annual report **2012**

AUTOMATIC SYSTEMS LTD.

Contents

MESSAGE TO SHAREHOLDERS

Dear Shareholder,

Your Board of Directors is pleased to present the Annual Report of Automatic Systems Ltd for the year ended 31st December 2012. This report was approved by the Board of Directors on the 15th March 2013.

M. A. Eric Espitalier Noël

Chairperson

FINANCIAL HIGHLIGHTS

	2012 Rs M	2011 Rs M
STATEMENT OF COMPREHENSIVE INCOME		
Total Revenue	**1,101.4**	1,183.3
Government Tax	**107.9**	123.1
Operating Profit	**31.4**	17.2
Profit before taxation	**28.8**	17.7
Taxation	**5.8**	3.4
Profit for the year	**23.0**	14.3
	Rs	Rs
FINANCIAL RATIOS		
Earnings per share	**6.50**	4.04
Dividend per share	**9.50**	-
Share price (at 31 Dec)	**72.00**	107.00

BOARD AND COMMITTEES, MANAGEMENT

BOARD OF DIRECTORS	ALTERNATE DIRECTOR
M. A. Eric Espitalier Noël – Chairperson	
M. L. Jean Hardy – Executive Director	
Ravindra Chetty	
Hervé Henry	M. L. Jean Hardy (up to 8/03/2013)
O. Farouk A. Hossen	M. L. Jean Hardy
Michel J. L. Nairac (appointed on 14/03/2012)	
J. D. Gérard Pascal	
John A. Stuart	
Jowaheer Lall Dookun (deceased on 7/02/2013)	Arvind Lall Dookun (up to 7/02/2013)
Arvind Lall Dookun (appointed on 15/03/2013)	
J. O. Guillaume Hardy (appointed on 15/03/2013)	

AUDIT COMMITTEE

J.D. Gérard Pascal (Chairperson)

Hervé Henry

O. Farouk A. Hossen

CORPORATE GOVERNANCE COMMITTEE

Ravindra Chetty (Chairperson)

M. A. Eric Espitalier Noël

M. L. Jean Hardy

Jowaheer Lall Dookun (deceased on 7/02/2013)

MANAGEMENT

Robert Ah Yan – Tote and Sports 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

AUDITORS
PricewaterhouseCoopers
18 Cybercity, Ebène

LEGAL ADVISOR
Me Hervé Duval,
5th Floor, St James Court, St Denis Street, Port Louis

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

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

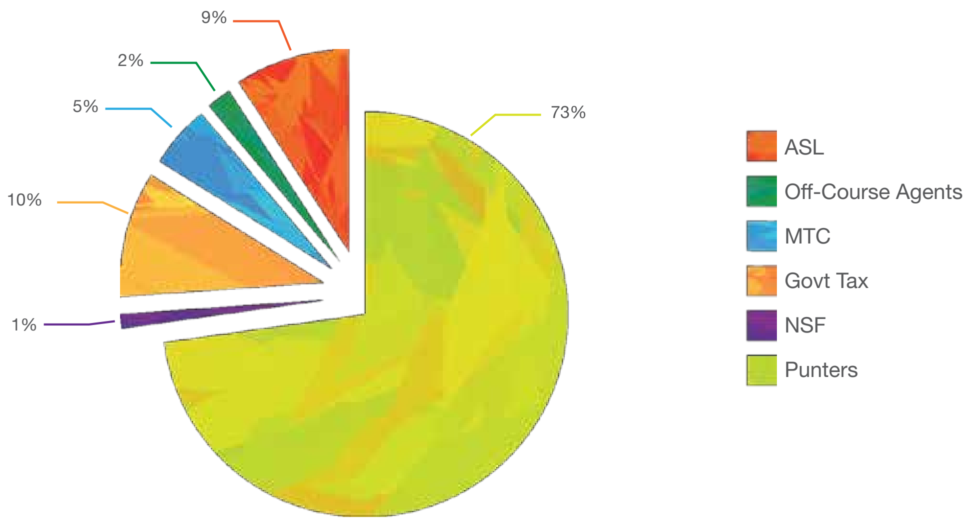
REVIEW OF THE BUSINESS

In 2012 the total totalisator turnover decreased by 10% to Rs 925 Million whilst that of fixed odd betting on football increased by 9% to Rs 176 Million.

Despite a provision for doubtful debts of Rs 2.9 Million, profit for the year improved from Rs 14.3 Million in 2011 to Rs 23.0 Million in 2012; earnings per share also followed the same trend to reach Rs 6.50 compared to Rs 4.04 in 2011. No dividends were declared in 2011 but, in 2012, interim dividends of Rs 12.4 Million (Rs 3.50 per share) and Rs 7.1 Million (Rs 2.00 per share) were declared in January and November 2012 respectively and a final dividend of Rs 14.1 Million (Rs 4.00 per share) was declared in December 2012.

The increase of Rs 8.7 Million in the company's performance in terms of profit is mainly attributed to the benefits derived from the amalgamation of HH Management Ltd with Automatic Systems Ltd and to improved results from the fixed odd betting on football.

SHARE OF HORSE RACING REVENUE 2012

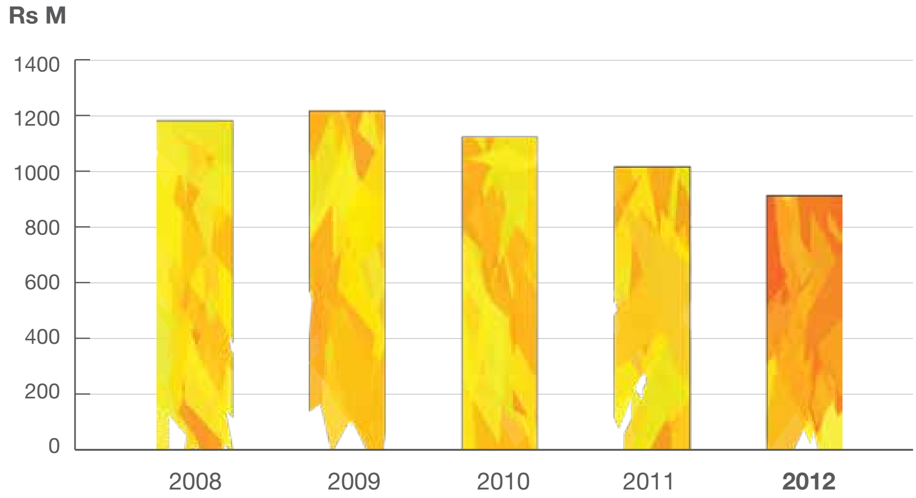


HORSE RACING

There has been a decrease in the totalisator turnover. We believe that the commingling with Global Sports Ltd at the end of 2011, with more attractive dividends for exotic bets offered on the larger pools, somewhat mitigated this decrease in turnover which was less significant in the second part of the season, standing at 5.7% compared to 9.57% over the whole season.

The horse racing industry continues to face severe competition particularly as a result of the popularity of the National Lottery's weekly lotto and scratch cards, but also from other gambling sectors such as football betting and casinos, all competing for the same share of household budgets; not to mention the increased range of leisure activities which appeal to the younger generation.

HORSE RACING REVENUE

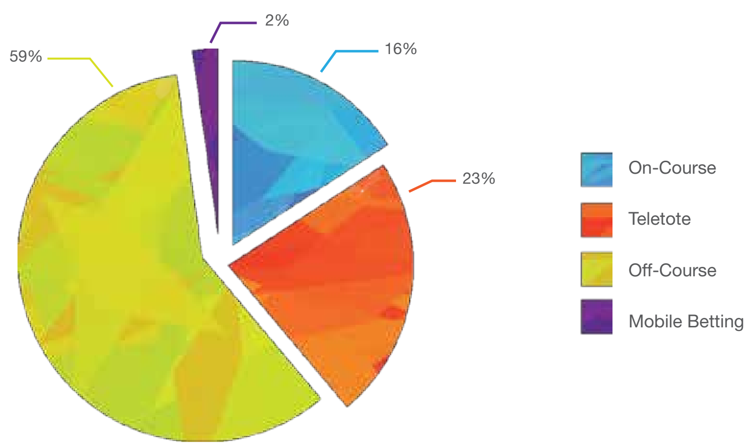


It is to be noted that punters do develop a habit and horse racing, being seasonal, suffers by comparison with year round activities such as the lotto and football betting. This is having a negative effect on the long term sustainability of the horse racing industry which, this year again, has seen a decrease of 9.5% in betting turnover.

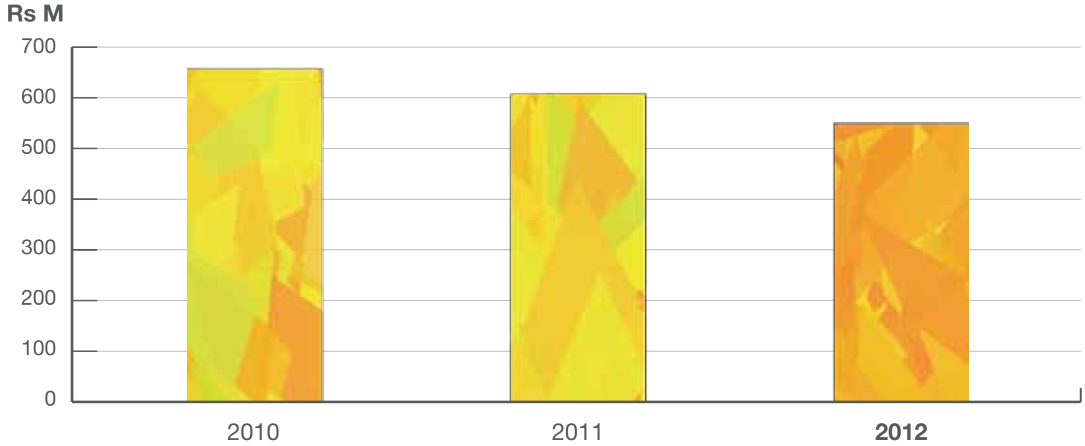
Whilst recent competition for leisure money has impacted on results, the economic downturn is also having a negative effect on turnover. The leisure market in general has been facing difficulties for the past four years.

However, and contrary to any other form of gambling, horse racing is a sport and social event which also attracts non-punters. Because of the importance of the horse racing industry – which celebrated its 200th anniversary in 2012 - in respect of leisure, tourism and employment in Mauritius, we strongly believe that, to survive, the Industry needs more support from the authorities.

HORSE RACING REVENUE DISTRIBUTION



OFF COURSE REVENUE



OFF COURSE BETTING

The Off Course Betting turnover decreased by Rs 56 Million in 2012. We are facing strong competition from 11 bookmakers operating off course and the emergence of new competitors offering exotic bets has already impacted on our performance.

The relocation in 2013 of three Off Course Outlets, namely Flacq, Palma and Rivière du Rempart to more adequate premises, depends on the approval of the relevant authorities. This move should have a positive effect on Off Course Betting for the year 2013.

TELETOTE

The Teletote turnover amounted to Rs 215 Million in 2012, representing a decrease of 9% as compared to 2011. However, the combination of SMS and Teletote betting dropped by only 6%, indicating that some punters have shifted to SMS betting.

The number of calls treated in 2012 dropped by 7.8% to 757,000. The number of Teletote bets reached 1,446,747 compared to 1,587,122 in 2011, representing a decrease of 8.8%. The amount of Teletote accounts opened has also decreased by 17% in 2012 to reach 645. This downward trend is expected to persist considering that no new outlet will be opened in 2013. On a positive side, it is encouraging to note that the number of accounts opened online from the website amounted to 117 in 2012. 2013 will see an important development for Teletote account holders who will be able to fund their accounts online.

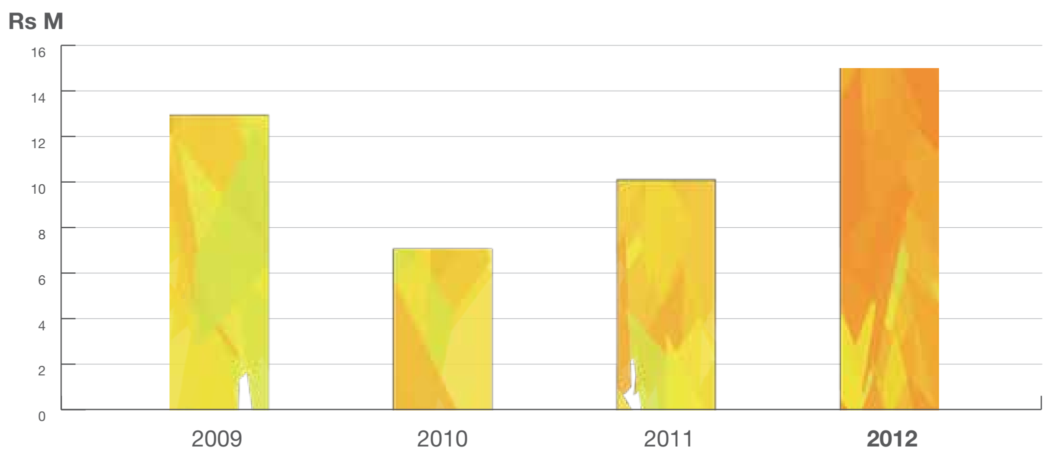
Years	2008	2009	2010	2011	2012
No. of Teletote Accounts	23,070	25,518	26,469	27,247	27,892

DIRECTORS' REPORT (cont'd)

SMS BETTING

SMS betting turnover reached Rs 14.8 Million in 2012, representing an increase of 46%. The Parlé bet 'Lévé Pilé', introduced during the course of 2012, had a positive impact on SMS turnover. We are working on the introduction of new features for the year 2013 to maintain this positive trend.

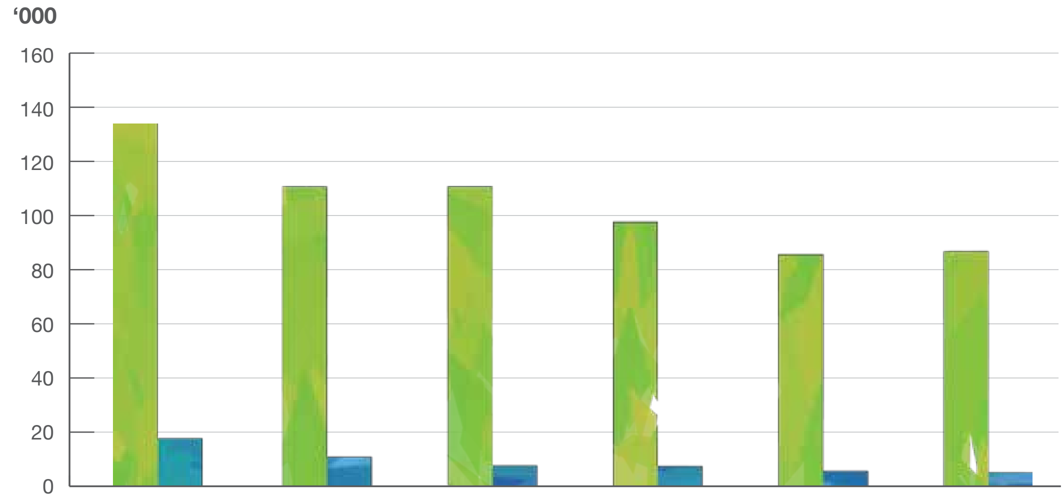
MOBILE BETTING TURNOVER



ON COURSE

Even though attendance remained on par with the previous year, the On Course turnover decreased by 14.8% to Rs 145.2 Million in 2012.

RACE COURSE ATTENDANCE



	2007	2008	2009	2010	2011	**2012**
Stand	134	111	111	98	86	**87**
Gradin	18	11	7.9	7.7	5.9	**5.4**

ADVERTISING

SUPERTOTE

The ASL advertising budget for 2012 was spent mainly on newspapers and specialised magazines, due to air time on TV and radio being severely limited to off-peak.

The Supertote campaigns focused on new product launches, such as commingling between Supertote and Tote Lepep, Pick 8, SMS and Lévé Pilé.

At the start of the racing season, the commingling between Supertote and Tote Lepep was launched with a print campaign hinging on the bigger pool aspect.

Later on, the exotic bet Pick 8 was introduced, thus broadening the spectrum of betting options. This particular campaign was present in the daily and weekly newspapers and turf magazines over several weeks. 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 programme.

Furthermore, a small part of the advertising budget was allocated to the new SMS service of the Lévé Pilé bet, the possibility of opening of Teletote accounts online and the online promotion of the different Supertote products and services respectively.

SUPERSCORE

In 2012, the Superscore communication capitalised on the prematch aspect, featuring Superscore football odds on Premier League matches. Advertising placement was secured in weekly football magazines and newspaper supplements. Moreover, there were also specific campaigns, namely for Euro 2012, to reinforce brand image.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

ASL's corporate social responsibility is anchored towards education, promotion of sports, health and eradication of poverty. During the year under review, it donated nearly half a million rupees from its CSR fund as follows:

- ASL once again sponsored the Supertote Red Ribbon Trophy in collaboration with PILS on Supertote Race Day. A cheque of Rs 100,000 was remitted to PILS as a support to the NGO's battle against HIV Aids. PILS on the other hand made the most of the Supertote Race Day to raise funds and create awareness/educate people on HIV Aids;
- Rs 80,000 was donated to the Mouvement Civique de la Baie Du Tombeau, an NGO involved in the social matters of Tombeau Bay. Its prime activity since 2002 is the running of a school for the rehabilitation of street children, namely "L'Ecole de la Vie";
- ASL wants to encourage the practice of sports amongst the youth and donated Rs 50,000 to "La Fondation pour la formation au football". This registered NGO had been set up as a national project to develop and professionalise football in Mauritius;
- ASL donated Rs 110,000 to Caritas, an international NGO devoted to reducing poverty and campaigning for social justice;
- ASL also donated Rs 70,000 to the Haemophilia Patients and Parents Support Group, an NGO offering treatment to people with hemophilia and other inherited bleeding disorders;
- Rs 89,640 were donated to the Garderie and Maternelle Etoile Association providing day care and education to the children in need of Black River.

DIRECTORS' REPORT (cont'd)

SPONSORSHIP

To perpetuate the tradition, ASL remains one of the most active sponsors of the Racing Industry and sponsored, in 2012, the Supertote Golden Trophy, a Group 2 race, and one of the most important events of the Racing Calendar. On the same day, ASL also sponsored 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. The event was a success with plenty of gifts being offered at the Champ De Mars and in off course outlets. We also animated the Gradin area at the Champ De Mars where access was free to all for the second year in a row with poney riding, face painting, jumping castle, music animations and distribution of gifts, food and drinks to children. More than 40 children from Caritas –Triolet were invited to the races.

An additional prize of Rs 100,000 was offered to Mr Ricky Maingard, the Stable Manager of Ice Axe, winner of the Supertote Golden Trophy in brilliant style.

ASL sponsored the online Tipping Challenge organized by the MTC on its website as well the Press Tipping Challenge where cash prizes were offered to the winners.

Finally, ASL also sponsored various international events held at the Club Hippique de Maurice and the Centre Equestre de La Louisa as an endeavour to promote equestrian sports.

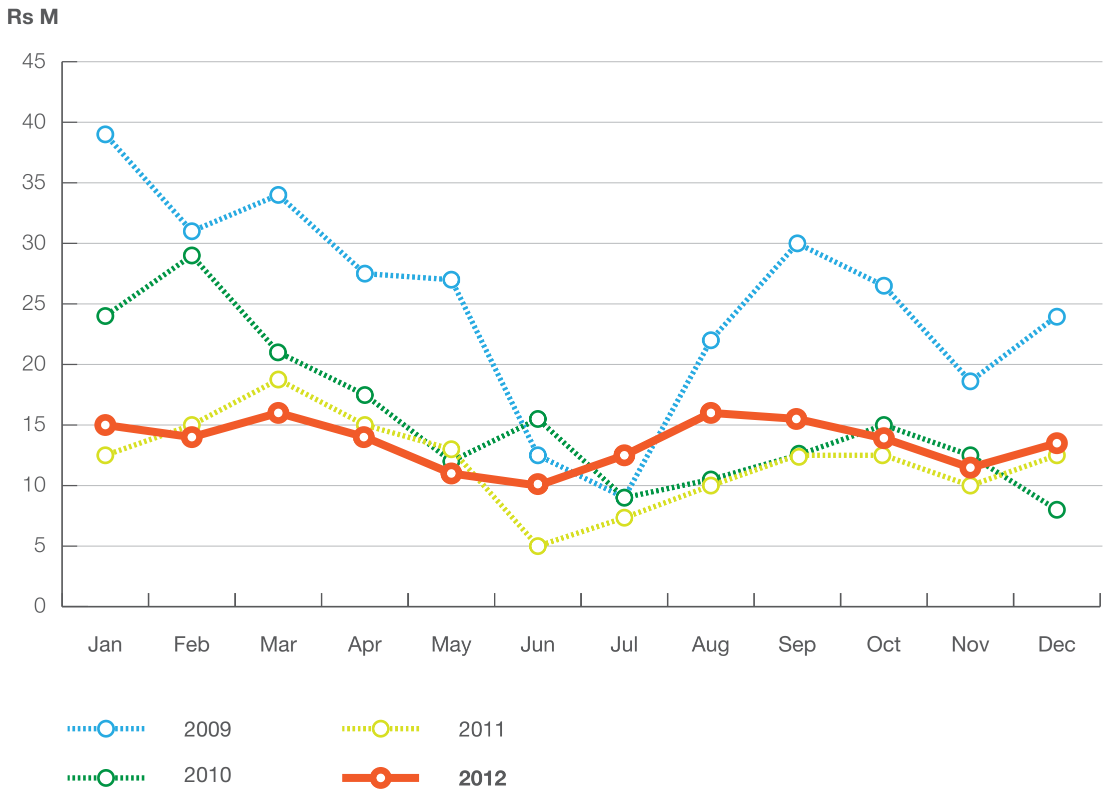
FOOTBALL

Fixed odd betting on football reached a turnover of Rs 176 Million in 2012 representing an increase of 10% over the previous year. This was a very satisfactory performance compared to that of other competitive products and taking into consideration the current economic climate.

ASL launched some promotional activities to attract new clients and had an aggressive marketing strategy in the press. It is satisfactory to note that the wider range of betting products being offered has contributed to an improved performance.

The Gross Profit margin for 2012 was 22%, representing an amount of Rs 36 Million. This is a very good performance which impacted positively on the company's financial results.

FOOTBALL REVENUE



DIRECTORS' REPORT (cont'd)

OUTLOOK

TOTALISATOR

Horse racing is facing strong competition from other emerging industries such as the lotto and football betting which are available all year round. It is worth noting that The Mauritius Turf Club has obtained permission from the Authorities to hold 39 race meetings in 2013 and nine races on special occasions; which is a very positive outcome.

The Totalisator betting which had reached a peak in 2009 has been declining ever since, for various reasons. New means of betting through the internet and mobiles must be introduced in order to attract new clients. International commingling, when introduced, will increase the size of pools which will become much more competitive and attractive.

In order to sustain its attractiveness, horse racing must be offered all year round. The three months break is having a negative impact on the horse racing industry as numerous punters are gradually shifting to other products which are being offered all year round such as the lotto and football betting.

We believe that the only way to offer betting on horse racing all year round would be to move to a new racecourse of international standard. Such new facilities would be a great boost for the racing industry with the possibility of having 52 race meetings a year which will broaden the international scope for Mauritian races, give more comfort to racegoers and attract tourists.

We expect to start international commingling with South Africa during the course of 2013, commingling being the best way to compete against other pool betting such as the Lotto, as it generates more attractive pools and dividends payouts.

FOOTBALL

Subject to the necessary clearance obtained from the relevant authorities, ASL plans to open, in the centre of Port Louis, a new outlet which will offer exclusively bets on football. It is also planned to have a zero tax campaign where the company bears all the betting taxes for the punters. This should increase revenue.

ASL's management is also working on the introduction of new betting products and the launching of attractive new promotions to further boost football betting turnover.

Lastly, the Supertote website will be upgraded to include new features on football betting.

OBITUARY

It is with deep regret that we learnt, in February last, about the demise of our fellow Director, Mr Jowaheer Lall Dookun, who had been appointed Director of the Company since 2001 and who has actively supported its development throughout these 12 past years. Jowaheer will certainly be remembered for his passion for horse racing and his dedication and contribution to its industry.

We express our sincere condolences to his son Arvind and family.

Signed by

M. A. Eric Espitalier-Noël	**J. D. Gérard Pascal**
Chairperson	Director

Dated this 15th March 2013

CORPORATE GOVERNANCE REPORT

The Directors of Automatic Systems Ltd (ASL) have pleasure in presenting the Company's twenty-second annual report and the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITY

MAIN ACTIVITIES

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.

COMPLIANCE STATEMENT

For the year under review, ASL has complied with the Code of Corporate Governance for Mauritius except in respect of the declaration of remuneration for which an explanation has been provided on page 26.

COMPANY STRUCTURE

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

CONSTITUTION OF THE COMPANY

The Company has adopted a new Constitution on 22nd June 2007 and amendments to the Constitution will be proposed to the shareholders at the forthcoming annual meeting.

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 and they are also encouraged to meet with the Company's senior officers to gain 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 appointment on a yearly basis. The names of all present directors, their profile and categories as well as their directorships in other listed companies are set out on pages 29 and 30 respectively.

BOARD CHARTER

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.

BOARD EVALUATION

A board evaluation was conducted in 2011 and another one is in process for 2013. Feedback obtained there from will be used to maintain and improve the effectiveness of the Board.

BOARD ACTIVITY DURING THE YEAR

The Board met 4 times in 2012 and the individual attendance by directors is detailed on page 26.

DEALING IN SHARES OF THE COMPANY

During the year under review, share dealings by directors (including alternate directors) were as follows:

- M. L. Jean Hardy sold 8,000 shares.

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. ASL has also set up a procedure whereby any director purporting to deal in the shares of the Company should inform the Chairperson accordingly.

The Company keeps an Interests Register in accordance with the Companies Act 2001 and an Insiders Register pursuant to the Securities Act 2005, and the registers are regularly updated with the information submitted by the directors and/or other insiders as applicable.

CORPORATE GOVERNANCE REPORT (cont'd)

The table below sets out, as at 31 December 2012, the directors' respective category, direct and indirect interests, 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	0.00	-	-
Jowaheer Lall DOOKUN	NED	-	-	1.12	-
M. A. Eric ESPITALIER NOEL	IND	-	-	-	4
M. L. Jean HARDY	ED	-	-	0.16	-
Hervé HENRY	NED	-	-	0.57	-
O. Farouk A. HOSSEN	IND	22,049	0.62	-	-
Michel J. L. NAIRAC	IND	-	-	-	-
J. D. Gérard PASCAL	IND	1,319	0.04	0.20	-
John A. STUART	NED	-	-	-	-
Arvind Lall DOOKUN (Alt)	NED	2,100	0.06	0.28	-

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 in overseeing:

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

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee also performs the duties of the Nomination and Remuneration Committee.

The Committee has the following objectives:

Corporate Governance

- 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.

Nomination

- To ascertain whether potential new Directors are fit and proper and are not disqualified from being Directors;
- To ensure that the potential new Director is fully cognisant of what is expected from a Director;
- To ensure that the right balance of skills, expertise and independence is maintained;
- To ensure that there is a clearly defined and transparent procedure for shareholders to recommend potential candidates;
- To ensure that potential candidates are free from material conflicts 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 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 determine the level of Non-Executive and Independent Directors' fees to be recommended to the shareholders at the Meeting of Shareholders.

Please refer to pages 28 for disclosures in respect of internal control, and risk management.

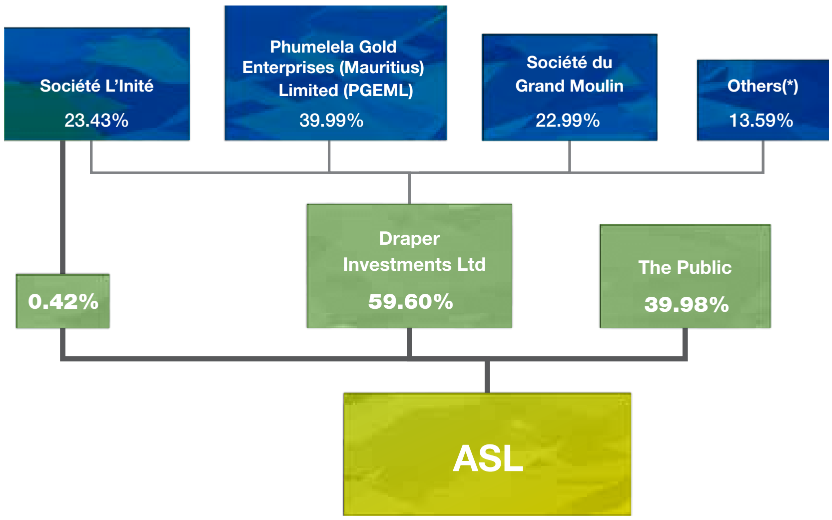
SHAREHOLDING

At 31 December 2012, the Company's share capital was Rs 24,745,000 (3,535,000 ordinary shares of Rs 7 each) and there were 1,647 shareholders on the registry (2011: 1670).

The directors consider Draper Investments Ltd as the immediate and ultimate holding company of ASL.

CASCADE HOLDING STRUCTURE

ASL is a listed company owned as follows:



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

CORPORATE GOVERNANCE REPORT (cont'd)

On 31 December 2012, 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
Draper Investments Ltd	2,106,909	59.60	-
Société du Grand Moulin	-	-	13.70
Société L'Inité	14,800	0.42	13.96
Phumelela Gold Entreprises (Mauritius) Limited	-	-	23.83

Common Directorships of ASL holding structure:

	DIL	SGM	SLI	PGEML
M. L. Jean Hardy	•		• (Gérant)	
Hervé Henry	•	• (Gérant)		
John A. Stuart	•			•

DIL - Draper Investments Ltd
SGM - Société du Grand Moulin
SLI - Société L'Inité
PGEML - Phumelela Gold Enterprises (Mauritius) Limited

The Company's shareholding profile as at 31 December 2012 was as follows:

Defined Brackets	Count	Shares	Percent
1-500	1,289	208,731	5.905
501-1,000	196	132,286	3.742
1,001-5,000	117	248,770	7.037
5,001-10,000	17	118,629	3.356
10,001-50,000	24	438,640	12.408
50,001-100,000	2	165,779	4.690
100,001-250,000	1	115,256	3.260
250,001-500,000	-	-	-
500,001-3,535,000	1	2,106,909	59.601
	1,647	3,535,000	

SUMMARY OF SHAREHOLDER CATEGORY

	Count	Shares	Percent
Individual	1,583	1,144,826	32.385
Insurance & Assurance Companies	4	54,789	1.550
Pension & Providence Funds	1	4,300	0.122
Investment & Trust Companies	1	21,600	0.611
Other Corporate Bodies	58	2,309,485	65.332
	1,647	3,535,000	

SHARE PRICE INFORMATION

At 31 December 2012, the share price of the Company was Rs 72 (Rs 107 at 31/12/11).

DIVIDEND POLICY

The Company has no formal dividend policy. The payment of dividend is subject to the performance of the Company, its cash flow and its capital expenditure requirements. For the year ended 31 December 2012, the Directors have approved the distribution of two interim dividends of Rs 3.50 and Rs 2.00 per share respectively and a final dividend of Rs 4.00 per share. 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 on this basis.

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.supertote.mu

The key events and shareholder communication 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 regard to Directors' fees comprises of two components, namely, a basic yearly fee and an attendance fee as follows:

	Board		Audit Committee	Corporate Governance Comittee
	Fixed Fee	Attendance Fee	Attendance Fee	Attendance Fee
Chairman	60,000	17,500	12,500	12,500
Members	15,000	12,500	7,500	7,500

CORPORATE GOVERNANCE REPORT (cont'd)

The table below sets out the details of attendance of directors at meetings during 2012 and directors fees perceived in relation thereto:

	Attendance at meetings during 2012			
Directors / Alternates	**Board**	**Audit Committee**	**Corporate Governance Committee**	**Directors' Fees**
Ravindra CHETTY	4/4	-	2/2	90,000
Jowaheer Lall DOOKUN	3/4	-	2/2	67,500
M. A. Eric ESPITALIER NOEL	3/4	-	1/2	120,000
M. L. Jean HARDY	4/4	-	2/2	80,000
Hervé HENRY	3/4	3/4	-	75,000
O. Farouk A. HOSSEN	3/4	2/4	-	67,500
Michel J. L. NAIRAC	2/3	-	-	40,000
J. D. Gérard PASCAL	4/4	4/4	-	115,000
John A. STUART	2/4	-	-	40,000
Arvind Lall DOOKUN (Alt)	1	-	-	12,500

The Corporate Governance and Remuneration Committee review the remuneration packages of the General Manager 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 32 of Other Statutory Disclosures in respect of directors' emoluments. Remuneration paid to each individual executive director has not been disclosed as the directors consider this information as very sensitive in their working environment.

EMPLOYEES

ASL currently employs, on a full time basis, 26 persons who are involved in the daily operations of the Company. During the racing season, 12 casual workers are called upon on a full time basis as well as 260 part time casuals working as tellers, technicians, supervisors and runners. Furthermore, ASL deals with 24 agents, each employing an average of 8 casual workers during the racing season.

The remuneration package of the employees and casual workers is at the discretion of the General Manager who takes into account prevailing market conditions and the job profile and responsibilities of such employees.

SHARE OPTION PLAN

The Company does not have any share-option plan.

PROFILE OF SENIOR OFFICER

Please refer to page 30 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 has opted to use the referential model standard ISO 9001 Quality Management Systems – Requirements as a guide to document its existing system into procedures and work instructions that are and will be systematically followed by everyone for attaining right, the first time, every time. ASL has addressed and is compliant to the requirements of ISO 9001 Standard. ASL continually improves and keeps its documents up to date and can thus maintain its certification through yearly internal and external quality audits.

ETHICS

The Company's Code of Ethics is presently being updated and will soon be circulated to all employees.

CARBON REDUCTION COMMITMENT

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

Business norms are constantly evolving in that field and corporations are expected to constantly assess their impact on the environment and initiate adequate minimizing measures.

ASL's management wishes to ensure greater consideration for sustainability, and especially to minimize its environmental impact, as part of its long-term strategy for sustained growth.

It has embarked in sustainable development (SD) since two years and the following measures have been taken:

- The company replaced 150 pc based betting terminals by new thin clients, where power consumption per terminal had dropped from 45 watts to 20 watts;
- Central aircon unit has been replaced by small low wattage split units, fully greenhouse compliant;
- Air conditioned rooms are maintained at 23C/24C by thermal control process. Additional wall fans have been placed in air conditioned areas to create a cyclone effect thus reducing power consumption. The latter had a good mechanical effect on the air conditioning and air flow control. From this process, it was also noted that the room temperature is kept constant and air conditioning breakdowns are practically non-existent.

FUTURE COMMITMENTS

ASL is in the process of replacing all neon lights by the low power Hi lux lamps in offices in an effort to reduce power consumption.

Being aware of the energy impact on its business and the environment, the company has carried out a study on the eventual use of solar power to generate electricity for lighting. This project has been put on hold for the time being until appropriate disposal of lead acid cells can be guaranteed, such disposal being presently very costly and not environmental friendly.

HEALTH AND SAFETY

The Company endeavours to provide a safe environment to its employees and other stakeholders and abides by the existing legislative and regulatory frameworks pertaining thereto. The Company has a Health & Safety consultant to ensure that it complies with the relevant health and safety norms. The Company has ten employees who have been trained to use fire fighting equipment and undergo staff evacuation in case of emergency. Besides, four of ASL's staffs are qualified first aiders. In case a casual or full time employee is sick on race days, immediate medical attention is provided on the premises and evacuation to medical facilities is organised if necessary.

SOCIAL ISSUES

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

MANAGEMENT AGREEMENT

The Company does not have a Management Agreement.

RELATED PARTY TRANSACTIONS

Please refer to Note 26 to the Financial Statements.

CORPORATE SOCIAL RESPONSIBILITY

Please refer to page 15 of the Directors Report for disclosures in respect of Corporate Social Responsibility.

INTERNAL CONTROL AND RISK MANAGEMENT

The Directors have resolved not to appoint an internal auditor for the time being in view of the costs involved. The Audit Committee works closely with the external auditors to ensure that the system of controls in place are sufficient and appropriate in order to enable the Company to mitigate the risks inherent to its activity.

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 USA. The automated system cannot be tampered with and full proof tests are regularly conducted.

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. Risks reviews are regularly conducted and mitigating measures implemented accordingly.

The main risks faced by the Company are as follows:

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. The number of Bookmakers operating outside the racecourse also impacts negatively on the Company's performance. Management regularly assesses the changes in the Company's business environment and triggers the appropriate measures to contain any adverse impact on profitability.

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 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 proprietary to Amtote International Inc. and users cannot make changes but can only generate reports from the system.

As regards the risks of money laundering, satisfactory procedures are in place to mitigate such risks.

For 2013, the Company has hired a consultant who will carry out a complete audit of all IT operations and the following will be covered:

- Understand the business and its processes to assess the critical business ones;
- Map down the risks based on such processes;
- Map out the IT related process to the critical business requirements;
- Carry out a Business Impact Analysis (BIA);
- Look at the Disaster Recovery Plan (DRP) and Business Continuity Plan (BCP) process in place – Leading to reworking on the more properly set process/procedures;
- Define any required policies that need to be set out;
- Test the DRP/BCP plans.

OTHER RISKS

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

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

DIRECTORS' PROFILES

M. A. ERIC ESPITALIER - NOEL (CHAIRPERSON)
INDEPENDENT DIRECTOR
Appointed Director in 2004

Chairperson of the Company since July 2004, M. A. 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).

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.

M. L. JEAN HARDY - *EXECUTIVE DIRECTOR*
Appointed Director at incorporation in 1991

Appointed Alternate Director to Hervé Henry in 1991 and to O. Farouk A. Hossen in 2002.

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

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-founder of Hardy Henry & Cie Limitée in 1976. He is a director of Hardy Henry & Cie Limitée and its affiliated companies.

O. FAROUK A. HOSSEN - *INDEPENDENT DIRECTOR*
Appointed Director in 1991

O. 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. He is a director of the Bramer Banking Corporation Limited.

J. D. GÉRARD PASCAL - *INDEPENDENT DIRECTOR*
Appointed Director in 1991

J. D. 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.

JOHN A. STUART - *NON-EXECUTIVE DIRECTOR*
Appointed Director in 2008

John A. 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).

CORPORATE GOVERNANCE REPORT (cont'd)

DIRECTORS' PROFILES (cont'd)

MICHEL J. L. NAIRAC - *INDEPENDENT DIRECTOR*
Appointed Director in 2012

Michel J. L. 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 J. L. 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 horse racing 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 horse racing and totalisator betting in the provinces of KwaZulu-Natal and the Western Cape in South Africa. In 2001 he was appointed as CEO of Gold Circle, a position he currently holds. Gold Circle employs in excess of 2000 people and operates five racecourses, five training centers and manages 200 totalisator betting outlets. Gold Circle has an annual betting turnover in excess of R 2 billion.

J. O. GUILLAUME HARDY - *EXECUTIVE DIRECTOR*
Appointed Director in 2013

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.

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, 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.

SENIOR OFFICER'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 Sports Systems Manager of Automatic Systems Ltd since 2011. Over these 20 years of service, he followed numerous Management and IT courses and is continuously updating his skills, knowledge and professional competence.

M. A. Eric Espitalier-Noël
Chairperson

Sophie Gellé, ACIS
Box Office Ltd
Company Secretary

Dated this 15th March 2013

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 6

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 2012 are disclosed at Page 22.

DIRECTORS' EMOLUMENTS

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

	2012 **Rs**	2011 Rs
Non-Executive Directors	**627,500**	787,500
Executive Directors	**2,771,660**	2,813,160

DONATIONS / CSR

Donations / CSR made during the year were as follows:

	2012 **Rs**	2011 Rs
Caritas	**110,000**	80,000
PILS	**100,000**	125,000
Haemophilia Association of Mauritius	**70,000**	52,400
Fondation pour la formation au football	**50,000**	50,000
Mouvement Civique de la Baie du Tombeau	**80,000**	100,000
Garderie et Maternelle L'Etoile Association	**89,640**	47,400
Total	**499,640**	454,800

AUDITORS' REMUNERATION

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

	2012	2011
	Rs	Rs
Audit fees	**500,000**	480,000
Non-Audit (tax fees)	**80,000**	76,000

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 reasons provided for in cases of non-compliance.

By Order of the Board

M. A. Eric Espitalier-Noël
Chairperson

J. D. Gérard Pascal
Director

Dated this 15th March 2013

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 2012, all such returns as are required of the Company under the Mauritian Companies Act 2001.

Sophie Gellé, ACIS
Box Office Ltd
Company Secretary

Dated this 15th March 2013.

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 37 to 75 which comprise the statement of financial position at 31 December 2012 and the 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 37 to 75 give a true and fair view of the financial position of the Company at 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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 of the Company;

(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 21 to 30 and making the discloures required by Section 8.4 of the Code of Corporate Governance of Mauritius (the "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 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,
licensed by FRC

15th March 2013

FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

		2012	2011
		Rs 000	Rs 000
Revenue		**1,101,449**	1,183,288
Cost of sales (Note 7)		**(920,382)**	(1,010,008)
GROSS PROFIT		**181,067**	173,280
Other income		**1,347**	162
Selling expenses		**(35,062)**	(37,217)
Operating expenses		**(67,590)**	(64,128)
Payments to The Mauritius Turf Club		**(48,314)**	(54,902)
OPERATING PROFIT (Note 8)		**31,448**	17,195
Finance income		**216**	1,567
Finance costs		**(2,853)**	(1,062)
Finance (costs)/income – net (Note 10)		**(2,637)**	505
PROFIT BEFORE TAXATION		**28,811**	17,700
Taxation (Note 11)		**(5,841)**	(3,434)
PROFIT FOR THE YEAR		**22,970**	14,266
OTHER COMPREHENSIVE INCOME		**-**	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	Rs	**22,970**	14,266
BASIC AND DILUTED EARNINGS PER SHARE (Note 12)	Rs	**6.50**	4.04

The notes on pages 41 to 75 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2012

	2012 Rs 000	2011 Rs 000
ASSETS		
Non-current assets		
Plant and equipment (Note 13)	**15,504**	21,261
Goodwill (Note 14)	**73,514**	73,514
Available-for-sale financial assets (Note 15)	**104**	104
Retirement benefit asset (Note 21)	**-**	563
	89,122	95,442
Current assets		
Trade and other receivables (Note 16)	**11,781**	13,138
Cash and cash equivalents (Note 17)	**4,168**	3,107
Inventories (Note 18)	**187**	650
	16,136	16,895
Total assets	**105,258**	112,337
EQUITY		
Share capital (Note 19)	**24,745**	24,745
Share premium (Note 20)	**1,168**	1,168
Retained earnings	**9,777**	20,390
Total equity	**35,690**	46,303
LIABILITIES		
Non-current liabilities		
Deferred income tax liability (Note 22)	**766**	2,061
Retirement benefit liability (Note 21)	**947**	-
	1,713	2,061
Current liabilities		
Trade and other payables (Note 23)	**34,876**	20,340
Bank overdraft (Note 17)	**28,216**	42,249
Current income tax liability (Note 11)	**4,763**	1,384
	67,855	63,973
Total liabilities	**69,568**	66,034
Total equity and liabilities	**105,258**	112,337

Authorised for issue by the Board of directors on 15th March 2013
and signed on its behalf by:

M. A. Eric Espitalier-Noël
Chairperson

J. D. Gérard Pascal
Director

The notes on pages 41 to 75 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital Rs 000	Share premium Rs 000	Retained earnings Rs 000	Total equity Rs 000
At 01 January 2011	**24,745**	**1,168**	**6,124**	**32,037**
Profit and total comprehensive income for the year	**-**	**-**	**14,266**	**14,266**
At 31 December 2011	**24,745**	**1,168**	**20,390**	**46,303**
At 01 January 2012	**24,745**	**1,168**	**20,390**	**46,303**
Profit and total comprehensive income for the year	**-**	**-**	**22,970**	**22,970**
Transaction with owners				
Dividends (Note 24)	**-**	**-**	**(33,583)**	**(33,583)**
Total transactions with owners	**-**	**-**	**(33,583)**	**(33,583)**
At 31 December 2012	**24,745**	**1,168**	**9,777**	**35,690**

The notes on pages 41 to 75 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 Rs 000	2011 Rs 000
Cash flows from operating activities		
Profit before taxation	**28,811**	17,700
Adjustments for:		
Depreciation of plant and equipment (Note 13)	**9,210**	9,567
Profit on disposal of plant and equipment	**(190)**	-
Dividend income (Note 10)	**(124)**	(124)
Interest income (Note 10)	**(92)**	(1,443)
Interest expense (Note 10)	**2,853**	1,062
Retirement benefit liability/(asset)	**1,510**	(144)
Working capital changes		
(Increase)/decrease in inventories	**463**	(7)
Decrease in trade and other receivables	**1,357**	7,514
Increase/(Decrease) in trade and other payables	**14,550**	(10,558)
Cash generated from operations	**58,348**	23,567
Interest received (Note 10)	**92**	1,443
Income tax paid (Note 11)	**(3,273)**	(5,736)
Corporate Social Responsibility contribution paid (Note 11)	**(500)**	(442)
Interest paid (Note 10)	**(2,853)**	(1,062)
Net cash from operating activities	**51,814**	17,770
Cash flows from investing activities		
Payments for purchase of plant and equipment (Note 13)	**(3,451)**	(1,474)
Proceeds from sales of plant and equipment	**190**	-
Acquisition of HHM, net of cash acquired	**-**	(82,385)
Dividends received (Note 10)	**124**	124
Net cash used in investing activities	**(3,137)**	(83,735)
Cash flows from financing activities		
Dividends paid (Note 24)	**(33,583)**	(5,303)
Net cash used in financing activities	**(33,583)**	(5,303)
Net increase/(decrease) in cash and cash equivalents	**15,094**	(71,268)
Cash and cash equivalents at beginning of year	**(39,142)**	32,126
Cash and cash equivalents at end of year (Note 17)	**(24,048)**	(39,142)

The notes on pages 41 to 75 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2012

1 GENERAL INFORMATION

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

The Company's principal activities is 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.

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.

Basis of preparation

The financial statements of Automatic Systems Ltd. (the "Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations. The 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 thousand.

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 disclosed in Note 3 to the financial statements.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Company.

(b) New standards and interpretations not yet adopted by the Company

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. This amendment does not have an impact on the Company's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) New standards and interpretations not yet adopted by the Company (cont'd)

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard does not have a significant impact on the Company's financial statements. The only element of fair value measurement relates to available-for-sale financial assets which is stated at fair value based on quoted market prices of equity investments held.

IAS 19, 'Employee benefits', was amended in June 2011. The impact on the Company will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Company is yet to assess the full impact of the amendments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business combination and goodwill

The Company acquired 100% of the shares of HH Management Ltd ('HHM'), effective from 01 January 2011.

Business combinations are accounted for using the acquisition method of accounting. The consideration transferred in a business combination is measured at fair value at the date of acquisition. This consideration includes the cash paid plus the fair value at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Company. The fair value of consideration transferred also includes contingent consideration arrangements at fair value. Directly attributable acquisition-related costs are expensed in the current period and reported within general and administrative expenses. At the date of acquisition, the Company recognises the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business. The identifiable assets acquired and the liabilities assumed are initially recognised at fair value. Where the Company does not acquire 100% ownership of the acquired business non-controlling interests are recorded as the proportion of the fair value of the acquired net assets attributable to the non-controlling interest. Goodwill is recorded as the surplus of the consideration transferred over the Company's interest in the fair value of the acquired net assets. Any goodwill and fair value adjustments are recorded as assets and liabilities of the acquired business in the functional currency of that business. When the initial accounting for a business combination is incomplete at the end of a reporting period, provisional amounts are used. During the measurement period, the provisional amounts are retrospectively adjusted and additional assets and liabilities may be recognised to reflect new information obtained about the facts and circumstances that existed at the acquisition date which would have affected the measurement of the amounts recognised at that date, had they been known. The measurement period does not exceed twelve months from the date of acquisition. Goodwill is not amortised, but is assessed for possible impairment at each reporting date and is additionally tested annually for impairment. Goodwill may also arise upon investment in associates, being the surplus of the cost of investment over the Company's share of the fair value of the net identifiable assets. Such goodwill is recorded within investments in associates. Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and if they do not result in a loss of control.

In most business acquisitions, there is a part of the cost that is not capable of being attributed in accounting terms to identifiable assets and liabilities acquired and is therefore recognised as goodwill. In the case of the acquisition of HH Management Ltd ('HHM'), this goodwill is underpinned by a number of elements, which individually cannot be quantified. Most significant amongst these is the premium attributable to the skilled workforce which are required to operate on the system.

Amalgamation of HH Management Ltd ('HHM')

On 17 October 2011, the Company obtained clearance from the registrar of Companies to amalgamate the activities of its wholly owned subsidiary, HHM. The transaction is a business combination involving entities/ businesses under common control and is scoped out from IFRS 3, 'Business Combinations'. The Company has therefore applied the predecessor accounting method to account for the combination for the 31 December 2011 year end as follows:

- Incorporated the acquired entity's ('HHM') results and statement of financial position as if both entities (acquirer and acquiree) had always been combined.
- The financial statements at 31 December 2011 consequently reflect both entities' full year's results, even though the business combination may have occurred part of the way throughout the year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 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' ('Rs 000'), 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 or valuation where items are re-measured. 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 profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income' or 'other expenses'.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in the statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Plant and equipment (cont'd)

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.

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 other income/(cost)-net in profit or loss.

Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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.

The combined entity from the business combination that occurred at 31 December 2011 (i.e., the Company and HHM) has the following characteristics:

i. *it operates a main frame system based on which both horse racing and football betting takes 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, the directors 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 comprising all equipment of the merged entity to which goodwill will be allocated and tested.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of non-financial assets

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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

- **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 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 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 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 statement of comprehensive income as part of "other income" when the Company's right to receive payments is established.

(c) 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 financial assets

- **Assets carried at amortised cost**

The Company 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets (cont'd)

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

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 any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company 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 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. 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 income statement on equity instruments are not reversed through the 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 income statement.

Inventories

Inventories consist of ticket rolls and are stated at the lower of cost and net realisable value. Cost is determined on an average cost basis. 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)

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.

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.

Cash and cash equivalents

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

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 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

(a) Pension obligations

The Company operates a defined benefit plan. The Company and all its employees also contribute to the appropriate national National Pension Fund, which is a defined contribution schemes. 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 retirement benefit plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. 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 on government 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee benefits (cont'd)

(a) Pension obligations (cont'd)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Company pays contributions to publicly or privately administered 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 an employee benefit expense when they are due.

(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 when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services supplied, stated net of discounts, returns and value added taxes. The Company 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 Company'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 are recognised as revenue when they are placed at the counters (both on course and off course), over the telephone or through SMS.

Revenue is measured at fair value of the consideration received /receivable.

(b) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company 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 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.

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 Company 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 Company'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 Company 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 21.

Useful lives of plant and equipment

The Company'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 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.

4 FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

The 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 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 0.10% (2011: 0.09%) of the total assets, the impact on equity is not considered significant.

c) Interest rate risk

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

Based on the simulations performed, at 31 December 2012, the impact on post-tax profit of 50 basis points increase/ decrease in interest rate would be a maximum decrease/increase of **Rs 102,000** (2011 – Rs 166,000), respectively.

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.

4 FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk

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

The Company 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 Company on a weekly basis. The amounts presented in the statement of financial position are net of allowances for doubtful receivables estimated by the Company's management based on prior experience and the current economic environment. The Company's management makes a monthly analysis of the aged debtors listing for off course agents and determines 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 provides a disclosure of the credit risk the Company is exposed to at the reporting period.

Credit risk also arise from cash at bank. 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. 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 Company only banks with institutions that are of good repute.

The Company's policy is to maximise returns on interest-bearing assets.

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:

	2012 **Rs 000**	2011 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 Company's maximum exposure to credit risk at 31 December 2012 is the carrying value of the financial assets in the statement of financial position.

No other collateral is held in respect of trade and other receivables as disclosed on the statement of financial position.

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.

4 FINANCIAL RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

None of the Company' 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 Company after their specified credit term. The ageing analysis of these trade receivables is as follows:

	2012	2011
	Rs 000	Rs 000
Trade receivables (past due but not impaired)		
Past due but not impaired:		
By up to 30 days	**3,426**	3,184
Greater than 365 days	**2,874**	-

	2012	2011
	Rs 000	Rs 000
Trade receivables individually determined to be impaired		
Carrying amount before impairment loss	**5,428**	553
Provision for bad debts	**(3,292)**	(553)
	2,136	-

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 Company's liquidity reserve comprising of undrawn borrowings and cash and cash equivalents, on the basis of expected cash flows.

All the Company's financial liabilities 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 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 2012, the gearing ratio does not apply but when we take into account the current year's bank overdraft, the company's gearing ratio stands at **40.3%** (2011: 45.8%).

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).

2012 & 2011	Level 1 Rs 000	Level 2 Rs 000	Level 3 Rs 000	Total Rs 000
Assets				
Available-for-sale financial assets	4	-	100	104

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%** (2011: 0.09%) of the total assets, the directors do not consider it material to determine the fair value of the investments using the valuation techniques set out above.

5 FINANCIAL INSTRUMENTS BY CATEGORY

At 31 December 2012	Loans and receivables Rs 000	Available-for-sale financial assets Rs 000	Total Rs 000
Assets			
Available-for-sale financial assets	-	104	104
Trade and other receivables	6,300	-	6,300
Cash and cash equivalents	4,168	-	4,168
	10,468	104	10,572

	Other financial liabilities at amortised cost	Total
Liabilities		
Trade and other payables	34,876	34,876
Bank overdraft	28,216	28,216
	63,092	63,092

In disclosing trade and other receivables as a financial instrument, an amount of **Rs 5,481,750** (2011: Rs 9,954,141) representing prepayments and deposits, has been excluded.

At 31 December 2011	Loans and receivables Rs 000	Available-for-sale financial assets Rs 000	Total Rs 000
Assets			
Available-for-sale financial assets	-	104	104
Trade and other receivables	3,184	-	3,184
Cash and cash equivalents	3,107	-	3,107
	6,291	104	6,395

	Other financial liabilities at amortised cost	Total
Liabilities		
Trade and other payables	20,340	20,340
Bank overdraft	42,249	42,249
	62,589	62,589

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.

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

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

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

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

The segment information provided to the Board of directors for the reportable segments for the year ended 31 December 2012 is as follows:

	Horse racing	Foreign football	Total
	Rs 000	Rs 000	Rs 000
Revenue	925,497	175,952	1,101,449
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	34,163	6,495	40,658
Depreciation	7,739	1,471	9,210
Provision for impairment of trade receivables	3,292	-	3,292
Income tax	4,908	933	5,841
Total assets	88,443	16,815	105,258
Additions to non- current assets (other than financial instruments and deferred income tax assets)	2,900	551	3,451
Total liabilities	58,455	11,113	69,568

6 SEGMENT INFORMATION (cont'd)

The segment information provided to the Board of directors for the reportable segments for the year ended 31 December 2011 is as follows:

	Horse racing Rs 000	Foreign football Rs 000	Total Rs 000
Revenue	1,023,444	159,844	1,183,288
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	23,146	3,616	26,762
Depreciation	8,275	1,292	9,567
Provision for impairment of trade receivables	553	-	553
Income tax	2,970	464	3,434
Total assets	**97,162**	**15,175**	**112,337**
Additions to non- current assets (other than financial instruments and deferred income tax assets)	58,507	9,138	67,645
Total liabilities	**57,114**	**8,920**	**66,034**

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

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

	2012 **Rs 000**	2011 Rs 000
EBITDA	**40,658**	26,762
Depreciation	**(9,210)**	(9,567)
Finance income – net	**(2,637)**	505
Profit before taxation	**28,811**	17,700

7 COST OF SALES

	2012	2011
	Rs 000	Rs 000
Payment to winners	**794,340**	864,845
Fixed odd expenses	**(492)**	8,060
Government tax	**107,904**	123,147
Payment to National Solidarity Fund	**12,579**	13,956
Pools carried forward	**6,051**	-
	920,382	1,010,008

8 OPERATING PROFIT

	2012	2011
	Rs 000	Rs 000
Operating profit is stated after charging/(crediting):		
Depreciation of plant and equipment (Note 13)	**9,210**	9,567
Profit on disposal of plant and equipment	**190**	-
Impairment of trade and other receivables (Note 16)	**3,292**	553
Commission to off-course agents	**27,092**	28,885
Repairs and maintenance	**2,732**	2,196
Licences and municipality taxes	**6,114**	6,129
Staff cost (Note 9)	**24,532**	21,957
Auditor's remuneration		
– audit services	**500**	480
– non-audit services	**80**	76

9 STAFF COST

	2012	2011
	Rs 000	Rs 000
Wages and salaries	**20,278**	18,628
National pension fund contribution	**598**	543
Pension contribution – defined benefit	**1,510**	718
Transport costs	**981**	1,059
Staff welfare and other costs	**1,165**	1,009
Profit before taxation	**24,532**	21,957

10 FINANCE INCOME - NET

	2012 Rs 000	2011 Rs 000
Interest income:		
Loans at call	-	1,091
Bank	92	352
Dividend income	124	124
	216	1,567
Interest expense	(2,853)	(1,062)
Finance income – net	(2,637)	505

11 TAXATION

	2012 Rs 000	2011 Rs 000
Expense:		
Current income tax based on the profit for the year as adjusted for tax purposes at 17.0% (2011 – 15.0%)	6,623	3,732
Under provision in previous year	15	72
Under provision of deferred tax assets (Note 22)	-	(83)
Corporate Social Responsibility contribution	499	442
Deferred income tax (Note 22)	(1,570)	(729)
Effect of changes in income tax rate	274	
	5,841	3,434

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

Every company shall, every year, set up a CSR fund equivalent to 2% of its taxable 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

11 TAXATION (cont'd)

	2012	2011
	Rs 000	Rs 000
Current income tax liabilities:		
At 01 January	**1,384**	1,982
Acquired as part of the business combination	**-**	1,334
Paid during the year for tax liabilities relating to the business combination	**-**	(1,334)
Paid during the year (including CSR contributions)	**(3,773)**	(4,844)
Under provision in previous year	**15**	72
Charge for the year	**7,137**	4,174
At 31 December	**4,763**	1,384

The reconciliation between the actual income tax rate of **21.20%** (2011 – 19.40%) and the applicable rate of **17.00%** (2011 – 15.00%) is as follows:

	2012	2011
(As a percentage of profit before tax)	**%**	%
Applicable income tax rate	**17.00**	15.00
Effect of:		
Underprovision of deferred income tax in prior year	**-**	(0.47)
Non – allowable expenses	**1.40**	2.07
Non – taxable income	**(0.10)**	(0.11)
Corporate social responsibility contribution	**1.80**	2.50
Under provision of income tax in previous year	**0.10**	0.41
Effect of change in income tax rate	**1.00**	-
Actual income tax rate	**21.2**	19.40

12 EARNINGS PER SHARE

Earnings per share is calculated on the profit after taxation of **Rs 22,970,00**0 (2011 – Rs 14,266,000) and on **3,535,000** issued ordinary shares outstanding during the two years under review.

13 PLANT AND EQUIPMENT

	Equipment Rs 000	Teletote Rs 000	Off-course equipment Rs 000	Electrical installation and equipment Rs 000	Office equipment and furniture Rs 000	Motor Vehicles Rs 000	Total Rs 000
Cost:							
At 01 January 2011	50,090	31,489	3,811	7,873	14,192	-	107,455
Acquired in a business combination	-	-	-	-	-	2,224	2,224
Additions	171	83	-	1,027	193	-	1,474
At 31 December 2011	50,261	31,572	3,811	8,900	14,385	2,224	111,153
Additions	1,909	-	-	210	182	1,150	3,451
Disposal	-	-	-	-	-	(1,157)	(1,157)
Asset written off	(5,119)	(11,792)	-	(3,695)	(2,747)	-	(23,353)
At 31 December 2012	47,051	19,780	3,811	5,415	11,820	2,217	90,094
Accumulated depreciation:							
At 01 January 2011	29,198	29,376	3,811	6,596	11,344	-	80,325
Charge for the year	5,643	1,069	-	540	1,137	1,178	9,567
At 31 December 2011	34,841	30,445	3,811	7,136	12,481	1,178	89,892
Charge for the year	5,881	857	-	577	1,029	866	9,210
Disposal adjustment	-	-	-	-	-	(1,159)	(1,159)
Asset written off	(5,119)	(11,792)	-	(3,695)	(2,747)	-	(23,353)
At 31 December 2012	35,603	19,510	3,811	4,018	10,763	885	74,590
Net book amount:							
At 31 December 2012	11,448	270	-	1,397	1,057	1,332	15,504
At 31 December 2011	15,420	1,127	-	1,764	1,904	1,046	21,261

The bank overdraft facilities of the Company is secured by a floating charge on all the assets of the Company.

13 PLANT AND EQUIPMENT (cont'd)

	2012	2011
	Rs 000	Rs 000
Additions	**3,451**	1,474
Less: Payables to suppliers at 31 December	**-**	-
Add: Payables to suppliers at 01 January	**-**	-
Payments for purchases of plant and equipment	**3,451**	1,474

14 GOODWILL

	2012	2011
	Rs 000	Rs 000
At 01 January	**73,514**	-
Consideration transferred	**-**	74,500
Less fair value of identifiable net assets acquired	**-**	(3,006)
Unrecognised actuarial losses on retirement benefit obligations	**-**	2,020
At 31 December	**73,514**	73,514

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

The acquisition of HHM falls within the scope of IFRS 3, 'Business Combinations' and the acquisition method of accounting was applied. The goodwill resulting from the acquisition 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 acquired and liabilities and 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 (2011 – NIL).

14 GOODWILL (cont'd)

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.

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.

The directors have assessed that there is no impairment of goodwill based on the fair value less cost to sell assessment made at 31 December 2012 (2011: NIL).

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Listed shares	Unquoted shares	Total
	Rs 000	Rs 000	Rs 000
At 01 January and 31 December 2011 and 31 December 2012	**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.

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

16 TRADE AND OTHER RECEIVABLES

	2012	2011
	Rs 000	Rs 000
Trade receivables	**9,592**	3,737
Less: Provision for impairment of trade receivables	**(3,292)**	(553)
	6,300	3,184
Prepayments	**785**	9,581
Other debtors	**4,696**	373
	11,781	13,138

All trade and other receivables are classified as current assets in the statement of financial position.

Included within trade and other receivables is an amount of **Rs 8,956,784** (2011: Rs 8,956,784) representing amounts receivable from six off course agents. This amount is set off against the amount payable to Societe du Nouveau Moulin L'Inite as the Company intends to realise the asset and settle the liability simultaneously further to the acquisition of HHM by the Company.

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

As of 31 December 2012, trade receivables of **Rs 6,300,000** (2011: Rs 3,184,000) 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:

	2012	2011
	Rs 000	Rs 000
Up to 30 days	**3,426**	3,184
Greater than 365 days	**2,874**	-

As of 31 December 2012, trade receivables of **Rs 5,428,000** (2011: Rs 553,000) were past due for more than 365 days and impaired for an amount of **Rs 3,292,000** at 31 December 2012 (2011: Rs 553,000).

The carrying amounts of the Company's trade and other receivables are denominated in Mauritian Rupees ('Rs').

The other classes within trade and other receivables do not contain impaired assets.

Movements on the Company's provision for impairment of trade receivables is as follows:

	2012	2011
	Rs 000	Rs 000
At 01 January	**553**	-
Provision for receivables impairment	**2,944**	553
Write off	**(205)**	
	3,292	553

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

17 CASH AND CASH EQUIVALENTS

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

	2012	2011
	Rs 000	Rs 000
Cash at bank	**4,168**	3,107
Bank overdraft	**(28,216)**	(42,249)
Cash and cash equivalents as disclosed in the statement of cash flows	**(24,048)**	(39,142)

The bank overdraft facilities of the Company is secured by a floating charge on all the assets of the Company.

18 INVENTORIES

	2012	2011
	Rs 000	Rs 000
Ticket rolls	**187**	650

The cost of inventories included as expense amounted to **Rs 463,622** (2011: Rs 252,840)

19 SHARE CAPITAL

	2012	2011	**2012**	2011
	Number	Number	**Rs 000**	Rs 000
Authorised:				
Ordinary shares of **Rs 7** each	**5,000,000**	5,000,000	**35,000**	35,000
Issued and fully paid:				
Ordinary shares of **Rs 7** each	**3,535,000**	3,535,000	**24,745**	24,745

20 SHARE PREMIUM

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

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

The share premium account may also be applied:

(i) in paying up shares of the Company to be issued to shareholders of the Company as fully paid shares;
(ii) to reflect the decrease in the share premium account arising from shares acquired or redeemed.

21 RETIREMENT BENEFIT (LIABILITIES)/ASSETS

PENSION BENEFITS

The amounts recognised in the statement of financial position are determined as follows:

	2012	2011
	Rs 000	Rs 000
Present value of funded obligations	**(10,394)**	(11,860)
Fair value of plan assets	**7,504**	7,125
	(2,890)	(4,735)
Unrecognised actuarial loss	**1,943**	5,298
(Liability)/asset in the statement of financial position	**(947)**	563

The amounts recognised in profit or loss are as follows:

	2012	2011
	Rs 000	Rs 000
Current service cost	**690**	478
Scheme expenses	**2**	32
Cost of insuring risk benefits	**38**	38
Interest cost	**1,190**	720
Expected return on plan assets	**(675)**	(632)
Actuarial loss	**265**	82
Total included in staff costs (Note 9)	**1,510**	718

The actual return on plan assets amounted **Rs 426,083** for the year ended 31 December 2012 (2011: Rs 404,055).
The movement in the (liability)/asset recognised in the balance sheet is as follows:

	2012	2011
	Rs 000	Rs 000
At 01 January	**563**	-
Retirement benefit asset arising on business combination (Note 28)	**-**	419
Total expense – as shown above	**(1,510)**	(718)
Employer's contributions	**-**	862
At 31 December	**(947)**	563

21 RETIREMENT BENEFIT (LIABILITIES)/ASSETS (cont'd)

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

	2012 Rs 000	2011 Rs 000
At 01 January	**(11,860)**	(7,532)
Current service cost	**(690)**	(478)
Interest cost	**(1,190)**	(720)
Actuarial loss/(gains)	**3,339**	(3,130)
Benefits paid	**7**	-
At 31 December	**(10,394)**	(11,860)

The movement in fair value of plan assets is as follows:

	2012 Rs 000	2011 Rs 000
At 01 January	**7,125**	5,930
Expected return on plan assets	**675**	632
Employer's contribution	**-**	862
Scheme expenses	**(2)**	(32)
Cost of insuring risk benefits	**(38)**	(38)
Actuarial (losses)/gains	**(249)**	(229)
Benefits paid	**(7)**	-
At 31 December	**7,504**	7,125

Plan assets are comprised as follows:

	2012 Rs 000	2012 %	2011 Rs 000	2011 %
Overseas equities	**2,814**	**37.5**	2,672	37.5
Overseas fixed interest securities	**1,688**	**22.5**	1,603	22.5
Fixed interest	**2,627**	**35.0**	2,493	35.0
Properties	**375**	**5**	357	5
	7,504	**100**	7,125	100

The asset 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 correspond 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:

	2012 %	2011 %
Discount rate	**8.5**	9.5
Expected rate of return on planned assets	**8.5**	9.5
Future salary increases	**7.0**	8.0
Future pension increases	**0.0**	0.0

21 RETIREMENT BENEFIT (LIABILITIES)/ASSETS (cont'd)

Plan assets

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

Mortality rate

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience. The average life expectancy in years of a pensioner retiring at age 60 on the reporting date is as follows:

	2012	2011
Male	**10**	18
Female	**9**	23

The average life expectancy in years of a pensioner retiring at age 60, 20 years after the reporting date is as follows:

	2012	2011
Male	**10**	18
Female	**9**	23

	2012 **Rs 000**	2011 Rs 000
At 31 December:		
Present value of defined benefit obligations	**(10,394)**	(11,860)
Fair value of plan assets	**7,504**	7,125
(Deficit)/surplus	**(2,890)**	(4,735)
Experience adjustments on plan liabilities	**3,339**	(3,131)
Experience adjustments on plan assets	**(249)**	(229)

The Company expects to contribute **Rs 752,637** to the pension scheme for the year ending 31 December 2012.

	2009 **Rs 000**	**2010** **Rs 000**	**2011** **Rs 000**	**2012** **Rs 000**
Defined benefit obligations	**(5,757)**	**(7,532)**	**(11,860)**	**(10,394)**
Plan assets	**5,031**	**5,930**	**7,125**	**7,504**
Surplus/(Deficit)	**(725)**	**(1,601)**	**(4,734)**	**(2,890)**
Experience gains/(loss) on plan liabilities	**(448)**	**(698)**	**(3,130)**	**3,339**
Experience gains/(loss) on plan assets	**(197)**	**(204)**	**(228)**	**(249)**

22 DEFERRED TAX LIABILTIES

	2012 Rs 000	2011 Rs 000
At 01 January	**2,061**	2,855
Acquired as part of the business combination	**-**	18
Under provision of deferred income tax asset (Note 11)	**-**	(83)
Income statement credit	**(1,570)**	(729)
Effect of changes in income tax rate	**275**	
At 31 December	**766**	2,061

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

	At 01 January 2012	Effect of changes in income tax rate	Credit to statement of comprehensive income	At 31 December 2012
Accelerated capital allowances	2,060	275	(848)	1,487
Provision for bad debts	(83)	(11)	(465)	(559)
Retirement benefit obligations	84	11	(257)	(162)
	2,061	275	(1,570)	766

	At 01 January 2011	Acquired as part of the business combination	Under provision of deferred tax	Charge/(Credit) to statement of comprehensive income	At 31 December 2011
Accelerated capital allowances	2,855	(45)	(83)	(750)	1,977
Retirement benefit obligations	-	63	-	21	84
	2,855	18	(83)	(729)	2,061

23 TRADE AND OTHER PAYABLES

	2012 Rs 000	2011 Rs 000
Other accounts payable and accruals	**26,478**	15,504
Teletote deposits	**4,062**	4,056
Unclaimed dividends declared in prior years	**4,336**	780
	34,876	20,340

24 DIVIDENDS

	2012	2011
	Rs 000	Rs 000
At 01 January	**-**	5,303
Declared during the year - Rs 9.5 (2011 - Rs NIL per share)	**33,583**	-
Paid during the year - Rs 9.5 per share (2011 – Rs 1.50 per share)	**(33,583)**	(5,303)
At 31 December	**-**	-

25 COMMITMENTS

At 31 December 2012, capital expenditure of the Company approved by the directors but not yet contracted for amounted to **Rs 6,260,000** (2011: Rs 2,860,000).

26 RELATED PARTY TRANSACTIONS

(a) Transactions with directors

Directors' remuneration

	2012	2011
	Rs 000	Rs 000
Executive directors	**2,772**	2,814
Non-executive directors	**628**	787
	3,400	3,601

Directors' interests in the share capital of the Company

At 31 December 2012, the following directors had direct and indirect interests in the ordinary share capital of the Company:

Name of director	**Direct interest**	**Indirect interest**
	% Holding	**% Holding**
Ravindra Chetty	0.003	-
Jowaheer Lall Dookun	-	1.12
M. L. Jean Hardy	-	0.162
Hervé Henry	-	0.570
O. Farouk A. Hossen	0.624	0.006
J. D. Gérard Pascal	0.037	0.117
Arvind Lall Dookun	0.060	0.280

27 BANK FACILITIES

The Company has floating rate borrowing facilities of **Rs 56 m** (2011: Rs 67 m). The facilities are subject to review at various dates during 2012. The bank overdraft facilities of the Company is secured by a floating charge on all the assets of the Company.

The Company has drawn **Rs 28,216,000** (2011: Rs 42,249,000) of the above mentioned facility at 31 December 2012.

28 BUSINESS COMBINATION

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

The acquisition of HHM falls within the scope of IFRS 3, 'Business Combinations' and the acquisition method of accounting was applied. The goodwill resulting from the acquisition 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 acquired and liabilities and contingent liabilities assumed.

Subsequently on 17 October 2011, the Company obtained clearance from the registrar of Companies to amalgamate the activities of its wholly owned subsidiary, HHM. The transaction is a business combination involving entities/businesses under common control. The Company has applied the predecessor accounting method and have not prepared consolidated financial statements until the date of the amalgamation to account for the combination as follows:

- Incorporated the acquired entity's ('HHM') results and statement of financial position as if both entities (acquirer and acquiree) had always been combined.
- The financial statements consequently reflect both entities' full year's results, even though the business combination may have occurred part of the way throughout the year.

HHM was a business partner to the Company and the latter had a management service agreement of the totalisator ('Tote') system. The activities of HHM consisted of running the totalisator.

- 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.

The consolidated set of accounts is the same as stand alone accounts and the IFRS 3 fair value of the business acquired have been transferred into the Company's stand alone accounts at the date of amalgamation.

Details of the net asset acquired and goodwill are as follows:

	At 01 January 2011 and 31 December 2011
	Rs 000
Purchase consideration	74,500
Less fair value of identifiable net assets acquired	(3,006)
Unrecognised actuarial losses on retirement benefit obligations	2,020
At 01 January & 31 December	73,514

The directors have identified the following elements as components of goodwill arising on the acquisition of HHM:

i. The skilled workforce of HHM which cannot be recognised separately as intangible assets; and
ii. Significant VAT savings (which would have been payable on management fees charged by HHM, had HHM been a separate entity).

At 31 December 2012 and 2011, management have assessed that the goodwill was not subject to impairment.

29 THREE YEAR SUMMARY

	2012	2011	2010
	Rs 000	Rs 000	Rs 000
Non-current assets			
Plant and equipment	**15,504**	21,261	27,130
Goodwill	**73,514**	73,514	-
Available-for-sale financial assets	**104**	104	104
Retirement benefit asset	**-**	563	-
Current assets			
Trade and other receivables	**11,781**	13,138	678
Inventories	**187**	650	-
Cash and cash equivalents	**4,168**	3,107	32,126
Equity			
Number of shares issued (thousands)	**3,535**	3,535	3,535
Issued and fully paid shares	**24,745**	24,745	24,745
Share premium	**1,168**	1,168	1,168
Retained earnings	**9,777**	20,390	6,124
Non-current liabilities			
Deferred income tax liabilities	**766**	2,061	2,855
Retirement benefit liability	**947**	-	-
Current liabilities			
Trade and other payables	**34,876**	20,340	23,164
Bank overdraft	**28,216**	42,249	-
Current income tax liabilities	**4,763**	1,384	1,982
Statement of comprehensive income			
Revenue	**1,101,449**	1,183,288	1,325,487
Profit before taxation	**28,811**	17,700	27,574
Profit for the year	**22,970**	14,266	22,710
Statement of cash flows			
Dividends paid	**33,583**	5,303	24,745

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 10 May 2013 at 15 00hrs to transact the following business:

AS ORDINARY RESOLUTION

1. To consider the Annual Report 2012 of the Company.
2. To consider and adopt the audited financial statements of the Company for the year ended 31 December 2012.
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 Noël
5. Ravindra Chetty
6. M. L. Jean Hardy
7. Hervé Henry
8. O. Farouk A. Hossen
9. Michel J. L. Nairac
10. J. D. Gérard 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.

AS SPECIAL RESOLUTION

15. To repeal clause 10.1 (b) of the Constitution which reads as follows:
'Notwithstanding Section 55 of the Act and unless the terms of issue of any Class of Shares specifically provide otherwise, the Board may, if approved by the Shareholders by Ordinary Resolution, issue Shares that rank (as to voting, Distribution or otherwise) equally with or in priority to, or in subordination to the existing Shares without any requirement that the Shares be first offered to existing Shareholders.'

    and to replace it by the following new clause:
    '**10.1 (b)**
    Notwithstanding Section 55 of the Act and unless the terms of issue of any Class of Shares specifically provides otherwise, where the Company issues shares which rank equally with, or in priority to existing shares as to voting or distribution rights, those shares shall be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.'

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 notarially certified copy of that power of attorney
- **for corporations**: the instrument of 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, Sir William Newton Street, Port Louis not less than 24 hours before the time scheduled for the meeting, i.e, by Thursday 09 May 2013 at 15 00hrs.

For the purpose of the Annual Meeting, the Directors have resolved, in compliance with Section 120(3) of the Companies Act 2001, that the shareholders who are entitled to receive notice and to attend and vote at the aforesaid Annual Meeting shall be those shareholders whose names are registered in the Share Register of the Company as at 19 April 2013.

The minutes of the Annual Meeting held on 9 May 2012 are available for consultation by the shareholders at the Registered Office of the Company.

The minutes of the Annual Meeting to be held on 10 May 2013 shall be available for consultation and comments, at the Registered Office address of the Company one month after the Annual Meeting from 10 June 2013 to 10 July 2013.

By Order of the Board

Sophie Gellé, ACIS
Box Office Ltd
Company Secretary

Dated this 15th March 2013.

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