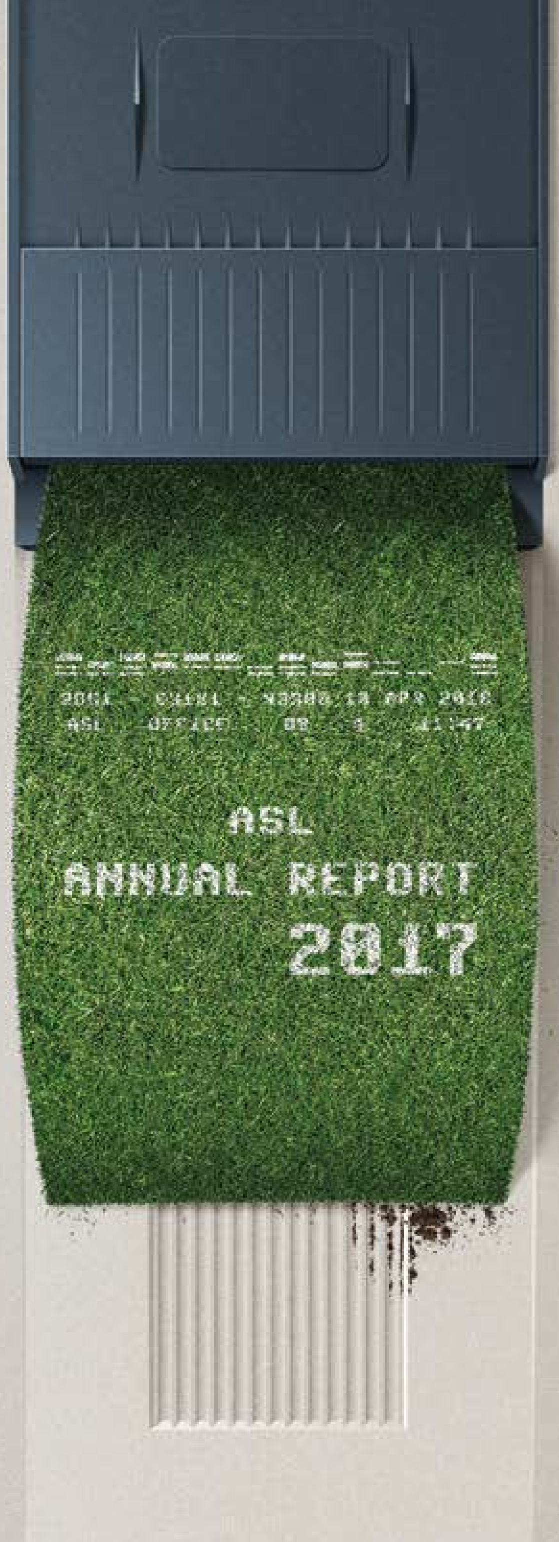

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AUTOMATIC SYSTEMS LTD.

Contents

Board
& Committees Management

Board of Directors

Chairman and Independent Director
M. A. Eric Espitalier-Noël

Executive Directors
M. L. Jean Hardy
J. O. Guillaume Hardy - Managing Director

Non-Executive Directors
Hervé Henry
Michel J. L. Nairac
John A. Stuart

Independent Directors
Ravindra Chetty
O. Farouk A. A. Hossen
Arvind Lall Dookun
Mushtaq M. O. N. Oosman

Alternate Director
O. Farouk A. A. Hossen: M. L. Jean Hardy

Audit and Risk Committee

Mushtaq M. O. N. Oosman - Chairman
Hervé Henry
O. Farouk A. A. Hossen
Arvind Lall Dookun

Corporate Governance Committee

Ravindra Chetty - Chairman
Eric Espitalier-Noël
M. L. Jean Hardy

Senior Management

Robert Ah Yan - System Manager

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

Registry and Transfer Office

ECS Secretaries Ltd
3rd Floor, Labama House,
Sir William Newton Street, Port Louis

Auditors

PricewaterhouseCoopers
18 Cybercity, Ebene

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 Ltd
State Bank of Mauritius Ltd

Directors' Report

Review of the Business

In 2017 the Tote income increased from Rs 223.3 M to Rs 240.3 M while football betting income also increased to reach Rs 120.6 M representing an increase of 15.3%. The expenses were well contained and profits for the year amounted to Rs 25.7 M for the Company and Rs 29.5 M for the Group.

		2017 Rs million	2016 Rs million	2015 Rs million
Income*	Horse Racing	**240.3**	223.3	216.6
	Football	**120.6**	104.6	92.4
Total Income		**360.9**	327.9	309.0
NSF		**13.9**	13.6	12.3
Government Tax & Duty		**136.2**	128.5	123.2
GRA Licences		**19.1**	18.0	4.8
Responsible Gambling Levy		**4.0**	-	-
Trade Fees		**3.8**	3.9	4.1
Total Contribution to Government & Local Authorities		**177.0**	164.0	144.4
Commission to MTC (Including share of profit)		**46.6**	42.6	42.7
Profit for the Year		**25.7**	18.2	23.0

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

The Company has always been resilient. Despite the difficulties, the Board and Management are constantly striving to innovate with a view to consolidating and increasing revenues and providing a good yield to shareholders.

	2017	2016	2015	2014	2013
Share price at 31 December (Rs)	**72.00**	55.75	35.00	90.00	115.0
Total dividend per share declared during the year (Rs)	**4.00**	4.00	3.00	2.50	10.00

The Company

The Company has celebrated, in 2016, the 25th anniversary of the introduction of the tote system in Mauritius (1991). This factually transparent and auditable betting system has gained international recognition and is operated in all major racing jurisdictions such as the United States, France, Hong Kong, Australia, Singapore and South Africa, to name a few.

The two salient features of the tote system are that:

- All bets are pooled with the final payout calculated by the software at the closure of bets, leaving no space for questionable declarations whether to the Mauritius Turf Club (MTC) or to the Government. All punters having a similar winning combination receive the same dividend irrespective of the time at which the bet is placed.

- Automatic Systems Ltd only perceives a fixed commission, independent of the horse coming first, and the remaining funds are divided and paid out to the winners.

The introduction of the *Win* and *Place* and exotic bets has given punters the possibility of choosing among different types of bets, starting with the *Swinger* which is the easiest and up to the *Pick 8* which is the most difficult but obviously offering much more interesting dividends.

The Company, which was the pioneer in telephone betting, launched the teletote in 1994. In 2017, the teletote account holders generated an average turnover of Rs5 million per race meeting.

In 2004, off course betting was authorized by the regulatory authorities - not as a measure to encourage betting but to move away from the existing illegal betting platforms - and to date, the company is operating 24 outlets, spread across the Island.

ASL was also the first company to offer SMS betting on the Tote in 2008 and a new application was launched in 2017 to facilitate betting by SMS.

The Board of Directors and Management of the Company are conscious of the challenging environment in which the horse racing industry is operating and constantly strive to innovate and implement new measures to sustain operations and increase revenues.

As an illustration of this innovation and sustainability mindset and as a measure of diversification, the Company started offering fixed odd betting on international football in 2008 and incorporated Megawin Ltd in 2014 for prospecting the betting market in Africa.

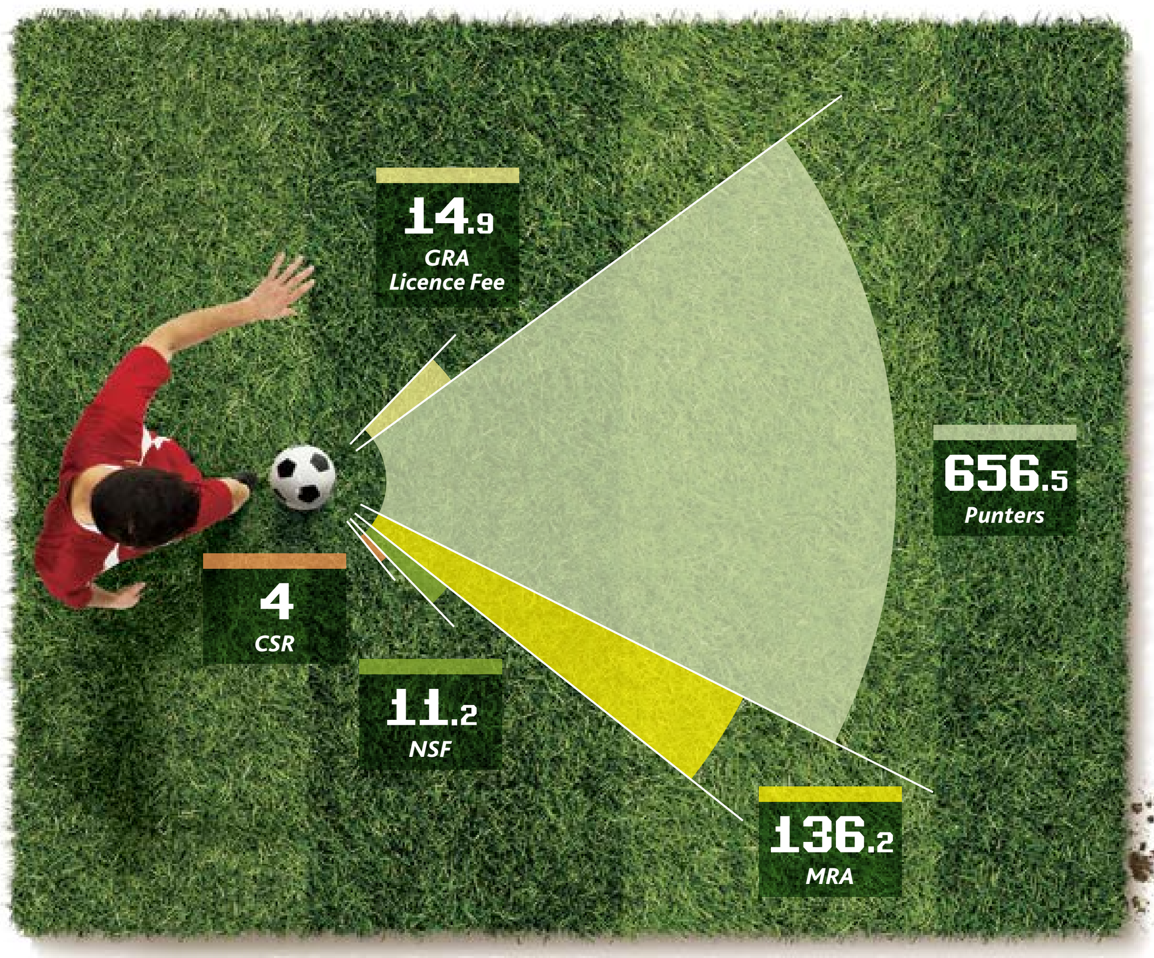
Year in Review

Totalisator

The Mauritius Turf Club was authorised to hold 37 race meetings in 2017, same as in 2016. The turnover for the year increased by 8% to reach Rs 895.6 million and the average turnover per meeting, standing at Rs 24.2 million was the best average achieved since the racing season 2012.

Turnover Comparison					
	Total Turnover		Turnover per Meeting		Variance
	2017	2016	2017	2016	
On Course	129,635,270	120,809,107	3,503,656	3,265,111	7%
Off Course	536,554,658	495,403,287	14,501,477	13,389,278	8%
Teletote	190,841,802	184,907,158	5,157,887	4,997,491	3%
SMS	38,611,898	28,813,732	1,043,565	778,750	34%
Total	895,643,628	829,933,285	24,206,585	22,430,629	8%

Supertote - Share of Bets for the Year in Million Rs



CSR: Corporate Social Responsibility | NSF: National Solidarity Fund | GRA: Gambling Regulatory Authority | MRA: Mauritius Revenue Authority

On Course

On Course turnover increased by 7% more or less on par with the global performance of the Tote. Attendance in the main stand at the racecourse in 2017 reached 99,336 compared to 92,025 in 2016, representing an increase of 8%. This positive variance contributed to the increase in turnover.

Attendance			
2017	2016	2015	2014
99,336	92,025	89,727	77,066

Off Course

Off Course turnover was on par with overall performance as it improved by 8%.

The performance of each outlet is closely monitored and scrutinized and a performance appraisal is done year on to determine the best managed outlets. Criteria such as customer service, cleanliness and maintenance, turnover performance, innovative measures for punters and staff rating are used for evaluation purposes. The three best agents receive an award and a cash prize in recognition of their achievement.

Teletote & SMS

Teletote turnover increased by 3% to reach Rs 190.8 M. The number of accounts opened increased significantly to reach 2,461 for the year, out of which 2,023 were opened online from our website.

Teletote account holders have the alternative of SMS betting which significantly increased by 34% in 2017 to reach an annual turnover of Rs 38.6 million. A new application which can be downloaded from Google Play store and Apple Store was successfully launched as from the 17th meeting. The App is a bet builder where all bets are placed by SMS. The turnover realised from the App averaged Rs 260,600 per meeting. SMS Betting has been improving steadily as demonstrated below.

Turnover - SMS Betting MUR				
2017	2016	2015	2014	2013
38,611,898	28,813,732	20,782,195	18,632,005	18,255,780

Since the launch of the revamped website in 2014, which offers a more user-friendly process for the opening of accounts, the number of accounts opened online has significantly increased from 678 in 2014, 964 in 2015, 1,347 in 2016 to reach 2,023 in 2017.

A summary of the teletote activity and the trend over the last 6 years can be viewed in the below table.

Year	Teletote Calls	Turnover MUR	Accounts Opened	No of Meetings	Average Turnover per meeting MUR
2012	756,811	214,966,898	645	38	5,657,024
2013	785,889	219,821,822	950	41	5,361,508
2014	772,099	207,491,878	1,137	43	4,825,393
2015	613,538	177,131,700	1,480	35	5,060,620
2016	622,243	184,907,158	1,754	37	4,997,491
2017	**642,742**	**190,841,802**	**2,461**	**37**	**5,157,887**

Football

Turnover for fixed odd betting on football reached Rs 412.7 million in 2017 compared to Rs 383.5 million in 2016, the best performance realised so far by the company in respect of this sector. This performance represents an improvement of 7.6% over 2016 even though the company operated 16 outlets for most part of 2017 following a decision of the Gambling Regulatory Authority in 2016 to limit the number of outlets per company to ten. This regulation was challenged in Court and the company was finally allowed to operate 20 outlets as from July 2017 until the determination of the main case.

ASL constantly strives to innovate and offers very competitive odds along with a variety of appealing bets. This has contributed to maintain an encouraging growth in a very competitive environment.

The gross profit margin improved to 21.3% in 2017 compared to 19.5% in 2016 and considerably improved the football income that reached Rs 120.6 million compared to Rs 104.6 million in 2016. In the fixed odds business, the company constantly needs to offer competitive odds and maintain its market share.

The chart below demonstrates the net turnover (turnover net of betting tax) compared to pay outs to winners.

Development in Africa

The Company holds 51% of Megawin Ltd ('Megawin') which, in 2017, reached its third year of operation. Megawin holds the exclusivity for marketing the betting software of two international companies namely Mohio Gaming and Meridian Gaming in Africa.

Megawin has signed contracts with operators in Nigeria, Ivory Coast and Mozambique and will look to secure new opportunities with betting operators, in other territories, within Africa. The table below illustrates the turnover realized by these operators and the commission received. Megawin receives a commission on sales and expects to maintain a decent growth in 2018.

Megawin			
	2017	2016	2015
	€	€	€
Turnover	**10,631,600**	3,257,552	2,621,586
Commission Received	**338,725**	121,225	114,014

Website

Three different websites have been operated since 2014 in order to cater for the fast-growing digital environment and specially geared for easy access from mobile phones. The company strongly believes that the mobile platform will significantly increase in the coming years and therefore all the websites are responsive and perfectly viewed from mobile phones:

- 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 since 2017, accounts can be funded by credit card directly through a secure platform which is PCI / DSS compliant. Credit card deposits online amounted to Rs 5.7 million in 2017 compared to Rs 3.6 million in 2016 representing an increase of 57%.

  This website proved very popular amongst our clients with an average of more than 70,000 visitors per month in 2017 during the racing season compared to 41,000 and 35,000 in 2016 and 2015 respectively. Supertote.mu is the best ranked website for horse racing in Mauritius on Google search engine.

- www.superscore.mu - exclusively covers football betting. Daily fixtures, odds and results are displayed and since 2015, live odds are proposed. The monthly number of unique visitors for the Superscore website has been constantly increasing to reach an average of 16,500 per month during the course of the year compared to 14,000 in 2016.

  The website will be further improved in 2018 to include tips and live news.

- www.automaticsystemsltd.com - conveys information on the Company's corporate structure, management and administration, corporate events and financials.

Social Media

The company strongly believes in new technologies and social media as a communication tool. Supertote has its own Facebook page which is followed by 10,500 people. The number of followers doubled during the course of 2017. The company uses Facebook to communicate and post valuable information such as training videos, carry forwards, short movie adverts and big pay outs amongst others.

The short movie adverts for Pick 6 and Pick 8 carry forwards had a great impact to reach more than 100,000 views in some cases. Our adverts were viewed by an average of 60,000 people.

Social media remains an effective tool to promote our brands. A Superscore page has been launched in December 2017 to feature football odds and interact with our customers.

Corporate Social Responsibility

In line with the dispositions of the current Gambling Regulatory Authority Act which provide for the totality of CSR funds to be remitted to the GRA, ASL has contributed an amount of Rs 4.0 million in 2017 for the setting up of a national responsible gambling program. The program, which is still in process of development, will set the base for responsible gambling and will give professional support to compulsive gamblers.

ASL is in favour of this Government initiative as gambling must be perceived as a leisure and will actively provide its support to the GRA for the setting up of the program. ASL has requested to be actively involved in the implementation of the program.

Hippodrome and Entertainment Centre

In the wake of the amendments to the Gambling Regulatory Authority Act whereby the stakeholders would not have a say in the fixing of the dues payable by the operators as well as other industry parameters, the Company has decided to put in abeyance the new race course and entertainment centre project. All expenses incurred in relation to the project have been written off in the year under review.

2017 BIGGEST PAY OUT

SUPERTOTE:

Rs 5,492,200

SUPERSCORE:

Rs 416,409

Outlook

Tote

The betting by SMS application which was introduced in 2017 will be further improved in 2018 with added features such as odds and complete race card with all the necessary information.

Considering the amount of quality horses imported for the 2018 season, which is always a good sign for the industry, ASL expects the turnover to be at least on par with 2017.

Football

Turnover has increased by 24% and 8% in 2016 and 2017 respectively. The company operates in a very competitive market and must keep innovating and offer new type of bets and competitive odds to improve or at least maintain its market share. A slight growth in turnover is expected in 2018 with the operations through 20 outlets and the World Cup in Russia in June and July.

The Company had submitted an application for a licence as Agent of foreign pool promoter for football but unfortunately the Gaming Regulatory Authority has not acceded to its request and has declined the application.

The Company had also applied for a licence to *offer fixed odd bets on any events and contingency through remote communication* and is still waiting for the outcome of the application.

By applying for such licences, the Company is striving to offer new products and to generate additional revenues. Football through remote communication would significantly increase football turnover as the Company already has 28,000 account holders who would then have access to football betting by remote communication.

Africa

Megawin has realised a significant growth in Ivory Coast and Mozambique in 2017. The company aims to consolidate its presence in these countries which boast a very good potential for further growth. The objective is to expand cautiously through the Western African countries where contacts have been made with local lottery operators. The development of betting in Africa is a slow process with a good potential, but contains risks, in particular as regards payments of contributions, due to strict exchange control policies in some countries.

Financial Outlook

The overall performance in 2018 would be positively impacted if the Company is granted the licence to offer fixed bets through remote communication as it would be expected to generate more revenue.

Considering the uncertainty of these parameters, the directors remain cautious and believe that if all remains the same, profit should be more or less at par with 2017.

Corporate Governance Report

Statement of Compliance

The introduction of the new National Code of Corporate Governance for Mauritius will bring changes in terms of reporting and shall be applicable to the Company as from the financial year ending 31 December 2018.

The Board is fully committed to attaining and sustaining the highest standards of Corporate Governance and ensures that the principles of good Corporate Governance, as applicable in Mauritius, are fully adhered to and form an integral part of the Company's business practices. It is also committed to fair financial disclosure to its shareholders and all the stakeholders at large.

The Company

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

Principal Activity

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

In 2014 the Company extended its activities to Africa via a subsidiary, Megawin Ltd in which the Company holds a 51% stake. Considering the operational risk in Africa, the Board opted for a prudent approach to this market.

Constitution of the Company

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

The Role of the Board and its Composition

Board of Directors

The Company has a unitary Board composed of ten Directors, with a suitable mix of two Executive, three Non-Executive and five Independent Directors. The Chairperson is an Independent Director.

All Directors are expected to objectively discharge their duties and responsibilities in the best interest of the Company. Directors are expected to do do their utmost to avoid conflicts of interests or situations where that can be perceived as conflicts.

For Board Meetings, a quorum of five Directors is required if the Board is composed of eight or nine Directors and a quorum of six Directors is required if the Board is composed of ten or eleven Directors.

The Role of the Board and its Composition (Cont'd)

Board of Directors (Cont'd)

New Directors are given an induction pack upon their appointment in order to get acquainted with the Company, its policies and procedures. They are also encouraged to meet with the Company's Executive Directors and Senior Officers to benefit from a better insight into the operations of the Company.

In line with the Code and the Constitution of the Company, all Directors stand for re-election and/or re appointment on an annual basis. The names of all present Directors, their profile and categories as well as their directorships in other listed companies are set out at pages 26 and 27.

Managing Director

Mr. Guillaume Hardy is the Managing Director of the Company.

Chairman

The Chairman of the Company is Mr. Eric Espitalier-Noël, an Independent Director. The Chairman is responsible of running the Board and ensuring its effectiveness in all aspects.

Board Charter

The Company has adopted a Board charter which has the objective to identify the specific responsibilities of the Board of Directors and thereby to enhance coordination and communication between the Board and its committees and the Board and Management.

Board Evaluation

A board appraisal was conducted in March 2017 by means of a questionnaire filled by each Director.

Board Activity During the Year

The Board met four times in 2017 and the individual attendance by Directors is detailed at page 23.

Dealing in Shares of the Company

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

The Directors endeavour to follow the principles of the Model Code for Securities Transactions by Directors of Listed Companies as detailed in Appendix 6 of the Mauritius Stock Exchange Listing Rules 2000. In terms of ASL's internal procedure any Director purporting to deal in the shares of the Company should inform the Chairperson accordingly.

In terms of the Companies Act 2001 and the Securities Act 2005, the Company keeps an updated Interests Register and Insiders Register respectively. These registers are regularly updated with the information submitted by the Directors and/or other insiders as applicable.

The Role of the Board and its Composition (Cont'd)

Dealing in shares of the Company (Cont'd)

The table below sets out, as at 31 December 2017, the Directors' respective category, direct and indirect interests, and number of other directorships in listed companies:

	Category	Direct Interest		Indirect Interest	Number of Other Directorships in Listed Companies
Directors/Alternates		Shares	%	%	
Ravindra Chetty	IND	100	0.0	-	-
Eric Espitalier-Noël	IND	-	-	-	6
Jean Hardy (*Also Alternate to Farouk Hossen*)	ED	-	-	0.2	-
Hervé Henry	NED	-	-	-	-
Farouk Hossen	IND	22,049	0.6	-	-
Michel Nairac	NED	-	-	-	-
John Stuart	NED	-	-	-	-
Guillaume Hardy	ED	-	-	-	-
Arvind Lall Dookun	IND	10,411	0.3	0.1	-
Mushtaq Oosman	IND	-	-	-	3

ED - Executive Director | *IND - Independent Director* | *NED - Non Executive Director*

Board Committees

The Board has delegated certain functions to 2 Committees, namely the Audit & Risk Committee (ARC) and the Corporate Governance Committee which also assumes the function of Remuneration and Nomination Committee. Each committee has its own written terms of reference, The composition of the committees can be seen at page 2.

Audit and Risk Committee

The Audit and Risk Committee assists the Board, among other things, in overseeing:

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

Please refer to pages 25 and 26 for disclosures in respect of internal control and risk management.

The Role of the Board and its Composition (Cont'd)

Corporate Governance Nomination and Remuneration Committee

The objectives of the Corporate Governance Nomination and Remuneration Committee are as follows:

Corporate Governance

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

Nomination

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

Remuneration

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

Shareholding

At 31 December 2017, the Company's share capital amounted to Rs 24,745,000 divided into 3,535,000 ordinary shares of Rs 7 each. There were 1,619 shareholders on the registry compared to 1,635 in 2016.

Cascade Holding Structure

ASL's shareholding structure is as follows:

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

Cascade Holding Structure (Cont'd)

On 31 December 2017, the following shareholders held directly and indirectly more than 5% of the ordinary share capital of ASL.

	Direct Interest		Indirect Interest
	No. of ordinary shares	% holding	% holding
Société L'Inité	520,667	14.7	-
Société du Grand Moulin	489,686	13.9	-
Phumelela Gaming and Leisure Ltd	421,323	11.9	-
Gold Circle (Proprietary) Limited	421,324	11.9	-

Common Directorships of ASL holding structure:

	SGM	SLI	PGL	GCPL	ML
Jean Hardy		* (Gerant)			*
Hervé Henry	* (Gerant)				*
John Stuart			*		
Eric Espitalier-Noël					*
Michel Nairac				*	*
Guillaume Hardy					*

SGM - Société du Grand Moulin
SLI - Société L'Inité
PGL - Phumelela Gaming and Leisure Ltd
GCPL - Gold Circle (Proprietary) Limited
ML - Megawin Ltd

The Company's shareholding profile as at 31 December 2017 was as follows:

Number of Shares Held (Range)	Number of Shareholders	Total Number of Shares for the Range	Percentage Held
1 - 500	1,258	199,673	5.65
501 - 1,000	178	120523	3.41
1,001 - 5,000	134	298,146	8.43
5,001 - 10,000	18	122,855	3.48
10,001 - 50,000	22	468,529	13.25
50,001 - 100,000	2	130,506	3.69
100,001 - 250,000	3	341,726	9.67
250,001 - 500,000	3	1,332,333	37.69
500,001 - 99,999,999	1	520,667	14.73
	1,619	3,535,000	100

Shareholding (Cont'd)

Cascade Holding Structure (Cont'd)

Summary of Shareholder category at 31 December 2017:

Number of Shares Held (Range)	Number of Shareholders	Total Number of Shares Held	Percentage Held
Individual	1,560	1,280,953	36.24
Insurance & Assurance Companies	5	130,172	3.68
Pension & Providence Funds	1	3,600	0.10
Investment & Trust Companies	2	23,003	0.651
Other Corporate Bodies	51	2,097,272	59.33
	1,619	**3,535,000**	**100**

Share Price Information

At 31 December 2017, the share price of the Company was **Rs 72** (Rs 55.75 at 31 December 2016).

Dividend Policy

The Company has no formal dividend policy. The payment of dividends is subject to the performance of the Company, its cash flow and its capital expenditure requirements. For the year ended 31 December 2017, the Directors have approved the distribution of a final dividend of Rs 4.00 per share (2016: Rs 4.00).

Shareholders' Agreement

No Shareholders' Agreement exists between the Company and related parties.

Shareholders communication and events

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

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

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

Statement of Remuneration Policy

The remuneration structure with regards to Directors' fees has been reviewed at the last Annual Meeting and, for 2017 comprises two components, namely, a basic yearly fee and an attendance fee as follows:

	Board		Audit and Risk Committee		Corporate Governance Committee	
	Fixed Fee MUR	Attendance Fee MUR	Fixed Fee MUR	Attendance Fee MUR	Fixed Fee MUR	Attendance Fee MUR
Chairman	90,000	17,500	60,000	15,000	60,000	12,500
Members	45,000	12,500	30,000	7,500	30,000	7,500

The table below sets out the details of attendance of directors at meetings during 2017 and Directors' remuneration perceived in relation thereto:

	Attendance at Meetings during 2017			
Directors / Alternate	Board	Audit and Risk Committee	Corporate Governance Committee	Directors' Remuneration MUR
Eric Espitalier-Noël	4/4	-	2/2	205,000
Jean Hardy	4/4	-	2/2	2,764,895
Farouk Hossen	3/4	2/4	-	127,500
Hervé Henry	3/4	3/4	-	135,000
Ravindra Chetty	2/4	-	2/2	155,000
John Stuart	3/4	-	-	82,500
Michel Nairac	3/4	-	-	82,500
Guillaume Hardy	4/4	-	-	3,629,522
Arvind Lall Dookun	4/4	4/4	-	155,000
Mushtaq Oosman	4/4	4/4	-	215,000

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

Employees

ASL currently employs, on a full time basis, twenty eight persons who are involved in the daily operations of the Company. 240 casual workers were recruited during the racing season. Furthermore, for its off course operation, the Company has a working arrangement with twenty agents/supervisors, each employing an average of eight casual workers during the racing season.

Share Option Plan

The Company does not have any share-option plan.

Profile of Senior Officers

Please refer to page 28 of the report.

Interests of Senior Officer – Excluding Directors

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

Sustainability Reporting

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

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

Ethics

The Company's Code of Ethics was circulated to all employees and agents in 2013 and can be viewed on the Company's website (www.automaticsystemsltd.mu) New employees joining the Company thereafter are given a copy of the Code of Ethics and are apprised thereof during their induction session.

Carbon Reduction Commitment

The Company's activities makes that it does not have a major impact on environment. Being conscious that every step, even small ones, matters, the Company tries to reduce its carbon footprint over time. In that respect, the Company wished to thank its shareholders who agreed to contribute to this endeavour by accepting to support the Board's decision to provide the annual report of Automatic Systems Ltd in electronic format. Other shareholders are encouraged to follow the same path. Shareholders wishing to encourage this initiative are invited to contact the Share Registry and Transfer Office at ECS Secretaries Ltd on the 2121998.

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

The Company has taken the following measures in 2017 to reduce its power consumption:

- The Company promotes online paperless betting and for physically placed bets, works with Topco for the production of thermal paper rolls. Topco import their raw materials from the Koehler Paper Group (ISO14001) based in Germany and the Koehler group is committed to environment protection;
- New DC drive Air Conditioning units with lower power consumption have replaced the previous models; and
- Some mercury based fluorescent lamps have been replaced by LED low energy lamps across the offices.

Future Commitments

The Company is committed to continuously:

- Reduce paper and ink cartridge consumption;
- Consider the factor of energy-efficient when acquiring new equipment; and
- Replace fluorescent lamps by low energy LED lamps.

Health and Safety

The Company endeavours to provide a safe environment to its employees and other Stakeholders and has a Health & Safety consultant to ensure that the comliance to withthe relevant prescribed health and safety norms and existing legal and regulatory frameworks pertaining thereto. Employees followed a training on the usage of firefighting equipment and staff evacuation in case of emergency. Furthermore, four employees are qualified first aiders.

The Company continuously strives at instilling a safety culture among its employees and is committed to providing a Health and Safety environment at work. The Company has adopted a general statement of health and safety policy.

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

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

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

Social Issues

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

Management Agreement

The Company does not have a Management Agreement.

Related Party Transactions

Please refer to Note 27 to the Financial Statements.

Corporate Social Responsibility

Please refer to page 8 of the Directors' Report for disclosures in respect of Corporate Social Responsibility.

Internal Control and Risk Management

Due to the costs involved, the Directors have resolved not to appoint an Internal Auditor for the time being. The Audit and Risk Committee works closely with the Management and External Auditors to ensure that the Company's system of control effectively enables the Company to mitigate the risks inherent to its activity.

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

Risk Management

The Board is responsible for the overall management of risks and has delegated to the Audit and Risk Committee the responsibility of implementing a structure and process to help identify, assess and manage risks. Risk reviews are regularly conducted and mitigating measures implemented accordingly. The Company is aware that its major risks are beyond its control.

The main risks faced by the Company are as follows:

Taxes and Levies

The Company is tributary to Government decisions as regards taxes and levies. The impact of the recent increase in taxes and levies on the cost structure of the Company has been considerable. The taxes and licences paid to Authorities represent about 45% of the company's income. The Company has no choice than to comply with Authorities' decisions and new tax legislations. The Company, however, communicates its concern regarding new tax legislations to the authorities on a regular basis.

Horse Population

Competitive races and the number of race meetings depend on a healthy horse population.

The increase of horse imports in 2016 and for racing season 2017 has improved the competitivity and the quality of races in 2017. The horse population has vastly improved the past two years which bodes well for the future racing seasons.

Market

The Company is operating is a highly competitive and challenging environment and has to face unfair competition from illegal betting. In this difficult environment the Company's know how and experience coupled with well spread outlets contribute to keep up its competitive edge.

Numerous factors directly affect the Company's revenue, such as: the number of race meetings held annually, the number of Off-Course betting shops allowed to operate, the performance of the Mauritian economy and the number of Bookmakers operating outside the racecourse. Changes in the Company's business environment are regularly assessed by Management so as to contain as far as possible, any adverse impact on profitability.

Risk Management (Cont'd)

IT & Operational

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

Satisfactory procedures are in place to mitigate the risks related to money laundering.

IT operations and business processes are ISO certified, regularly audited, monitored and improved wherever possible. IT and Security policies, standards and guidelines have been implemented. As a security for the business continuity, the Company has a secondary site with the redundant AmTote equipment and necessary infrastructure. The secondary site is running live with real-time data. It is intended that BCP (business continuity plan) will be used to respond to disruptions of critical business processes whereby a faster recovery can take place.

Other risks

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

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

The Company is aware of the risk that punters shift to other products due to lack of confidence in the racing industry. To mitigate that risk, permanent communication is maintained with the relevant authorities.

Ravindra Chetty
Director

Sophie Gellé
Box Office Ltd
Secretary

Date: 26 March 2018

Directors Profiles

Eric ESPITALIER-NOEL (58 years)
Chairperson – Independent Director

Appointed Director in 2004

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

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

Jean HARDY (69 years)
Executive Director

Appointed Director at incorporation in 1991

Appointed Alternate Director to Farouk Hossen in 2002

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

Guillaume HARDY (43 years)
Managing Director

Appointed Director in 2013 and Managing Director in 2014

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

He joined the Tote in September 2003 as Off Course Manager and was nominated General Manager of Automatic Systems Ltd in 2012 and Managing Director in 2014.

Hervé HENRY (71 years)
Non-Executive Director

Appointed Director at incorporation in 1991

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

Ravindra CHETTY S.C (55 years)
Independent Director

Appointed Director in 1997

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

Farouk HOSSEN (72 years)
Independent Director

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 practised the profession in England for three years before settling in Mauritius where he established practice as an optician since 1972 and foundered F. Hossen Opticians Ltd, F. Hossen Optical Manufacture Ltd, F. Hossen Medic optics Ltd. He is a director of number of companies and had the opportunity to sit on the board of the State Bank of Mauritius for two years. He is also the Chairman of Viva Voce Ltd (Radio1).

John STUART (61 years)
Non-Executive Director

Appointed Director in 2008

John STUART, born in 1956, holds a B.Com and is the International Executive Director of Phumelela Gaming and Leisure Ltd. He has worked in the totalisator industry since 1979 when he joined the then 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. He is also a non-executive Director of Premier Gateway International Ltd (IOM).

Michel NAIRAC (63 years)
Non-Executive Director

Appointed Director in 2012

Michel NAIRAC was born in Mauritius in 1954 and completed his Articles of Clerkship with Coopers and Lybrand in Durban South Africa. He started his own agency business, Michel Nairac Bloodstock in 1986, which continues to operate in the Equine Industry. He then became a Director of the KZN Owners and Trainers Association, a membership entity for Owners and Trainers in KwaZulu-Natal, and was elected its Chairman in 2000. With the amalgamation of the Racing Clubs in KwaZulu-Natal he became a Director of Gold Circle (Pty) Limited, the company that operates thoroughbred horseracing and totalisator betting in the province of KwaZulu-Natal in South Africa. In 2001 he was appointed as CEO of Gold Circle, a position he currently holds.

Arvind Lall DOOKUN (54 years)
Independent Director

Appointed Director in 2013

Arvind Lall DOOKUN, born in 1963, holds a Textile Technology Diploma from the UMIST (Textile Dept. BIHE Bolton, UK), HND in Clothing Technology and an Institute Diploma BA Hons academic equivalent in Clothing & Fashion Business Management from the London College of Fashion part of the University of the Arts, London UK. He is an Associate member of the Textile Institute (TI) Manchester, UK with an Associateship (CText ATI) Chartered Professional Qualification and a Fellow of the Mauritius Institute of Directors (FMioD). He is the Managing Director of General Export and Economic Development Services Ltd (ESC Import & Export Company) and the Executive Director Co-founder of A-Brokers Ltd established in the Insurance industry as a local Insurance Broker registered and licensed by the FSC.

Mushtaq OOSMAN (63 years)
Independent Director

Appointed Director in 2016

Mushtaq OOSMAN, born in 1954, trained and qualified as a Chartered Accountant with Sinclairs in the UK, before returning to Mauritius in 1983, when he joined the audit department of De Chazal Du Mée. He then joined Roger de Chazal & Partners (founders of Price Waterhouse in 1988 in Mauritius). He was a Partner in PwC Mauritius from July 1991 up to November 2015. He is a fellow of the Institute of Chartered Accountants in England and Wales. He served on the Africa Central Governance Board and is well versed with the working and responsibilities of a Governance Board. He is also a Member of the Board of Directors of ENL Limited, Rey and Lenferna Limited, The Mauritius Union Assurance Co Ltd, United Docks Ltd and La Prudence Life Assurance Ltd.

Senior Manager's Profile

Robert AH YAN (48 years)
Tote and Sports Systems Manager

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

He joined Hardy Henry & Cie Limitée as Administrative Officer in 1992. He was promoted Assistant Manager in 1995 and as Manager in 2002 when the Company was awarded ISO9001. He is the Tote and Sport Systems Manager of Automatic Systems Ltd since 2002. Over these 20 years of service, he followed numerous Management and IT courses and is continuously updating his skills, knowledge and professional competence.

He is a Professional Member of ISACA (Information Systems Audit and Control Association) since February 2013 and is a Certified Information Systems Auditor (CISA) and a Certified Information Security Manager (CISM).

Other Statutory Disclosures

Contract of Significance

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

Directors

A list of Directors of the Company is given on page 2.

Directors' Service Contracts

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

Indemnity Insurance

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

Directors' Share Interest

The interests of the Directors in the securities of the Company as at 31 December 2017 are disclosed at page 18.

Directors' Emoluments

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

	2017	2016
	Rs	Rs
Non-Executive Directors	1,157,500	642,000
Executive Directors	6,394,417	6,289,000

Donations/CSR

As reported in the Directors' report, in line with the dispositions of the current Gambling Regulatory Authority Act which provide for the totality of CSR funds to be remitted to the GRA, ASL has contributed an amount of Rs 4.0 million in 2017 for the setting up of a national responsible gambling program.

Donations made during 2016 to various association amounted to MUR 563,810.

Auditors' Remuneration

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

	2017	2016
	Rs 000	Rs 000
Audit Fees	805	780
Tax Services Fees	89	89

Other Statutory Disclosures (Cont'd)

Statement of Directors' Responsibilities in Respect of the Financial Statements

For the year under review, the Directors report that:

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

By Order of the Board

Eric Espitalier-Noël
Chairperson

Ravindra Chetty
Director

Date: 26 March 2018

Statement of Compliance

(Section 75 (3) of the Financial Reporting Act)

Name of PIE: AUTOMATIC SYSTEMS LTD

Reporting Period: Financial year ended 31 December 2017

We the Directors of Automatic Systems Ltd confirm that to the best of our knowledge the PIE has complied with all of its obligations and requirements under the Code of Corporate Governance.

SIGNED BY:

Eric Espitalier-Noël
Chairperson

Ravindra Chetty
Director

Date: 26 March 2018

Secretary's Report

(Section 75 (3) of the Financial Reporting Act)

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

Sophie Gellé
Box Office Ltd
Company Secretary

Date: 26 March 2018

Independent Auditor's Report

To the Shareholders of Automatic Systems Ltd

Report on the Audit of the Consolidated and Separate Financial Statements

Our Opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of Automatic Systems Ltd (the "Company") and its subsidiary (together the "Group") and of the Company standing alone as at 31 December 2017, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

What we have audited

Automatic Systems Ltd's financial statements set out on pages 44 to 79 comprise:

- the consolidated and separate balance sheets as at 31 December 2017;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements" section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Group and Company	**Group and Company**
MRA Claim *(See note 26 - Tax claim from Mauritius Revenue Authority ("MRA")* In December 2015 and June 2015, the Company received claims from the Mauritius Revenue Authority ("MRA") in relation to betting tax in respect of racing seasons 2012, 2013, 2014 following the examination of the Company's books and records. The MRA claims that betting tax on "All for All" bets placed with the Company in respect of these racing seasons has not been properly accounted for and paid to it. It quantified the total tax due at Rs 25.7 M as at 31 December 2015 (31 December 2014: Rs 21.5 M) inclusive of penalty and interest. There has been no subsequent communication from the MRA. Management has estimated this liability to be Rs 57 M as at 31 December 2017. The Company has appealed against this claim. No provision in relation to this claim has been recognised in these financial statements as the directors are of the opinion that, based on legal advice, it is possible but not probable that a significant liability will arise. Disclosure of this contingent liability has been made in the financial statements.	We sighted all communications between the MRA and management, including the tax assessments raised by the MRA. We discussed with the directors the possibility of this liability crystallising. We also circularised and discussed with the Company's legal advisor, on the merits of this claim. We also assessed the adequacy of the disclosures in respect of this contingent liability in the financial statements.

Report on the Audit of the Consolidated and Separate Financial Statements (Cont'd)

Other Information

The directors are responsible for the other information. The other information comprises the board and committees, management, the administration, the directors' report, the corporate governance report, the statement of compliance and the secretary's report but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our reporting responsibilities regarding the corporate governance report is dealt with in the "Report on Other Legal and Regulatory Requirements" section of this report.

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

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Report on the Audit of the Consolidated and Separate Financial Statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

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

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

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

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

Financial Reporting Act 2004

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

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

Other Matter

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

PricewaterhouseCoopers **Olivier Rey,** licensed by FRC

26 March 2018

Financial Statements

Statements of Comprehensive Income for the Year Ended 31 December 2017

	Group 2017 Rs 000	Group 2016 Rs 000	Company 2017 Rs 000	Company 2016 Rs 000
Income (Note 7)	374,298	332,600	360,847	327,917
Government taxes and duties	(140,219)	(128,481)	(140,219)	(128,481)
Payment to National Solidarity Fund	(13,863)	(13,596)	(13,863)	(13,596)
Net income	220,216	190,523	206,765	185,840
Other income	565	507	565	507
Selling expenses	(36,030)	(29,954)	(27,332)	(26,134)
Operating expenses	(101,398)	(95,463)	(101,398)	(95,463)
Payments to The Mauritius Turf Club	(46,640)	(42,590)	(46,640)	(42,590)
Operating profit (Note 8)	36,713	23,023	31,960	22,160
Finance income	189	319	189	319
Finance costs	(420)	(831)	(516)	(808)
Finance costs – net (Note 10)	(231)	(512)	(327)	(489)
Profit before income tax	36,482	22,511	31,633	21,671
Income tax expense (Note 11)	(6,985)	(3,491)	(5,916)	(3,491)
Profit for the year	29,497	19,020	25,717	18,180
Other comprehensive income:				
Items that may be reclassified to profit or loss				
Changes in the fair value of available-for-sale financial assets (Note 16)	94	91	94	91
Items that will not be reclassified to profit or loss				
Re-measurements of post-employment benefit obligations (Note 22)	509	(407)	509	(407)
Deferred tax charge relating to re-measurements of post employment benefits (Note 23)	(87)	69	(87)	69
Re-measurements of post-employment benefit obligations – net of tax	422	(338)	422	(338)
Total other comprehensive income for the year	516	(247)	516	(247)
Profit and total comprehensive income for the year	30,013	18,773	26,233	17,933
Profit for the year attributable to:				
Owners of the Company	27,645	18,609	25,717	18,180
Non-controlling interests	1,852	411	-	-
	29,497	19,020	25,717	18,180
Total comprehensive income attributable to:				
Owners of the Company	28,161	18,362	26,233	17,933
Non-controlling interests	1,852	411	-	-
	30,013	18,773	26,233	17,933
Basic and diluted earnings per share (Note 12)	8.34	5.38	7.27	5.14

The notes on pages 49 to 79 are an integral part of these consolidated financial statements

Balance Sheets – 31 December 2017

	Group 2017 Rs 000	Group 2016 Rs 000	Company 2017 Rs 000	Company 2016 Rs 000
ASSETS				
Non-current assets				
Plant and equipment (Note 13)	19,819	17,018	18,652	15,508
Goodwill (Note 14)	73,514	73,514	73,514	73,514
Investment in subsidiary (Note 15)	-	-	1,020	1,020
Available-for-sale financial assets (Note 16)	1,471	1,377	1,471	1,377
Trade and other receivables (Note 17)	491	491	491	491
Deferred income tax asset (Note 23)	1,342	-	1,342	-
	96,637	92,400	96,490	91,910
Current assets				
Inventories (Note 19)	509	286	509	286
Current income tax asset (Note 11)	-	934	-	886
Trade and other receivables (Note 17)	26,538	25,717	22,088	24,125
Cash and cash equivalents (Note 18)	28,495	11,634	25,460	10,992
	55,542	38,571	48,057	36,289
Total assets	152,179	130,971	144,547	128,199
EQUITY				
Equity attributable to owners of the Company				
Share capital (Note 20)	24,745	24,745	24,745	24,745
Share premium (Note 21)	1,168	1,168	1,168	1,168
Post-employment benefits reserve	599	177	599	177
Fair value reserve	1,371	1,277	1,371	1,277
Retained earnings	51,169	37,601	48,847	37,207
	79,052	64,968	76,730	64,574
Non-controlling interests	3,208	1,356	-	-
Total equity	82,260	66,324	76,730	64,574
LIABILITIES				
Non-current liabilities				
Deferred income tax liability (Note 23)	198	68	-	68
Post-employment benefits (Note 22)	2,443	2,750	2,443	2,750
	2,641	2,818	2,443	2,818
Current liabilities				
Trade and other payables (Note 24)	47,104	46,681	46,024	45,659
Dividend payable (Note 25)	14,140	14,140	14,140	14,140
Current income tax liability (Note 11)	6,034	1,008	5,210	1,008
	67,278	61,829	65,374	60,807
Total liabilities	69,919	64,647	67,817	63,625
Total equity and liabilities	152,179	130,971	144,547	128,199

Authorised for issue by the Board of directors on 26 March 2018 and signed on its behalf by:

Eric Espitalier-Noël
Chairperson

Ravindra Chetty
Director

The notes on pages 49 to 79 are an integral part of these consolidated financial statements

Statements Of Changes in Equity for the Year Ended 31 December 2017

	Attributable to Owners of the Parent							
	Share Capital	Share Premium	Post-Employment Benefits Reserve	Fair Value Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
GROUP								
Balance as at 01 January 2016	24,745	1,168	515	1,186	32,921	60,535	945	61,480
Profit for the year	-	-	-	-	18,609	18,609	411	19,020
Other comprehensive income for the year	-	-	(338)	91	-	(247)	-	(247)
Total comprehensive income for the year	-	-	(338)	91	18,609	18,362	411	18,773
Transactions with owners								
Dividends (Note 25)	-	-	-	-	(14,140)	(14,140)	-	(14,140)
Unclaimed dividends	-	-	-	-	211	211	-	211
Total transactions with owners	-	-	-	-	(13,929)	(13,929)	-	(13,929)
Balance as at 31 December 2016	24,745	1,168	177	1,277	37,601	64,968	1,356	66,324
Profit for the year	-	-	-	-	27,645	27,645	1,852	29,497
Other comprehensive income for the year	-	-	422	94	-	516	-	516
Total comprehensive income for the year	-	-	422	94	27,645	28,161	1,852	30,013
Transactions with owners								
Dividends (Note 25)	-	-	-	-	(14,140)	(14,140)	-	(14,140)
Unclaimed dividends	-	-	-	-	63	63		63
Total transactions with owners	-	-	-	-	(14,077)	(14,077)	-	(14,077)
Balance as at 31 December 2017	24,745	1,168	599	1,371	51,169	79,052	3,208	82,260

The notes on pages 49 to 79 are an integral part of these consolidated financial statements

Statements Of Changes in Equity for the Year Ended 31 December 2017 (Cont'd)

	Share Capital	Share Premium	Post-Employment Benefits Reserve	Fair Value Reserve	Retained Earnings	Total Equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
COMPANY						
Balance as at 01 January 2016	24,745	1,168	515	1,186	32,956	60,570
Profit for the year	-	-	-	-	18,180	18,180
Other comprehensive income for the year	-	-	(338)	91	-	(247)
Total comprehensive income for the year	-	-	(338)	91	18,180	17,933
Transactions with owners						
Dividends (Note 25)	-	-	-	-	(14,140)	(14,140)
Unclaimed dividends					211	211
Total transactions with owners		-	-	-	(13,929)	(13,929)
Balance as at 31 December 2016	24,745	1,168	177	1,277	37,207	64,574
Profit for the year	-	-	-	-	25,717	25,717
Other comprehensive income for the year	-	-	422	94	-	516
Total comprehensive income for the year	-	-	422	94	25,717	26,233
Transactions with owners						
Dividends (Note 25)	-	-	-	-	(14,140)	(14,140)
Unclaimed dividends					63	63
Total transactions with owners	-	-	-	-	(14,077)	(14,077)
Balance as at 31 December 2017	24,745	1,168	599	1,371	48,847	76,730

The notes on pages 49 to 79 are an integral part of these consolidated financial statements

Statements of Cash Flows for the Year Ended 31 December 2017

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Cash flows from operating activities				
Profit before income tax	36,482	22,511	31,633	21,671
Adjustments for:				
Depreciation of plant and equipment (Note 13)	7,533	6,673	7,100	6,353
Profit on disposal of plant and equipment (Note 8)	638	-	638	-
Dividend income (Note 10)	(127)	(140)	(127)	(140)
Interest income (Note 10)	(62)	(179)	(62)	(179)
Interest expense (Note 10)	420	831	516	808
Net post-employment benefit charge (Note 22)	202	182	202	182
Working capital changes				
(Increase)/decrease in inventories	(223)	53	(223)	53
(Increase)/decrease in trade and other receivables	(821)	(4,046)	2,037	(3,272)
Increase in trade and other payables	486	5,882	427	5,726
Cash generated from operations	44,528	31,767	42,141	31,202
Interest received (Note 10)	62	179	62	179
Net income tax paid (Note 11)	(2,324)	(5,006)	(2,324)	(5,006)
Corporate Social Responsibility contribution paid (Note 11)	-	(564)	-	(564)
Interest paid (Note 10)	(420)	(831)	(516)	(808)
Net cash from operating activities	41,846	25,545	39,363	25,003
Cash flows from investing activities				
Payments for purchase of plant and equipment (Note 13)	(10,334)	(5,879)	(10,244)	(5,032)
Proceeds from sales of plant and equipment	(638)	-	(638)	-
Dividends received (Note 10)	127	140	127	140
Net cash used in investing activities	(10,845)	(5,739)	(10,755)	(4,892)
Cash flows from financing activities				
Dividends paid (Note 25)	(14,140)	(10,605)	(14,140)	(10,605)
Net cash used in financing activities	(14,140)	(10,605)	(14,140)	(10,605)
Net increase in cash and cash equivalents	16,861	9,201	14,468	9,506
Cash and cash equivalents at beginning of year	11,634	2,433	10,992	1,486
Cash and cash equivalents at end of year (Note 18)	28,495	11,634	25,460	10,992

The notes on pages 49 to 79 are an integral part of these consolidated financial statements

Notes to the Financial Statements – 31 December 2017

1. General Information

Automatic Systems Ltd ('the Company') and its subsidiary's (together, 'the Group') principal activities is the running of a totalisator system (tote) of betting on horse races in Mauritius organised by the Mauritius Turf Club ('MTC') and the organisation of fixed odds betting on foreign football matches in Mauritius and in countries on mainland Africa namely Kenya, Nigeria, Uganda respectively. Both are in accordance with the provisions of the Gambling Regulatory Authority Act 2007.

The Company is a public company with limited liability, which is listed on the Stock Exchange of Mauritius and incorporated and domiciled in Mauritius. The address of its registered office is c/o Box Office Ltd, 2nd Floor, Palm Square, 90906, La Mivoie, Tamarin, Republic of Mauritius. Its main place of business is situated at Champ de Mars, Port Louis. It also operates through several offocurse outlets located throughout the island.

2. Summary of Significant Accounting Policies

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

2.1 Basis of preparation

(i) Compliance with IFRS

The consolidated financial statements of the Automatic Systems Ltd have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC) and comply with the Mauritian Companies Act 2001. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets.

The financial statements are presented in Mauritian Rupees ('Rs'), rounded to the nearest thousands.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1.1 Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations adopted by the Group and Company

There are no new standards, amendments and interpretations that are effective during the year that have a material impact on the Group and Company's financial statements.

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

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has only two classification categories: amortised cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through profit or loss, except for equity investments that are not held for trading, which may be recorded in profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss. The standard is effective for accounting periods beginning on or after 01 January 2018.

The Group and Company have reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 01 January 2018:

2. Summary of Significant Accounting Policies (Cont'd)

2.1.1 Changes in accounting policy and disclosures (Cont'd)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group and Company. (Cont'd)

The financial assets held by the group include:

- Equity instruments currently classified as Available-for-sale ("AFS") under IAS 39 will now be classified as Fair value through other comprehensive ("FVOCI"). Under IFRS 9, for equity instruments classified as FVOCI, dividends are recognised when the entity's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognised in profit or loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in other comprehensive income. Changes in fair value are recognised in other comprehensive income and are never recycled to profit or loss, even if the asset is sold or impaired.

Accordingly, the group does not expect the new guidance to significantly impact the financial statements except for gains or losses realised on the sale of financial assets at FVOCI, which will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings upon sale. During the 2017 financial year, there were no such gains or losses realised since no sale of financial assets occurred.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group and Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The standard must be applied for financial years commencing on or after 01 January 2018. The group will apply the new rules retrospectively from 01 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. This will not have a significant impact on the financial statements of the Company since the cash is received from punters for offcourse betting and the amount is received during the following days.

IFRS 15, 'Revenue from contracts with customers'

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a full retrospective application, or prospective application with additional disclosures and is effective for annual periods beginning on or after 01 January 2018.

Management has assessed the effects of applying the new standard on the Group and Company's financial statements and has identified that there will be no impact on the revenue recognition since the income of the Company and Group comprises solely income made from bets made by customers struck net of betting dividends paid to the latter. There will thus be no impact on revenue recognition as a consequence of a change from IAS 18 to IFRS 15.

IFRS 16, 'Leases'

In January 2016, the International Accounting Standards Board (IASB) issued IFRS 16, 'Leases'. IFRS 16 will replace the current IAS 17 standard on leases. The effective date is 01 January 2019. The new standard requires that for lessees all leases, regardless of whether they are operating or financial in nature, be on the statement of financial position and accounted for as "financial leases". There are some exemptions which can be applied and these relates to leases of 12 months or less (short-term leases), and leases of low-value assets. For such leases, the lease costs will be accounted for in the same way as operating leases are accounted for today. IFRS 16 will significantly change the way lessees account for leases, however lessor accounting remains largely the same and the classification as a finance lease or operating lease is still a consideration. This means that straight-lining of operating leases will remain for lessors.

Management has yet to assess the impact of this new standard.

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

2. Summary of Significant Accounting Policies (Cont'd)

2.2 Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity,

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

2. Summary of Significant Accounting Policies (Cont'd)

2.2 *Principles of consolidation (Cont'd)*

Business combinations (Cont'd)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker (CODM).

The executive directors, who have been identified as the CODM, assesses the financial performance and position of the Group and makes strategic decision.

Foreign currency translation

Functional and presentation currency

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

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. assets and liabilities for each balance sheet item presented are translated at the closing rate at the date of that balance sheet;

b. income and expenses for each income statement item presented are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

c. all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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 Group or Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

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

2. Summary of Significant Accounting Policies (Cont'd)

2.2 Principles of consolidation (Cont'd)

Plant and equipment (Cont'd)

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 recognised in 'Other income' in the statement of comprehensive income.

Intangible assets

Goodwill

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

Impairment of assets

Intangible assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting period.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets (other than goodwill) that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Financial assets

Classification

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

(a) Loans and receivables

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

(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 any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group and Company establish 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.

2. Summary of Significant Accounting Policies (Cont'd)

2.2 Principles of consolidation (Cont'd)

Financial assets (Cont'd)

Reclassification

The Group and Company may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group and Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group and Company have the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group and Company commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and Company have transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the Group and Company measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for available-for-sale financial assets that are monetary securities denominated in a foreign currency - translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income.

- for other monetary and non-monetary securities classified as available-for-sale - in other comprehensive income.

As at 31 December 2017, the Group and Company have taken into account the net asset value of Central Depository & Settlement Co. Ltd as a proxy to determine the fair value of the available-for-sale investment that it holds in that Company. Given that the above financial assets comprises only 0.98% of total assets of the Group, the directors do not consider it material to determine the fair value of the investments using a more sophisticated valuation technique.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the net gains/ (losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in profit or loss as part of revenue from continuing operations.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and Company or the counterparty.

2. Summary of Significant Accounting Policies (Cont'd)

2.2 Principles of consolidation (Cont'd)

Impairment of financial assets

Assets carried at amortised cost

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

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

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

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

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Inventories

Inventories consist of ticket rolls and are stated at the lower of cost and net realisable value. Cost is determined on using the first in, first out method. Net realisable value is the estimated selling price in the ordinary course of business.

Trade receivables

Trade receivables are amounts due from off course betting agents in the ordinary course of business. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Share capital

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

Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

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

2. Summary of Significant Accounting Policies (Cont'd)

2.2 Principles of consolidation (Cont'd)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Other borrowing costs are expensed in the period in which they are incurred.

Current and deferred income tax

The income tax expense for the year is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses and includes the Corporate Social Responsibility contribution.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the year end. 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 consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period 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 if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, income tax is also recognised in other comprehensive income or directly in equity, respectively.

Employee benefits

The Company has changed its post-employment scheme from defined benefit plan to a defined contribution plan since 01 January 2013. The employees are also entitled to a gratuity payment on retirement under the terms of the Employment Rights Act 2008. Accordingly, the Company has calculated and provided for the gratuity payment in the financial statements.

2. Summary of Significant Accounting Policies (Cont'd)

2.2 Principles of consolidation (Cont'd)

Employee benefits (Continued)

(a) Pension obligations

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

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

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method and is recognised on the balance sheet.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included as 'post-employment benefit' in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

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

(b) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at year end is recognised as an expense accrual. The Group recognises a provision where contractually obliged or where there is past practice that has created a constructive obligation.

(c) Termination benefits

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

(d) Profit-sharing and bonus plans

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in relation to horse racing and football bets. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

(a) Income

Income represents bets struck net of betting dividends paid to customers.

2. Summary of Significant Accounting Policies (Cont'd)

2.2 Principles of consolidation (Cont'd)

Revenue recognition (Cont'd)

(a) Income (Cont'd)

Betting dividends comprise punters' winnings. Unclaimed betting dividends are recognised in the statement of financial position as betting dividends payable under current liabilities. Betting dividends not claimed within 30 (thirty) days for racing and 45 (forty five) days for football from date of declaration become due to the NSF.

Income is measured at fair value of the consideration received or receivable.

(b) Interest income

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

(c) Dividend income

Dividend income is recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

Dividend distribution

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

3. Critical Accounting Estimates and Judgements

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

(a) Critical accounting estimates and assumptions

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

Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 22.

Useful lives of plant and equipment

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

4. Financial Risk Management

Financial risk factors

The Group and Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, equity securities price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group and Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management remains the responsibility of the Board of directors to whom the Audit and Risk committee reports.

Market risk

(a) Foreign exchange risk

The transactions of the Group and Company are carried out mainly in Mauritian Rupees with very few transactions in United States Dollar and Euro. Hence, there is no significant exposure to foreign exchange risk.

(b) Equity securities price risk

The Group and Company are exposed to equity securities price risk because of investment held by the Company and classified on the balance sheet as available-for-sale. Given that the investment comprises only **1.02%** (2016: 1.07%) of the total assets, the impact on equity is not considered significant.

(c) Cash flow value Interest rate risk

The Group and Company's interest rate risk arise from cash at bank. The Group and Company do not use financial instruments to hedge interest rate risk.

Based on the simulations performed, at 31 December 2017, the impact on pre-tax profit of 50 basis points increase/decrease in interest rate would be a maximum increase/decrease of **Rs 127,300** (2016: Rs 54,955) respectively at Company level and **Rs 142,475** (2016: Rs 58,165) at Group level.

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

Credit risk

Receivables

The Group and Company only accept bets on a cash basis and is therefore not exposed to credit risk.

The Group and Company is exposed to trade receivables from off-course agents as the off-course agents have the responsibility to remit the proceeds from betting to the Group on a weekly basis. The amounts presented in the balance sheet are net of allowances for doubtful receivables estimated by the Group and Company's management based on prior experience and the current economic environment. The Group and Company's management make a monthly analysis of the aged debtors listing for off course agents and determine the appropriate level of specific impairment to be provided for long outstanding trade receivables from agents. The impairment is determined on a case by case basis based on response and follow-ups made with the off-course agents. Note 17 of the financial statements provides a disclosure of the credit risk the Group and Company are exposed to at the end of the reporting period.

Bank

Credit risk also arises from cash at bank.

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

4. Financial Risk Management (Cont'd)

Financial risk factors (Cont'd)

Credit risk (Cont'd)

The amount that best represents the Group and Company's maximum exposure to credit risk at 31 December 2017 is the carrying value of the financial assets in the balance sheet, as table below:

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Trade and other receivables	27,029	26,208	22,579	24,616
Cash and cash equivalents	28,495	11,634	25,460	10,992
	55,524	37,842	48,039	35,608

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

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Trade and other receivables (neither past due nor impaired)				
Counterparties without external credit rating				
Group 1	8,250	4,306	3,800	2,714
Other receivables	418	410	418	410

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

No other collateral is held in respect of trade and other receivables as disclosed on balance sheet.

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

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

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Trade and other receivables (past due but not impaired)				
Greater than 365 days	491	491	491	491

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Trade and other receivables (individually determined to be Impaired)				
Greater than 365 days	4,184	4,288	4,184	4,288

4. Financial Risk Management (Cont'd)

Financial risk factors (Cont'd)

Credit risk (Cont'd)

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

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Cash at bank and short-term bank deposits				
Baa3	28,495	11,634	25,460	10,992

Liquidity risk

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

Management monitors rolling forecasts of the Group and Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 28) at all times so, that the Group does not breach borrowing limits or covenants where applicable on its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratios/targets.

All the Group and Company's financial liabilities comprising trade and other payables have a contractual maturity date of less than one year. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Group	Company
At 31 December 2017	**Less than 1 year**	**Less than 1 year**
	Rs 000	**Rs 000**
Trade and other payables	47,104	46,024
Dividend payable	14,140	14,140
	61,244	60,164
At 31 December 2016	Less than 1 year	Less than 1 year
	Rs 000	Rs 000
Trade and other payables	46,681	45,659
Dividend payable	14,140	14,140
	60,821	60,821

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders.

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

The Group and Company have no long term external borrowings as at 31 December 2017 and 2016.

4. Financial Risk Management (Cont'd)

Financial risk factors (Cont'd)

Fair value estimation

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

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

- **Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- **Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- **Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

Group and Company

2017	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Level 4 Rs 000
Assets				
Available-for-sale financial assets	-	-	1,471	1,471

2016	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Level 4 Rs 000
Assets				
Available-for-sale financial assets	-	-	1,377	1,377

As at 31 December 2017, the Group and Company have taken into account the net asset value of Central Depository & Settlement Co. Ltd as a proxy to determine the fair value of the available-for-sale investment that it holds in that company. Given that the above financial assets comprises only **1.02%** (2016: 1.07%) of total assets of the Company, directors do not consider it material to determine the fair value of the investments using a more sophisticated valuation technique in line with requirements of IAS 39.

5. Financial Instruments by Category

Group	At 31 December 2017 Loans and receivables	Available-for-sale financial assets	Total	At 31 December 2016 Loans and receivables	Available-for-sale financial assets	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Available-for-sale financial assets	-	1,471	1,471	-	1,377	1,377
Trade and other receivables (Note 17)	9,159	-	9,159	5,207	-	5,207
Cash and cash equivalents (Note 18)	28,495	-	28,495	11,634	-	11,634
Total	37,654	1,471	39,125	16,841	1,377	18,218

	2017 Financial liabilities at amortised cost	Total	2016 Financial liabilities at amortised cost	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Liabilities				
Trade and other payables (Note 24)	47,104	47,104	46,681	46,681
Total	47,104	47,104	46,681	46,681

Company	2017 Loans and receivables	Available-for-sale financial assets	Total	2016 Loans and receivables	Available-for-sale financial assets	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Assets						
Available-for-sale financial assets	-	1,471	1,471	-	1,377	1,377
Trade and other receivables (Note 17)	4,709	-	4,709	3,615	-	3,615
Cash and cash equivalents (Note 18)	25,460	-	25,460	10,992	-	10,992
Total	30,169	1,471	31,640	14,607	1,377	15,984

	2017 Financial liabilities at amortised cost	Total	2016 Financial liabilities at amortised cost	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Liabilities				
Trade and other payables (Note 24)	46,024	46,024	45,659	45,659
Total	46,024	46,024	45,659	45,659

In disclosing trade and other receivables as a financial instrument for the Group and Company, an amount of **Rs 17,870,448** (2016: Rs 21,000,692) representing prepayments, has been excluded.

6. Segment Information

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The executive directors are the chief operating decision makers have identified three reportable segments:

1. **Horse Racing:** this part of the business runs a totalisator system of betting on horse races in Mauritius organised by the Mauritius Turf Club;

2. **Foreign football:** this part of the business organises fixed odd betting on foreign football matches in Mauritius;

3. **All other segments:** The Company has incorporated the subsidiary called 'Megawin Ltd' during the year 2014 to operate foreign football betting on the African continent. Megawin Ltd has not been classified as a new reporting segment since it does not satisfy the quantitative thresholds of IFRS 8. The results of these operations are included in the 'all other segments' column.

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

The executive directors assess the financial performance of the operating segments based on Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA).

The segment information provided to the executive directors for the reportable segments of the Group for the year ended 31 December 2017 is as follows:

	Horse racing	Foreign football	All other segments	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Income from external customers	240,274	120,573	13,451	374,298
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	14,000	25,060	5,186	44,246
Depreciation	5,680	1,420	433	7,533
Finance costs/(income) - net	263	64	(96)	231
Income tax	4,732	1,184	1,069	6,985
Total assets	115,637	28,910	7,632	152,179
Additions to non- current assets (other than financial instruments and deferred income tax assets)	8,195	2,049	90	10,334
Total liabilities	54,252	13,565	2,102	69,919

The segment information provided to the executive directors for the reportable segments of the Group for the year ended 31 December 2016 is as follows:

	Horse racing	Foreign football	All other segments	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Income from external customers	223,313	104,604	4,683	332,600
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	13,348	15,165	1,183	29,696
Depreciation	5,082	1,271	320	6,673
Finance costs/(income) - net	391	98	23	512
Income tax	2,792	699	-	3,491
Total assets	102,559	25,640	2,772	130,971
Additions to non- current assets (other than financial instruments and deferred income tax assets)	4,026	1,006	847	5,879
Total liabilities	50,900	12,725	1,022	64,647

Income is the actual income 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 (80:20) which, in the directors' view, reflect a fair estimation of the costs associated with the two segments.

6. Segment Information (Cont'd)

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

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
EBITDA	44,246	29,696	39,060	28,513
Depreciation	(7,533)	(6,673)	(7,100)	(6,353)
Finance costs –net	(231)	(512)	(327)	(489)
Profit before income tax	36,482	22,511	31,633	21,671

7. Income

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Betting income				
Bets struck net of betting dividends paid, refunds and rebates				
- totalisator	240,274	223,313	240,274	223,313
- fixed odds	134,024	109,287	120,573	104,604
	374,298	332,600	360,847	327,917

8. Operating Profit

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Operating profit is stated after charging:				
Depreciation of plant and equipment (Note 13)	7,533	6,673	7,100	6,353
Profit on disposal of plant and equipment	638	-	638	-
Impairment of trade receivables (Note 17)	-	735	-	735
Commission to off-course agents	30,982	25,384	24,431	22,562
Repairs and maintenance	4,143	2,821	4,141	2,821
Licences and municipality taxes	26,842	25,987	26,797	25,853
Staff costs (Note 9)	34,211	32,900	34,211	32,900
Auditor's remuneration:				
– audit services	897	780	897	880
– tax services	139	89	107	102

9. Staff Costs

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Wages and salaries	26,483	26,941	26,483	26,941
National Pension Fund contribution	2,744	936	2,744	936
Transport costs	2,087	1,973	2,087	1,973
Net post-employment benefit charge	1,383	1,494	1,383	1,494
Staff welfare and other costs	1,514	1,556	1,514	1,556
	34,211	32,900	34,211	32,900

10. Finance Costs – Net

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Finance Income				
Interest income from bank	62	179	62	179
Dividend income	127	140	127	140
	189	319	189	319
Finance Costs				
Interest expense	(420)	(831)	(516)	(808)
Finance cost – net	(231)	(512)	(327)	(489)

11. Income Tax

The Company is liable to income tax on its profits, as adjusted for income tax purposes, at the rate of **17%** (2016: 17%). The 17% tax rate consists of 15% corporate income tax and 2% Corporate Social Responsibility.

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Income tax expense:				
Current income tax based on the profit for the year as adjusted for tax purposes at **17.0%** (2016: 17.0%)	7,750	3,685	6,925	3,685
Under/ (over) provision of income tax in previous year	534	(214)	487	(214)
Under provision of deferred tax in previous year	(480)	-	(622)	-
Deferred income tax (credit)/expense (Note 23)	(819)	20	(874)	20
Income tax charge	6,985	3,491	5,916	3,491
Current income tax asset/(liability):- Net				
At 01 January	(74)	(2,173)	(122)	(2,221)
Paid during the year (including CSR contributions)	3,034	5,570	3,034	5,570
Refund received	(710)		(710)	-
(Over) / under provision in previous year	(534)	214	(487)	214
Charge for the year	(7,750)	(3,685)	(6,925)	(3,685)
At 31 December	(6,034)	(74)	(5,210)	(122)

The net current income tax liability of the Group and Company is presented as follows on the face of the balance sheet:

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Current income tax asset	-	934	-	886
Current income tax liability	(6,034)	(1,008)	(5,210)	(1,008)
Current income tax (liability) / asset- Net	(6,034)	(74)	(5,210)	(122)

The current income tax asset has been recognised separately since this is a refund from the MRA which cannot be offset by the Company as per IAS 12.

11. Income Tax (Cont'd)

The reconciliation between the actual income tax rate of **19.15%** for the Group (2016: 15.50%) and **18.70%** (2016: 16.10%) for the Company and the applicable rate of **17.00%** (2016: 17.00%) is as follows:

	Group		Company	
	2017	2016	**2017**	2016
(As a percentage of profit before tax)	%	%	%	%
Applicable income tax rate	17.00	17.00	17.00	17.00
Effect of:				
Difference in tax rate of subsidiary	0.04	(0.07)	-	-
Non – allowable expenses	1.34	0.26	1.31	0.20
Non-taxable income	(0.06)	(0.11)	(0.07)	(0.11)
(Over) / under provision of income tax in previous year	1.61	(0.95)	1.56	(0.99)
(Over) / under provision of deferred tax in previous year	(1.65)	-	(1.97)	-
Deferred tax asset not recognised	0.87	(0.63)	0.87	-
Actual income tax rate	19.15	15.50	18.70	16.10

12. Earnings Per Share

Earnings per share of **Rs 8.34** (2016: Rs 5.38) and **Rs 7.27** (2016: Rs 5.14) for the Group and Company are calculated on the profit for the year of **Rs 29,497,000** (2016: Rs 19,020,000) and **Rs 25,717,000** (2016: Rs 18,180,000) respectively and on the **3,535,000** issued ordinary shares for the two years under review. The Group and Company have no dilutive potential ordinary shares as at reporting period.

13. Plant and Equipment

Group	Equipment	Teletote	Off-course equipment	Electrical installation and equipment	Office equipment and furniture	Motor vehicles	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cost:							
At 01 January 2016	50,447	24,728	3,811	6,662	21,261	4,245	111,154
Additions	1,238	964	-	8	3,669	-	5,879
At 31 December 2016	51,685	25,692	3,811	6,670	24,930	4,245	117,033
Additions	1,990	5,356	-	892	2,096	-	10,334
Disposal	-	(3,580)	-	-	-	(644)	(4,224)
Scrap	(184)	(147)	-	(172)	(419)	-	(922)
At 31 December 2017	53,491	27,321	3,811	7,390	26,607	3,601	122,221
Accumulated depreciation:							
At 01 January 2016	46,234	21,432	3,811	5,784	14,435	1,646	93,342
Charge for the year	1,263	1,258	-	346	2,488	1,318	6,673
At 31 December 2016	47,497	22,690	3,811	6,130	16,923	2,964	100,015
Charge for the year	1,219	1,881	-	422	2,923	1,088	7,533
Disposal	-	(3,580)	-	-	-	(644)	(4,224)
Scrap	(184)	(147)	-	(172)	(419)	-	(922)
At 31 December 2017	48,532	20,844	3,811	6,380	19,427	3,408	102,402
Net book amount:							
At 31 December 2017	4,959	6,477	-	1,010	7,180	193	19,819
At 31 December 2016	4,188	3,002	-	540	8,007	1,281	17,018

13. Plant and Equipment (Cont'd)

Company	Equipment	Teletote	Off-course equipment	Electrical installation and equipment	Office equipment and furniture	Motor vehicles	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cost:							
At 01 January 2016	49,183	24,728	3,811	6,663	21,261	4,245	109,891
Additions	391	964	-	8	3,669	-	5,032
At 31 December 2016	49,574	25,692	3,811	6,671	24,930	4,245	114,923
Additions	1,900	5,356	-	892	2,096	-	10,244
Disposal	-	(3,580)	-		-	(644)	(4,224)
Scrap	(184)	(147)	-	(172)	(419)	-	(922)
At 31 December 2017	51,290	27,321	3,811	7,391	26,607	3,601	120,021
Accumulated depreciation:							
At 01 January 2016	45,954	21,432	3,811	5,784	14,435	1,646	93,062
Charge for the year	943	1,258	-	346	2,488	1,318	6,353
At 31 December 2016	46,897	22,690	3,811	6,130	16,923	2,964	99,415
Charge for the year	786	1,881	-	422	2,923	1,088	7,100
Disposal	-	(3,580)	-	-	-	(644)	(4,224)
Scrap	(184)	(147)	-	(172)	(419)	-	(922)
At 31 December 2017	47,499	20,844	3,811	6,380	19,427	3,408	101,369
Net book amount:							
At 31 December 2017	3,791	6,477	-	1,011	7,180	193	18,652
At 31 December 2016	2,677	3,002	-	541	8,007	1,281	15,508

14. Goodwill

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January and 31 December	73,514	73,514	73,514	73,514

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

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

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

The directors have assessed that there is no impairment of goodwill during the year (2016 – NIL).

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

14. Goodwill (Cont'd)

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

(i) it operates a main frame system based on which both horse racing and football betting take place;

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

(iii) skilled workforce are required to operate the system.

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

Management reviews the business performance based on operating segments. Goodwill is monitored by management at the cash generating unit (CGU) level. It has identified both the horse racing and football betting operating segments of the entity as being one CGU as elaborated above. Goodwill is allocated and tested annually for impairment based on the CGU level.

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

As at 31 December 2017, the equity of the Company has a fair value of **Rs 254,520,000** (2016: Rs 197,076,250) based on the closing share price of **Rs 72.00** (2016: Rs 55.75) per share traded on the Stock Exchange of Mauritius.

The cost to sell off the shares of the Company is brokerage fees of 0.9% claimed by investment dealers on the value of shares being sold amounting to a total of Rs 2,290,680 (2016: Rs 1,773,686).

In light of the above assessment performed by management, there is no impairment of goodwill based on fact that the fair value less cost to sell off the equity shares of the Company of Rs 252,229,320 (2016: Rs 195,302,564) exceeds the carrying amount of net assets as at 31 December 2017.

Sensitivity of the recoverable amount of the CGU

The recoverable amount of the CGU is most sensitive to the quoted share price of the Company. As such, as at 31 December 2017, if the quoted share price of the Company falls by **Rs 50.10** (2016: Rs 37.47) per share (i.e. falls to Rs 21.90 (2016: Rs 18.28) per share); the recoverable amount of the CGU will equal to the carrying amount of the net assets of the Company.

15. Investment in Subsidiary

	Company	
	2017	2016
	Rs 000	Rs 000
Cost:		
Balance at beginning of the year	1,020	1,020
Additions	-	-
Balance at end of the year	1,020	1,020

15. Investment in Subsidiary (Cont'd)

(i) Details of the Group's direct subsidiary are as follows:

Name of Subsidiary	Cost 2017	Cost 2016	Country of incorporation	% holding	Principal activity
	Rs 000	Rs 000			
Megawin Ltd	1,020	1,020	Mauritius	51%	Sports betting

(i) The above shares are ordinary shares and denominated in Mauritian Rupees ('Rs').

(ii) Megawin Ltd was incorporated as a subsidiary on the 03 March 2014. As such, no assets and liabilities were acquired and no goodwill arose in relation to this transaction.

(iii) All the undertakings of the subsidiary are included in the consolidation. The proportion of voting rights in the subsidiary undertakings held directly by the parent does not differ from the proportion of ordinary shares held.

(iv) On 05 November 2015, Megawin Ltd incorporated an associate, Megawin Investments Limited at 49% holding in Zambia with sports betting as principal activity. The Company was dormant at 31 December 2017.

Set out below is summarised financial information for Megawin Ltd that has a non-controlling interest that is material to the group. The amounts disclosed are before inter-company eliminations.

Summarised Balance Sheet	2017	2016
	Rs 000	Rs 000
Current assets	7,485	3,049
Current liabilities	1,081	1,410
Current net assets	6,404	1,639
Non-current assets	1,166	1,130
Non-current liabilities	-	-
Non-current net assets	1,166	1,130
Net assets	7,570	2,769
Accumulated NCI	3,709	1,356
Summarised Statement of Comprehensive Income		
Revenue	13,450	4,683
Profit for the period	3,779	840
Other comprehensive income	-	-
Total comprehensive income	3,779	840
Profit allocated to NCI	1,852	411
Dividends paid to NCI	-	-
Summarised Cash Flows		
Cash flows from operating activities	2,386	563
Cash flows from investing activities	7	(868)
Cash flows from financing activities	-	-
Net increase/ (decrease) in cash and cash equivalents	2,393	(305)

16. Available-for-sale Financial Assets

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January	1,377	1,286	1,377	1,286
Changes in fair value of available-for-sale investment recognised in other comprehensive income	94	91	94	91
At 31 December	1,471	1,377	1,471	1,377

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

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

17. Trade and Other Receivables

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Trade receivables	12,925	9,085	8,475	7,493
Less: Provision for impairment of trade receivables	(4,184)	(4,288)	(4,184)	(4,288)
	8,741	4,797	4,291	3,205
Prepayments	17,870	21,001	17,870	21,001
Other debtors	418	410	418	410
	27,029	26,208	22,579	24,616
Less non-current portion: Trade receivables	(491)	(491)	(491)	(491)
	26,538	25,717	22,088	24,125

(i) **Rs 491,000** (2016: Rs 491,000) is classified as non-current assets since collection is expected after one year or more.

(ii) Included within trade and other receivables is an amount of **Rs 7,051,811** (2016: Rs 7,539,811) representing amounts receivable from six off course agents. This amount is set off against the amount payable to Societe du Nouveau Moulin L'Inite as the Company intends to realise the asset and settle the liability simultaneously further to the acquisition of HHM by the Company, as per note 27.

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

17. Trade and Other Receivables (Cont'd)

Group and Company

As of 31 December 2017, trade receivables of **Rs 8,249,604** (2016: Rs 4,306,306) and **Rs 3,799,813** (2016: Rs 2,714,886) were neither past due nor impaired for the Group and Company respectively. These relate to a number of independent agents for whom there is no recent history of default.

As of 31 December 2017, trade receivables of **Rs 4,675,000** (2016: Rs 4,778,490) were past due for more than 365 days and impaired for an amount of **Rs 4,184,486** (2016: Rs 4,287,976) for both Group and Company. An amount of **Rs 490,514** is past due for more than 365 days but not impaired at 31 December 2017 (2016: Rs 490,514). The ageing of these trade receivables is as per note 4.

The carrying amounts of the Group and Company's trade and other receivables are denominated in Mauritian Rupees ('Rs'). The other classes within trade and other receivables do not contain impaired assets.

Movements on the Group's provision for impairment of trade receivables are as follows:

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January	4,288	3,553	4,288	3,553
Provision for receivables impairment	-	735	-	735
Reversal of provision	(104)	-	(104)	-
At 31 December	4,184	4,288	4,184	4,288

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

18. Cash and Cash Equivalents

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

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Cash at bank and in hand	28,495	11,634	25,460	10,992
Cash and cash equivalents as disclosed in the statement of cash flows	28,495	11,634	25,460	10,992

19. Inventories

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Ticket rolls	509	286	509	286

The net movement in inventories included as expense amounted to **Rs 1,124,882** (2016: Rs 1,194,237).

20. Share Capital

	Group		Company	
	2017	2016	2017	2016
	Number	Number	Rs 000	Rs 000
Authorised:				
Ordinary shares of Rs 7 each	5,000,000	5,000,000	35,000	35,000
Issued and fully paid:				
Ordinary shares of Rs 7 each	3,535,000	3,535,000	24,745	24,745

21. 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.

22. Post-Employment Benefits

The liabilities include provision for retirement gratuities payable under the Employment Rights Act. The latter provides for a lump sum at retirement based on final salary and years of service. As the employees are members of a defined contribution plan, half of any lump sum and 5 years of pension (relating to employer's share of contributions only) payable from the pension fund have been offset from the retirement gratuities. The residual amount has been reocognised as a liability. This is assessed by an independent actuary, engaged by management, which performs this exercise on an annual basis.

Pension benefits

The amounts recognised in the balance sheet are determined as follows:

Group and Company	2017	2016
	Rs 000	Rs 000
At 01 January	(2,750)	(2,161)
Total expense as below	(202)	(182)
Actuarial losses recognised in other comprehensive income	509	(407)
At 31 December	(2,443)	(2,750)

The amounts recognised in profit or loss are as follows:

	2017	2016
	Rs 000	Rs 000
Service cost	35	29
Net Interest cost	167	153
Net pension cost	202	182

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

	2017	2016
	Rs 000	Rs 000
At 01 January	(2,750)	(2,161)
Current service cost	(35)	(29)
Interest cost	(167)	(153)
Actuarial gains/(losses)	509	(407)
At 31 December	(2,443)	(2,750)

The principal actuarial assumptions used were as follows:

	2017	2016
	%	%
Discount rate	5.0	6.0
Future long-term salary increase	3.0	4.0
Future guaranteed pension increase	0.0	0.0
Post retirement mortality tables	Annuity Rates	Annuity Rates

22. Post-Employment Benefits (Cont'd)

Balance (deficit)/surplus	2017 Rs 000	2016 Rs 000
At 31 December:		
Deficit	(2,443)	(2,750)

The Company has not made any contribution to the pension scheme for the year ended 31 December 2017 (2016: Nil).

	2017 Rs 000	2016 Rs 000	2015 Rs 000	2014 Rs 000	2013 Rs 000
Defined benefit obligations	(2,443)	(2,750)	(2,161)	(1,274)	(2,568)
Plan assets	-	-	-	-	-
Deficit	(2,443)	(2,750)	(2,161)	(1,274)	(2,568)
Experience gains/(loss) on plan liabilities	509	(407)	(771)	1,489	(76)
Experience (loss) on plan assets	-	-	-	-	-

Sensitivity analysis

	2017 Rs 000	2016 Rs 000
Decrease in Defined Benefit Obligation due to 1% increase in discount rate	683	790
Increase in Defined Benefit Obligation due to 1% increase in future long-term salary assumption	759	889
Increase in Defined Benefit Obligation due to 1% decrease in discount rate	801	922
Decrease in Defined Benefit Obligation due to 1% decrease in future long-term salary assumption	659	775

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

Risks associates with the plan

The pension plan has been converted to a defined contribution plan, thus eliminating the risks inherent in a defined benefit plan in respect of active members. There are a few deferred members with defined benefit pension but the liabilities are not significant.

The bulk of the liabilities that we are valuing relates to the active employees who are entitled to retirement gratuities payable under the Employment Rights Act (ERA). The latter provides for a lump sum at retirement based on final salary and years of service. As the employees are members of a defined contribution plan, half of any lump sum and 5 years of pension (relating to Employer's share of contributions only) payable from the pension fund have been offset from the retirement gratuities.

22. Post-Employment Benefits (Cont'd)

Risks associates with the plan (Cont'd)

As such, the risks associated to such liabilities are:

Interest rate risk: If the Bond interest rate decreases, the liabilities would be calculated using a lower discount rate, and would therefore increase.

Investment risk: Should the returns on the assets of the plan be lower than the discount rate, the defined contribution pot will be lower this resulting in a smaller offset.

Salary risk: If salary increases are higher than assumed in our basis, the liabilities would increase giving rise to actuarial losses.

23. Deferred Income Tax Liability

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January	68	117	68	117
Under provision in previous year	(480)	-	(623)	-
Profit or loss (credit) / charge	(819)	20	(874)	20
Deferred income tax (Note 11)	(1,299)	20	(1,497)	20
Tax charge relating to re-measurements of post-employment benefits	87	(69)	87	(69)
At 31 December	(1,144)	68	(1,342)	68

The net deferred income tax asset of the Group and Company is presented as follows on the face of the balance sheet:

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Deferred income tax asset	(1,342)	-	(1,342)	-
Deferred income tax liability	198	68	-	68
Deferred income tax (asset) / liability - Net	(1,144)	68	(1,342)	68

23. Deferred Income Tax Liability (Cont'd)

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

Group	At 01 January 2017	(Over)/under provision in prior year	Charge/(credit) to income statement	Credit to other comprehensive income	At 31 December 2017
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Accelerated capital allowances	1,264	256	(314)	-	1,206
Provision for impairment of trade receivables	(728)	-	17	-	(711)
Provision for copyrights fees	-	(623)	(602)		(1,225)
Retirement benefit obligations	(468)	-	(33)	87	(414)
Loss b/f from prior years	-	(113)	113	-	-
Effect of change in tax rates	-	-			
	68	(480)	(819)	87	(1,144)

	At 01 January 2016	(Over)/under provision in prior year	Charge/(credit) to income statement	Credit to other comprehensive income	At 31 December 2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Accelerated capital allowances	1,089	-	175	-	1,264
Provision for impairment of trade receivables	(605)	-	(124)	-	(729)
Retirement benefit obligations	(367)	-	(31)	(69)	(467)
	117	-	20	(69)	68

24. Trade and Other Payables

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Trade payables	3,414	3,751	2,845	3,433
Accruals	33,937	31,384	33,817	31,267
Other payables	1,785	1,395	1,394	808
Sports betting	888	3,788	888	3,788
Teletote deposits	5,836	5,218	5,836	5,218
Unclaimed dividends declared in prior years	1,244	1,145	1,244	1,145
	47,104	46,681	46,024	45,659

25. Dividends

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Dividend payable				
At 01 January	14,140	10,605	14,140	10,605
Declared during the year - **Rs 4** (2016: Rs 4) per share	14,140	14,140	14,140	14,140
Paid during the year - **Rs 4** (2016: Rs 3) per share	(14,140)	(10,605)	(14,140)	(10,605)
At 31 December	14,140	14,140	14,140	14,140

26. Contingent Liabilities

Tax claim from the Mauritius Revenue Authority

In December 2014, the Company received a claim of Rs 21,571,308 from the Mauritius Revenue Authority ("MRA") regarding race meeting No. 1 of racing season 2012 to race meeting No. 43 of racing season 2014 following the examination of the Company's books and records in relation to betting tax. The MRA claims that betting tax on "All for All" bets placed with the Company in respect of the above race meetings has not been properly accounted for.

Over and above the assessment dated December 2014, another assessment has been raised in June 2015 pursuant to which, an additional amount of Rs 4,188,453 inclusive of penalty and interest in respect of racing seasons 2012, 2013 and 2014 has been claimed. Thus, as at 31 December 2015, the MRA is claiming total tax due amounting to Rs 25,759,761. There has been no further communication from the MRA subsequently. Management has estimated this liability to be Rs 57 million as at 31 December 2017.

The Company has made an appeal against this claim. No provision in relation to this claim has been recognised in these financial statements, as the directors are of the opinion that, based on legal advice, it is possible but not probable that a significant liability will arise.

Bank Guarantee

At 31 December 2017, there were contingent liabilities in respect of bank guarantees given to the Gambling Regulatory Authority from which it is anticipated that no material liabilities shall arise. At 31 December 2017, the bank guarantees having a maturity date of 31 December 2049 amounted to **Rs 2,500,000** (2016: Rs 2,500,000).

27. Related Party Transactions

(a) Key management compensation

Key management includes directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Salaries and other short term employee benefits	8,439	7,627	8,439	7,627
Post-employment benefits	366	351	366	351
Total	8,805	7,978	8,805	7,978

(b) Transactions with related parties

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Purchase of services				
(i) Entity controlled by key management personnel	575	477	575	477

27. Related Party Transactions (Cont'd)

(c) Amount payable to related parties

	Group		Company	
	2017	2016	2017	2016
	Rs 000	Rs 000	Rs 000	Rs 000
Amount payable				
(i) Entity controlled by key management personnel	137	81	137	81

(ii) As at 31 December 2017, services have been bought from entities controlled by key management personnel namely Mr. Jean Hardy and Mr. Hervé Henry, who are both executive and non-executive director of the Company respectively.

(d) Year end balances arising from related party transactions

Société du Grand Moulin and Société L'Inité are considered to be related parties since they are shareholders of the Company. They also have two common key management personnel.

At 31 December 2017, an amount of **Rs 7,051,811** (2016: Rs 7,539,811) representing amounts receivable from six off course agents is included in Trade and Other receivables. This amount is set off against the amount payable to Société du Grand Moulin and Socièté L'Inité as the Company intends to realise the asset and settle the liability simultaneously further to the acquisition of HHM by the Company.

During the year, no other transactions have occurred between ASL and Société du Grand Moulin and Société L'Inité.

28. Bank Facilities

The Company has floating rate borrowing facilities of **Rs 44 m** (2016: Rs 44 m). The facilities are subject to review on a regular basis. The bank overdraft facilities of the Company are secured by a floating charge on all the assets of the Company. The applicable interest rate on the overdraft facilities is **6.25%** per annum (2016: 6.75%).

The Company has drawn **Rs Nil** (2016: Nil) of the above mentioned facility at 31 December 2017.

29. Capital Commitments

The Group does not have any capital expenditure contracted for at the end of the reporting period but not yet incurred.

Notice to Shareholders

Notice is hereby given that the Annual Meeting of Automatic Systems Ltd ('the Company') will be held at the Mauritius Turf Club, Port Louis, on Thursday 31 May 2018 at 14:00 hours to transact the following business as ordinary business:

1. To consider the Annual Report 2017 of the Company.
2. To consider and adopt the audited financial statements of the Company for the year ended 31 December 2017.
3. To receive the report of PricewaterhouseCoopers, the auditors of the Company.

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

4. M. A. Eric Espitalier-Noël
5. Ravindra Chetty
6. M. L. Jean Hardy
7. Michel J. L. Nairac
8. John A. Stuart
9. J. O. Guillaume Hardy
10. Arvind Lall Dookun
11. Mushtaq M. O. N. Oosman
12. To authorise O. Farouk A. A. Hossen to continue to hold office as Director of the Company until the next Annual Meeting in accordance with Section 138(6) of the Companies Act 2001.
13. To authorise Hervé Henry to continue to hold office as Director of the Company until the next Annual Meeting in accordance with Section 138(6) of the Companies Act 2001.
14. To note that PricewaterhouseCoopers, having indicated their willingness to continue in office, will be automatically re-appointed as auditors of the Company and to authorise the Board of Directors to fix their remuneration.
15. Shareholders' question time.

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

To be effective,

- **For individuals:** the instrument of proxy and, if applicable, a power of attorney or other authority under which it is signed and a notarial certified copy of that power of attorney

- **For corporations:** the instrument appointing a proxy and an extract of resolution of its Directors or other governing body

should be delivered at the Share Registry and Transfer office, ECS Secretaries Ltd, 3rd Floor, Labama House, 35 Sir William Newton Street, Port Louis not less than 24 hours before the time scheduled for the meeting, i.e. by 30 May 2018 at 14:00 hours.

For the purpose of the Annual Meeting, the Directors have resolved, in compliance with Section 120 of the Companies Act 2001, that the Shareholders who are entitled to receive notice of the Annual Meeting and attend the Meeting shall be those Shareholders whose names are registered in the Share Register of the Company as at 4 May 2018.

The minutes of the Annual Meeting held on 31 May 2017 are available for consultation by the Shareholders at the Registered Office of the Company.

The minutes of the Annual Meeting to be held on 31 May 2018 shall be available for consultation on notice (to call on 4834309) and comments at the Registered Office address of the Company one month after the Annual Meeting, on business days, from 30 June 2018 to 30 July 2018.

This 26 March 2018

By Order of the Board

Sophie Gellé
Box Office Ltd
Company Secretary

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