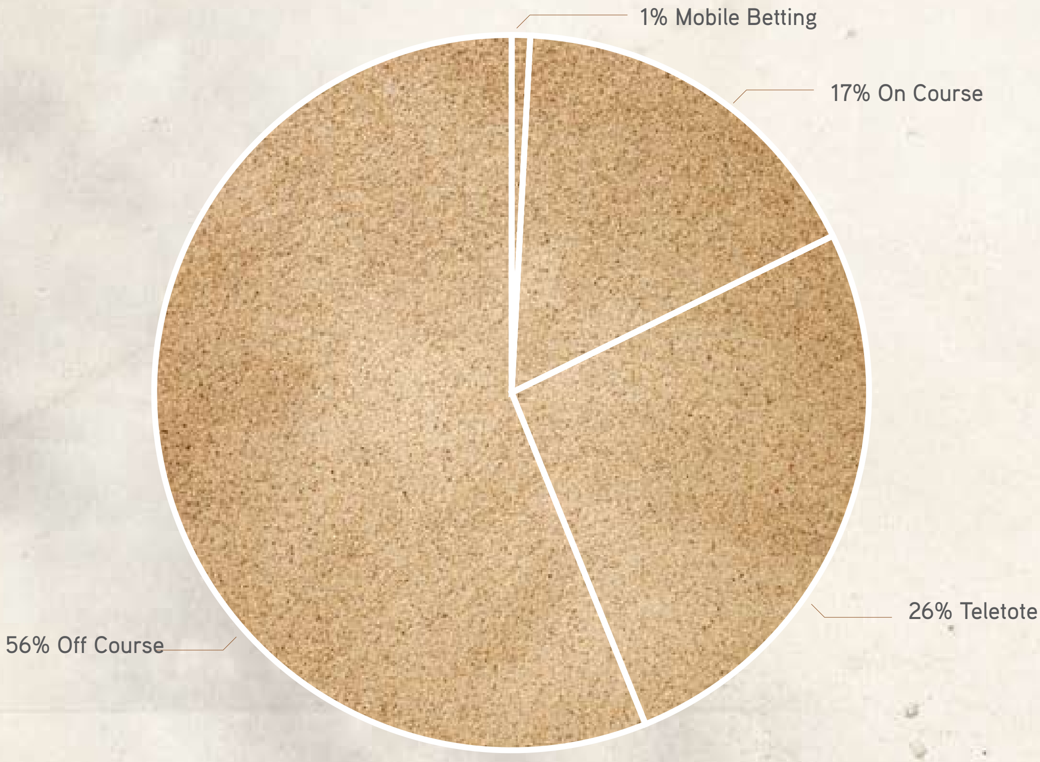
Betting revenue from football increased significantly to Rs308 million in 2009 from Rs138 million in 2008. Betting on football matches being taken throughout 2009 compared to six months in 2008.

Meanwhile, it is fair to say that horseracing revenue has been affected in 2009 by competition from betting on football, the introduction of the loto and the licensing of additional Off-Course bookmakers.

Horse Racing Revenue



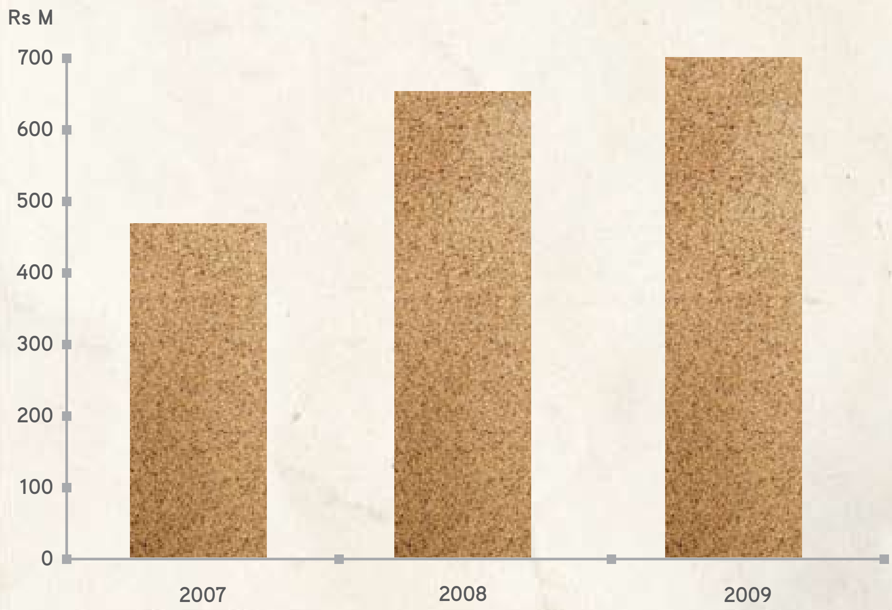
Horse Racing Revenue Distribution



Off-Course Betting

The Off-Course scenario changed in 2009 with the licensing of eleven Off-Course bookmakers. They are direct competitors for "Win" bets, which account for 64% of the Company's Off-Course revenue. The average revenue per outlet and the average Off-Course dropped by 2%. However, the additional outlets and the increase in the number of race meetings resulted in the overall Off-Course revenue actually growing by Rs45 million in 2009, a 7% increase over 2008.

Off-Course Revenue 2009



Teletote

The Teletote revenue increased by 1% in 2009, to reach Rs321 million, attributable to the fact that there were three additional meetings, which compensated for the adverse impact of the introduction of the Company's Mobile Betting and also the launch in 2009 of another telephone operator offering fixed-odds betting on races. However, the average revenue per meeting decreased by 8%.

Whilst the number of calls handled in 2009 increased by 4% to 999,101, the number of Teletote bets only rose by 3% to 2,013,017. The lower average Teletote bets recorded in 2009 reflects a more prudent betting approach from punters and the coming into operations of competitors with the punter splitting his gambling spending, mainly due to the difficult economic condition prevailing in Mauritius. The number of new Teletote accounts opened was also 25% less in 2009. The peak in the number of Teletote accounts opened in previous years was probably due to the opening of new Off-Course outlets. A further slowdown in the growth of new accounts is expected, as only one new outlet is scheduled for opening in the immediate future.

Teletote Accounts					
Year	2005	2006	2007	2008	2009
Number	23,012	18,908	20,833	23,070	24,753

Mobile Betting

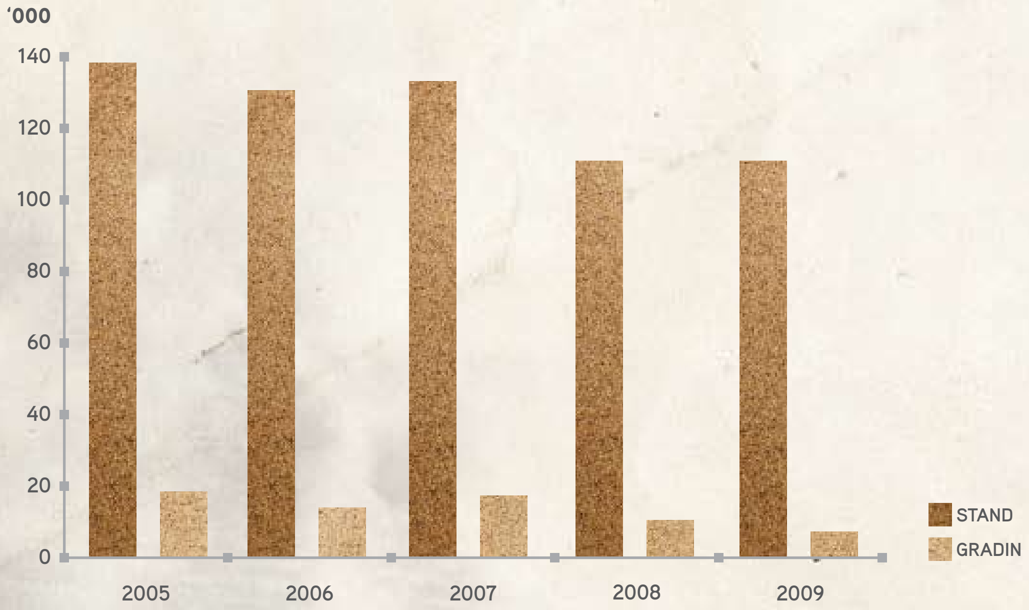
Mobile betting was given a soft launch at the end of 2008. Authenticated account holders can use the XL Browser application on their mobile phones to perform such tasks as checking account balances and dividends, and placing bets. Punters can also use their mobile phones to place all Supertote bets except for “All for All”.
The Company launched in early 2009 a strong advertising campaign to promote mobile betting. The response has been encouraging but not exceptional, as the product is still new. Revenue for 2009 reached Rs12.8 million, slightly below expectations.

Connecting with service providers improved considerably during the year and the average time needed to place a bet was 6 seconds. It is expected that mobile betting is likely to become increasingly popular with punters.

On-Course Betting

Despite three additional race meetings in 2009, On-Course revenue for the year under review, decreased by 4% to Rs211 million. This was due to a decrease of 3% in the attendance at race-meetings and to the increase in the number of Off-Course operators.

Race Course Attendance



New Products

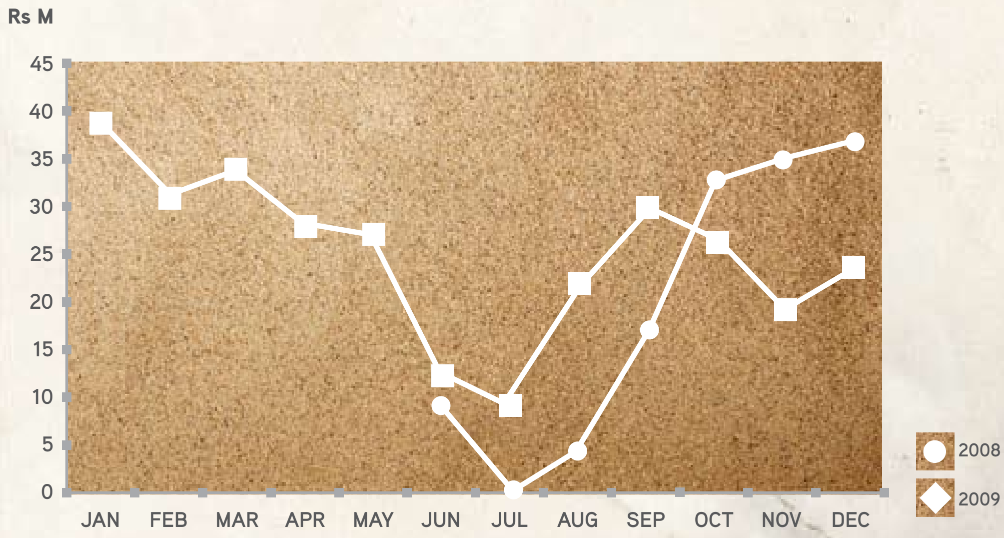
Two new bets were introduced in 2009: Win and Place are offered on both the Jockey and Stable Challenge every week. Points are allocated for the first four jockeys and stables in each race, the winner being the jockey and the stable obtaining the highest number of points. The response to these two new bets was satisfactory, attracting revenue of Rs2.7 million in the year under review.

Football

Fixed-odds betting on football was launched in June 2008 at the time of the European Cup finals. In 2009, the Company offered this facility throughout the year in 20 of its outlets. A large variety of betting options was available: straight bet, multiple bet, half-time coupon, correct score, multiple six, outright & group winner, double-chance bet and first goal scorer. Revenue for 2009 amounted to Rs308 million, but was lower during the last three months of the year when compared to the corresponding period in 2008. ASL is operating in a fiercely competitive environment with nine other licensed operators

Punters now have a variety of betting options, ranging from casinos to horseracing, football betting and the loto. The introduction of the loto and scratch cards in more than 500 sales points in the last quarter of 2009 has undoubtedly affected football-betting revenue.

Football Revenue



Advertising

SUPERTOTE

Supertote's main objective was to maintain its leading brand-awareness position amongst consumers, particularly in view of the even greater competition in the horse-betting sector. Brand positioning is aligned with Mizé pou Amizé.

In addition to printed communication both in the press and at agencies, television and radio commercials were produced to give a new thrust to various services, particularly Teletote, mobile betting and exotic bets, which include Pick 6, Pick 4, Swinger, Place Accumulator and All for All. The two new bets, Stable Challenge and Jockey Challenge, were also advertised.

Cost-effective sponsorship packages were negotiated with both public and private-sector media partners, and the contract with the MBC for the sponsorship of Supertote Racing Focus was renewed.

However, the media was drowned with betting advertisements and, as a result, the Government intervened and banned all advertising pertaining to betting activities on television and radio between 6 a.m. and 8 p.m.

SUPERSCORE

Superscore's aim was to continue building its brand image through a presence in dedicated media. Indeed, advertising packages in football magazines and the sponsorship of Sports News on the radio helped to make Superscore achieve brand awareness rapidly; that presence was maintained throughout the football season.

Television spots were aired during specialised programmes, such as football matches, on the MBC. However, for the reasons reported above, advertising on radio and television was stopped as from the end of July.

The restrictions in advertising may well have an impact on Supertote and Superscore. However as a responsible operator, ASL fully supports the Government's decision to drastically reduce advertising on gambling, provided that the authorities ensure that all operators are complying with the set regulations.

Corporate Social Responsibility

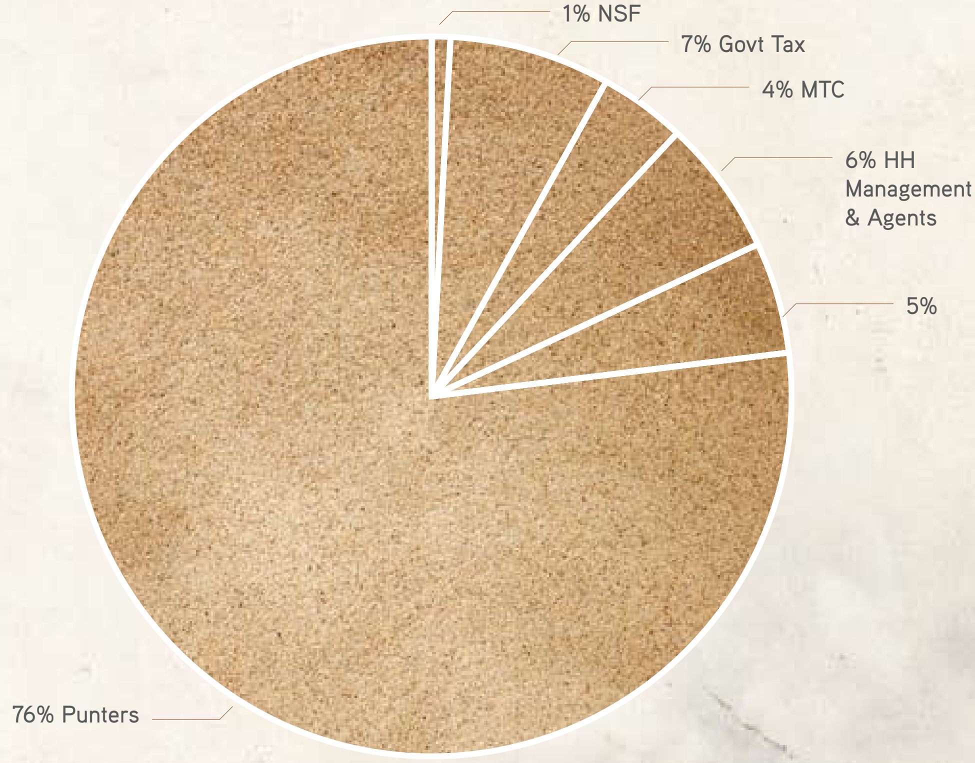
ASL has always been conscious of its social responsibility and has supported a variety of organisations over the years. In 2009, the Company was involved in the following initiatives:

- The sponsorship of the Supertote Red Ribbon Trophy in collaboration with PILS on the Supertote Race Day. PILS is one of the main organisations in Mauritius engaged in the battle against HIV/AIDS, both through awareness and educational campaigns and through support to victims of the disease. ASL donated Rs120,000 to PILS, representing 3% of the bets taken on the Supertote Red Ribbon race.
- The organisation of a Teledon with the collaboration of Radio One, Radio Plus and PILS. During a live broadcast from the Caudan Waterfront, PILS explained the AIDS problem to the public and replied to questions raised on air. The Supertote call centre as well as the Teletote agents, were used to raise funds. Rs365,000 was collected on behalf of PILS over two days. The Teledon is planned as an annual event not only to help to raise funds for the fight against HIV/AIDS, but also to increase public awareness about the disease.
- The participation in the Mauritius Turf Club's Koud'Pouce project where the Company donated Rs22,950 to each of the following organisations: SOS Children's Village, Terre de Paix, Safire, Shelter for Children and Women in Distress and Children Cancer Trust.
- Donations of Rs68,850 to a number of initiatives, such as "Opération prendre un enfant par la main", and to buy sports equipment for "PAS Mates Junior football team" and to the Ecole de Foot Champ de Mars.

ASL promotes betting as a form of entertainment and, to help counteract betting abuse, the telephone number of a NGO that helps addicted gamblers is displayed in all Off-Course outlets.

In 2009, the amount that ASL contributed to the National Solidarity Fund increased substantially from Rs14 million in 2008 to Rs18 million.

Sharing of Horse Racing Revenue



Sponsorship

ASL has once again been the most active sponsor of horseracing events. The principal event sponsored was the Supertote Golden Trophy (Group 3) on the 2009 Supertote Day. On the same occasion, the Company also sponsored five other races: the Supertote Racing Focus Trophy, the Teletote Trophy, the Off-Course Trophy, the Supertote Red Ribbon Trophy and the Supertote Mobile Betting Trophy. As expected, this race day was a successful family and social outing, with plenty of giveaways offered to Supertote punters at the Champ de Mars and in ASL's Off-Course outlets. Activities were also organised in the children's play area with pony riding, face painting, clowns and the distribution of gifts to youngsters.

An additional prize of Rs100,000 was presented to Ramapathee Gujadhur, the Stable Manager of Solar Symbol, the winner of the Supertote Golden Trophy.

During the International Jockeys Weekend, ASL also sponsored the Supertote International Trophy, won by Constellation, ridden by Champion Jockey Stephan Pasquier.

ASL is the exclusive sponsor of Supertote Racing Focus, the live uninterrupted racing programme broadcast on TNT 5, a local TV channel. ASL's aim in sponsoring the programme is to promote racing as a sport, in association with the Mauritius Turf Club, by offering the general public a quality product.

Survey

ASL appointed a market-research company, Market Opinion, to undertake a survey at the end of the 2009 racing season. The market opinion had to assess the satisfaction of ASL's customers with the services offered and to study the effect of football betting on horseracing.

The results were very positive with a high level of customer satisfaction recorded, particularly with the reasonable time it takes to place a bet and receive payments.

The survey also showed that 26% of the 526 respondents have reduced their stakes on horseracing since the introduction of betting on football matches.

Outlook

Horseracing is facing strong competition from new forms of betting, such as the loto and football, which have the advantage of being offered all year round. The Mauritius Turf Club has sought permission from the authorities to hold 37 race meetings in 2010 (compared with 35 in 2009) which, if accepted, should have a positive impact on racing revenue.

To give more options to punters, ASL has requested permission from the authorities to organise Soccer 6, a football pool participating in the South African pool. A letter of intent has been received from the Gambling Regulatory Authority and it is probable that the Soccer 6 pool bet will start in 2010.
Although Football betting revenue increased substantially in 2009, it is difficult to forecast what will happen in 2010 as it is not easy to assess the adverse impact of the increase in betting tax from 2% to 8% on Football bets. However that shortfall in Football betting revenue may well be compensated by the craze that will be generated by the World Cup in June 2010.

At the end of the year under review, ASL was operating 24 Off-Course outlets and anticipates being able to open an additional outlet in Fond du Sac in 2010.

Meanwhile, ASL remains fully committed to its punters by maintaining high levels of service, competitive odds and customer satisfaction.

Corporate Governance Report

The Directors, in line with previous years, are committed to maintain and improve good corporate governance, in accordance with best practices as prevail in similar businesses.
The directors report as follows:

LAW

The Directors shall ensure that at all material times the provisions of the Law of Mauritius are complied with. All payments that need to be made by virtue of the Law shall be made timeously. Similarly all declarations, statements, filings and all applications and renewal of permits and licences, shall be made in due time. The Directors shall treat as confidential matters which should not be made public otherwise than by operation of the Law.

ETHICS

As regards the Management of the affairs of ASL, the Directors shall continue to act professionally, efficiently and honestly. The Directors shall relentlessly aim at improving the administration and management of ASL so as to enable ASL to continue to enjoy a solid reputation. The affairs of ASL shall be conducted in such a way as to be in best interest of society. ASL shall always strive to offer the best services possible to the public.

RELATIONSHIP WITH AUTHORITIES AND THIRD PARTIES

The Directors shall deal with others in a fair, honest, efficient and courteous manner. The Directors shall at all times maintain a conduct which is commensurate with the good reputation of ASL. All contracts and agreements to be entered into with any person shall be negotiated at arm's length and shall be concluded in a fair and equitable manner. All dealings with the public authorities shall be open and transparent.

AVOIDANCE OF CONFLICT

The Directors shall never use their position to achieve personal gains. The Directors shall make full disclosure of any matter which may affect the impartiality of any Board decision. The Directors shall never make use by themselves or through any other person of any inside information. In their capacity as Directors, the latter shall not accept any gift from any party dealing with ASL.

DEALING IN SHARES OF THE COMPANY

With regard to directors' dealings in the shares of ASL, the directors endeavour to follow the principles of the code on securities transactions by directors as stipulated in Appendix 6 of the Mauritius Stock Exchange Listing Rules. ASL has also set up a procedure whereby any director purporting to deal in the shares of the Company should inform the Chairperson accordingly.

SHAREHOLDERS

The Directors shall make available to the shareholders true and accurate information. The Directors shall work towards protecting and consolidating the investment of the shareholders so as to generate the best possible yields.

RISKS' ASSESSMENT

The Directors shall demonstrate care and responsibility when making public statements. Risks that would be associated with the activities of ASL shall continue to be regularly assessed and safeguards shall be envisaged accordingly.

EMPLOYEES

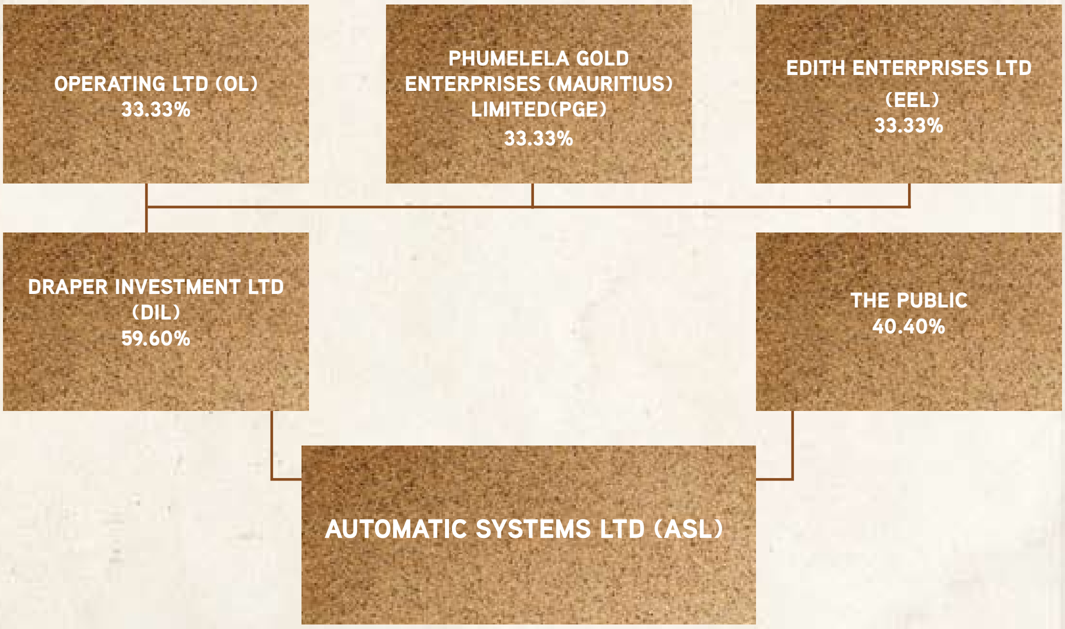
The Company has no employees. As from 31 March 2007, HH Management Ltd employs all staff involved in ASL operations. Please refer to the section on Contract of Significance with Directors on page 28 for more information.

ENVIRONMENTAL AND SOCIAL POLICIES

The Directors shall ensure that the activities of ASL do not have a negative impact on the environment.

Cascade Holding Structure

ASL is a listed company owned as follows:



Major Shareholders

On 31 December 2009, the following shareholders held directly and indirectly more than 5% of the ordinary share capital of the Company.

	Direct Interest		Indirect interest
	No. of ordinary shares	% Holding	% Holding
Draper Investment Ltd	2,106,909	59.60	-
Operating Ltd	-	-	19.86
Edith Enterprises Ltd	-	-	19.86
Phumelela Gold Enterprises (Mauritius) Limited	-	-	19.86

Directors' Profile

M. A. ERIC ESPITALIER-NOËL (CHAIRPERSON)
Appointed Director in 2004
Chairperson of the Company since July 2004, Eric Espitalier-Noël, born in 1959, holds a Bachelor's degree in Social Sciences from the University of Natal in South Africa and a Master degree in Business Administration from University of Surrey (UK). He started his career in the Audit Department of De Chazal du Mee. 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, The Savannah Sugar Estates Co. Limited, ENL Commercial Ltd, ENL Investment Ltd (DEM), ENL Ltd (DEM), Livestock Feed Ltd (DEM) and Les Moulins de la Concorde Ltee(DEM).

DAVID R. H. ATTENBOROUGH
Appointed Director in 2008
David R. H. Attenborough, born in 1963 holds a BSC and MBA. He managed the licensing and development division of British bookmaking chain Ladbrokes for five years before transferring to Africa, where he was responsible for the development of casino and other gaming opportunities for the Group for a further five years. In 2001 he became Vice-President Development for African Lakes Corporation, a UK listed company specialising in IT connectivity and an ISP provider in 20 African countries. He joined Phumelela Gaming and Leisure Limited in September 2003, became Chief Operating Officer in May 2004, was appointed to the Phumelela Board in June 2005 and became Chief Executive Officer (South Africa) in August 2008.

PETER R. BENTON
Appointed Alternate Director to David R. H. Attenborough and John A. Stuart in 2008
Peter R. Benton, born in 1960, is an Associate Member of the Chartered Institute of Secretaries and Administrators (UK) as well as the Chartered Institute of Management Accountants (UK), in addition, he holds an MBA from the University of the Witwatersrand. He spent five years in a finance and company secretarial role for MNET, Africa's first pay television station. He joined MNET in its formative years and was part of the finance team that supported the growth from some 50,000 subscribers to over 750,000 subscribers when he left. He played an active role on the listing committee when MNET was taken to market. He subsequently spent seven years in the tourism industry as Financial Director for World Leisure Holidays, the wholesale tour operation arm of Sun Resorts Limited. He was part of the team that helped grow this company over 700% in the time he was with them. Since then, he has continued his careers in a finance capacity in the IT industry in e-commerce and distribution. He joined Phumelela Gaming and Leisure Ltd in December 2006 in the International Division and has played an active role in developing new markets for simulcasting and commingling opportunities as well as cementing relationships in those jurisdiction that Phumelela offers its racing product in.

RAVINDRA CHETTY
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 is also a lecturer and member of the Board of Examiners at the Council of Legal Education. He was the president of the Mauritius Bar Association in 2005. He also acts as legal advisor of various Funds. He had been the President of Mauritius Football Association from 1996 to 2002.

JOWAHEER LALL DOOKUN
Appointed Director in 2002
Jowaheer Lall Dookun, born in 1932, holds a graduation from North Western Polytechnic, London, UK. He was a Director of Paramount Co. Ltd, the holding company of National Transport Corporation, and he is a Director in various Dookun Group companies such as Mauritius Cosmetics Limited, Paper Converting Company Limited, Gumboots & Protectivewear Manufacturing Ltd and Agri-Pac Limited. He was elected councillor of the Municipality of Vacoas-Phoenix from 1969 to 1980. He was also a Director of Central Electricity Board from 1983 to 1995. He is a Director of the following listed companies: Mauritius Cosmetics Limited (DEM) and Paper Converting Company Limited (DEM).

ARVIND LALL DOOKUN
Appointed Alternate director to Jowaheer Lall Dookun in 2003
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 Clothing and Footwear Institute and a Licentiate member of the Textile Institute, Manchester UK. 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.

M. L. JEAN HARDY
Appointed Director at incorporation in 1991
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.

ANTOINE L. HAREL
Appointed Director in 2000
Antoine Harel, born in 1957, holds a BA in Accounting and Computing from the University of Kent, England. He worked for Ernst & Young in London and qualified as a Chartered Accountant in London in 1986. He returned to Mauritius where he joined Harel Mallac & Co Ltd in 1987 as the manager of Computer Department. He became the Director for Computer, Communication, Distribution and Retail division of Harel Mallac & Co Ltd in 1997. He was appointed Chief Executive Officer from 1997 to 2005 and he is now the Chairman of Harel Mallac & Co Ltd. He is also the director of the following listed companies: Compagnie des Magasins Populaires Limitée, Harel Frères Ltd, Mauritius Chemical & Fertilizer Industry Ltd, Bychemex Ltd (DEM) and Chemco Ltd (DEM) and Les Gaz Industriels Ltd (DEM).

CHARLES P. L. HAREL
Appointed Director on 27 March 2007
Charles Harel, born in 1967, holds a National Diploma in Management and Finance from the Cape Technikon, South Africa, as well as an MBA from the University of Birmingham, United Kingdom. In 1995, he joined the Harel Mallac Group where he now holds the position of Managing Director for one of its SBU, Harel Mallac Bureautique Ltd. He is a director of the following listed companies: Compagnies des Magasins Populaires Ltée, Harel Mallac & Co Ltd and Mauritius Chemical & Fertilizer Industry Ltd.

HERVÉ HENRY
Appointed Director at incorporation in 1991
Hervé Henry, born in 1946, is the holder of a "Diplome 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.

O. FAROUK A. HOSSEN
Appointed Director in 1991
Farouk Hossen, born in 1945, holds the Fellowship of the Association of British Opticians and Masters for practice in contact lenses. He practiced 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 following listed companies: British American Investment Co. (Mtius) Ltd, The Mauritius Leasing Company Limited and Bramer Banking Cooperation Ltd.

J. D. GERARD PASCAL
Appointed Director in 1991
Gérard Pascal, born in 1951, became a Fellow Member of the Association of Chartered 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.

L. J. MICHEL RIVALLAND
Appointed Director in 2008
L. J. Michel Rivalland, born in 1953, is a Fellow Member of the Association of Chartered Certified Accountants. He is an Executive Director of Harel Mallac & Co. Ltd and also a director of the following listed companies: The Mauritius Chemical & Fertilizer Industry Ltd, Bychemex Ltd (DEM) and Chemco Ltd (DEM)

JOHN A. STUART
Appointed Director in 2008
John A. Stuart, born in 1956 holds a B.Com and is the Director of International Marketing and Operations of Phumelela Gaming and Leisure Ltd. He has worked in the totalisator industry since 1979 when he joined the then TAB KwaZulu-Natal as Internal Auditor. He filled various roles in that organisation and at the time of his departure he was Assistant General Manager. He joined Phumelela in 1997 as Business Development Manager with his primary focus on alternative forms of gambling. After occupying various roles in the organisation he took responsibility for the International Division in May 2006

Directors

The table below shows the directors of the Company, their attendances at meetings and their remunerations during the y

Name	Category	Directorships in related companies				I
		DIL	OL	EEL	Phumelela	No
M. A. Eric Espitalier-Noël	Non-executive/ Independent					
David R. H. Attenborough	Non-executive	*			*	
Ravindra Chetty	Non-executive/ Independent					
Jowaheer Lall Dookun	Non-executive/ independent					
M. L. Jean Hardy	Executive	*	*			
Antoine L. Harel	Non-executive	*		*		
Charles P. L. Harel	Non-executive	*		*		
Hervé Henry	Executive	*	*			
O.Farouk A. Hossen	Non-executive/ Independent					
J. D. Gérard Pascal	Non-executive/ Independent					
L. J. Michel Rivalland	Non-executive			*		
John A. Stuart	Non-executive	*			*	
Peter R. Benton Alternate to David R. H. Attenborough and John A. Stuart	Non-executive					
Arvind Lall Dookun Alternate to Jowaheer Lall Dookun	Non-executive/ independent					

Beneficial interest only – no non beneficial interest ear 2009. It also shows their direct and indirect interests in the share capital of the Company as at 31 December 2009.

nterest in shares as at 31 Dec 2009			Attendance at meetings during 2009			Remuneration
Direct		Indirect	Board 4	Audit Committee 4	Corporate Governance Committee 2	During 2009 (Rs)
of shares	% holding	% holding				
-	-	-	4/4		2/2	145,000
-	-	-	1/4			27,500
100	0.002	-	1/4		2/2	52,500
-	-	0.483	4/4		2/2	80,000
8,000	0.226	0.197	4/4			65,000
-	-	0.900	2/4	3/4		62,500
-	-	0.900	4/4		2/2	80,000
-	-	0.565	4/4			65,000
22,049	0.629	0.005	3/4	3/4		75,000
1,319	0.037	0.117	4/4	4/4		115,000
-	-	-	2/4			40,000
-	-	-	2/4			40,000
-	-	-	2/4			25,000
2,100	0.058	0.053	0/4			-

Common Directorships of ASL Holding Structure

Please refer to the table regarding directors on page 26.

Directors Interests in the Share Capital of the Company

Please refer to the table regarding directors on page 26.

Directors' Dealing in Shares

The directors of the Company follow the Model Code for Securities transactions (Appendix 6 of the Listing Rules) in all dealings in which they are or might be interested.

Mr. Arvind Lall Dookun sold 1,000 shares during the year.

Shareholders' Agreement

The Company does not have a Shareholders' Agreement.

Contract of Significance with Directors

ASL has a Management Service Agreement with HH Management Ltd.

Remuneration Policy

The remuneration structure with regard to directors' fees comprises of two components, namely, a basic monthly fee and an attendance fee. Members of the Audit and Corporate Governance Committees are paid an attendance fee only.

Directors' Attendance At Meetings Held In 2009

Please refer to the table regarding directors on page 26

Board and Committees

As at 31 December 2009 the Board consisted of 12 directors (2 Executive, 5 Non-Executive and 5 Non-Executive/Independent (see table on page 26) and met four times during the year. The functions and responsibilities of the chairperson and the chief executive are separate.

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.

The Board constituted two committees, the Audit Committee which also performs the duties of the Risk Committee and the Corporate Governance Committee, which also performs the duties of the Remuneration Committee. Both Committees were set up in June 2005. The key areas normally covered by the Nomination Committee remain under the responsibility of the full Board.

The board is composed of 12 directors with complementary skills and proven track records in various fields of competence. The Board promotes and encourages open and frank discussions to which all directors actively and positively contribute. A board evaluation questionnaire will be circulated to the directors and the feedback obtained will be used to ensure and improve the effectiveness of the Board.

The Constitution provides for the retirement of all directors from office at each annual meeting of the Company.

CORPORATE GOVERNANCE COMMITTEE
The Corporate Governance Committee comprises of Ravindra Chetty (Chairperson), Jowaheer Lall Dookun, M. A. Eric Espitalier-Nöel and Charles P. L. Harel and met twice during the year.

The Committee has the following objectives:

- To review the 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; and
- To ensure that the Company's Annual Report complies with the provisions of the Code of Corporate Governance.

AUDIT COMMITTEE
The Audit Committee comprises of J. D. Gérard Pascal (Chairperson), Antoine L. Harel and O. Farouk A. Hossen and met four times during the year. The Audit Committee assists the Board in overseeing:

- The quality and integrity of the 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 adequacy of the system of internal controls and practices as well as compliance with ethical standards;
- The policies and procedures established to minimise risks 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.

INTERNAL CONTROL
Proposals were requested for professional services relating to the internal audit function. The Audit Committee recommended to the Board not to appoint any internal auditor in view of the costs involved. The Committee consequently worked closely with the external auditors.

Amtote International Inc provides a line monitoring of the system so that their engineers analyse the operation in real time and may intervene in case of problems from their base in Maryland USA. The system cannot be tampered with thereby ensuring its integrity. Tests were conducted jointly with Amtote to verify that integrity.

Risk Management

The Board is responsible for the overall management of risks.
The risk inherent can be classified as follows:

- Market
- Managerial
- Operational
- Other risks

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 and the state of the Mauritian economy. Management assesses regularly the changes in the Company's business environment and triggers the appropriate measures to contain any adverse impact on profitability.

Managerial
The Management Services Agreement signed with HH Management Ltd may be periodically reviewed and updated as circumstances may warrant following reports made to the Board of the Company and is the subject of scrutiny by the Audit Committee. HH Management Ltd reports to the Board on operational matters. Their remuneration consists of a fixed amount and of a variable amount based on the Company's profit for the year. They are responsible for the employment of all operational staff.

Operational
The operational risks relate to internal processes which are regulated by information technology software which controls the betting operations of the Company. That system is closely monitored at management level with cash reconciliations being prepared and verified after each race meeting. The integrity of the betting system provided and tested by Amtote International Inc. represents the main operational risk. Satisfactory procedures are in place as regards the risks of money laundering.

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 is ethical and fair to the horse racing industry, to the punters who are the clients of the Company and to the Government who establishes the rules of operation through the Gambling Regulatory Authority.

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

Share Option Plan

The Company has no share option plan.

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. The dividend payable for the financial year is decided upon and declared by the Board.

Corporate Social Responsibility

The Company has been engaged in CSR activities, details of which are set out on page 16

Important events

The Calendar for the year ending 31 December 2010 is as follows:

	EVENTS	DATES
1	Payment of dividend (declared in December 2009)	January
2	Publication of Annual Report 2009	April
3	Annual Meeting	May
4	Publication of quarterly financial reports	May, August & November
5	Declaration of dividend (2010)	August and December

Share Price Information

Statement of Directors' Responsibilities in Respect of the Financial Statements

Company law requires the directors to prepare financial statements for each financial year which present fairly the financial position, the financial performance, changes in equity and cash flows of the Company. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritius Companies Act 2001. They are also responsible for safeguarding the asset of the Company and hence for the implementation and operations of accounting and internal control systems that are designed to prevent and detect fraud and errors and an effective risk management system.

Donations

Donations were made by the Company during the year. The paragraph on Corporate Social Responsibility (page 16) provides detailed information on the donations made.

Fees Paid to Auditors

The fees paid to the auditors of PricewaterhouseCoopers are disclosed as follows:

	2009 MUR	2008 MUR
Audit fees	410,000	380,000
Non-Audit (tax fees)	67,500	55,000

Auditor

PricewaterhouseCoopers has indicated its willingness to continue in office and will be automatically reappointed at the Annual Meeting.

Approved by the Board of directors on and signed on its behalf by:

M. A. Eric Espitalier-Noël
Chairperson

M. L. Jean Hardy
Director

Secretary's Report

AUTOMATIC SYSTEMS LTD.
UNDER SECTION 166(d) OF THE COMPANIES ACT 2001

We confirm that, based on records and information made available to us by the directors and shareholders of the Company, the Company has filed with the Registrar of Companies, for the financial year ended 31 December 2009, all such returns as are required of the Company under the Mauritian Companies Act 2001.

Abax Corporate Administrators Ltd
CORPORATE SECRETARY
02 March 2010

Independent Auditor's Report

TO THE MEMBERS OF AUTOMATIC SYSTEMS LTD.

Report on the Financial Statements

1. We have audited the financial statements of Automatic Systems Ltd. (the "Company") on pages 36 to 55 which comprise the statement of financial position at 31 December 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

2. 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. 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 whether the financial statements are free from material misstatement.

4. 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 Company'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 Company'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.

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

6. In our opinion, the financial statements on pages 36 to 55 give a true and fair view of the financial position of the Company at 31 December 2009 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

7. 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 capacity as auditor and tax advisor;
   (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

8. The directors are responsible for preparing the Corporate Governance Report on pages 21 to 31 and making the disclosures required by Section 8.4 of the Code of Corporate Governance of Mauritius ("Code"). The Financial Reporting Act 2004 requires us to report on these disclosures, where the directors disclose the extent of compliance with the Code.

9. In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

Other Matters

10. This report, including the opinion, has been prepared for and only for the Company's members, 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
Shyam Mohadeb
Licensed auditor

Statement of Comprehensive Income for the Year Ended 31 December 2009

		2009 Rs 000	2008 Rs 000
REVENUE		**1,550,051**	1,328,340
COST OF SALES (Note 4)		**(1,330,371)**	(1,135,788)
Gross profit		**219,680**	192,552
Selling expenses		**(47,114)**	(39,908)
Operating expenses		**(73,310)**	(67,495)
Payments to The Mauritius Turf Club		**(63,734)**	(61,011)
OPERATING PROFIT (Note 5)		**35,522**	24,138
Finance income		**2,082**	955
Finance costs		**(8)**	(300)
Finance income – net (Note 6)		**2,074**	655
PROFIT BEFORE TAXATION		**37,596**	24,793
Taxation (Note 7)		**(6,038)**	(3,613)
PROFIT FOR THE YEAR		**31,558**	21,180
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**31,558**	21,180
EARNINGS PER SHARE (Note 8)	Rs	**8.93**	5.99

The notes on pages 40 to 55 form an integral part of the financial statements

Statement of Financial Position – 31 December 2009

	2009 Rs 000	2008 Rs 000
ASSETS		
Non-current assets		
Plant and equipment (Note 9)	**34,797**	40,508
Available-for-sale financial assets (Note 10)	**104**	104
	34,901	40,612
Current assets		
Receivables and prepayments (Note 11)	**919**	3,856
Cash and cash equivalents (Note 12)	**31,166**	33,000
	32,085	36,856
Total assets	**66,986**	77,468
EQUITY		
Share capital (Note 13)	**24,745**	24,745
Share premium (Note 14)	**1,168**	1,168
Retained earnings	**6,392**	6,649
Total equity	**32,305**	32,562
LIABILITIES		
Non-current liabilities		
Deferred income tax liability (Note 15)	**3,417**	3,420
Current liabilities		
Trade and other payables (Note 16)	**26,703**	35,873
Bank overdraft (Note 20)	**-**	1,706
Current income tax liability(Note 7)	**4,561**	3,907
	31,264	41,486
Total liabilities	**34,681**	44,906
Total equity and liabilities	**66,986**	77,468

M. A. Eric Espitalier-Noël
Director

M. L. Jean Hardy
Director

The notes on pages 40 to 55 form an integral part of the financial statements

Statement of Changes in Equity for the Year Ended 31 December 2009

	Share Capital Rs 000	Share Premium Rs 000	Retained Earnings Rs 000	Total Equity Rs 000
At 01 January 2008	**24,745**	**1,168**	**3,144**	**29,057**
Profit and total comprehensive income for the year	-	-	**21,180**	**21,180**
Transactions with owners				
Dividends (Note 17)	-	-	**(17,675)**	**(17,675)**
Total transactions with owners	-	-	**(17,675)**	**(17,675)**
At 31 December 2008	**24,745**	**1,168**	**6,649**	**32,562**
Profit and total comprehensive income for the year	-	-	**31,558**	**31,558**
Transactions with owners				
Dividends (Note 17)	-	-	**(31,815)**	**(31,815)**
Total transactions with owners	-	-	**(31,815)**	**(31,815)**
At 31 December 2009	**24,745**	**1,168**	**6,392**	**32,305**

The notes on pages 40 to 55 form an integral part of the financial statements

Statement of Cash Flows for the Year Ended 31 December 2009

	2009 Rs 000	2008 Rs 000
Cash flows from operating activities		
Profit before taxation	**37,596**	24,793
Adjustments for:		
Depreciation of plant and equipment (Note 9)	**10,328**	10,446
Profit on disposal of plant and equipment	**(6)**	(1)
Dividend income	**(82)**	(82)
Interest income	**(2,000)**	(873)
Interest expense	**8**	300
Working capital changes		
Decrease/ (increase) in receivables and prepayments	**2,937**	(2,747)
Increase in trade and other payables	**1,912**	7,917
Cash generated from operations	**50,693**	39,753
Interest received	**2,000**	873
Income tax paid (Note 7)	**(5,175)**	(376)
Corporate Social Responsibility contribution paid	**(212)**	-
Interest paid	**(8)**	(300)
Net cash from operating activities	**47,298**	39,950
Cash flows from investing activities		
Payments for purchase of plant and equipment (Note 9)	**(5,204)**	(12,507)
Proceeds from disposal of plant and equipment	**116**	9
Dividends received	**82**	82
Net cash used in investing activities	**(5,006)**	(12,416)
Cash flows from financing activities		
Dividends paid (Note 9)	**(42,420)**	(10,605)
Net cash used in financing activities	**(42,420)**	(10,605)
Net (decrease)/ increase in cash and cash equivalents	**(128)**	16,929
Cash and cash equivalents at beginning of year	**31,294**	14,365
Cash and cash equivalents at end of year (Note 12)	**31,166**	31,294

The notes on pages 40 to 55 form an integral part of the financial statements

Notes to the Financial Statements – 31 December 2009

1. 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 both 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"). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. At 31 December 2009, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Changes in accounting policy and disclosures
(a) New and amended standards adopted by the Company
The Company has adopted the following amended standards as of 01 January 2009:

- IFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 01 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the changes in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- IAS 1 (revised). 'Presentation of financial statements' – effective 01 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(b) Standards, amendments and interpretations to existing standards that are effective but not relevant to the Company's operations

- IFRS 2 (amendment), 'Share- based payment' (effective 01 January 2009).

- IAS 23 (Amendment), 'Borrowing costs' (effective from 01 January 2009).

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

Management has considered interpretations to existing standards that have been published and that are mandatory for accounting periods beginning on or after 01 January 2010 but these are not relevant to the Company's operations.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Strategic decisions are made by the Board of directors.

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' ('MUR'), 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. 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 the statement of comprehensive income.

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 the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on the straight line basis at annual rates estimated to write off the cost of the assets less their estimated residual values over their expected useful lives. The annual rates used are:

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%

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 operating expense.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Financial assets

- Classification

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale. 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. Loans and receivables comprise of other debtors 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 management intends to dispose of the investment within 12 months of the end of the reporting period.

- 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. 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 equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive 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.

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.

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. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities 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 the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assets
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.

Cash and cash equivalents
Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank, bank overdrafts and loans at call that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Share capital
Ordinary shares are classified as equity.

Current and deferred income tax
The tax expense for the period comprises current and deferred income tax and Corporate Social Responsibility contribution. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. 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 is provided on temporary differences arising from depreciation on plant and equipment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Revenue recognition

(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.

(b) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

(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.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks: market 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.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (continued)

• Market risk

(a) Foreign exchange risk

The transactions of the Company are carried out in Mauritian Rupees except for limited acquisitions of plant and equipment which are invoiced in foreign currency. 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 0.16% of the total assets, the impact on equity is not considered significant.

(c) Interest rate risk

The Company's interest rate risk arises from loan at call granted to United Basalt Products Ltd. The Company lends at variable rates and is exposed to the risk of changes in interest rates. The Company does not use financial instruments to hedge interest rate risk.

Based on the simulations performed, at 31 December 2009, the impact on post-tax profit and equity of a 0.5% decrease in interest rate would be a maximum increase of **Rs125,000** (2008 – Rs 165,000), respectively.

• Credit risk

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

Credit risk arises from cash at bank and loans at call. 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.

The Company's policy is to maximise returns on interest-bearing assets and surplus funds are lent to third parties at rates higher than those proposed by banks after considering the financial position of the borrowers. The loans have up to now been on an unsecured basis but are repayable on demand. The Company does not expect any loss from non-performance.

• 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.

All the Company's financial liabilities 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 2009, the gearing ratio does not apply.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation

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

3. 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).

The segment information provided to the Board of directors for the reportable segments for the year ended 31 December 2009 is as follows:

	Betting on horse racing	**Betting on foreign football**	**Total**
	Rs 000	**Rs 000**	**Rs 000**
Revenue	1,241,900	308,151	1,550,051
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	36,735	9,115	45,850
Depreciation	8,275	2,053	10,328
Income tax	4,838	1,200	6,038
Total assets	**53,669**	**13,317**	**66,986**
Additions to non- current assets (other than financial instruments and deferred income tax assets)	3,787	940	4,727
Total liabilities	**27,786**	**6,895**	**34,681**

3. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Board of directors for the reportable segments for the year ended 31 December 2008 is as follows:

	Betting on Horse racing Rs 000	Betting on foreign football Rs 000	Total Rs 000
Revenue	1,189,797	138,543	1,328,340
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	30,917	3,667	34,584
Depreciation	9,402	1,044	10,446
Income tax	3,252	361	3,613
Total assets	**69,721**	**7,747**	**77,468**
Additions to non- current assets (other than financial instruments and deferred tax assets)	9,215	1,024	10,239
Total liabilities	**40,415**	**4,491**	**44,906**

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.

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

	2009 Rs 000	2008 Rs 000
EBITDA	**45,850**	34,584
Depreciation	**(10,328)**	(10,446)
Finance income –net	**2,074**	655
Profit before taxation	**37,596**	24,793

4. COST OF SALES

	2009 Rs 000	2008 Rs 000
Payment to winners	**1,182,204**	993,101
Fixed odd expenses	**15,806**	22,578
Government tax	**114,284**	106,095
Payment to National Solidarity Fund	**18,077**	14,014
	1,330,371	1,135,788

5. OPERATING PROFIT

	2009 Rs 000	2008 Rs 000
Operating profit is stated after charging/(crediting):		
Depreciation of plant and equipment (Note 9)	**10,328**	10,446
Profit on disposal of plant and equipment	**(6)**	(1)
Commission and management service fees to related parties (Note 19(b))	**43,907**	38,466
Commission to off-course agents	**36,585**	29,966
Repairs and maintenance	**3,662**	3,686
Licences and municipality taxes	**4,567**	4,451
Auditor's remuneration		
– audit services	**410**	380
– non-audit services	**68**	55

The Company did not employ any staff during the year (2008 – Nil).

6. FINANCE INCOME - NET

	2009 Rs 000	2008 Rs 000
Interest income:		
Loans at call	**1,585**	781
Bank	**415**	92
Dividend income	**82**	82
Interest expense	**(8)**	(300)
	2,074	655

7. TAXATION

	2009 Rs 000	2008 Rs 000
Expense:		
Current income tax based on the profit for the year as adjusted for tax purposes at 15.0% (2008 – 15.0%)	**5,829**	3,222
Corporate Social Responsibility contribution	**212**	-
Under provision in prior year	-	56
Deferred income tax (Note 15)	**(3)**	335
	6,038	3,613

7. TAXATION (CONTINUED)

(a) Corporate Social Responsibility ("CSR") Fund

Every company shall, every year, set up a CSR fund equivalent to 2% of its book profit derived during the precedent year to:

- Implement an approved programme by the Company;
- Implement an approved programme under the National Empowerment Foundation; or
- Finance an approved NGO

Under the sub-part in the Finance Act 2009 relating to Corporate Social Responsibility, book profit means the profit computed in accordance with IFRS, after income tax and:

(i) as reduced by the profit on disposal or revaluation of fixed assets, where any such profit or revaluation is credited to the statement of comprehensive income and

(ii) as increased by the loss on disposal or revaluation of fixed assets, where any such loss or revaluation is debited to the statement of comprehensive income.

	2009	2008
	Rs 000	Rs 000
Current income tax liabilities:		
At 01 January	**3,907**	1,005
Paid during the year	**(5,175)**	(376)
Charge for the year	**5,829**	3,222
Under-provision in prior year	**-**	56
At 31 December	**4,561**	3,907

The reconciliation between the actual income tax rate of **16.06%** (2008 – 14.60%) and the applicable rate of **15.00%** (2008 - 15.00%) is as follows:

	2009	2008
(As a percentage of profit before tax)	**%**	%
Applicable income tax rate	**15.00**	15.00
Effect of:		
Underprovision of deferred income tax in prior year	**0.41**	-
Non – allowable expenses	**0.12**	-
Non-taxable income	**(0.03)**	(0.10)
Income tax under provided in previous year	**-**	0.20
Corporate social responsibility contribution	**0.56**	-
Other permanent differences	**-**	(0.50)
Actual income tax rate	**16.06**	14.60

8. EARNINGS PER SHARE

Earnings per share is calculated on the profit after taxation of **Rs 31,558,000** (2008 – Rs 21,180,000) and on **3,535,000** issued ordinary shares outstanding during the two years under review.

9. 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	Tote trophy Rs 000	Total Rs 000
Cost:							
At 01 January 2008	57,079	27,709	3,811	7,308	10,537	39	106,483
Additions	4,494	3,650	-	412	1,683	-	10,239
Disposals	-	-	-	(21)	(105)	-	(126)
At 31 December 2008	61,573	31,359	3,811	7,699	12,115	39	116,596
Additions	2,073	-	-	214	2,440	-	4,727
Disposals	(55)	-	-	-	(131)	-	(186)
At 31 December 2009	63,591	31,359	3,811	7,913	14,424	39	121,137
Accumulated depreciation:							
At 01 January 2008	26,650	21,990	3,811	5,854	7,455	-	65,760
Charge for the year	5,483	3,099	-	299	1,565	-	10,446
Disposals	-	-	-	(21)	(97)	-	(118)
At 31 December 2008	32,133	25,089	3,811	6,132	8,923	-	76,088
Charge for the year	5,648	2,547	-	314	1,819	-	10,328
Disposals	(7)	-	-	-	(69)	-	(76)
At 31 December 2009	37,774	27,636	3,811	6,446	10,673	-	86,340
Net book amount:							
At 31 December 2009	25,817	3,723	-	1,467	3,751	39	34,797
At 31 December 2008	29,440	6,270	-	1,567	3,192	39	40,508

	2009 Rs 000	2008 Rs 000
Additions	**4,727**	10,239
Less: Payables to suppliers at 31 December	**(496)**	(973)
Add: Payables to suppliers at 01 January	**973**	3,241
Payments for purchases of plant and equipment	**5,204**	12,507

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Listed shares	**Unquoted shares**	**Total**
	Rs 000	**Rs 000**	**Rs 000**
At 01 January and 31 December 2008 and 31 December 2009	**4**	**100**	**104**

The investment in listed shares consists of 100 ordinary shares in United Basalt Products Limited.

The investment in unquoted shares consists of 1,000 ordinary shares of Rs100 each in Central Depository and Settlement Co. Ltd.

11. RECEIVABLES AND PREPAYMENTS

	2009	2008
	Rs 000	Rs 000
Other debtors	**472**	3,124
Prepayments	**447**	732
	919	3,856

The carrying value of other debtors approximate their fair values. Other debtors are not considered impaired.

12. CASH AND CASH EQUIVALENTS

	2009	2008
	Rs 000	Rs 000
Cash at bank	**6,166**	-
Loans at call	**25,000**	33,000
	31,166	33,000

The loans at call are unsecured, repayable on demand and carry interest at **7.75%** (2008 - 10.25%) per annum.

Cash, cash equivalents include the following for the purposes of the cash flow statement:

	2009	2008
	Rs 000	Rs 000
Cash and cash equivalents	**31,166**	33,000
Bank overdraft (Note 20)	**-**	(1,706)
	31,166	31,294

13. SHARE CAPITAL

	2009 Number	2008 Number	**2009 Rs 000**	2008 Rs 000
Authorised:				
Ordinary shares of Rs7 each	**5,000,000**	5,000,000	**35,000**	35,000
Issued and fully paid:				
Ordinary shares of Rs7 each	**3,535,000**	3,535,000	**24,745**	24,745

14. 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.

15. DEFERRED INCOME TAX

	2009 Rs 000	2008 Rs 000
The movement on the deferred income tax account during the year is as follows:		
At 01 January	**3,420**	3,085
Income statement (credit)/ charge (Note 7)	**(3)**	335
At 31 December	**3,417**	3,420

The deferred income tax is in respect of the taxable temporary difference arising between the net book value and the tax written down value of plant and equipment.

16. TRADE AND OTHER PAYABLES

	2009 Rs 000	2008 Rs 000
Amount payable to related party (Note 19(b))	**1,880**	1,240
Other accounts payable and accruals	**12,328**	11,668
Teletote deposits	**4,706**	4,597
Unclaimed dividends declared in prior years	**719**	693
Dividends (Note 17)	**7,070**	17,675
	26,703	35,873

17. DIVIDENDS

	2009 Rs 000	2008 Rs 000
At 01 January	**17,675**	10,605
Declared during the year (**Rs 9** (2008 – Rs5.00) per share)	**31,815**	17,675
Paid during the year (**Rs 12** (2008 - Rs3) per share)	**(42,420)**	(10,605)
At 31 December	**7,070**	17,675

18. COMMITMENTS

At 31 December 2009, capital expenditure of the Company approved by the directors but not yet contracted for amounted to **Rs3,200,000** (2008 – Rs4,950,000).

19. RELATED PARTY TRANSACTIONS

(a) Related parties
The directors regard Draper Investment Ltd, a company incorporated in Mauritius, as the Company's immediate and ultimate holding company. At 31 December 2009, Draper Investment Ltd owned **59.6%** (2008 – 59.6%) of the Company's shares.

(b) Transactions with a company controlled by directors

Management Services Agreement
The Company has a contract with HH Management Ltd, a company controlled by two directors, Messrs M.L Jean Hardy and Hervé Henry, for the management of the totalisator.

The management duties of HH Management Ltd include:

- The running of all totalisator operations;
- Liaising and negotiating with stakeholders in the gaming industry; and
- The payment of salaries and wages of staff employed by it, maintenance expenses and all consumables, amongst other expenses.

19. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with a company controlled by directors (Continued)

HH Management Ltd is remunerated as follows:

- A percentage of the revenue of the Company which declines as the revenue increases;
- A 5% commission on the net profit before taxation of the Company; and
- A fixed management service fee of Rs600,000 per annum.

The amount charged in the statement of comprehensive income in respect of the management services agreement is as follows:

	2009 **Rs 000**	2008 Rs 000
Commissions payable based on:		
- revenue	**41,427**	36,626
- net profit before taxation	**1,880**	1,240
Management service fee payable	**600**	600
Included in administrative expenses	**43,907**	38,466

The amount due to HH Management Ltd at 31 December 2009 in respect of the management services agreement was **Rs1,879,803** (2008 – Rs1,239,663).

(c) Transactions with directors

Directors' remuneration

	2009 **Rs 000**	2008 Rs 000
Executive directors	**130**	70
Non-executive directors	**733**	460
	863	530

Directors' interests in the share capital of the Company

At 31 December 2009, the following directors had direct and indirect interests in the ordinary share capital of the Company:

Name of director	Direct interest		Indirect interest
	No. of ordinary shares	% holding	% holding
Ravindra Chetty	100	0.002	-
Jowaheer Lall Dookun	-	-	0.483
M. L. Jean Hardy	8,000	0.226	0.197
Hervé Henry	-	-	0.565
O. Farouk A. Hossen	22,049	0.629	0.005
J. D. Gérard Pascal	1,319	0.037	0.117
Arvind Lall Dookun	2,100	0.058	0.053
Charles Paul Luc Harel	-	-	0.900
Antoine Louis Harel	-	-	0.900

Notes to the Financial Statements – 31 December 2009 (cont'd)

20. BANK OVERDRAFT

The bank overdrafts are secured by floating charges over the Company's assets. The Company has undrawn floating rate borrowing facilities of **Rs20 m** (2008: Rs25 m). The facilities are subject to review at various dates during 2009.

21. THREE YEAR SUMMARY

	2009	2008	2007
Non-current assets			
Plant and equipment (Rs 000)	**34,797**	40,508	40,723
Available-for-sale financial assets (Rs 000)	**104**	104	104
Current assets			
Receivables and prepayments (Rs 000)	**919**	3,856	1,109
Cash and cash equivalents (Rs 000)	**31,166**	33,000	14,365
Equity			
Number of shares issued	**3,535,000**	3,535,000	3,535,000
Issued and fully paid shares (Rs 000)	**24,745**	24,745	24,745
Share premium (Rs 000)	**1,168**	1,168	1,168
Retained earnings (Rs 000)	**6,392**	6,649	3,144
Non-current liabilities			
Deferred income tax liabilities (Rs 000)	**3,417**	3,420	3,085
Current liabilities			
Trade and other payables (Rs 000)	**26,703**	35,873	23,154
Bank overdraft (Rs000)	**-**	1,706	-
Current income tax liabilities (Rs 000)	**4,561**	3,907	1,005
Statement of comprehensive income			
Revenue (Rs 000)	**1,550,051**	1,328,340	895,234
Profit before taxation (Rs 000)	**37,596**	24,793	13,402
Profit for the year (Rs 000)	**31,558**	21,180	12,366
Statement of cash flows			
Dividends paid (Rs 000)	**42,420**	10,605	8,166

22. INCORPORATION AND REGISTERED OFFICE

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

The address of its registered office is c/o Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1 CyberCity, Ebène.

C/O ABAX CORPORATE ADMINISTRATORS LTD
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