ANNUAL REPORT 2014

AUTOMATIC SYSTEMS LTD.

BOARD
&
COMMITTEES,
MANAGEMENT

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MESSAGE TO THE SHAREHOLDERS

DEAR SHAREHOLDER,

Your Board of Directors is pleased to present the Annual Report of Automatic Systems Ltd for the year ended 31 December 2014.
This report was approved by the Board of Directors on 24 March 2015.

The financial statements of the Company are set out on page 34 to 80 and the Auditors' Report is on page 30.

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

DATE
FRIDAY 29 MAY 2015

TIME
15 00HRS

VENUE
THE MAURITIUS TURF CLUB, CHAMP DE MARS, PORT LOUIS

The notice of the Annual Meeting can be viewed on page 84 of the Annual Report.

Kind regards,

Eric Espitalier Noel
Chairman

Jean Hardy
Director

BOARD AND COMMITTEES MANAGEMENT

BOARD OF DIRECTORS

Chairman
and Independent Director
M. A. Eric Espitalier Noël

Executive Directors
M. L. Jean Hardy
J. O. Guillaume Hardy (Managing Director)
(appointed as Managing Director on 18/03/2014)

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

Independent Directors
Ravindra Chetty
O. Farouk Hossen
J. D. Gérard Pascal
Arvind Lall Dookun

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

AUDIT COMMITTEE
Gérard Pascal (Chairman)
Hervé Henry
Farouk Hossen

CORPORATE GOVERNANCE COMMITTEE
Ravindra Chetty (Chairman)
Eric Espitalier Noël
Jean Hardy

MANAGEMENT
Robert Ah Yan (Systems Manager)

ADMINISTRATION

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

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

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

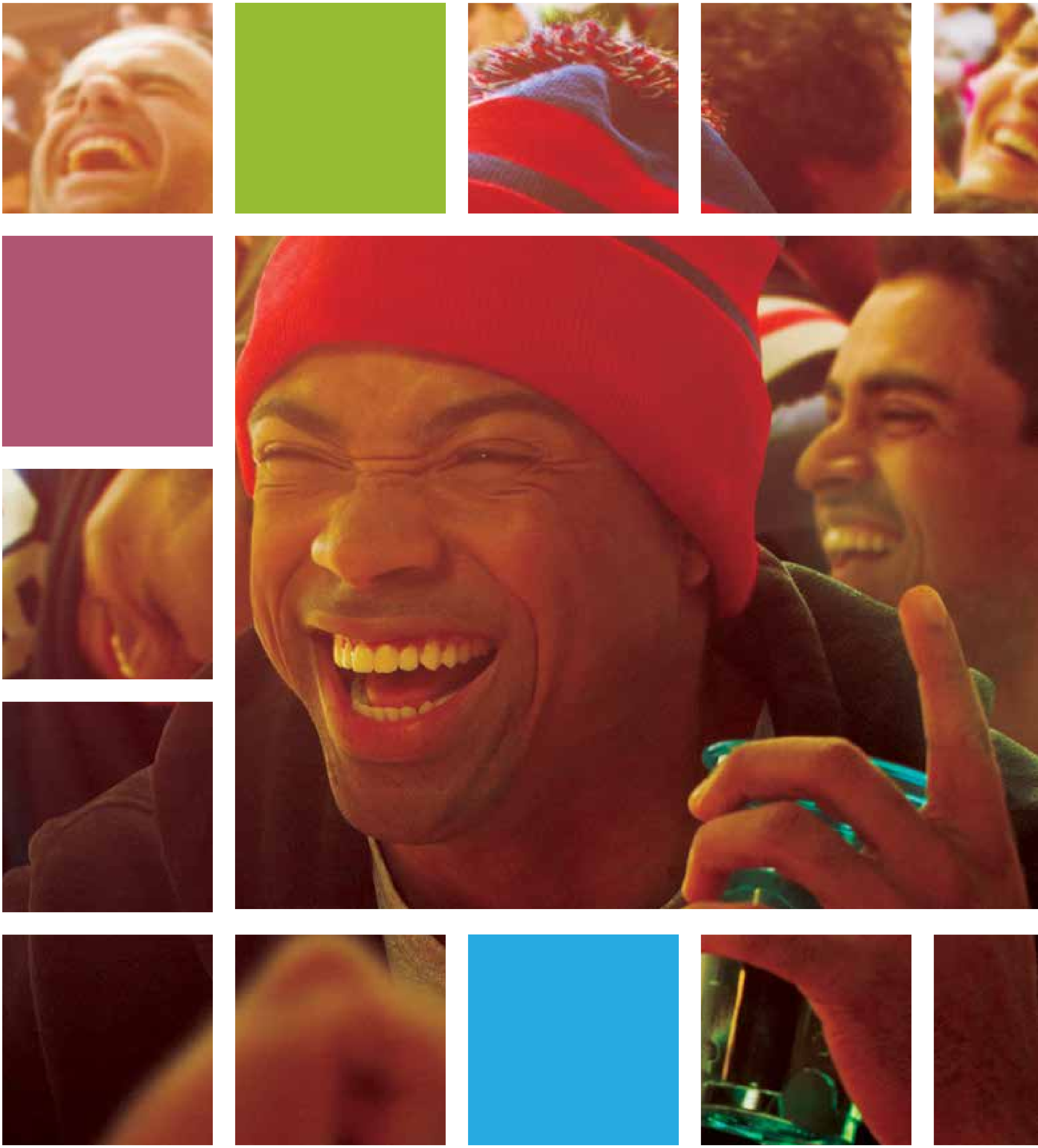
AUDITOR
PricewaterhouseCoopers
18 Cybercity, Ebene

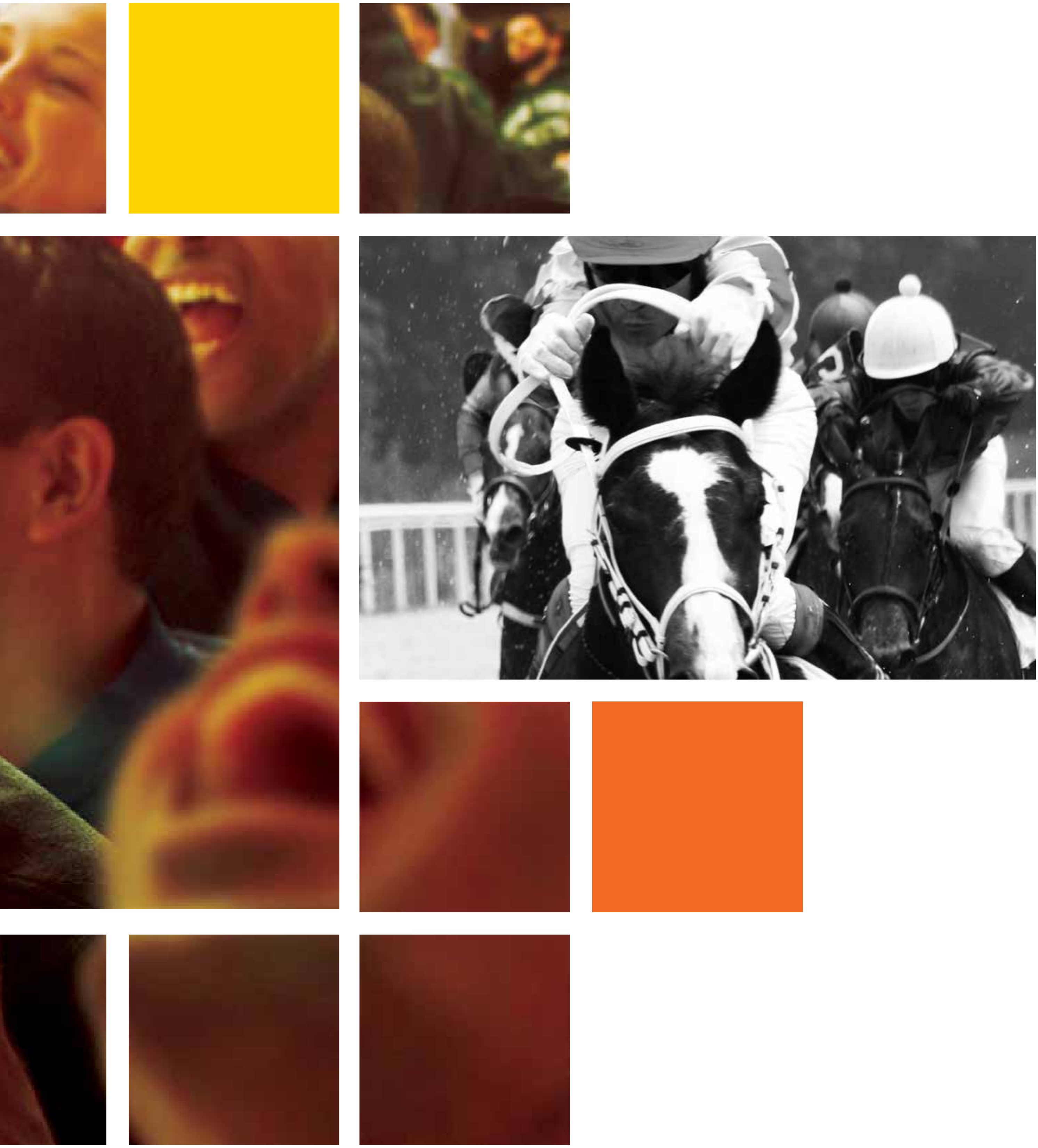
LEGAL ADVISORS
Me Hervé Duval,
River Court 6, St Denis Street, Port Louis

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

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 2014 turnover improved from Rs 1,193.1M to Rs 1,244.9M with the totalisator turnover more or less at par with 2013 and an improvement on fixed odd betting on football.

Despite the improved turnover, the profits dropped substantially from Rs 41.0M to Rs 15.6M explained by a considerable increase in Government Taxes and licences, from Rs 133.1M to Rs 166.5M.

TURNOVER AND PROFIT FOR THE YEAR

		2014 **Rs(M)**	2013 Rs(M)
Total Revenue	**HORSE RACING**	**935.2**	937.3
	FOOTBALL	**309.7**	255.8
Profit for the year		**15.6**	41.0

LEVY

In 2014 the Government introduced a new levy on football betting of Rs 24,000 per week per outlet which, on the basis of the existing 24 outlets, represents an additional expense of Rs 26 Million per year for ASL. This has and continues to considerably impact the Company's financial results and is a major concern regarding the sustainability of football betting operations.

ASL has made numerous representations to the committee set up by the Minister of Finance and Economic Development to review the football betting tax structure and is hopeful that a less stringent tax structure, more sustainable by the industry, would be applied in the future, and linked to the football fixed betting operations, rather than the number of outlets.

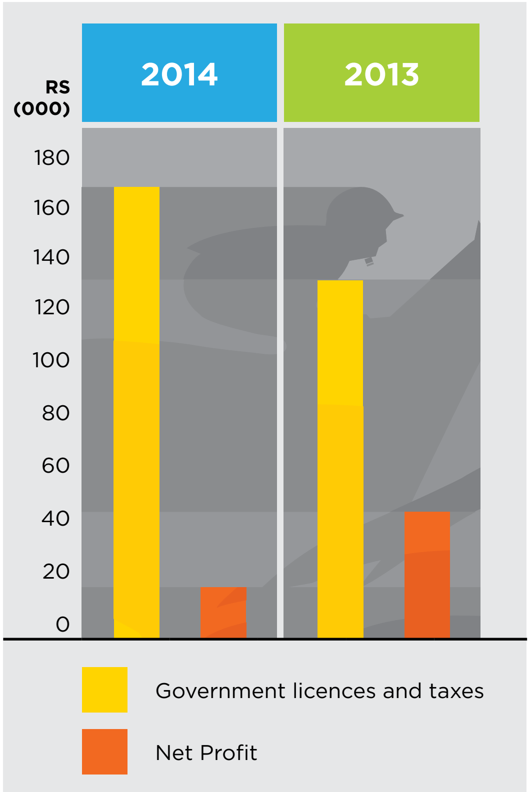
With the introduction of this new fixed levy on outlets offering football betting and the increase in the Trade fees to the Local authorities, payment of licenses and taxes for 2014 increased by 25% (from Rs 133,117,899 to Rs 166,512,442) while ASL's profit decreased by 61% (from Rs 41M to Rs 15.6M). This new levy also affected the gross profit margin which dropped from 17% in 2013 to 14% in 2014.

TOTALISATOR TAXES

The measures announced by the Honourable Minister of Finance in the budget speech of 23 March 2015 with respect to the increases in annual license fees and betting taxes for totalisator operators are not sustainable and will have a considerable negative impact on the company's results in 2015.

The Board of Directors of Automatic Systems Ltd hopes that a more reasonable tax structure is applied for the current year and going forward.

DIRECTORS'
REPORT *(CONT'D)*



HORSE RACING AND THE TOTALISATOR SYSTEM

Horse racing is present in Mauritius since 1812. More than 200 years later this noble sport remains without contest, part of the Mauritian folklore.

In 2014, the horse racing industry benefitted from 2 additional race meetings, from 41 to 43 but the attendance at Champ de Mars continued to decrease, from 86,790 in 2013 to 77,066 in 2014.

Automatic Systems Ltd introduced the tote system in Mauritius in 1991 with the objective to offer an alternative betting system that would be totally transparent and auditable. It is a known fact that in countries (Singapore, Hong Kong, France, Japan and the US) where there is a monopoly of the totalisator, racing is in a much better financial situation.

With the tote system:

- All bets are pooled with the final payout calculated by the software at the closure of bets leaving no space for unverifiable declaration whether to the Mauritius Turf club (MTC) or to the Government. All punters on a similar winning combination receive the same dividend no matter at what time the bet is placed. Automatic Systems Ltd only perceives a fixed commission, independent on which horse comes first, and all of the remaining funds, net of taxes levied by government, are divided amongst the winning tickets and paid to the winners.

- Exotic bets have been introduced, giving punters the possibility to choose among different types of bets, starting with the Swinger being the easiest to the Pick 8 which is more difficult but yields obviously a much more interesting dividend.

In 1991 operations were only on course and were extended to telephone betting in 1994. Later on, in 2004 the Off Course betting was permitted by the GRA, not with a view to encourage betting but to offer an alternative to an existing illegal betting activity off the Champ De Mars racecourse.

ASL, with the support of the MTC negotiated live racing TV broadcast on the MBC and this obviously benefitted the promotion of the racing industry and turnover.

On the international side, ASL successfully negotiated with Phumelela Gold Enterprises in South Africa and the P.M.U in Reunion Island to take bets on Mauritian races on which the MTC receives a percentage. Unfortunately ASL cannot benefit from these negotiated agreements until the authorisation for the commingling of pools is granted by the Mauritian government.

DIRECTORS' REPORT

The board is aware of the difficulties in which the horse racing industry is operating and is constantly looking for opportunities. As a diversification to its tote activities, the fixed odd betting on International Football has been launched in 2008. The turnover on this new activity has been growing steadily with an interesting gross profit.

YEAR IN REVIEW

Despite two additional meetings, the Totalisator turnover remained more or less at par with 2013 (2014: Rs 935 Million; 2013: Rs 937 Million) while the average turnover per meeting decreased by 5%.

The turnover per race meeting has been declining since 2008 and can be explained by the competitive trading environment with many other operators like the Lotto, football betting, Off Course Bookmakers and Bookmakers offering SMS betting and telephone betting. The Horse Racing industry is also going through a rough patch with numerous scandals that tainted its image during the 2014 season. The majority of the betting operators noted a decline in their turnover during the year under review.

ASL believes that efforts should be made to establish a clear strategy for the horse racing industry that will bring back public confidence and enthusiasm.

OFF COURSE BETTING

The increase in race meetings contributed to the 1% increase in Off Course Betting turnover which reached Rs 559.5 Million in 2014.

After lengthy administrative and legal procedures, the Company managed to open its Flacq outlet for the 5th race meeting, bringing the number of operational outlets to 24.
Pending approval from the Authorities the company will maintain its strategy to relocate less performing outlets to more appropriate sites with the objective to maximize revenues.

TELETOTE

The Teletote turnover dropped by 6%; from Rs 220.0 Million in 2013 to Rs 207.5 Million in 2014. Despite the shift to SMS betting the drop was considered as high and well above the average decrease. As regards the number of bets registered, the drop was less substantial, from 1,494,310 to 1,479,488 (1%).

On a positive note, the company registered an increase of 20% in the number of accounts opened to reach 1,137 compared to 950 in 2013.

A new website has been launched in 2014 offering more convenient ways to register new Teletote accounts online. An encouraging 678 accounts were opened online as compared to 386 in 2013.

The number of calls treated in 2014 reached 772k (785k in 2013) representing a decrease of 2%.

YEAR	TELETOTE CALLS	TELETOTE TURNOVER	ACCOUNTS OPENED
2010	878,518	248,240,921	951
2011	781,091	235,846,516	778
2012	756,811	214,966,898	645
2013	785,889	219,821,822	950
2014	772,099	198,167,230	1137

SMS BETTING

SMS betting was introduced in 2008 and is becoming more and more popular. The SMS betting turnover reached Rs 21.5 Million in 2014, representing an increase of 7% compared to 2013 (Rs 20 Million). The aim in 2015 is to launch a simplified version of mobile betting which will hopefully further boost revenues.

YEAR	SMS BETTING TURNOVER
2010	6,844,958
2011	10,134,277
2012	14,757,137
2013	20,080,024
2014	21,477,170

ON COURSE

On Course turnover has been decreasing since 2009 until 2013. In 2014, an increase of 4% to Rs 146.7 million (Rs 142 million in 2013) has been realised mainly due to two additional meetings. The turnover per meeting is however still on the downward trend, attributed to the emergence of off course betting, telephone and SMS betting.

FOOTBALL

Turnover for Fixed odd betting on football reached Rs 310 Million in 2014 representing an increase of 21% over 2013 (Rs 255 Million). The company maintained an aggressive strategy and introduced a bonus pay out on winnings as from May. At first a bonus of 10% was offered to then be increased to 12% as from August 2014 to promote the start of the main leagues. The company had to keep the bonus pay out to 12% to maintain its market share when competitors responded with similar promotions.

The level of Gross Profit for 2014 dropped to a more realistic 25% as compared to 35% in 2013; reported as exceptionally high in last year's annual report. This drop impacted on the gross profit which reached Rs 75 million in 2014 as compared to Rs 88 million in 2013. It is important to bear in mind that fixed odd betting remains very risky and volatile with a gross profit margin directly dependent on the result of football matches and the performance of favourite teams.

WEBSITE

Three new websites were launched in 2014:

- www.supertote.mu – Our main website for Tote Betting was completely revamped and being responsive is more user friendly for mobile phone users. It offers new features such as race cards, training news and turf news. The second phase of the website will be completed in 2015 featuring live racing, videos and comprehensive horse forms.

- www.superscore.mu – This website was launched in 2014 to exclusively cover football betting. Our daily fixtures and odds are displayed as well as results. The second phase will be completed in 2015 featuring live odds and a tipping corner from professional tipsters.

- www.automaticsystemsltd.com was launched in 2014 in order to convey information on the corporate structure, management and administration, corporate events and financial statements.

DIRECTORS' REPORT

AFRICA

A new company, namely Megawin Ltd ('Megawin'), has been incorporated, with ASL holding 51% and Mr Andrew Weeks at 49% of the issued capital. This company holds exclusivity to market betting software of two international companies namely Mohio Gaming and Meridian Gaming in Africa.

These two betting software providers offer multiple solutions such as sports betting, pre-recorded greyhound and horse racing, keno, blackjack, live betting and internet betting. Megawin's strategy is to seek local partners in each country where it plans to operate. The partnership proposed is based on revenue sharing of the gross profit (Net sales less payouts) between the local operators and Megawin.

Operations started in June in partnership with Merrybet a company licensed in Nigeria. At end of December, Megawin has provided the Mohio software for pre-recorded racing in Nigeria (Merrybet and Betting World), Uganda and Kenya. Megawin is confident of signing new partnerships for the year 2015.

ADVERTISING

Supertote

Throughout 2014 the advertising budget was mainly used to promote the different Supertote bets during the racing season, while focusing on the following points:

- Emphasis on Pick 8 and Pick 6 Carry Forwards. A new campaign was developed with 5 different visuals to promote the Carry Forwards with a fresh approach. The idea was to entertain the punters, while at the same time giving them the relevant information.

- The promotion of big jackpots for Pick 8 and Pick 6 Carry Forwards and big payouts were advertised not only in the press, but also on MBC TV during the Turf Time program.

- Launch of the Supertote Facebook page.

- The revamping of the website with its enhanced features was accompanied by a new campaign in the press.

- Reminder Campaigns for Teletote and SMS Betting.

- Media wise, weekly presence in the main Horse Racing Magazines throughout the year.

- As usual a strong media presence for the Supertote Golden Trophy to celebrate this major event.

Superscore

Apart from the English Premier League, the main event of 2014 was the Football World Cup. An image building campaign was developed for this occasion and was advertised on billboards and in the press. A dedicated Superscore World Cup magazine was produced and distributed in the Superscore Off Course Agencies.

Advertising placement was secured in weekly football magazines and newspaper supplements. Moreover, there were also specific campaigns as follows:

- Prematch campaigns for specific English Premier League matches;
- Campaigns to highlight the various benefits offered by Superscore, such as 'Zero Tax, minimum bet of Rs 20, best odds'.

As from end of May, the 'Zero Tax' campaigns was replaced by the '10% Bonus pay out' advert. Later on, the 10% Bonus increased to 12% Bonus on pay outs, and a new campaign was set up to promote same before the start of the main leagues in August.

DIRECTORS' REPORT

CORPORATE SOCIAL RESPONSIBILITY

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

The Company maintained its support from previous years and contributed a total of Rs 1,072,069 to the following NGO's:

- The Supertote Red Ribbon Trophy in collaboration with PILS on Supertote Race Day whereby a cheque of Rs 150,000 was remitted to the NGO to assist its battle against HIV Aids and its rampaging effects on our Mauritian youth and society in general;

- The Mouvement Civique de Baie Du Tombeau received Rs 140,000 to help finance the running of "L'Ecole de la Vie", specialised in the rehabilitation of street children from the vicinity of Baie du Tombeau;

- Caritas received Rs 150,000 as a support to its poverty alleviation and social justice enhancement programme. ASL also invited children from the less privileged area of Triolet, under the care of Caritas, to attend the Supertote racing day;

- The Haemophilia Association of Mauritius received Rs 150,000 to assist their action towards those suffering from haemophilia and other inherited bleeding disorders;

- The Garderie and Maternelle Etoile Association, which provides day care and education to children in need in the region of Black River, received Rs 132,069; and

- The Muscular Dystrophy Association, aimed at providing assistance to persons suffering from muscular dystrophy, which is an incurable disease, received Rs 100,000.

In addition, ASL supported two new projects as follows:

- Oasis de Paix at Pointe aux Sables, co-founded in 2006 by late Father Henri Souchon and Mrs Monique Leung, to which ASL donated Rs 150,000. This school's vision is to give a second chance to CPE drop-outs with the aim to empower these children so that they become employable and responsible future citizens. The method used is a formal and non-formal teaching approach of academic subjects, combined with vocational training and extra-curricular activities.

- ASL wants to encourage the youth to the practice of sport. Therefore, the company donated Rs 50,000 to both 'La Fondation pour la formation au football' and 'Faucon Flacq United'. These registered NGO have been set up as a national project to (1) develop and professionalise football in Mauritius and (2) promote the practice of sports such as biking and football respectively.

SPONSORSHIP

Once again, ASL, not to deviate from its tradition, has sponsored one of the most important events of the Racing Calendar, the Supertote Golden Trophy, a Group 2 race.

During the day, five other races namely the Supertote Exotic Bets Trophy, the Teletote Trophy, the Off Course Trophy, the Supertote Red Ribbon Trophy and the Supertote SMS Betting Trophy were also sponsored. As in the past years, the public, whether at the Champ de Mars or in the off course outlets, fervently supported the event and greatly contributed to its success.

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

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

ASL sponsored once again the TV program Turf Time screened the day prior to the race day and the live racing program screened on MBC digital channel Sports 11.

ASL continued to sponsor the online Tipping Challenge organized by the MTC on its website, the Press Tipping Challenge as well as international equestrian events held at the Club Hippique de Maurice.

OUTLOOK

Totalisator

The Totalisator betting reached a peak in 2009 and has been regularly declining since, for numerous reasons already outlined. It is to be noted that despite the increase in the number of race meetings in 2014 the turnover remained on par with 2013. The number of meetings approved in 2015 by the GRA is 35 which represents 8 meetings less than in 2014. The results are expected to be proportionately affected and if there is a further decrease per meeting as it had been the case for the past years, the totalisator business won't hardly make any profit.

As a measure to improve its market share, the company intends to develop a new betting application to facilitate betting by SMS.

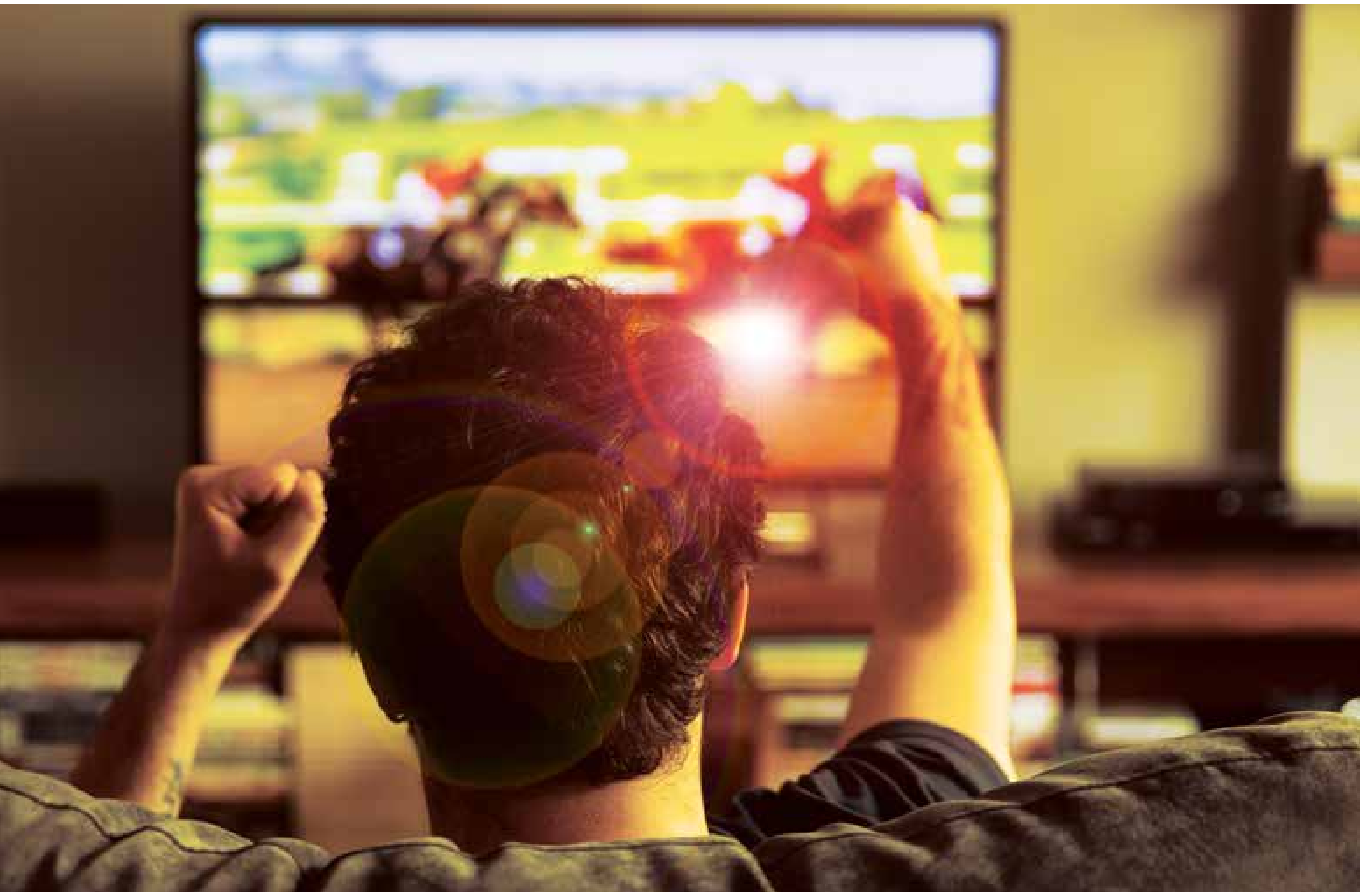
Football

Turnover has probably reached its peak in 2014 with the football world cup and attractive measures offered to customers. The market is not expected to expand much further and without any special soccer events during the year the company does not expect to see a growth in its turnover. On a positive note, a new football outlet has been opened in Port Louis in February which should yield more turnover than Terre Rouge which was subsequently closed.
ASL, as a dynamic company, will keep innovating and offering new type of bets to maintain or improve its market share. The Superscore website launched in 2014 will be upgraded with the introduction of live odds and other valuable information such as a tipping corner.

Development in Africa

The directors believe that Africa remains a very attractive market for the development of betting. The aim of Megawin 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 but with a good potential.

It is expected that its subsidiary Megawin will at least break even during the year 2015 to then become profitable thereafter.



CORPORATE GOVERNANCE REPORT

STATEMENT OF COMPLIANCE

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

The Company's structure

ASL was incorporated on the 18th March 1991. Since 12 October 1994, it is listed on the official market of the stock exchange of Mauritius Ltd.

Principal Activity

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

In 2014 the board considered the opportunity to extend its activities and explore the African continent and incorporated a new vehicle, Megawin Ltd in which it holds a 51% stake.

Constitution of the Company

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

THE ROLE OF THE BOARD AND ITS COMPOSITION

Board of Directors

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

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

New Directors are given an induction pack upon their appointment in order to get acquainted with the Company, 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.

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 profiles and categories as well as their directorships in other listed companies are set out on page 81.

Managing Director

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

Board Charter

The Board has resolved to approve a Board charter which is intended 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 evaluation was conducted in 2013 and the next evaluation is scheduled for 2016.

Board activity during the year

The Board met 4 times in 2014 and the individual attendance by directors is detailed on page 22.

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 table below sets out, as at 31 December 2014, 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	nil	-
Eric ESPITALIER NOËL	IND	nil	nil	nil	4
Jean HARDY (Also alternate to					
Farouk A. HOSSEN)	ED	ni	nil	0.2	-
Hervé HENRY	NED	ni	ni	nil	-
Farouk A. HOSSEN	IND	22,049	0.6	nil	-
Michel NAIRAC	IND	nil	nil	nil	-
Gérard PASCAL	IND	1,319	0.0	0.2	-
John STUART	NED	nil	nil	nil	-
Guillaume HARDY	ED	nil	nil	nil	
Arvind Lall DOOKUN	NED	10,411	0.3	0.1	-

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

BOARD COMMITTEES

Audit Committee

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

- The quality and integrity of financial statements and public announcements related thereto;
- The Company's compliance with legal and regulatory requirements;
- The scope and effectiveness of the external audit function as well as the qualifications, experience and independence of the external auditors;

CORPORATE
GOVERNANCE REPORT *(CONT'D)*

BOARD COMMITTEES (CONT'D)

Audit Committee (cont'd)

- The effectiveness of the Company's systems of internal control and practices;
- The policies and procedures established to minimize business risks, including the risk of money laundering through the tote system;
- The integrity and effectiveness of the automated system managing the bets on Supertote;
- The adequacy of the insurance cover subscribed to by the Company.

Please refer to pages 24 and 25 for disclosures in respect of internal control and risk management.

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

Nomination

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

Remuneration

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

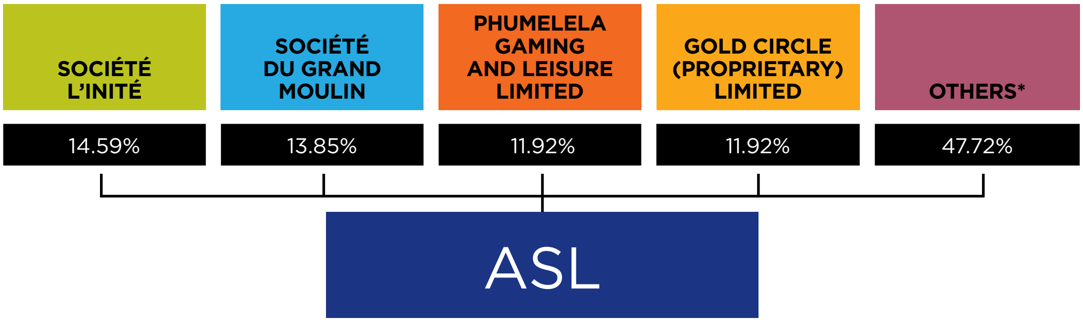
Shareholding

At 31 December 2014, the Company's share capital amounted to Rs 24,745,000 divided into 3,535,000 ordinary shares of Rs 7 each. There were 1,688 shareholders on the registry compared to 1,650 in 2013.

During the year, the main shareholder, Phumelela Gold Enterprises (Mauritius) Limited ('PGE'), which was in liquidation, attributed all its shares to its sole shareholder – Tellytrack as part of its winding up process. Thereafter, Tellytrack resolved to proceed with the sale of all its shares equally to two companies of its group, namely to Phumelela Gaming and Leisure Limited and Gold Circle (Proprietary) Limited.

CASCADE HOLDING STRUCTURE

ASL's shareholding structure is as follows:



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

On 31 December 2014, the following shareholders held directly and indirectly more than 5% of the ordinary share capital of ASL.

	DIRECT INTEREST		INDIRECT INTEREST
	NO. OF ORDINARY SHARES	% HOLDING	% HOLDING
Société du Grand Moulin	489,686	13.9	-
Société L'Inité	515,912	14.6	-
Phumelela Gaming and Leisure Limited	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 Limited
GCPL: Gold Circle (Proprietary) Limited / **ML:** Megawin Ltd

CORPORATE GOVERNANCE REPORT *(CONT'D)*

The Company's shareholding profile as at 31 December 2014 was as follows:

NUMBER OF SHARES HELD (RANGE)	NUMBER OF SHAREHOLDERS	TOTAL NUMBER OF SHARES FOR THE RANGE	PERCENTAGE HELD
1-500	1,316	210,205	5.95
501-1,000	189	127,176	3.60
1,001-5,000	133	290,294	8.21
5,001-10,000	17	118,419	3.35
10,001-50,000	24	469,829	13.29
50,001-100,000	2	129,106	3.65
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	515,912	14.59
	1,688	3,535,000	100

Summary of shareholder category at 31 December 2014:

	NUMBER OF SHAREHOLDERS	TOTAL NUMBER OF SHARES HELD	PERCENTAGE HELD
Individual	1,620	1,274,143	36.04
Insurance & Assurance Companies	3	130,172	3.68
Pension & Providence Funds	2	4,100	0.12
Investment & Trust Companies	2	25,700	0.73
Other Corporate Bodies	61	2,100,885	59.43
	1,688	3,535,000	100

SHARE PRICE INFORMATION

At 31 December 2014, the share price of the Company was Rs 90 (Rs 115 at 1 January 2014). Since the beginning of the present year, the share price has been decreasing to reach Rs 75 in mid February 2015.

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 2014, the Directors have approved the distribution of a final dividend of Rs 2.50 per share. The impact of the new football levy on the net profit compelled directors to adopt a prudent concept resulting in a considerable decrease in dividend declaration as compared to 2013 where a total dividend of Rs 10 per share was declared. The directors do not guarantee that this level of distribution will be maintained in the future and shareholders should be cautious when making investment decisions.

SHAREHOLDERS' AGREEMENT

The Company does not have a Shareholders' Agreement.

SHAREHOLDERS COMMUNICATION AND EVENTS

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

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

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

STATEMENT OF REMUNERATION POLICY

The remuneration structure with regards to Directors' fees for 2014 comprises two components, namely, a basic yearly fee and an attendance fee as follows:

	BOARD		**AUDIT COMMITTEE**	**CORPORATE GOVENANCE, NOMINATION AND REMUNERATION COMMITTEE**
	Fixed Fee	Attendance Fee	Attendance Fee	Attendance Fee
Chairman	60,000	17,500	15,000	12,500
Members	15,000	12,500	7,500	7,500

CORPORATE
GOVERNANCE REPORT *(CONT'D)*

STATEMENT OF REMUNERATION POLICY (CONT'D)

The table below sets out the details of attendance of directors at meetings during 2014 and directors fees perceived in relation thereto:

	ATTENDANCE AT MEETING DURING 2014			
DIRECTORS / ALTERNATES	**BOARD**	**AUDIT COMMITTEE**	**CORPORATE GOVENANCE, NOMINATION AND REMUNERATION COMMITTEE**	**DETAILED REMUNERATION OF DIRECTORS (MUR)**
Eric ESPITALIER NOËL	4/4	-	1/2	137,500
Jean HARDY	4/4	-	2/2	2,775,145
Gérard PASCAL	3/4	4/4	-	112,500
Farouk A. HOSSEN	3/4	4/4	-	82,500
Hervé HENRY	4/4	4/4	-	95,000
Ravindra CHETTY	4/4	-	2/2	90,000
John STUART	1/4	-	-	27,500
Michel NAIRAC	1/4	-	-	27,500
Guillaume HARDY	4/4	-	-	2,345,304
Arvind Lall DOOKUN	4/4	-	-	65,000

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

Please refer to page 26 of Other Statutory Disclosures in respect of directors' emoluments. Remuneration paid to Directors has been disclosed individually and the above remuneration includes both the remuneration of Executive Directors and Directors fees.

EMPLOYEES

ASL currently employs, on a full time basis, 28 persons who are involved in the daily operations of the Company. During the racing season, 13 casual workers are called upon on a full time basis as well as 250 part time casuals working as tellers, technicians, supervisors and runners. Furthermore, for its off course operation, ASL has a working arrangement with 20 agents / supervisors, each employing an average of 8 casual workers during the racing season.

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

Share Option Plan

The Company does not have any share-option plan.

Profiles of Senior Officers

Please refer to page 83 of the report.

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

SUSTAINABILITY REPORTING

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

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

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

As measures taken in 2014 to reduce its power consumption:

- The replacement of the lamps in Teletote A with Hi Lux LED lamps to reduce heat usage and air con power consumption;

- The relocation and reduction in the number of UPS in order to optimize power distribution and consumption;

FUTURE COMMITMENTS

- The company aims to test the efficiency of the new DC drive type Air Conditioner Unit which will help to reduce power consumption.

- The Equipment in the server room will be rearranged to optimize UPS usage. Under loaded UPS will be switched off when not in used in order to reduce power consumption.

- The company is committed to reduce paper consumption as all correspondences to our off course network is done via drop box and no longer by fax.

- All mercury based fluorescent lamps are being replaced by LED low energy lamps.

HEALTH AND SAFETY

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

CORPORATE
GOVERNANCE REPORT *(CONT'D)*

HEALTH AND SAFETY (CONT'D)

The Company continuously strives to install a safety culture at all times 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;
- 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 on pages 78 and 79.

CORPORATE SOCIAL RESPONSIBILITY

Please refer to page 12 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 Committee, which also includes the Risk committee, works closely with the external auditors to ensure that the Company's system of control effectively enables the Company to mitigate the risks inherent to its activity.

As previously stated, Amtote International Inc provides a line monitoring of the automated system whereby its engineers analyse the operations in real time and can intervene if need be from their base in 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 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 main risks faced by the Company are as follows:

Taxes and levies

The Company is tributary to Government decisions as regards taxes and levies and although their impact is considerable, there is little that can be done. The Management constantly strives at improving the communication channel with authorities to express the Company's concern, point out the difficult trading environment and highlight the benefits of having outlets to counter illegal betting.

Market

The Company finds it challenging to maintain its market share due to the fact that it operates in a highly competitive and regulated market. Numerous factors directly affect the Company's revenue, such as: the number of race meetings held annually, the number of Off-Course betting shops which it is allowed to operate, the performance of the Mauritian economy and the number of Bookmakers operating outside the racecourse. Changes in the Company's business environment are regularly assessed by Management and it adopts the appropriate measures to mitigate any adverse impact on profitability.

Operational

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

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

IT operations and business processes are continuously being reviewed, 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 sense 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 contracted with reputable companies upon advice from insurance brokers. These policies have been reviewed by the Audit Committee which considers such insurance covers to be adequate.

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, constant lobbying is made to the relevant authorities.

Ravindra Chetty	**Sophie Gellé**
Director	Box Office Ltd Secretary
	24 March 2015

OTHER STATUTORY DISCLOSURES

Contract of Significance

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

Directors

A list of directors of the Company is given on page 3.

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 2014 are disclosed at page 17.

Directors' Emoluments

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

	2014	2013
	Rs 000	Rs 000
Non-Executive Directors	**638**	628
Executive Directors	**4,975**	6,288

Donations / CSR

Donations made during the year were as follows:

	2014	2013
	Rs 000	Rs 000
Caritas	**150,000**	150,000
PILS	**150,000**	150,000
Haemophilia Association of Mauritius	**150,000**	100,000
Mouvement Civique de la Baie du Tombeau	**140,000**	150,000
Fondation Cours Jeanne D'Arc	**Nil**	50,000
Garderie et Maternelle L'Etoile Association	**132,069**	111,695
The Muscular Dystrophy Association	**100,000**	100,000
Fondation pour la formation au football	**50,000**	Nil
Oasis de Paix	**150,000**	Nil
Faucon Flacq Sporting Club	**50,000**	Nil
	1,072,069	811,695

OTHER STATUTORY
DISCLOSURES *(CONT'D)*

AUDITORS' REMUNERATION

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

	2014	2013
	Rs 000	Rs 000
Audit fees	750	700
Tax services fees	98	84
Advisory services fees	-	325

Statement of Directors' Responsibilities in respect of the financial statements

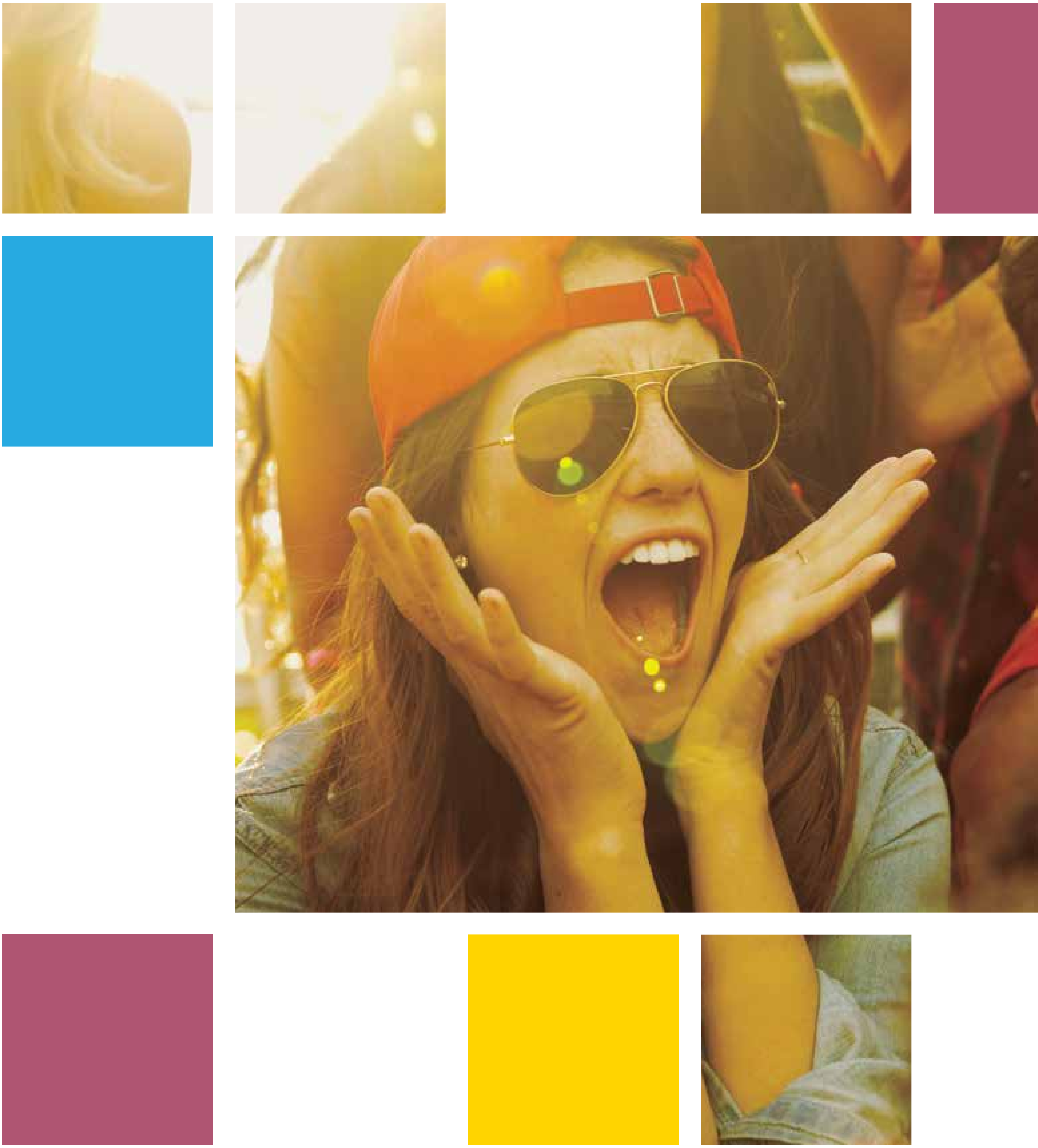
For the year under review, the Directors report that:

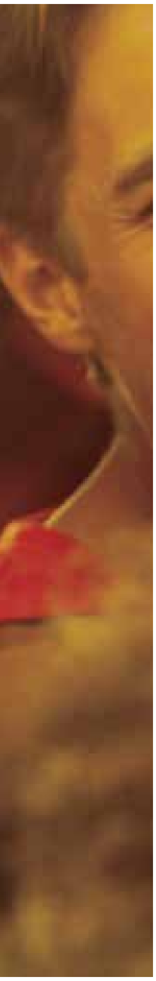
- the financial statements fairly present the state of affairs of the Company as at the end of the financial period and the result of operations and cash flows for that period;
- the external auditors are responsible for reporting on whether the financial statements are fairly presented;
- adequate accounting 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	Jean Hardy
Chairperson	**Director**

24 March 2015





SECRETARY'S REPORT

Automatic Systems Ltd
Under Section 166(d) of the Companies Act 2001

We certify that, to the best of our knowledge and belief, the Company 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

24 March 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Automatic Systems Ltd

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Automatic Systems Ltd (the "Company") and its subsidiary (together the "Group") and separate financial statements of the Company on pages 34 to 80 which comprise the Group's and the Company's balance sheet at 31 December 2014 and their respective statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 34 to 80 give a true and fair view of the financial position of the Group and of the Company at 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 its 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 on pages 16 to 25 and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report on pages 16 to 25 is consistent with the requirements of the Code.

Other Matter

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

PricewaterhouseCoopers

Mushtaq Oosman

FCA
Licensed by FRC

24 March 2015

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Revenue	**1,245,911**	1,193,090	**1,244,905**	1,193,090
Cost of sales (Note 7)	**(1,063,997)**	(983,301)	**(1,063,997)**	(983,301)
Gross Profit	**181,914**	209,789	**180,908**	209,789
Other income	**2,185**	1,202	**2,185**	1,202
Selling expenses	**(35,766)**	(38,309)	**(33,697)**	(38,309)
Operating expenses	**(81,212)**	(73,058)	**(81,212)**	(73,058)
Payments to The Mauritius Turf Club	**(49,130)**	(49,664)	**(49,130)**	(49,664)
Operating Profit (Note 8)	**17,991**	49,960	**19,054**	49,960
Finance income	**204**	282	**204**	282
Finance costs	**(1,490)**	(1,158)	**(1,477)**	(1,158)
Finance (costs)/income – net (Note 10)	**(1,286)**	(876)	**(1,273)**	(876)
Profit before Tax	**16,705**	49,084	**17,781**	49,084
Income Tax expense (Note 11)	**(2,190)**	(8,080)	**(2,238)**	(8,080)
Profit for the year	**14,515**	41,004	**15,543**	41,004
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Re-measurements of post-employment benefit obligations (Note 22)	**1,490**	(82)	**1,490**	(82)
Tax charge relating to re-measurements of post-employment benefits (Note 23)	**(253)**	-	**(253)**	-
Re-measurements of post-employment benefit obligations – net of tax	**1,237**	(82)	**1,237**	(82)
Profit and Total Comprehensive Income for the year	**15,752**	40,922	**16,780**	40,922
Profit/(loss) for the year attributable to:				
Owners of the Company	**15,019**	41,004	**15,543**	41,004
Non-controlling interests	**(504)**	-	**-**	-
	14,515	41,004	**15,543**	41,004
Total comprehensive income/(loss) attributable to:				
Owners of the Company	**16,256**	40,922	**16,780**	40,922
Non-controlling interests	**(504)**	-	**-**	-
	15,752	40,922	**16,780**	40,922
Basic and Diluted Earnings per Share (Note 12)	**4.11**	11.60	**4.40**	11.60

The notes on pages 39 to 80 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET – 31 DECEMBER 2014

	Group		Company	
	As at 31 December		As at 31 December	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
ASSETS				
Non-current assets				
Plant and equipment (Note 13)	**18,164**	13,750	**17,499**	13,750
Goodwill (Note 14)	**73,514**	73,514	**73,514**	73,514
Investment in Subsidiary (Note 15)	**-**	-	**1,020**	-
Available-for-sale financial assets (Note 16)	**100**	100	**100**	100
Trade and other receivables (Note 17)	**1,761**	1,761	**1,761**	1,761
	93,539	89,125	**93,894**	89,125
Current assets				
Current income tax asset (Note 11)	**1,801**	-	**1,753**	-
Inventories (Note 19)	**128**	145	**128**	145
Trade and other receivables (Note 17)	**7,588**	12,700	**7,345**	12,700
Cash and cash equivalents (Note 18)	**2,259**	2,454	**1,956**	2,454
	11,776	15,299	**11,182**	15,299
Total assets	**105,315**	104,424	**105,076**	104,424
EQUITY				
Equity attributable to owners of parent				
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 (Note 22)	**1,155**	(82)	**1,155**	(82)
Retained earnings	**20,084**	13,903	**20,608**	13,903
	47,152	39,734	**47,676**	39,734
Non-Controlling Interests	**476**	-	**-**	-
Total equity	**47,628**	39,734	**47,676**	39,734
LIABILITIES				
Non-current liabilities				
Deferred income tax liability (Note 23)	**156**	171	**156**	171
Post-employment benefits (Note 22)	**1,274**	2,568	**1,274**	2,568
	1,430	2,739	**1,430**	2,739
Current liabilities				
Trade and other payables (Note 24)	**32,565**	42,042	**32,278**	42,042
Bank overdraft (Note 18)	**14,854**	4,207	**14,854**	4,207
Dividend payable (Note 25)	**8,838**	10,605	**8,838**	10,605
Current income tax liability (Note 11)	**-**	5,097	**-**	5,097
	56,257	61,951	**55,970**	61,951
Total liabilities	**57,687**	64,690	**57,400**	64,690
Total equity and liabilities	**105,315**	104,424	**105,076**	104,424

Authorised for issue by the Board of directors on 24 March 2015 and signed on its behalf by:

Jean Hardy
Director

Ravindra Chetty
Director

The notes on pages 39 to 80 are an integral part of these consolidated financial statements.

FINANCIAL
STATEMENTS (CONT'D)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

Group	Share capital	Share premium	Post-employment Benefits	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners of the parent						
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Balance as at 01 January 2013	24,745	1,168	-	7,834	33,747	-	33,747
Profit for the year	-	-	-	41,004	41,004	-	41,004
Other comprehensive income for the year	-	-	(82)	-	(82)	-	(82)
Profit and total comprehensive income for the year	-	-	(82)	41,004	40,922	-	40,922
Transactions with owners							
Dividends (Note 25)	-	-		(35,350)	(35,350)		(35,350)
Unclaimed Dividends	-	-		415	415		415
Total transactions with owners				(34,935)	(34,935)		(34,935)
Balance as at 31 December 2013	24,745	1,168	(82)	13,903	39,734		39,734
Balance as at 01 January 2014	24,745	1,168	(82)	13,903	39,734		39,734
Profit / (loss) for the year	-	-	-	15,019	15,019	(504)	14,515
Other comprehensive income for the year	-	-	1,237	-	1,237	-	1,237
Profit and total comprehensive income for the year	-	-	1,237	15,019	16,256	(504)	15,752
Transactions with owners							
Proceeds from issue of shares in Megawin to Non-group shareholders	-	-	-	-	-	980	980
Dividends (Note 25)	-	-	-	(8,838)	(8,838)	-	(8,838)
Total transactions with owners	-	-	-	(8,838)	(8,838)	980	(7,858)
Balance as at 31 December 2014	24,745	1,168	1,155	20,084	47,152	476	47,628

Actuarial gains / (losses) of Rs 82,000 were included in retained earnings in 2013 which we have now disclosed separately in 2014. Refer to note 22.

The notes on pages 39 to 80 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

Company	Share capital Rs 000	Share premium Rs 000	Post-employment Benefits Rs 000	Retained earnings Rs 000	Total equity Rs 000
Balance as at 01 January 2013	**24,745**	**1,168**	**-**	**7,834**	**33,747**
Profit for the year	**-**	**-**	**-**	**41,004**	**41,004**
Other comprehensive income for the year	**-**	**-**	**(82)**	**-**	**(82)**
Profit and total comprehensive income for the year	**-**	**-**	**(82)**	**41,004**	**40,922**
Transactions with owners					
Dividends (Note 25)	**-**	**-**	**-**	**(35,350)**	**(35,350)**
Unclaimed dividends	**-**	**-**	**-**	**415**	**415**
Total transactions with owners	**-**	**-**	**-**	**(34,935)**	**(34,935)**
Balance as at 31 December 2013	**24,745**	**1,168**	**(82)**	**13,903**	**39,734**
Balance as at 01 January 2014	**24,745**	**1,168**	**(82)**	**13,903**	**39,734**
Profit for the year	**-**	**-**	**-**	**15,543**	**15,543**
Other comprehensive income for the year	**-**	**-**	**1,237**	**-**	**1,237**
Profit and total comprehensive income for the year	**-**	**-**	**1,237**	**15,543**	**16,780**
Transactions with owners					
Dividends (Note 25)	**-**	**-**	**-**	**(8,838)**	**(8,838)**
Total transactions with owners	**-**	**-**	**-**	**(8,838)**	**(8,838)**
Balance as at 31 December 2014	**24,745**	**1,168**	**1,155**	**20,608**	**47,676**

Actuarial gains / (losses) of Rs 82,000 were included in retained earnings in 2013 which we have now disclosed separately in 2014. Refer to note 22.

The notes on pages 39 to 80 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS (CONT'D)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Cash flows from operating activities				
Profit before taxation	**16,705**	49,084	**17,781**	49,084
Adjustments for:				
Depreciation of plant and equipment (Note 13)	**7,403**	9,089	**7,345**	9,089
Profit on disposal of plant and equipment (Note 8)	**(1,406)**	(306)	**(1,406)**	(306)
Dividend income (Note 10)	**(161)**	(117)	**(161)**	(117)
Interest income (Note 10)	**(43)**	(165)	**(43)**	(165)
Interest expense (Note 10)	**1,490**	1,158	**1,477**	1,158
Net post-employment benefit (credit)/charge (Note 22)	**196**	(404)	**196**	(404)
Working capital changes				
Decrease in inventories	**18**	42	**18**	42
Decrease / (Increase) in trade and other receivables	**5,113**	(2,680)	**5,355**	(2,680)
(Decrease) / Increase in trade and other payables	**(9,476)**	7,586	**(9,762)**	7,586
Cash generated from operations	**19,839**	63,287	**20,800**	63,287
Interest received (Note 10)	**43**	165	**43**	165
Income tax paid (Note 11)	**(8,284)**	(7,530)	**(8,284)**	(7,530)
Corporate Social Responsibility contribution paid (Note 11)	**(1,070)**	(812)	**(1,070)**	(812)
Interest paid (Note 10)	**(1,490)**	(1,158)	**(1,477)**	(1,158)
Net cash from operating activities	**9,038**	53,952	**10,012**	53,952
Cash flows from investing activities				
Payments for purchase of plant and equipment (Note 13)	**(11,838)**	(7,335)	**(11,115)**	(7,335)
Proceeds from sales of plant and equipment	**1,422**	306	**1,422**	306
Investment in Megawin, net of cash invested	**-**	-	**(1,020)**	-
Dividends received (Note 10)	**161**	117	**161**	117
Net cash used in investing activities	**(10,255)**	(6,912)	**(10,552)**	(6,912)
Cash flows from financing activities				
Dividends paid (Note 25)	**(10,605)**	(24,745)	**(10,605)**	(24,745)
Proceeds from issue of shares in Megawin to Non-group shareholders	**980**	-	**-**	-
Net cash used in financing activities	**(9,625)**	(24,745)	**(10,605)**	(24,745)
Net increase / (decrease) in cash and cash equivalents	**(10,842)**	22,295	**(11,145)**	22,295
Cash and cash equivalents at beginning of year	**(1,753)**	(24,048)	**(1,753)**	(24,048)
Cash and cash equivalents at end of year (Note 18)	**(12,595)**	(1,753)	**(12,898)**	(1,753)

The notes on pages 39 to 80 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014

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. 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, Nautica Commercial Centre, Royal Road, Black River, Republic of Mauritius.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of Automatic Systems Ltd comprising of the company and its subsidiary (together 'the group') have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets. The financial statements are presented in Mauritian Rupees ('Rs'), rounded to the nearest 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'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

The following standards have been adopted by the group and company for the first time for the financial year beginning on 01 January 2014:

- Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have any significant effect on the group and company financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(a) New standards, amendments and interpretations adopted by the group (cont'd)

- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment did not have any significant effect on the group and company financial statements.

- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The group and company are not currently subjected to significant levies so the impact on the group and company is not material.

- Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the group and company.

(b) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 01 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness test. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cashflows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(b) New standards, amendments and interpretations not yet adopted (cont'd)

The standard replaces IAS18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.

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.

2.2 Consolidation

(a) 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 over 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 group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Consolidation (cont'd)

(a) Subsidiaries (cont'd)

• Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recorded in equity.

• Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Segmental reporting

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

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

Foreign currency translation

(a) Functional and presentation currency

Items included in the 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 group'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:

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currency translation (cont'd)

- Group companies (cont'd)

(a) *Functional and presentation currency (cont'd)*

(a) assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that consolidated balance sheet;

(b) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and

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

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

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 and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Plant and equipment (cont'd)

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 consolidated statement of comprehensive income.

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquiree fair value of the identifiable net assets acquired.

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

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

Impairment of non-financial 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. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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's loans and receivables comprise of trade and other receivables and cash and cash equivalents in the consolidated 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 establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing model, making maximum use of market inputs and relying as little as possible on entity specific inputs.

• Recognition and measurement

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the group's right to receive payments is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (cont'd)

- **Recognition and measurement (cont'd)**

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

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

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

- **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 or the counterparty.

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 category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of financial assets (cont'd)

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

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**

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the group uses the criteria referred to in above.

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

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 is expected in one year or less (or in the normal operating cycle of the business if longer), they are a classified as current assets. If not, they are presented as non-current assets.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash and cash equivalents

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

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

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

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

Borrowings

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

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

Borrowing cost

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Current and deferred income tax

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

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

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

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

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

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Employee benefits (cont'd)

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

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

Past-service costs are recognised immediately in income.

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

(b) Other entitlements

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

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

(c) Termination benefits

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

(d) Profit-sharing and bonus plans

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition

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

(a) Sales of services

The company runs a totalisator system of betting for horse racing and provides football betting using a fixed odd mechanism. Bets placed are recognised as revenue when the results of the horse races and outcome of the football matches are officialised.

Revenue 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 loan and 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 loan and receivables is recognised using the original effective interest rate.

(c) Dividend income

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

Dividend distribution

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

FINANCIAL
STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

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 considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

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

Useful lives of plant and equipment

The group's management determines the estimated useful lives and related depreciation charges for its plant and equipment which is calculated on the basis of the depreciation rates set out in the accounting policy note on Plant and Equipment, in Note 2. The depreciation rates have been estimated according to the respective plant and 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 fair value 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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

4 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (cont'd)

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 in Mauritian Rupees. Hence, there is no exposure to foreign exchange risk.

(b) Price risk

The group is exposed to equity securities price risk because of investment held by the group and classified on the consolidated balance sheet as available-for-sale. Given that the investment comprises only 0.10% (2013: 0.10%) of the total assets, the impact on equity is not considered significant.

(c) Fair value Interest rate risk

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

Based on the simulations performed, at 31 December 2014, the impact on post-tax profit of 50 basis points increase/decrease in interest rate would be a maximum decrease/increase of Rs 54,817 (2013 – Rs 7,452) respectively at company level and Rs 53,529 (2013: NIL) 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 a 50 basis point shift.

• **Credit risk**

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

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

4 FINANCIAL RISK MANAGEMENT (CONT'D)

• **Credit risk (cont'd)**

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

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	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Trade receivables (neither past due nor impaired)				
Counterparties without external credit rating	**-**	-	**-**	-
Group 1				

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

The amount that best represents the group's maximum exposure to credit risk at 31 December 2014 is the carrying value of the financial assets in the consolidated balance sheet.

No other collateral is held in respect of trade and other receivables as disclosed on consolidated 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'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:

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

4 FINANCIAL RISK MANAGEMENT (CONT'D)

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Trade receivables (past due but not impaired)				
Past due but not impaired:				
By up to 30 days	**772**	1,860	**772**	1,860
Greater than 365 days	**1,761**	2,457	**1,761**	2,457

	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Trade receivables individually determined to be impaired				
Carrying amount before impairment loss	**5,314**	5,749	**5,314**	5,749
Provision for bad debts	**(3,553)**	(3,292)	**(3,553)**	(3,292)
	1,761	2,457	**1,761**	2,457

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

- **Liquidity risk**

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

Management monitors rolling forecasts of the group'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.

FINANCIAL
STATEMENTS (CONT'D)

4 FINANCIAL RISK MANAGEMENT (CONT'D)

• **Liquidity risk (continued)**

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

Capital 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 shareholder's and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the 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.

As the group has no long term external borrowings as at 31 December 2014, the gearing ratio does not apply but when the current year's bank overdraft is taken into account, the group's gearing ratio stands at **20.9%** (2013: 4.23%) and the company's gearing ratio stands at **21.3%** (2013: 4.23%).

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Bank overdraft (Note 18)	**14,854**	4,207	**14,854**	4,207
Less: Cash and cash equivalents (Note 18)	**(2,259)**	(2,454)	**(1,956)**	(2,454)
Net debt	**12,595**	1,753	**12,898**	1,753
Total equity	**47,580**	39,734	**47,676**	39,734
Total capital	**60,175**	41,487	**60,574**	41,487
Gearing ratio	**20.9%**	4.23%	**21.3%**	4.23%

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

4 FINANCIAL RISK MANAGEMENT (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:

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

2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**
Assets				
Available-for-sale financial assets	**-**	**-**	**100**	**100**

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

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

Specific valuation techniques used to value financial instruments include:

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

Given that the level 3 investment comprises only **0.10%** (2013: 0.10%) of the total assets of the group, the directors do not consider it material to determine the fair value of the investments using the valuation techniques set out above.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

5 FINANCIAL INSTRUMENTS BY CATEGORY

Group	Loans and receivables Rs 000	Available-for-sale financial assets Rs 000	Total Rs 000
At 31 December 2014			
Assets			
Available-for-sale financial assets	-	100	100
Trade and other receivables (Note 17)	2,533	-	2,533
Cash and cash equivalents (Note 18)	2,259	-	2,259
Total	4,792	100	4,892

	Other financial liabilities at amortised cost Rs 000	Total Rs 000
Liabilities		
Trade and other payables (Note 24)	32,565	32,565
Bank overdraft (Note 18)	14,854	14,854
Total	47,419	47,419

Company	Loans and receivables Rs 000	Available-for-sale financial assets Rs 000	Total Rs 000
At 31 December 2014			
Assets			
Available-for-sale financial assets	-	100	100
Trade and other receivables (Note 17)	2,533	-	2,533
Cash and cash equivalents (Note 18)	1,956	-	1,956
Total	4,489	100	4,589

	Other financial liabilities at amortised cost Rs 000	Total Rs 000
Liabilities		
Trade and other payables (Note 24)	32,278	32,278
Bank overdraft (Note 18)	14,854	14,854
Total	47,132	47,132

In disclosing trade and other receivables as a financial instrument, an amount of Rs **5,371,280** (2013: Rs 10,144,312) representing prepayments and deposits, has been excluded.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

5 FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

Group and Company	Loans and receivables	Available-for-sale financial assets amortised cost	Total
	Rs 000	Rs 000	Rs 000
At 31 December 2013			
Assets			
Available-for-sale financial assets	-	100	100
Trade and other receivables (Note 17)	4,317	-	4,317
Cash and cash equivalents (Note 18)	2,454	-	2,454
Total	6,771	100	6,871

	Other Financial liabilities at amortised Cost	Total
	Rs 000	Rs 000
Liabilities		
Trade and other payables (Note 24)	42,042	42,042
Bank overdraft (Note 18)	4,207	4,207
Total	46,249	46,249

6 SEGMENT INFORMATION

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

The Board of Directors considers the business from a product perspective, whereby distinction can be made between betting on horse racing and betting on foreign football even if both revenue streams uses the same mainframe system and share the same workforce as one cash generating unit.

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

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

During the year 2014, ASL has incorporated a subsidiary called 'Megawin' to operate foreign football betting on the African continent. Megawin has not been classified as a new reporting segment since it does not satisfy the quantitative thresholds of IFRS 8.

FINANCIAL
STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

6 SEGMENT INFORMATION (CONT'D)

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

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

	Horse racing Rs 000	Foreign football Rs 000	Total Rs 000
Revenue	**935,227**	**309,678**	**1,244,905**
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	**15,519**	**10,880**	**26,399**
Depreciation	**5,509**	**1,836**	**7,345**
Income tax	**1,679**	**559**	**2,238**
Total assets	**78,807**	**26,269**	**105,076**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**8,336**	**2,779**	**11,115**
Total liabilities	**43,050**	**14,350**	**57,400**

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

	Horse racing Rs 000	Foreign football Rs 000	Total Rs 000
Revenue	**937,281**	**255,809**	**1,193,090**
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	**19,526**	**39,523**	**59,049**
Depreciation	**7,140**	**1,949**	**9,089**
Income tax	**6,348**	**1,732**	**8,080**
Total assets	**82,035**	**22,389**	**104,424**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**5,762**	**1,573**	**7,335**
Total liabilities	**50,820**	**13,870**	**64,690**

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

6 SEGMENT INFORMATION (CONT'D)

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

		Company
	2014	2013
	Rs 000	Rs 000
EBITDA	**26,399**	59,049
Depreciation	**(7,345)**	(9,089)
Finance income – net	**(1,273)**	(876)
Profit before taxation	**17,781**	49,084

7 COST OF SALES

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Payment to winners	**909,543**	847,243	**909,543**	847,243
Betting duty	**26,208**	-	**26,208**	-
Government tax	**122,961**	118,989	**122,961**	118,989
Payment to National Solidarity Fund	**13,726**	13,436	**13,726**	13,436
Pools carried forward movement	**(8,441)**	3,633	**(8,441)**	3,633
	1,063,997	983,301	**1,063,997**	983,301

8 OPERATING PROFIT

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Operating profit is stated after *charging/(crediting):*				
Depreciation of plant and equipment (Note 13)	**7,403**	9,089	**7,345**	9,089
Profit on disposal of plant and equipment	**(1,406)**	(306)	**(1,406)**	(306)
Impairment of trade receivables (Note 17)	**(261)**	-	**(261)**	-
Commission to off-course agents	**25,739**	29,548	**25,090**	29,548
Repairs and maintenance	**3,312**	3,580	**3,299**	3,580
Licences and municipality taxes	**9,074**	6,240	**9,074**	6,240
Staff cost (Note 9)	**31,349**	28,627	**31,349**	28,627
Auditor's remuneration				
– audit services	**750**	700	**750**	700
– non-audit services	**98**	409	**98**	409

FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

9 STAFF COST

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Wages and salaries	**26,080**	26,022	**26,080**	26,022
National pension fund contribution	**777**	668	**777**	668
Net post-employment benefit charge / (credit)	**824**	(404)	**824**	(404)
Transport costs	**2,093**	1,059	**2,093**	1,059
Staff welfare and other costs	**1,575**	1,282	**1,575**	1,282
	31,349	28,627	**31,349**	28,627

10 FINANCE (COST) / INCOME

	Group		Company	
	2014 **Rs 000**	2013 Rs 000	**2014** **Rs 000**	2013 Rs 000
Finance Income				
Interest income from bank	**43**	165	**43**	165
Dividend income	**161**	117	**161**	117
	204	282	**204**	282
Finance Cost				
Interest expense	**(1,490)**	(1,158)	**(1,477)**	(1,158)
Finance cost – net	**(1,286)**	876	**(1,273)**	(876)

11 TAXATION

The Company is liable to income tax on its profits, as adjusted for income tax purposes, at the rate of **17%** (2013 – 17%). The 17% tax rate consists of 15% corporate income tax and 2% Corporate Social Responsibility.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

11 TAXATION (CONT'D)

	Group		Company	
	2014 **Rs 000**	2013 Rs 000	**2014** **Rs 000**	2013 Rs 000
Income tax expense:				
Current income tax based on the profit for the year as adjusted for tax purposes at 17.0% (2013 – 17.0%)	**2,830**	9,197	**2,878**	9,197
(Over)/under provision in previous year	**(372)**	(522)	**(372)**	(522)
Deferred income tax (Note 23)	**(268)**	(595)	**(268)**	(595)
	2,190	8,080	**2,238**	8,080
Current income tax asset / (liabilities):				
At 01 January	**(5,097)**	(4,763)	**(5,097)**	(4,763)
Paid during the year (including CSR contributions)	**9,356**	8,341	**9,356**	8,341
Under provision in previous year	**372**	522	**372**	522
Charge for the year	**(2,830)**	(9,197)	**(2,878)**	(9,197)
At 31 December	**1,801**	(5,097)	**1,753**	(5,097)

The reconciliation between the actual income tax rate of **13.84%** for the group and **14.01%** for the company (2013 – 16.46%) and the applicable rate of **17.00%** (2013 – 17.00%) is as follows:

	Group		Company	
	2014	2013	**2014**	2013
(As a percentage of profit before tax)	**%**	%	**%**	%
Applicable income tax rate	**17.00**	17.00	**17.00**	17.00
Effect of:				
Non – allowable expenses	**0.56**	0.56	**0.51**	0.56
Non-taxable income	**(1.00)**	(0.04)	**(0.94)**	(0.04)
(Over) / under provision of income tax in previous year	**(2.23)**	1.06	**(2.09)**	(1.06)
(Over) / under provision of deferred tax in previous year	**(2.01)**	-	**(1.89)**	-
Other permanent differences	**1.52**	-	**1.42**	-
Actual income tax rate	**13.84**	16.46	**14.01**	16.46

FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

12 EARNINGS PER SHARE

Earnings per share of **Rs 4.11** and **Rs 4.40** for the group and company is calculated on the profit after taxation of **Rs 14,515,000** (2013 – Rs 41,004,000) and **Rs 15,543,000** (2013 – Rs 41,004,000) respectively and on **3,535,000** issued ordinary shares outstanding during the two years under review. The group has no dilutive potential ordinary shares as at reporting date.

13 PLANT AND EQUIPMENT

	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
GROUP							
Cost:							
At 01 January 2013	47,051	19,780	3,811	5,415	11,820	2,217	90,094
Additions	728	1,022	-	633	487	4,465	7,335
Disposal	-	(647)	-	(131)	-	(871)	(1,649)
At 31 December 2013	47,779	20,155	3,811	5,917	12,307	5,811	95,780
Additions	**1,402**	**4,439**	**-**	**362**	**4,658**	**977**	**11,838**
Disposal	-	-	-	-	-	**(2,543)**	**(2,543)**
At 31 December 2014	**49,181**	**24,594**	**3,811**	**6,279**	**16,965**	**4,245**	**105,075**
Accumulated depreciation:							
At 01 January 2013	35,603	19,510	3,811	4,018	10,763	885	74,590
Charge for the year	5,972	224	-	695	814	1,384	9,089
Disposal adjustment	-	(647)	-	(131)	-	(871)	(1,649)
At 31 December 2013	41,575	19,087	3,811	4,582	11,577	1,398	82,030
Charge for the year	**2,990**	**1,219**	**-**	**631**	**1,111**	**1,452**	**7,403**
Disposal adjustment	-	-	-	-	-	**(2,522)**	**(2,522)**
At 31 December 2014	**44,565**	**20,306**	**3,811**	**5,213**	**12,688**	**328**	**86,911**
Net book amount:							
At 31 December 2014	**4,616**	**4,288**	**-**	**1,066**	**4,277**	**3,917**	**18,164**
At 31 December 2013	6,204	1,068	-	1,335	730	4,413	13,750

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

13 PLANT AND EQUIPMENT (CONT'D)

	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
COMPANY							
Cost:							
At 01 January 2013	47,051	19,780	3,811	5,415	11,820	2,217	90,094
Additions	728	1,022	-	633	487	4,465	7,335
Disposal	-	(647)	-	(131)	-	(871)	(1,649)
At 31 December 2013	47,779	20,155	3,811	5,917	12,307	5,811	95,780
Additions	**678**	**4,439**	**-**	**363**	**4,658**	**977**	**11,115**
Disposal	**-**	**-**	**-**	**-**	**-**	**(2,543)**	**(2,543)**
At 31 December 2014	**48,457**	**24,594**	**3,811**	**6,280**	**16,965**	**4,245**	**104,352**
Accumulated depreciation:							
At 01 January 2013	35,603	19,510	3,811	4,018	10,763	885	**74,590**
Charge for the year	5,972	224	-	695	814	1,384	9,089
Disposal adjustment	-	(647)	-	(131)	-	(871)	(1,649)
At 31 December 2013	41,575	19,087	3,811	4,582	11,577	1,398	82,030
Charge for the year	**2,932**	**1,219**	**-**	**631**	**1,111**	**1,452**	**7,345**
Disposal adjustment	-	-	-	-	-	**(2,522)**	**(2,522)**
At 31 December 2014	**44,507**	**20,306**	**3,811**	**5,213**	**12,688**	**328**	**86,853**
Net book amount:							
At 31 December 2014	**3,950**	**4,288**	**-**	**1,067**	**4,277**	**3,917**	**17,499**
At 31 December 2013	**6,204**	**1,068**	**-**	**1,335**	**730**	**4,413**	**13,750**

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

14 GOODWILL

	Group		Company	
	2014	2013	**2014**	2013
	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'), amalgamated 100% shareholding of HH Management Limited ('HHM') effective from 01 January 2011 pursuant to a share purchase agreement entered into between ASL and the shareholders of HHM.

The 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 (2013 – NIL).

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

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

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

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

Impairment tests for goodwill

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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

14 GOODWILL (CONT'D)

Impairment tests for goodwill (cont'd)

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 2014, the equity of the company has a fair value of Rs 318,150,000 (2013: Rs 406,525,000) based on the closing share price of Rs 90.00 (2013: Rs 115.00) per share traded on the Stock Exchange of Mauritius.

The cost to sell of 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 2,863,350 (2013: Rs 3,658,725).

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 of the equity shares of the company of Rs 315,286,650 exceeds the carrying amount of net assets as at 31 December 2014 (2013: NIL)

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 2014, if the quoted share price of the company falls by Rs 76.50 per share (i.e falls to Rs 13.50 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
	2014	2013
	Rs 000	Rs 000
Cost:		
Balance at beginning of the year	**-**	-
Additions	**1,020**	-
Balance at end of the year	**1,020**	-

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

Name of subsidiary	**Cost 2014 Rs 000**	Cost 2013 Rs 000	**Country of incorporation**	**% holding**	**Principal activity**
Megawin Ltd	2,000	-	Mauritius	51%	Football betting

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

15 INVESTMENT IN SUBSIDIARY (CONT'D)

(ii) The above shares are ordinary shares and denominated in MUR.

(iii) Megawin Ltd is a newly incorporated subsidiary on the 03 March 2014. As such, no assets and liabilities were acquired and no goodwill arises in relation to this transaction.

(iv) All subsidiary undertakings 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.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
At 01 January and 31 December 2014	**100**	100	**100**	100

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

All available-for-sale financial assets is denominated in Mauritian Rupee (Rs). None of these financial assets is either past due or impaired. Given that the above financial assets comprises only 0.10% of total assets of the group, the directors do not consider it material to determine the fair value of the investments using the valuation techniques set out in the accounting policy (Note 2).

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Trade receivables	**6,086**	7,609	**6,086**	7,609
Less: Provision for impairment of trade receivables	**(3,553)**	(3,292)	**(3,553)**	(3,292)
	2,533	4,317	**2,533**	4,317
Prepayments	**6,097**	6,020	**6,096**	6,020
Other debtors	**719**	4,124	**477**	4,124
	9,349	14,461	**9,106**	14,461
Less non-current portion: Trade receivables	**(1,761)**	(1,761)	**(1,761)**	(1,761)
	7,588	12,700	**7,345**	12,700

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

17 TRADE AND OTHER RECEIVABLES (CONT'D)

(i) **Rs 1,761,000** (2013: Rs 1,761,000) has not moved since last year and 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 8,956,784** (2013: Rs 8,956,784) representing amounts receivable from six off course agents. This amount is set off against the amount payable to Société du Nouveau Moulin L'Inité as the Company intends to realise the asset and settle the liability simultaneously further to the acquisition of HHM by the Company.

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

As of 31 December 2014, trade receivables of **Rs 2,532,701** (2013: Rs 4,316,973) were past due but not impaired. These relate to a number of independent agents for whom there is no recent history of default. The ageing of these trade receivables is as follows:

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Up to 30 days	**772**	1,860	**772**	1,860
Greater than 365 days	**1,761**	2,457	**1,761**	2,457
	2,533	4,317	**2,533**	4,317

As of 31 December 2014, trade receivables of **Rs 5,313,320** (2013: Rs 5,749,000) were past due for more than 365 days and impaired for an amount of **Rs 3,552,583** at 31 December 2014 (2013: Rs 3,292,000). An amount of **Rs 1,760,737** is past due for more than 365 days but not impaired at 31 December 2014 (2013: 2,457,000).

The carrying amounts of the group'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	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
At 01 January	**3,292**	3,292	**3,292**	3,292
Provision for receivables impairment	**261**	-	**261**	-
At 31 December	**3,553**	3,292	**3,553**	3,292

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

FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

18 CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Cash at bank	**2,259**	2,454	1,956	2,454
Bank overdraft	**(14,854)**	(4,207)	(14,854)	(4,207)
Cash and cash equivalents as disclosed in the statement of cash flows	**(12,595)**	(1,753)	(12,898)	(1,753)

The bank overdraft facilities of the company are secured by a floating charge on all the assets of the company (Refer to Note 28).

19 INVENTORIES

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Ticket rolls	**128**	145	**128**	145

The net movement in inventories included as expense amounted to **Rs 17,820** (2013: Rs 41,840).

20 SHARE CAPITAL

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

21 SHARE PREMIUM (CONT'D)

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

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

Pension benefits

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

Group and Company	2014 Rs 000	2013 Rs 000
At 01 January		
As previously reported	**(2,568)**	(2,890)
Total expense as below	**(196)**	404
Actuarial gains / (losses) recognised in OCI	**1,490**	(82)
At 31 December	**(1,274)**	(2,568)

The amounts recognised in profit or loss are as follows:

	2014 Rs 000	2013 Rs 000
Current service cost	**16**	-
Scheme expenses	**-**	-
Cost of insuring risk benefits	**-**	-
Past service cost	**-**	2,486
Effect of settlements	**-**	(2,890)
Service cost / (income)	**16**	(404)
Net Interest Cost	**180**	-
Net pension cost / (income)	**196**	(404)

The actual return on plan assets amounted **Rs 7,406** for the year ended 31 December 2014 (2013: Rs 4,940).

FINANCIAL
STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

22 POST-EMPLOYMENT BENEFITS (CONT'D)

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

	2014 Rs 000	2013 Rs 000
At 01 January	**(2,695)**	(10,395)
Current service cost	**(16)**	-
Interest cost	**(188)**	(10)
Employees' contribution	**-**	-
Past Service Cost	**-**	(2,486)
Effect of curtailments / settlements	**-**	2,890
Actuarial gains / (losses)	**1,491**	(76)
Benefits paid	**-**	-
Transfer to defined contribution plan	**-**	7,382
At 31 December	**(1,408)**	(2,695)
The movement in fair value of plan assets is as follows:		
At 01 January	**127**	7,504
Interest Income	**9**	10
Employer's contribution	**-**	-
Scheme expenses	**-**	-
Cost of insuring risk benefits	**-**	-
Employees' Contribution	**-**	-
Actuarial (losses) / gains	**(2)**	(5)
Benefits paid	**-**	-
Transfer to defined contribution plan	**-**	(7,382)
At 31 December	**134**	127

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

22 POST-EMPLOYMENT BENEFITS (CONT'D)

Plan assets are comprised as follows:

	2014 Rs 000	2014 %	2013 Rs 000	2013 %
Government of Mauritius bonds	**65**	**49**	62	49
Mortgage Loans	**20**	**15**	19	15
Local Deposits	**34**	**25**	32	25
Cash equivalents	**7**	**5**	6	5
Foreign Deposits	**8**	**6**	8	6
Total market value of assets	**134**	**100**	127	100

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

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

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

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

The principal actuarial assumptions used were as follows:

	2014 %	2013 %
Discount rate	**7.0**	7.0
Expected rate of return on plan assets	**7.0**	7.0
Future long-term salary increase	**5.0**	5.0
Future guaranteed pension increase	**0.0**	0.0
Post retirement mortality tables	**a(90)**	a(90)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

22 POST-EMPLOYMENT BENEFITS (CONT'D)

Plan assets

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

	2014	2013
	Rs 000	Rs 000
Balance (deficit) / surplus		
At 31 December:		
Present value of defined benefit obligations	**(1,408)**	(2,695)
Fair value of plan assets	**134**	127
Deficit	**(1,274)**	(2,568)

The Company has not made any contribution to the pension scheme for the year ending 31 December 2014 (2013: nil).

	2010	2011	2012	2013	**2014**
	Rs 000	Rs 000	Rs 000	Rs 000	**Rs 000**
Defined benefit obligations	(7,532)	(11,860)	(10,394)	(2,695)	**(1,408)**
Plan assets	5,930	7,125	7,504	127	**134**
Surplus / (Deficit)	(698)	(3,130)	-	(76)	**(1,274)**
Experience gains / (loss) on plan liabilities	-	-	-	-	**1,491**
Experience gains / (loss) on plan assets	(204)	(228)	-	(5)	**(2)**

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

22 POST-EMPLOYMENT BENEFITS (CONT'D)

Sensitivity analysis

	2014 **Rs 000**	2013 Rs 000
Decrease in Defined Benefit Obligation due to 1% increase in Discount	**413**	492
Increase in Defined Benefit Obligation due to 1% increase in future long-term salary assumption	**619**	624

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 associated 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.

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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

23 DEFERRED TAX LIABILITIES

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
At 01 January 2014	**171**	766	**171**	766
(Over) / under provision in previous year	**(336)**	-	**(336)**	-
Profit or loss charge / (credit)	**68**	(595)	**68**	(595)
Deferred income tax (Note 11)	**(268)**	(595)	**(268)**	(595)
Tax charge relating to re-measurements of post-employment benefits	**253**	-	**253**	-
At 31 December 2014	**156**	171	**156**	171

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

Group & Company	**At 01 January 2014 Rs 000**	**(Over) / under provision in prior year Rs 000**	**Charge / (Credit) to income statement Rs 000**	**Credit to other comprehensive income Rs 000**	**At 31 December 2014**
Accelerated capital allowances	**778**	**53**	**255**	**-**	**1,086**
Provision for bad debts	**(559)**	**-**	**(154)**	**-**	**(713)**
Retirement benefit obligations	**(48)**	**(389)**	**(33)**	**253**	**(217)**
	171	**(336)**	**68**	**253**	**156**

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

23 DEFERRED TAX LIABILITIES (CONT'D)

Group & Company	At 01 January 2013 Rs 000	(Over)/ under provision in prior year Rs 000	Charge/ (Credit) to income statement Rs 000	Credit to other comprehensive income Rs 000	At 31 December 2013
Accelerated capital allowances	1,487	-	(709)	-	778
Provision for bad debts	(559)	-	-	-	(559)
Retirement benefit obligations	(162)	-	114	-	(48)
	766	-	(595)	-	171

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Trade payables and accruals	**27,028**	36,276	**26,741**	36,276
Teletote deposits	**4,292**	4,035	**4,292**	4,035
Unclaimed dividends declared in prior years	**1,245**	1,731	**1,245**	1,731
	32,565	42,042	**32,278**	42,042

25 DIVIDENDS

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Dividend payable				
At 01 January	**10,605**	-	**10,605**	-
Declared during the year - **Rs 2.5** (2013 – Rs 10.0) per share	**8,838**	35,350	**8,838**	35,350
Paid during the year - Rs **7.0** (2013 – Rs 7.0) per share	**(10,605)**	(24,745)	**(10,605)**	(24,745)
At 31 December 2014	**8,838**	10,605	**8,838**	10,605

FINANCIAL
STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

26 CONTINGENT LIABILITIES

Tax claim from the Mauritius Revenue Authority

On the 24th December 2014, the Mauritius Revenue Authority ("MRA") informed the company that discrepancies have been noted in the tax computation relating to "All for All" bets. The MRA is claiming total tax due amounting to Rs 21,571,308 inclusive of penalty and interest payable by the company in respect of race meeting No. 1 of Racing Season 2012 to race meeting No. 43 of Racing Season 2014. The company has disclaimed the liability. No provision in relation to this claim has been recognised in these consolidated financial statements, as legal advice indicates that it is possible but not probable that a significant liability will arise.

Bank Guarantee

At 31 December 2014, 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 2014, the bank guarantees having a maturity date of 31 December 2049 amounted to **Rs 2,500,000** (2013: 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**	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Salaries and other short term employee benefits	**6,437**	7,130	**6,437**	7,130
Post-employment benefits	**191**	563	**191**	563
Total	**6,628**	7,693	**6,628**	7,693

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2014 (CONT'D)

27 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	Group		Company	
	2014	2013	**2014**	2013
	Rs 000	Rs 000	**Rs 000**	Rs 000
Purchase of goods:				
Entity controlled by key management personnel (i)	**173**	85	**173**	85
Purchase of services:				
Entity controlled by key management personnel (i)	**474**	239	**474**	239
Total	**647**	324	**647**	324

(i) As at 31 December 2014, goods and 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 reporting entity respectively.

(c) Year end balances arising from related party transactions

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

At 31 December 2014, an amount of **Rs 8,956,784** (2013: Rs 8,956,784) 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 Nouveau Moulin 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 transactions have occurred between ASL and Société du Nouveau Moulin L'Inité.

28 BANK FACILITIES

The company has floating rate borrowing facilities of **Rs 45 m** (2013: Rs 45 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 **7.50%** per annum (2013: 7.50%).

The Company has drawn **Rs 14,854,057** (2013: Rs 4,207,220) of the above mentioned facility at 31 December 2014.

29 CAPITAL COMMITMENTS

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

30 POST BALANCE SHEET EVENT

The measures announced by the honorable Minister of Finance in the budget of the 23 March 2015 with respect to the increase in annual licence fees and betting taxes for totalisator operators will have a negative impact on the Company's results.

DIRECTORS' PROFILES

ERIC ESPITALIER NOËL
/ CHAIRPERSON /
/ INDEPENDENT DIRECTOR /
Appointed Director in 2004

Chairperson of the Company since July 2004, Eric Espitalier Noël, born in 1959, holds a Bachelor's degree in Social Sciences from the University of Natal in South Africa and a Master degree in Business Administration from the University of Surrey (UK). In 1986, he joined ENL Limited of which he is today an Executive Director. He is currently the CEO of ENL Commercial Ltd. He is also a director of the following listed companies: Rogers & Company Ltd, ENL LAND Limited, ENL Commercial Ltd, ENL Investment Ltd (DEM), ENL Ltd (DEM), Livestock Feed Ltd (DEM) and Les Moulins de la Concorde Ltée (DEM).

JEAN HARDY
/ EXECUTIVE DIRECTOR /
Appointed Director at incorporation in 1991
Appointed Alternate Director to O. Farouk A. 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
/ 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
/ 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 /
/ 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.

DIRECTORS' PROFILES

FAROUK A. HOSSEN
/ INDEPENDENT DIRECTOR /
Appointed Director in 1991

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

GÉRARD PASCAL
/ INDEPENDENT DIRECTOR /
Appointed Director in 1991

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

JOHN STUART
/ 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
/ INDEPENDENT DIRECTOR /
Appointed Director in 2012

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

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

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

With the amalgamation of the Racing Clubs in KwaZulu-Natal he became a Director of Gold Circle (Pty) Limited, the company that operates thoroughbred horseracing and totalisator betting in the province of KwaZulu-Natal in South Africa. In 2001 he was appointed as CEO of Gold Circle, a position he currently holds. Gold Circle employs in excess of 1 600 people and operates two racecourses, two training centers and manages 122 totalisator and 7 fixed odds betting outlets. The company has an annual betting turnover in excess of R1,6 billion.

ARVIND LALL DOOKUN
/ NON-EXECUTIVE DIRECTOR /
Appointed Director in 2013

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

SENIOR MANAGER'S PROFILE

ROBERT AH YAN
/ TOTE AND SPORTS SYSTEMS MANAGER /

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

He joined Hardy Henry & Cie Limitée as Administrative Officer in 1992. He was promoted Assistant Manager in 1995 and as Manager in 2002 when the company was awarded ISO9001. He is the Tote and Sport Systems Manager of Automatic Systems Ltd since 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 has successfully passed the CISA (Certified Information Systems Auditor) June 2013 exams and the CISM (Certified Information Security Manager) June 2014 exams.

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Annual Meeting of Automatic Systems Ltd ('the Company') will be held at the Mauritius Turf Club, Port Louis, on Friday 29 May 2015 at 15:00 to transact the following business as ordinary business:

1 To consider the Annual Report 2014 of the Company.
2 To consider and adopt the audited financial statements of the Company for the year ended 31 December 2014.
3 To receive the report of PriceWaterhouseCoopers, the auditors of the Company.
4-13 To re-elect the following persons who, conformably to the Company's constitution, retire from office at the present meeting, to hold office as Directors of the Company until the next annual meeting (as separate resolutions):
   4 M. A. Eric Espitalier Noel
   5 Ravindra Chetty
   6 M. L. Jean Hardy
   7 Hervé Henry
   8 O. Farouk Hossen
   9 Michel J. L. Nairac
   10 J. D. Gerard Pascal
   11 John A. Stuart
   12 J. O. Guillaume Hardy
   13 Arvind Lall Dookun
14 To note that PricewaterhouseCoopers, having indicated their willingness to continue in office, will be automatically re-appointed as auditors of the Company and to authorise the Board of Directors to fix their remuneration.
15 Shareholders' question time.

24 March 2015

By Order of the Board

Sophie Gellé
Box Office Ltd
Company Secretary

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 28 May 2015 at 15:00

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 2015.

The minutes of the annual meeting held on 13 May 2014 are available for consultation by the shareholders at the Registered Office of the Company.

The minutes of the Annual Meeting to be held on 29 May 2015 shall be available for consultation and comments, at the Registered Office address of the Company one month after the Annual Meeting from 29 June 2015 to 29 July 2015.

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ANNUAL REPORT 2014

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AUTOMATIC SYSTEMS LTD.