AUTOMATIC SYSTEMS LTD.

ANNUAL REPORT 2010

Contents

Financial Highlights

	2010	2009
	Rs M	Rs M
Statement of comprehensive income		
Total Revenue	1,325.4	1,550.0
Government Tax	111.9	114.3
Operating Profit	25.5	35.5
Profit before taxation	27.6	37.6
Taxation	4.9	6.0
Profit for the year	22.7	31.6
	Rs	Rs
Financial Ratios		
Earnings per share	6.42	8.93
Dividend per share	6.50	9.00
Share price (at 31 Dec)	120.00	127.00

Company Information

EXECUTIVE DIRECTORS

M. L. Jean Hardy
Hervé Henry

Non-executive Directors

M. A. Eric Espitalier-Noël (Chairperson)
David R. H. Attenborough (resigned on 01 March 2010)
Ravindra Chetty
Jowaheer Lall Dookun
Antoine L. Harel
Charles P. L. Harel
O. Farouk A. Hossen
J. D. Gérard Pascal
L. J. Michel Rivalland, G.O.S.K
John A. Stuart
Willem Adrian Du Plessis

ALTERNATE DIRECTORS

Peter R. Benton - Alternate to David R. H. Attenborough and John A. Stuart (resigned on 1 March 2010)
Arvind Lall Dookun - Alternate to Jowaheer Lall Dookun
M. L. Jean Hardy - Alternate to Hervé Henry and O. Farouk A. Hossen
Antoine L. Harel – Alternate to L. J. Michel Rivalland, G.O.S.K and Charles P. Harel

ADMINISTRATOR & SECRETARY

Abax Corporate Administrators Ltd
6th Floor, Tower A, 1 CyberCity Ebene

REGISTRAR AND TRANSFER OFFICE

Abax Corporate Administrators Ltd
6th Floor, Tower A, 1 CyberCity Ebène

AUDITOR

PricewaterhouseCoopers
18 CyberCity, Ebène

REGISTERED OFFICE

Abax Corporate Administrators Ltd
6th Floor, Tower A, 1 CyberCity Ebène

Notice of Annual Meeting

AUTOMATIC SYSTEMS LTD.

Notice is hereby given that the annual meeting of AUTOMATIC SYSTEMS LTD. ("the Company") will be held at the Mauritius Turf Club, Port-Louis on Friday 13 May 2011 at 2:30 p.m. to transact the following business:-

And as ordinary business:

1. To receive and adopt the annual report and financial statements of the Company for the year ended 31 December 2010 and the report of the auditor thereon

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

3-13. To re-elect the following persons as directors of the Company to hold of ce until the next annual meeting (as separate resolutions):

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

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

Dated this 28th day of February 2011

BY ORDER OF THE BOARD
ABAX CORPORATE ADMINISTRATORS LTD
SECRETARY

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

- Proxy forms should be delivered at the Registered Of ce, c/o Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1 CyberCity, Ebène on Thursday 12 May 2011 at 2:30 p.m. at latest.

- The minutes of the annual meeting held on 14 May 2010 are available for consultation by the shareholders at the Registered Of ce of the Company.

- The minutes of the annual meeting to be held on 13 May 2011 shall be available for consultation and comments at the Registered Of ce address of the Company one month after the annual meeting from 15 to 22 June 2011.

Annual Report

The Directors of Automatic Systems Ltd (ASL) have pleasure in presenting the company's twentieth annual report and the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITY

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

ASL runs its activities under two brand names: 'Supertote' for betting on horse racing and 'Superscore' for football betting.

REVIEW OF THE BUSINESS AND FINANCIAL STATEMENTS

Profit for the year declined from Rs 31.6 million in 2009 to Rs 22.7 million, while earnings per share amounted to Rs 6.42 in 2010 compared to Rs 8.93 in 2009. A total dividend of Rs 22,977,500 (Rs 6.50 per share) was declared in 2010, compared to Rs 31,815,000 in 2009 (Rs 9.00 per share).

HORSE RACING

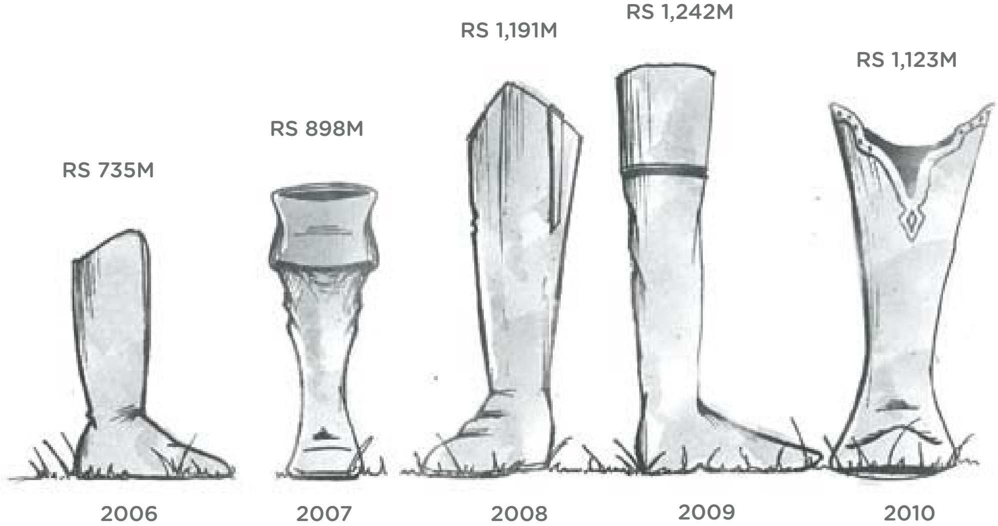
The horse-racing industry is encountering ever-growing competition from other forms of gambling, in particular the Loto, but also, amongst others, from football fixed-odds betting, casinos and scratch cards. The existence of two Tote companies splits the pools in exotic bets, making them less attractive compared to the Loto, which offers a larger and guaranteed pool. Accordingly, revenue from exotic pools decreased by 17% compared to the previous year. As horse-racing is seasonal, there is a tendency for punters to shift to other products, such as the Loto, casinos and football betting, which are offered throughout the year – punters enjoy the regularity of a weekly f utter.

The overall impact of the above is that, there has been a significant slump in gambling revenue in 2010, not only on the Tote companies but on all other forms of horse-racing betting. Supertote's revenue for 2010 amounted to Rs 1,123 million, representing a decrease of 9% compared to the previous year. Similarly, Teletote and 'off-course' betting decreased by 19% and 5% respectively. Even though there were two additional meetings, on-course revenue also fell by 8.6% compared with 2009. The average revenue per meeting has dropped from Rs 35.4 million in 2009 to Rs 30.4 million in 2010, a decrease of 14%.

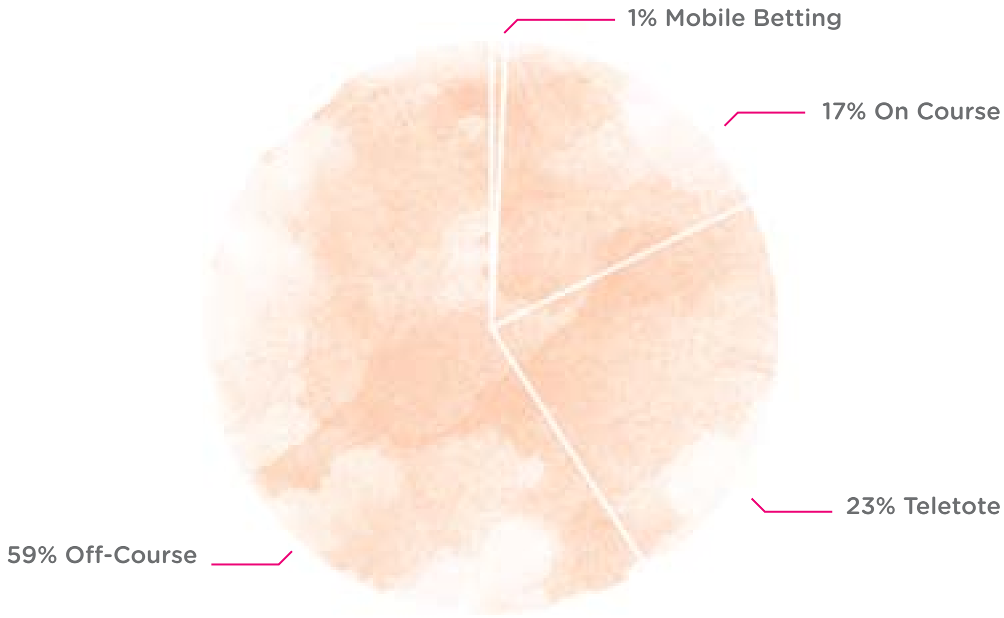
The decrease in Supertote's revenue is essentially due to the sheer scale of the competition from the Loto, as another form of pooled betting, as well as the Loto's scratch cards, with its 550 selling points around the island. Supertote has only been authorised to run 24 outlets. In addition, the live racing programme, Racing Focus was not broadcast in 2010 and there was a ban on advertising by all gambling operators except the Loto from 6 a.m. to 8 p.m.

The leisure rupee being spent on any form of gambling is increasingly being spread across a range of betting options. Because of the importance of the horse-racing industry in leisure, tourism and employment, we believe that more needs to be done to support the industry.

HORSE-RACING REVENUE



HORSE-RACING REVENUE DISTRIBUTION

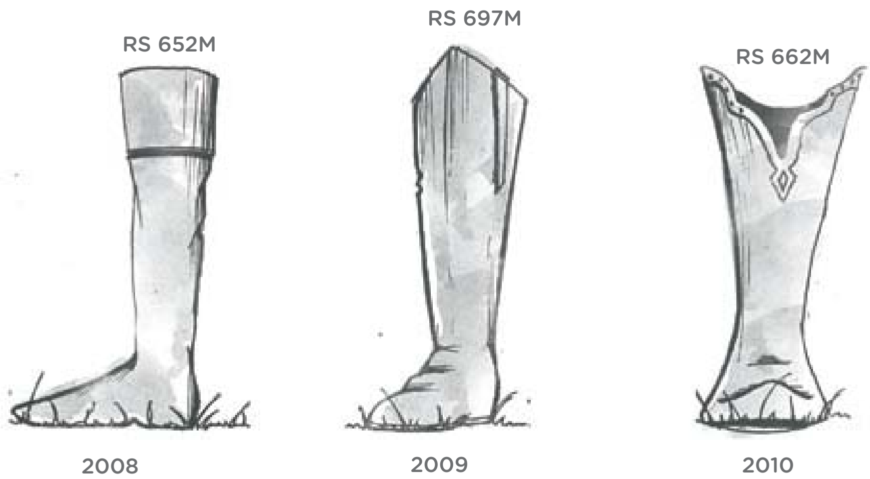


OFF-COURSE BETTING

Revenue from 'off-course' betting amounted to Rs 662.3 million, a decrease of 5% compared to 2009. This was mainly due to the impact which the Loto and fixed-odds football betting have had on other gambling activity, coupled with an advertising ban during peak broadcasting hours on all gambling operators other than the Loto.

We regularly upgrade our outlets for the comfort of our punters. This year, given the drastic curtailment on the live broadcasting of local horse races on TV, LCD screens were installed in eight outlets so that punters could better enjoy watching horse racing live. Supertote is planning to install LCD screens in all outlets by the start of the 2011 horse-racing season.

OFF-COURSE REVENUE 2010



TELETOTE

Teletote revenue amounted to Rs 261.7 million in 2010, a decrease of 19% compared to 2009, mainly due to the negative impact which the Loto and the partial radio and television ban on gambling advertising have had on horse-racing betting. In addition, the absence of the Racing Focus programme from television had a particularly adverse impact on Teletote's revenue, as Teletote account holders rely on this non-stop broadcast from Champ de Mars to obtain valuable information and follow the races.

878,518 calls were received in 2010, representing a drop of 12%. The number of bets handled also fell from 2,013,017 to 1,709,138, a decrease of 15%. The average amount staked per bet in 2010 was Rs 153, compared to Rs 160 in 2009. The number of new Teletote accounts opened also decreased by 43%, totalling 951 in 2010. The peaks in the opening of new Teletote accounts reached in previous years coincided with the opening of new off-course outlets.

Teletote Accounts					
Year	2006	2007	2008	2009	2010
Number	18,908	20,833	23,070	25,518	26,469

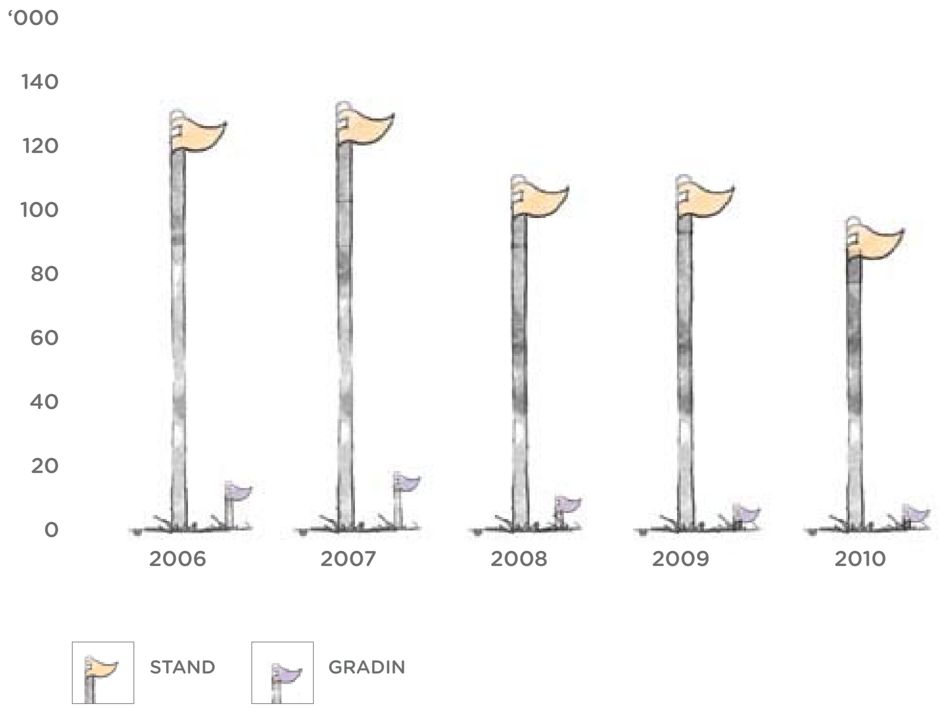
MOBILE BETTING

In 2010 revenue from mobile betting fell by 47% to Rs 6.8 million. This was mainly due to the fact that the use of mobile betting has been hampered by the available technology. The system was down for three race meetings due to technical problems. Its performance was also impeded by the use of an XL browser application which has to be downloaded on to a mobile phone in order to bet. Added to this, a new build has to be developed for every new phone launched on the market. This clearly reduced ASL's ability to attract new customers and a simplified system to make mobile betting more accessible is currently being developed.

ON-COURSE BETTING

Even though there were two additional meetings, 'on-course' revenue decreased by 8.6% to Rs 192.1 million. This can be mainly attributed to the fact that the average attendance per meeting decreased by 16%.

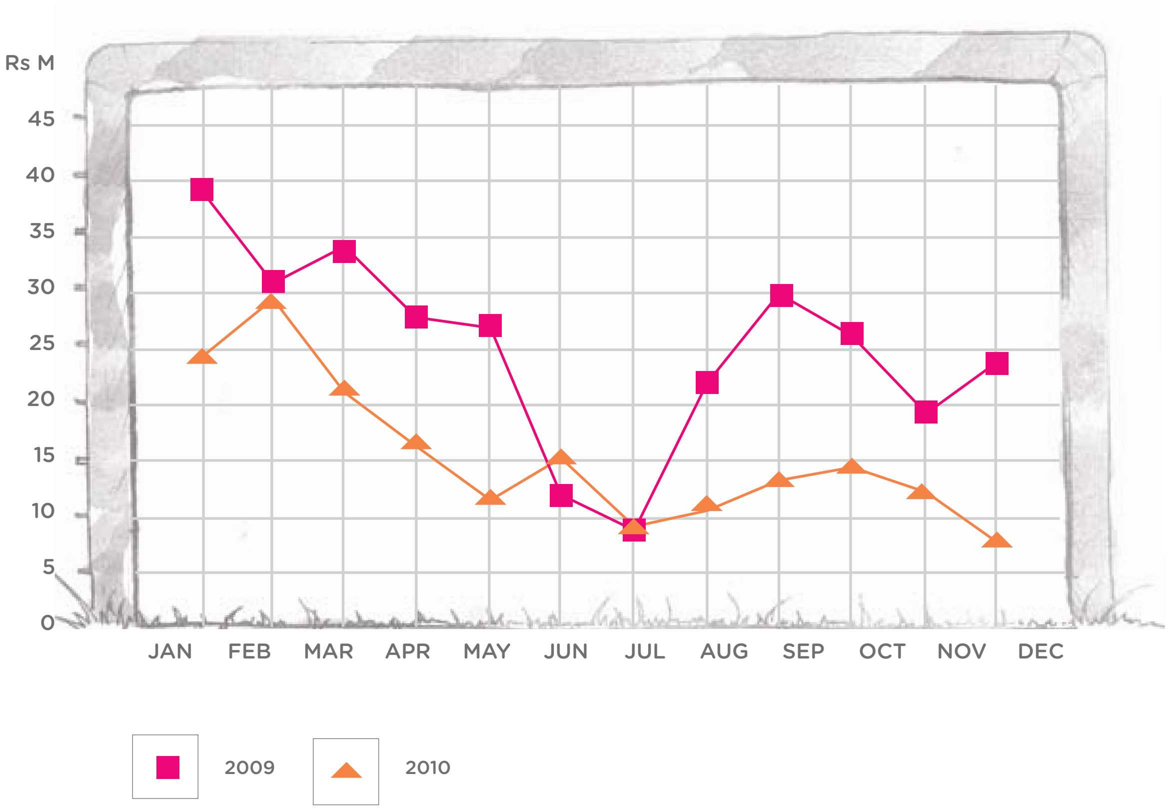
RACE COURSE ATTENDANCE



FOOTBALL

The revenue on fixed-odds betting on football amounted to Rs 187 million in 2010, a decrease of 38% compared to the previous year. The revenue from our football operation has been well below expectations, despite the Football World Cup held in June 2010. Competition in the sector is fierce with 10 licensed operators, each trying to offer better odds to attract punters. The introduction of the Loto and other products such as scratch cards in November 2009 accelerated the downward trend in football betting revenue.

FOOTBALL REVENUE



ADVERTISING

SUPERTOTE

Supertote maintained its position of market leader in 2010, despite the non-renewal of the contract for Supertote's Racing Focus programme with the MBC and the radio and television advertising ban between 6 a.m. and 8 p.m. for all operators except the Loto.

The main medium used by Supertote in 2010 to communicate regularly with punters therefore was the press and specialised magazines.

ASL and other operators complained to the Gambling Regulatory Authority (GRA) and the Competition Commission about the unfair disadvantage under which they operate compared to the Loto. The GRA replied that the Loto organisers have a legal obligation to promote the Loto, whilst the Competition Commission advised that they have no jurisdiction where a government policy decision exists.

In the prevailing circumstances, it was even more important to focus on ASL's positioning as a form of sporting entertainment, "Mizé pou amizé". The new campaign, with new visuals, added a fresh approach to this, while still focusing on betting. Cost-effective sponsorship packages were negotiated with media partners, in order to maintain a presence in the media throughout the year and a small on-line campaign was run for a period of six months. However, a major campaign was initiated for the Supertote Golden Trophy, running for a week, mainly in the press and on billboards island-wide. The campaign also covered the Red Ribbon Trophy, and in support of the various campaigns, posters were placed in "off-course" agencies.

SUPERSCORE

The aim with Superscore was to continue building its brand image, despite a reduced advertising budget. Inevitably, there was a big gap in media penetration as a result of television and radio restrictions.

However, advertising packages and sponsorship in football magazines throughout the football season helped to improve brand awareness.

During the Football World Cup 2010 in June/July, Superscore's position was strengthened by a high-impact campaign in the press, on billboards and on television during matches broadcast after 8 p.m.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

ASL focuses its CSR activities on education, social exclusion, and the promotion of sporting activities, particularly in the neighbourhood of our centre of operations, Port Louis, and its surroundings.

In collaboration with PILS, ASL once again sponsored the Supertote Red Ribbon Trophy on Supertote Race Day. Rs 125,000 was donated to PILS to support the NGO's battle against HIV and AIDS. PILS used Supertote Race Day to educate people about AIDS and also offered free HIV tests at the racecourse.

Rs 130,500 was donated to the *Mouvement Civique*, an NGO involved in social work in Tombeau Bay. Since 2002, its main activity has been the running of a school for the rehabilitation of street children, *L'Ecole de la Vie*.

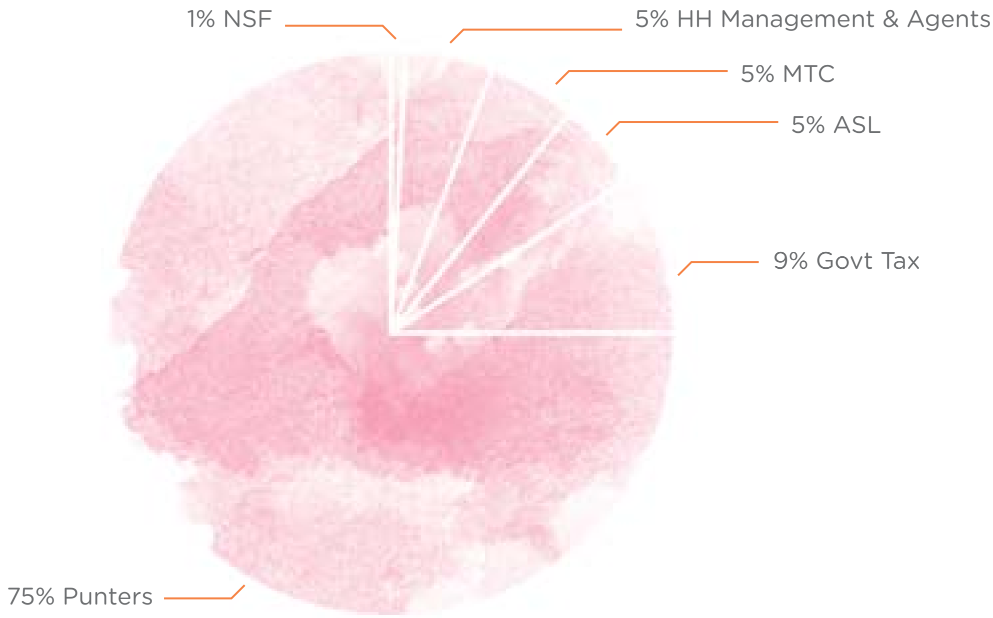
ASL is keen to encourage young people to take part in sporting activities and in the year under review donated Rs 100,000 to *La Fondation pour la formation au football*. This registered NGO has recently been set up as a national project to develop football in Mauritius and introduce a more professional approach.

Rs 150,000 was donated to the Century Welfare Association for the renovation of the Mamade Elahee Stadium in Cité Martial.

ASL also donated Rs 50,000 to the Dr Idrice Goomany Centre, an NGO responsible for the prevention and treatment of alcoholism and drug addiction in the region of Plaine Verte. Drug and alcohol abuse are two of the main social problems in Mauritius.

Rs 50,000 was donated to Caritas, an international NGO dedicated to reducing poverty and campaigning for social justice.

SHARING OF HORSE-RACING REVENUE



SPONSORSHIP

As ASL's main sources of revenue come from horse-racing, the company believes it should participate in the promotion of the horse-racing industry in Mauritius. As in previous years, ASL was once again the Racing industry's most active sponsor. The company sponsored the *Supertote Golden Trophy*, which has now been promoted as a Group 2 race, and five other races: the *Supertote 20th Anniversary Cup*, the *Teletote Trophy*, the *Off-Course Trophy*, the *Supertote Red Ribbon Trophy* and the *Supertote Mobile Betting Trophy*. The 2010 Supertote Day marked Supertote's 20th season of offering Tote bets and was very successful, with an array of gifts offered to customers at the Champ de Mars and in Supertote's 'off-course' outlets. Entertainment was also organised in the children's play area at the Champ de Mars, with pony rides, face painting, clowns and the distribution of gifts to the youngsters.

Hughes Maigrot, the Stable Manager of Teamog, the winner of the *Supertote Golden Trophy*, was given an additional prize of Rs 100,000.

During the International Jockeys weekend, ASL sponsored the *Supertote International Trophy*, won by Pattaya Beach and ridden by French Jockey Stephane Pasquier.

Moreover, the on-line tipping challenge organised by the MTC on its website was sponsored by Supertote.

The company was also the sponsor of a racing day before the start of the Football World Cup. Superscore was the main partner and the feature race was the *Superscore Noble Salute Trophy*. The Superscore brand was promoted throughout the day.

Finally, with the aim of promoting equestrian sports, ASL sponsored various events held at the *Club Hippique de Maurice*.

OUTLOOK

Horse-racing is facing strong competition from the comparatively recent introduction of the Loto and football betting, which are offered all year round.

In the 2011 National Budget, the tax on football betting increased from 8 to 10%. There was also a tax increase of 8% to 10% on straight bets on horse-racing, and an increase of 10% to 12% on exotic horse-racing bets. ASL will also have to pay VAT on commission paid to the MTC and on management fees paid to its service providers.

On the other hand, the Mauritius Turf Club has obtained permission to hold 38 race meetings in 2011 and an agreement has been reached with the MBC to reintroduce Racing Focus on TNT from noon to 5 p.m. on race days.

Discussions with Globalsports Ltd. (Tote Lepep) in order to combine Tote pools before the start of the 2011 racing season have progressed and are expected to attain a positive outcome subject to GRA approval. ASL firmly believes that the combination of pools will lead to a much bigger pool with the possibility of higher dividends being more attractive to Tote punters.

Commingling of pools with foreign totalisator organisers on Mauritian races was legalised in March 2010. This means that foreign Tote operators will be able to commingle into the Mauritian pool. The objective this year is to commingle with Phumelela Gold Enterprises (PGE) in South Africa, which already offers Tote betting on Mauritian races.

All tests for commingling have already been effected successfully and ASL is therefore ready to start commingling with PGE and eventually with other foreign operators, subject to the prior approval of the GRA.

Although the new tax measures mentioned above are detrimental to both ASL and the horse-racing industry as a whole, ASL is confident that the potential new opportunities can contribute to mitigating the adverse financial impact of the tax changes on its operations.

Corporate Governance

The Directors, in line with previous years, are committed to maintaining and improving on good corporate governance, in accordance with best practices prevailing in similar businesses.
The directors report as follows:

LAW

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

ETHICS

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

RELATIONSHIP WITH AUTHORITIES AND THIRD PARTIES

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

AVOIDANCE OF CONFLICT

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

DEALING IN SHARES OF THE COMPANY

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

SHAREHOLDERS

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

RISKS' ASSESSMENT

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

EMPLOYEES

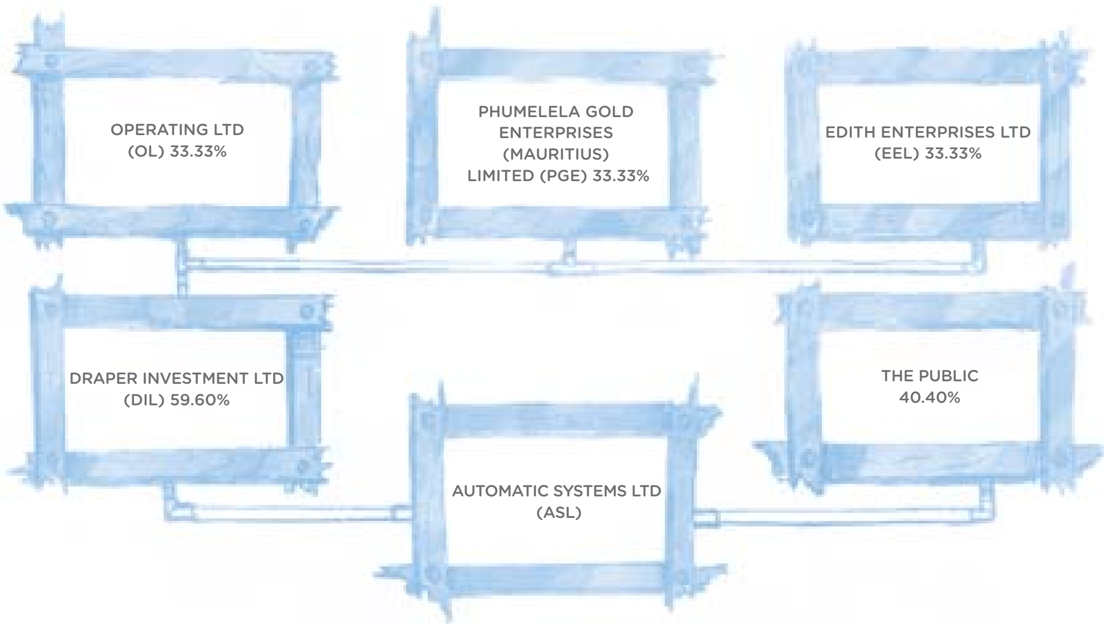
The Company has no employees. As from 31 March 2007, HH Management Ltd employs all staff involved in ASL operations. Please refer to the section on Contract of Significance with Directors on page 26 for more information.

ENVIRONMENTAL AND SOCIAL POLICIES

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

CASCADE HOLDING STRUCTURE

ASL is a listed company owned as follows:



MAJOR SHAREHOLDERS

On 31 December 2010, the following shareholders held directly and indirectly more than 5% of the ordinary share capital of the Company.

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

M. A. ERIC ESPITALIER-NOËL (CHAIRPERSON)
Appointed Director in 2004

Chairperson of the Company since July 2004, Eric Espitalier-Noël, born in 1959, holds a Bachelor's degree in Social Sciences from the University of Natal in South Africa and a Masters degree in Business Administration from the University of Surrey (UK). He started his career in the Audit Department of De Chazal du Mee. In 1986 he joined ENL Limited of which he is today an executive director. He is currently the CEO of ENL Commercial Ltd. He is also a director of the following listed companies: Rogers & Company Ltd, The Savannah Sugar Estates Co. Limited, ENL Commercial Ltd, ENL Investment Ltd (DEM), ENL Ltd (DEM), Livestock Feed Ltd (DEM) and Les Moulins de la Concorde Ltee (DEM).

RAVINDRA CHETTY S.C.
Appointed Director in 1997

Ravindra Chetty, born in 1962, read Law at Balliol College, Oxford University. He was called to the bar of the Middle Temple (England), and also in Mauritius, in 1987. Since then he practises as a barrister at law in Mauritius. His practice involves various areas such as civil, commercial, tax and insurance law. He is also a lecturer and member of the Board of Examiners at the Council of Legal Education. He was the president of the Mauritius Bar Association in 2005. He took silk in 2010. He also acts as legal advisor to various Funds. He was the President of the Mauritius Football Association from 1996 to 2002.

JOWAHEER LALL DOOKUN
Appointed Director in 2002

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

ARVIND LALL DOOKUN
Appointed Alternate Director to Jowaheer Lall Dookun in 2003

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

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

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

ANTOINE L. HAREL
Appointed Director in 2000

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

CHARLES P. L. HAREL
Appointed Director on 27 March 2007

Charles Harel, born in 1967, holds a National Diploma in Management and Finance from the Cape Technikon, South Africa, as well as an MBA from the University of Birmingham, United Kingdom. In 1995, he joined the Harel Mallac Group where he now holds the position of Managing Director of the Property and Business Development Arm. He is a director of the following listed companies: Compagnie des Magasins Populaires Ltée, Harel Mallac & Co Ltd and Mauritius Chemical & Fertilizer Industry Ltd.

HERVE HENRY
Appointed Director at incorporation in 1991

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

O. FAROUK A. HOSSEN
Appointed Director in 1991

Farouk Hossen, born in 1945, is a Fellow of the Association of British Opticians and holds a Masters for practice in contact lenses. He practised the profession in England for three years before settling in Mauritius, where he has been practising as an optician since 1972, founding F. Hossen Opticians Ltd, F. Hossen Optical Manufacture Ltd and F. Hossen Medic Optics Ltd. He is a director of a number of companies. He had the opportunity to sit on the board of The State Bank of Mauritius for two years. He is a director of the following listed companies: British American Investment Co (Mtius) Ltd, The Mauritius Leasing Company Limited and Bramer Banking Cooperation Ltd.

J. D. GERARD PASCAL
Appointed Director in 1991

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

L. J. MICHEL RIVALLAND, G.O.S.K
Appointed Director in 2008

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

JOHN A. STUART
Appointed Director in 2008

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

WILLEM ADRIAAN DU PLESSIS
Appointed Director in 2010

Willem Adriaan Du Plessis, born in 1960, holds a B Acc degree from the University of Stellenbosch (1982), a Certificate in the Theory of Accountancy from the University of Cape Town (1984) and a Higher Diploma in Tax Law from the University of Witwatersrand (1988). He qualified as a Chartered Accountant (South Africa) in 1985. He has been the Group Chief Executive Of cer of Phumelela Gaming and Leisure Ltd since July 2008.

DIRECTORS

The table below shows the directors of the Company, their attendances at meetings and their remuneration during the year 2010. It also shows their direct and indirect interests in the share capital of the Company as at 31 December 2010.

Name	Category	Directorships in related companies				Interest in shares as at 31 Dec 2010			Attendance at meetings during 2010			Remuneration
		DIL	OL	EEL	Phumelela	Direct		Indirect	Board 5	Audit Committee 4	Corporate Governance Committee 1	During 2010 (Rs)
						No of shares	% holding	% holding				
M. A. Eric Espitalier-Noël	Non-executive/Independent					-	-	-	5/5		1/1	155,000
Ravindra Chetty	Non-executive/Independent					100	0.003	-	3/5		1/1	65,000
Jowaheer Lall Dookun	Non-executive/Independent					-	-	0.531	5/5		1/1	85,000
M. L. Jean Hardy	Executive	*	*			8,000	0.226	0.162	5/5			77,500
Antoine L. Harel	Non-executive	*		*		-	-	0.896	4/5	3/4		87,500
Charles P. L. Harel	Non-executive	*		*		-	-	0.896	3/5		1/1	60,000
Hervé Henry	Executive	*	*			-	-	0.566	5/5			77,500
O. Farouk A. Hossen	Non-executive/Independent					22,049	0.624	0.006	5/5	4/4		107,500
J. D. Gérard Pascal	Non-executive/Independent					1,319	0.037	0.117	4/5	4/4		115,000
L. J. Michel Rivalland, G.O.S.K	Non-executive			*		-	-	-	4/5			65,000
John A. Stuart	Non-executive	*			*	-	-	-	2/5			40,000
Willem Adriaan Du Plessis	Non-executive	*	1	2	*	-	-	-	0/5			15,000
Arvind Lall Dookun Alternate to Jowaheer Lall Dookun	Non-executive/Independent					3,100	0.088	0.053	0/5			-

Beneficial interest only – no non-beneficial interest

COMMON DIRECTORSHIPS OF ASL HOLDING STRUCTURE

Please refer to the table regarding directors on page 25.

DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

Please refer to the table regarding directors on page 25.

DIRECTORS' DEALING IN SHARES

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

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

SHAREHOLDERS' AGREEMENT

The Company does not have a Shareholders' Agreement.

CONTRACT OF SIGNIFICANCE WITH DIRECTORS

ASL has a Management Service Agreement with HH Management Ltd.

REMUNERATION POLICY

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

DIRECTORS' ATTENDANCE AT MEETINGS HELD IN 2010

Please refer to the table regarding directors on page 25.

BOARD AND COMMITTEES

As at 31 December 2010 the Board consisted of 13 directors (2 Executive, 5 Non-Executive and 6 Non-Executive/Independent (see table on page 25) and met five times during the year. The functions and responsibilities of the chairperson and the chief executive are separate.

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

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

The Board is composed of 13 directors with complementary skills and proven track records in various fields of competence. The Board promotes and encourages open and frank discussions to which all directors actively and positively contribute. A board evaluation questionnaire has been established which will be circulated to the directors. The feedback obtained therefrom will be used to maintain and improve the effectiveness of the Board.

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

CORPORATE GOVERNANCE COMMITTEE

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

The Committee has the following objectives:

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

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee consists of J. D. Gerard Pascal (Chairperson), Antoine L. Harel and O. Farook Hossen, and met four times during the year. The Audit and Risk Committee assists the Board in overseeing:

- The quality and integrity of the financial statements and public announcements related thereto;

- The Company's compliance with legal and regulatory requirements
- The scope and effectiveness of the external audit function as well as the qualifications, experience and independence of the external auditors
- The adequacy of the system of internal controls and practices as well as compliance with ethical standards
- The policies and procedures established to minimise risks of money laundering through the Tote system
- The integrity and effectiveness of the automated system managing the bets on Supertote
- The adequacy of the insurance cover subscribed to by the Company.

The Audit and Risk Committee met four times during the year.

INTERNAL CONTROL

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

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

RISK MANAGEMENT

The Board is responsible for the overall management of risks.

Inherent risks can be classified as follows:

- Market
- Managerial
- Operational
- Other risks.

MARKET

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

MANAGERIAL

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

OPERATIONAL

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

OTHER RISKS

Other risks relate to the reputation of the Company and physical disasters and accidents. The Board of the Company ensures that the Company is ethical and fair to the horse-racing industry, to the punters who are the clients of the Company and to the Government which establishes the rules of operation through the Gambling Regulatory Authority.

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

SHARE OPTION PLAN

The Company has no share option plan.

DIVIDEND POLICY

The Company has no formal dividend policy. The payment of dividend is subject to the performance of the Company, its cash f ow and its capital expenditure requirements. The dividend payable for the financial year is decided upon and declared by the Board.

CORPORATE SOCIAL RESPONSIBILITY

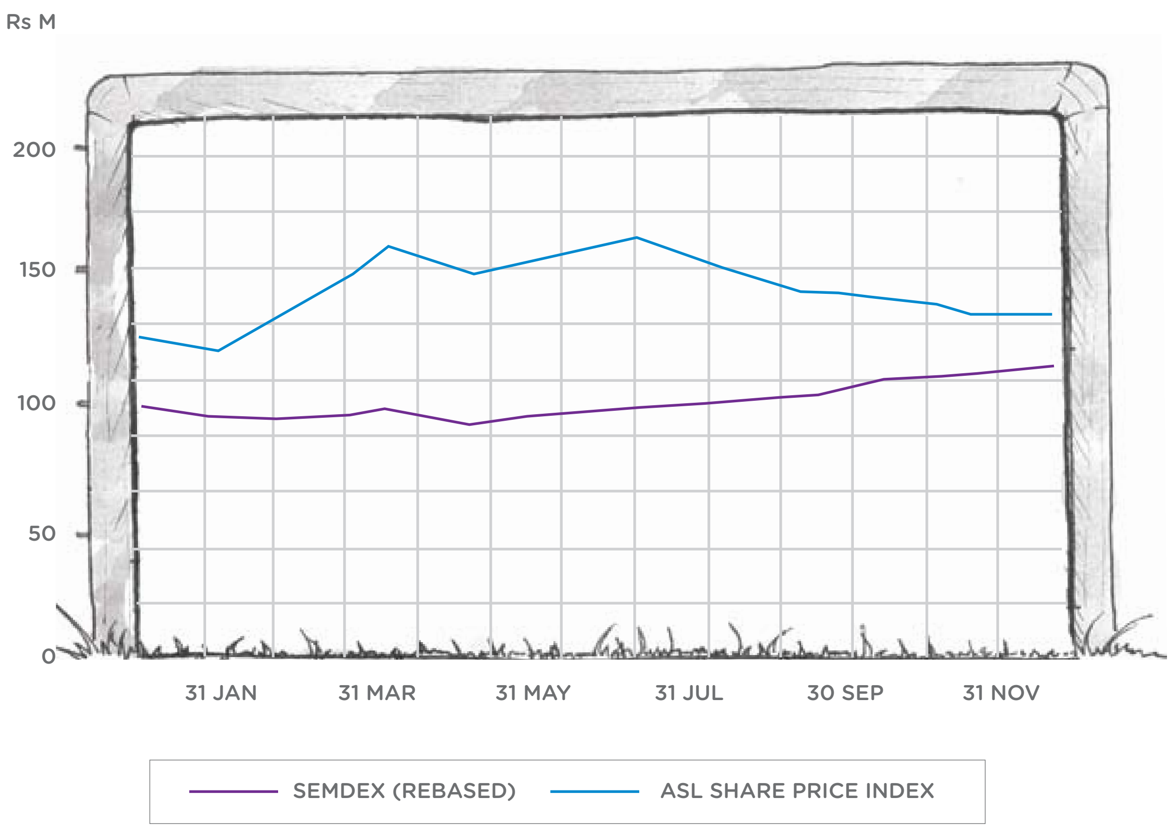
The Company has been engaged in CSR activities, details of which are set out on page 16

IMPORTANT EVENTS

The Calendar for the year ending 31 December 2011 is as follows:

	EVENTS	DATES
1	Payment of dividend (declared in December 2010)	January
2	Publication of Annual Report 2010	April
3	Annual Meeting	May
4	Publication of quarterly financial reports	May, August & November
5	Declaration of dividend (2011)	August and December

SHARE PRICE INFORMATION



STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

DONATIONS

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

FEES PAID TO AUDITORS

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

	2010 **MUR**	2009 MUR
Audit fees	**430,000**	410,000
Non-Audit (tax fees)	**72,000**	67,500

AUDITOR

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

Approved by the Board of Directors on 28 February 2011 and signed on its behalf by:

M. A. Eric Espitalier-Noël
Chairperson

M. L. Jean Hardy
Director

Secretary's Report

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

We confirm that, based on records and information made available to us by the directors and shareholders of the Company, the Company has filed with the Registrar of Companies, for the financial year ended 31 December 2010, all such returns as are required of the Company under the Mauritian Companies Act 2001.

Abax Corporate Administrators Ltd
Corporate Secretary

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AUTOMATIC SYSTEMS LTD

Report on the Financial Statements

We have audited the financial statements of Automatic Systems Ltd (the "Company") on pages 34 to 54 which comprise the statement of financial position at 31 December 2010 and the statements of income, comprehensive income, changes in equity and cash f ows 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 necessary to enable the preparation of financial statements that are free from material misstatements, 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 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 suf cient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 34 to 54 give a true and fair view of the financial position of the Company at 31 December 2010 and of its financial performance and its cash f ows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001.

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

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

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

(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 on pages 20 to 29 and making the disclosures required by Section 8.4 of the Code of Corporate Governance of Mauritius ("Code"). The Financial Reporting Act 2004 requires us to report on these disclosures, where the directors disclose the extent of compliance with the Code.

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

Other Matters

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
Shyam Mohadeb
Licensed auditor

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

		2010	2009
		Rs 000	Rs 000
Revenue		**1,325,487**	1,550,051
Cost of sales (Note 4)		**(1,135,205)**	(1,330,371)
GROSS PROFIT		**190,282**	219,680
Selling expenses		**(42,062)**	(47,114)
Operating expenses		**(66,624)**	(73,310)
Payments to The Mauritius Turf Club		**(56,141)**	(63,734)
OPERATING PROFIT (Note 5)		**25,455**	35,522
Finance income		**2,147**	2,082
Finance costs		**(28)**	(8)
Finance income - net (Note 6)		**2,119**	2,074
PROFIT BEFORE TAXATION		**27,574**	37,596
Taxation (Note 7)		**(4,864)**	(6,038)
PROFIT FOR THE YEAR		**22,710**	31,558
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**22,710**	31,558
BASIC AND DILUTED EARNINGS PER SHARE (Note 8)	Rs	**6.42**	8.93

The notes on pages 38 to 54 form an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2010

	2010 Rs 000	2009 Rs 000
ASSETS		
Non-current assets		
Plant and equipment (Note 9)	**27,130**	34,797
Available-for-sale financial assets (Note 10)	**104**	104
	27,234	34,901
Current assets		
Receivables and prepayments (Note 11)	**678**	919
Cash and cash equivalents (Note 12)	**32,126**	31,166
	32,804	32,085
Total assets	**60,038**	66,986
EQUITY		
Share capital (Note 13)	**24,745**	24,745
Share premium (Note 14)	**1,168**	1,168
Retained earnings	**6,124**	6,392
Total equity	**32,037**	32,305
LIABILITIES		
Non-current liabilities		
Deferred income tax liability (Note 15)	**2,855**	3,417
Current liabilities		
Trade and other payables (Note 16)	**23,164**	26,703
Current income tax liability (Note 7)	**1,982**	4,561
	25,146	31,264
Total liabilities	**28,001**	34,681
Total equity and liabilities	**60,038**	66,986

Authorised for issue by the Board of directors on 28 February 2011 and signed on its behalf by:

M. A. Eric Espitalier-Noël
Director

M. L. Jean Hardy
Director

The notes on pages 38 to 54 form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital	Share premium	Retained earnings	Total equity
	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January 2009	24,745	1,168	6,649	32,562
Prof t and total comprehensive income for the year	-	-	31,558	31,558
Transaction with owners				
Dividends (Note 17)	-	-	(31,815)	(31,815)
Total transaction with owners	-	-	(31,815)	(31,815)
At 31 December 2009	24,745	1,168	6,392	32,305
Prof t and total comprehensive income for the year	-	-	22,710	22,710
Transaction with owners				
Dividends (Note 17)	-	-	(22,978)	(22,978)
Total transactions with owners	-	-	(22,978)	(22,978)
At 31 December 2010	24,745	1,168	6,124	32,037

The notes on pages 38 to 54 form an integral part of the financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	Rs 000	Rs 000
Cash flows from operating activities		
Profit before taxation	**27,574**	37,596
Adjustments for:		
Depreciation of plant and equipment (Note 9)	**9,631**	10,328
Loss/(profit) on disposal of plant and equipment	**39**	(6)
Dividend income	**(88)**	(82)
Interest income	**(2,059)**	(2,000)
Interest expense	**28**	8
Working capital changes		
Decrease in receivables and prepayments	**241**	2,937
(Decrease)/increase in trade and other payables	**(934)**	1,912
Cash generated from operations	**34,432**	50,693
Interest received	**2,059**	2,000
Income tax paid (Note 7)	**(7,366)**	(5,175)
Corporate Social Responsibility contribution paid (Note 7)	**(639)**	(212)
Interest paid	**(28)**	(8)
Net cash from operating activities	**28,458**	47,298
Cash flows from investing activities		
Payments for purchase of plant and equipment (Note 9)	**(2,841)**	(5,204)
Proceeds from disposal of plant and equipment	**-**	116
Dividends received	**88**	82
Net cash used in investing activities	**(2,753)**	(5,006)
Cash flows from financing activities		
Dividends paid (Note 17)	**(24,745)**	(42,420)
Net cash used in f nancing activities	**(24,745)**	(42,420)
Net increase/(decrease) in cash and cash equivalents	**960**	(128)
Cash and cash equivalents at beginning of year	**31,166**	31,294
Cash and cash equivalents at end of year (Note 12)	**32,126**	31,166

The notes on pages 38 to 54 form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The financial statements of Automatic Systems Ltd. (the "Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Company's accounting policies. The area which involves a higher degree of judgement in the financial statements is the depreciation charge for the year, which is calculated on the basis of the depreciation rates set out in the accounting policy note on Plant and Equipment, on page 35. The depreciation rates have been estimated according to the respective plant and equipments' useful lives and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Changes in accounting policy and disclosures

(a) New and amended standards effective in 2010

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 01 January 2010 but are not currently relevant to the Company (although they may affect the accounting for future transactions and events):

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Changes in accounting policy and disclosures (cont'd)

(a) New and amended standards effective in 2010 (cont'd)

IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, ' Operating segments'(that is, before the aggregation of segments with similar economic characteristics).

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

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

Management has considered interpretations to existing standards that have been published and that are mandatory for accounting periods beginning on or after 01 January 2011 but these are not relevant to the Company's operations.

At the reporting date of these financial statements, the following were in issue but not yet effective:

Amendment to IFRS 1, Limited Exemption from Comparatives IFRS 7 Disclosures for First-time Adopters (effective July 1, 2010)

Amendment to IAS 32, Classification of Rights Issues (effective February 1, 2010)

Amendments to IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective July 1, 2010)

Amendments to IFRIC 14, Prepayments of a Minimum Funding Requirement (effective January 1, 2011)

Amendments to IAS 24, Related Party Disclosures (Revised 2009) (effective January 1, 2011)

IFRS 9 Financial Instruments - Part 1, Classification and measurement of financial assets and Part 2, Financial Liabilities and Derecognition of Financial Instruments (effective January 1, 2013)

IFRS 7 Amendments to IFRS 7 disclosures (effective July 1, 2011)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Changes in accounting policy and disclosures (cont'd)

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

Improvements to IFRSs (issued 6 May 2010)
IFRS 1 First-time Adoption of International Financial Reporting Standards
IFRS 3 Business Combinations
IFRS 7 Financial Instruments: Disclosures
IAS 1 Presentation of Financial Statements
IAS 27 Consolidated and Separate Financial Statements
IAS 34 Interim Financial Reporting
IFRIC 13 Customer Loyalty Programmes

The directors are still evaluating the effect that these new Standards and Interpretations and amendments to Standards, that are issued but not yet effective, will have on the accounting policies of the Company and on the presentation of its financial statements.

Segmental reporting

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Plant and equipment

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Plant and equipment (cont'd)

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

Equipment	12.5 %
Teletote	12.5% to 20.0%
Off-course equipment	12.5% to 20.0%
Electrical installation and equipment	12.5%
Of ce equipment and furniture	12.5% to 20.0%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are included in operating expenses.

Financial assets

• Classification

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

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

(b) *Available-for-sale financial assets*
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in the other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

• Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash f ows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

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

Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of "finance income" when the Company's right to receive payments is established.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (cont'd)

(b) Available-for-sale financial assets (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash f ow analysis, and option pricing model, making maximum use of market inputs and relying as little as possible on entity specific inputs.

The Company assesses at the end of each reporting period, whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Impairment of assets

Plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash f ows.

Cash and cash equivalents

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

Share capital

Ordinary shares are classified as equity.

Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Current and deferred income tax (cont'd)

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

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

Deferred income tax is provided on temporary differences arising from depreciation on plant and equipment.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

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

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

Revenue recognition

(a) *Sales of services*

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

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Dividend income*

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

Dividend distribution

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

Comparatives

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

2. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

• Market risk

a) *Foreign exchange risk*

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

b) *Price risk*

The Company is exposed to equity securities price risk because of investment classified as available-for-sale. Given that the investment comprises only 0.17% of the total assets, the impact on equity is not considered significant.

c) *Interest rate risk*

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

Based on the simulations performed, at 31 December 2010, the impact on post-tax profit and equity of 50 basis points increase/decrease in interest rate would be a maximum increase/decrease of Rs 123,250 (2009 – Rs 106,250), respectively.

• Credit risk

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

Credit risk arises from cash at bank and loans at call. The Company has no significant concentrations of credit risk as it trades with the most reputable banks and companies in Mauritius. The Company has appropriate risk assessment policies in place.

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

2. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (cont'd)

• Liquidity risk

Prudent liquidity risk management implies maintaining suf cient cash and marketable securities.

Management monitors rolling forecasts of the Company's liquidity reserve comprising of undrawn borrowings and cash and cash equivalents, on the basis of expected cash f ows.

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

Capital risk management

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

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

As the Company has no long term external borrowings as at 31 December 2010, the gearing ratio does not apply.

Fair value estimation

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

3. SEGMENT INFORMATION

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

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

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

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

3. 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).

The segment information provided to the Board of directors for the reportable segments for the year ended 31 December 2010 is as follows:

	Betting on horse racing	Betting on foreign football	Total
	Rs 000	**Rs 000**	**Rs 000**
Revenue	1,123,042	202,445	1,325,487
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	29,823	5,263	35,086
Depreciation	8,186	1,445	9,631
Income tax	4,134	730	4,864
Total assets	**51,032**	**9,006**	**60,038**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	1,993	352	2,345
Total liabilities	**23,801**	**4,200**	**28,001**

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONT'D)

3. SEGMENT INFORMATION (CONT'D)

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, ref ect a fair estimation of the costs associated with the two segments.

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

	2010	2009
	Rs 000	Rs 000
EBITDA	**35,086**	45,850
Depreciation	**(9,631)**	(10,328)
Finance income–net	**2,119**	2,074
Profit before taxation	**27,574**	37,596

4. COST OF SALES

Payment to winners	**988,209**	1,182,204
Fixed odd expenses	**19,436**	15,806
Government tax	**111,881**	114,284
Payment to National Solidarity Fund	**15,679**	18,077
	1,135,205	1,330,371

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):		
Depreciation of plant and equipment (Note 9)	**9,631**	10,328
(Loss)/profit on disposal of plant and equipment	**39**	(6)
Commission and management service fees to related parties (Note 19(b))	**37,735**	43,907
Commission to off-course agents	**32,535**	36,585
Repairs and maintenance	**3,771**	3,662
Licences and municipality taxes	**4,355**	4,567
Auditor's remuneration		
– audit services	**430**	410
– non-audit services	72	68

The Company did not employ any staff during the year (2009 – Nil).

6. FINANCE INCOME - NET

	2010	2009
	Rs 000	Rs 000
Interest income:		
Loans at call	**1,734**	1,585
Bank	**325**	415
Dividend income	**88**	82
Interest expense	**(28)**	(8)
	2,119	2,074

7. TAXATION

	2010	2009
Expense:		
Current income tax based on the profit for the year as adjusted for tax purposes at 15.0% (2009 – 15.0%)	**4,802**	5,829
Overprovision in previous year	**(15)**	-
Corporate Social Responsibility contribution	**639**	212
Deferred income tax (Note 15)	**(562)**	(3)
	4,864	6,038

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

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

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

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

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

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

	2010	2009
	Rs 000	Rs 000
Current income tax liabilities:		
At 01 January	**4,561**	3,907
Paid during the year	**(7,366)**	(5,175)
Overprovision in previous year	**(15)**	-
Charge for the year	**4,802**	5,829
At 31 December	**1,982**	4,561

7. TAXATION (CONT'D)

The reconciliation between the actual income tax rate of **17.64%** (2009 – 16.06%) and the applicable rate of **15.00%** (2009 - 15.00%) is as follows:

	2010	2009
(As a percentage of profit before tax)	%	%
Applicable income tax rate	**15.00**	15.00
Effect of:		
Underprovision of deferred income tax in prior year	-	0.41
Non – allowable expenses	**0.42**	0.12
Non-taxable income	**(0.05)**	(0.03)
Corporate social responsibility contribution	**2.32**	0.56
Underprovision in previous year	**(0.05)**	-
Actual income tax rate	**17.64**	16.06

8. EARNINGS PER SHARE

Earnings per share is calculated on the profit after taxation of **Rs 22,710,000** (2009 – Rs 31,558,000) and on **3,535,000** issued ordinary shares outstanding during the two years under review.

9. PLANT AND EQUIPMENT

	Equipment Rs 000	Teletote Rs 000	Off-course equipment Rs 000	Electrical installation and equipment Rs 000	Of ce equipment and furniture Rs 000	Tote trophy Rs 000	Total Rs 000
Cost:							
At 01 January 2009	61,573	31,359	3,811	7,699	12,115	39	116,596
Additions	2,073	-	-	214	2,440	-	4,727
Disposals	(55)	-	-	-	(131)	-	(186)
At 31 December 2009	63,591	31,359	3,811	7,913	14,424	39	121,137
Additions	895	549	-	132	769	-	2,345
Other adjustment	(342)	-	-	-	-	-	(342)
Disposals	(14,054)	(419)	-	(172)	(1,001)	(39)	(15,685)
At 31 December 2010	50,090	31,489	3,811	7,873	14,192	-	107,455
Accumulated depreciation:							
At 01 January 2009	32,133	25,089	3,811	6,132	8,923	-	76,088
Charge for the year	5,648	2,547	-	314	1,819	-	10,328
Disposals	(7)	-	-	-	(69)	-	(76)
At 31 December 2009	37,774	27,636	3,811	6,446	10,673	-	86,340
Charge for the year	5,478	2,159	-	322	1,672	-	9,631
Disposals	(14,054)	(419)	-	(172)	(1,001)	-	(15,646)
At 31 December 2010	29,198	29,376	3,811	6,596	11,344	-	80,325
Net book amount:							
At 31 December 2010	20,892	2,113	-	1,277	2,848	-	27,130
At 31 December 2009	25,817	3,723	-	1,467	3,751	39	34,797

In the prior periods, the Company had over accrued the cost of an equipment by Rs 342,000. During the year, management has adjusted the cost of the asset downwards.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONT'D)

9. PLANT AND EQUIPMENT (CONT'D)

	2010	2009
	Rs 000	Rs 000
Additions	**2,345**	4,727
Less: Payables to suppliers at 31 December	-	(496)
Add: Payables to suppliers at 01 January	**496**	973
Payments for purchases of plant and equipment	**2,841**	5,204

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Listed shares	Unquoted shares	Total
	Rs 000	Rs 000	Rs 000
At 01 January and 31 December 2009 and 31 December 2010	**4**	**100**	**104**

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

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

11. RECEIVABLES AND PREPAYMENTS

	2010	2009
	Rs 000	Rs 000
Other debtors	**367**	472
Prepayments	**311**	447
	678	919

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

12. CASH AND CASH EQUIVALENTS

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

	2010	2009
	Rs 000	Rs 000
Cash at bank	**3,126**	6,166
Loans at call	**29,000**	25,000
	32,126	31,166

The loans at call are unsecured, repayable on demand and carry interest at **6.75%** (2009 – 7.75%) per annum.

13. SHARE CAPITAL

	2010 Number	2009 Number	2010 Rs 000	2009 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

14. SHARE PREMIUM

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

(i) the preliminary expenses of the Company; or

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

The share premium account may also be applied:

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

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

15. DEFERRED INCOME TAX

	2010 Rs 000	2009 Rs 000
At 01 January	**3,417**	3,420
Income statement (credit)/ charge (Note 7)	**(562)**	(3)
At 31 December	**2,855**	3,417

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

16. TRADE AND OTHER PAYABLES

	2010 Rs 000	2009 Rs 000
Amount payable to related party (Note 19(b))	**1,379**	1,880
Other accounts payable and accruals	**11,698**	12,328
Teletote deposits	**3,995**	4,706
Unclaimed dividends declared in prior years	**789**	719
Dividends (Note 17)	**5,303**	7,070
	23,164	26,703

17. DIVIDENDS

	2010	2009
	Rs 000	Rs 000
At 01 January	**7,070**	17,675
Declared during the year (**Rs 6.50** (2009 – Rs 9.00) per share)	**22,978**	31,815
Paid during the year (**Rs 7.00** (2009 - Rs 12.00) per share)	**(24,745)**	(42,420)
At 31 December	**5,303**	7,070

18. COMMITMENTS

At 31 December 2010, capital expenditure of the Company approved by the directors but not yet contracted for amounted to **Rs 2,300,000** (2009 – Rs 3,200,000).

19. RELATED PARTY TRANSACTIONS

(a) Related parties

The directors regard Draper Investment Ltd, a company incorporated in Mauritius, as the Company's immediate and ultimate holding company. At 31 December 2010, Draper Investment Ltd owned **59.6%** (2009 – 59.6%) of the Company's shares.

(b) Transactions with a company controlled by directors

Management Services Agreement

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

The management duties of HH Management Ltd include:

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

19. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Transactions with a company controlled by directors (Cont'd)

HH Management Ltd is remunerated as follows:

- A percentage of the revenue of the Company which declines as the revenue increases;
- A 5% commission on the net profit before taxation of the Company; and
- A fixed management service fee of Rs 600,000 per annum.

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

	2010	2009
	Rs 000	Rs 000
Commissions payable based on:		
- revenue	**35,756**	41,427
- net profit before taxation	**1,379**	1,880
Management service fee payable	**600**	600
Included in operating expenses	**37,735**	43,907

The amount due to HH Management Ltd at 31 December 2010 in respect of the management services agreement was **Rs 1,378,676** (2009 – Rs 1,879,803).

(c) Transactions with directors

Directors' remuneration

	2010	2009
	Rs 000	Rs 000
Executive directors	**155**	130
Non-executive directors	**795**	733
	950	863

Directors' interests in the share capital of the Company

At 31 December 2010, the following directors had direct and indirect interests in the ordinary share capital of the Company:

Name of director	**Direct interest**		**Indirect interest**
	No. of ordinary shares	***% Holding***	***% Holding***
Ravindra Chetty	100	0.003	-
Jowaheer Lall Dookun	-	-	0.531
M. L. Jean Hardy	8,000	0.226	0.162
Hervé Henry	-	-	0.566
O. Farouk A. Hossen	22,049	0.624	0.006
J. D. Gérard Pascal	1,319	0.037	0.117
Arvind Lall Dookun	3,100	0.088	0.053
Charles Paul Luc Harel	-	-	0.896
Antoine Louis Harel	-	-	0.896

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (CONT'D)

20. BANK FACILITIES

The Company has undrawn f oating rate borrowing facilities of **Rs 20M** (2009: Rs 20M). The facilities are subject to review at various dates during 2010.

21. THREE YEAR SUMMARY

	2010	2009	2008
Non-current assets			
Plant and equipment (Rs 000)	**27,130**	34,797	40,508
Available-for-sale financial assets (Rs 000)	**104**	104	104
Current assets			
Receivables and prepayments (Rs 000)	**678**	919	3,856
Cash and cash equivalents (Rs 000)	**32,126**	31,166	33,000
Equity			
Number of shares issued	**3,535,000**	3,535,000	3,535,000
Issued and fully paid shares (Rs 000)	**24,745**	24,745	24,745
Share premium (Rs 000)	**1,168**	1,168	1,168
Retained earnings (Rs 000)	**6,124**	6,392	6,649
Non-current liabilities			
Deferred income tax liabilities (Rs 000)	**2,855**	3,417	3,420
Current liabilities			
Trade and other payables (Rs 000)	**23,164**	26,703	35,873
Bank overdraft (Rs 000)	**-**	-	1,706
Current income tax liabilities (Rs 000)	**1,982**	4,561	3,907
Statement of comprehensive income			
Revenue (Rs 000)	**1,325,487**	1,550,051	1,328,340
Profit before taxation (Rs 000)	**27,574**	37,596	24,793
Profit for the year (Rs 000)	**22,710**	31,558	21,180
Statement of cash f ows			
Dividends paid (Rs 000)	**24,745**	42,420	10,605
	=========	=========	=========

22. INCORPORATION AND REGISTERED OFFICE

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

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

C/O ABAX CORPORATE ADMINISTRATORS LTD
6TH FLOOR, TOWER A, 1 CYBERCITY, EBÈNE   T +230 403 6000