2000
ANNUAL REPORT

AUTOMATIC SYSTEMS LTD.

CONTENTS

COMPANY INFORMATION

EXECUTIVE DIRECTORS
M. L. Jean Hardy
Hervé Henry

NON-EXECUTIVE DIRECTORS
M. A. Eric Espitalier-Noël (*Chairperson*)
David R. H. Attenborough (*Appointed on 20 February 2008*)
Ravindra Chetty
Jowaheer Lall Dookun
Antoine L. Harel
Charles P. L. Harel
O. Farouk A. Hossen
J. D. Gérard Pascal
L. J. Michel Rivalland (*Appointed on 20 February 2008*)
John A. Stuart (*Appointed on 20 February 2008*)

ALTERNATE DIRECTORS
Peter R. Benton – *Alternate to David R. H. Attenborough and John A. Stuart (Appointed on 20 February 2008)*
Arvind Lall Dookun – *Alternate to Jowaheer Lall Dookun*
M. L. Jean Hardy – *Alternate to Hervé Henry and O. Farouk A. Hossen*
Antoine L. Harel – *Alternate to L.J Michel Rivalland (Appointed on 20 February 2008)*
Charles P. L. Harel – *Alternate to Antoine L. Harel*
L.J Michael Rivalland – *Alternate to Antoine L. Harel (Appointed 20 February 2008)*

ADMINISTRATOR & SECRETARY
Abax Corporate Administrators Ltd
Level 6, One Cathedral Square
Jules Koenig Street
Port Louis

REGISTRAR AND TRANSFER OFFICE
Abax Corporate Administrators Ltd
Level 6, One Cathedral Square
Jules Koenig Street
Port Louis

AUDITOR
PricewaterhouseCoopers
18 Cybercity
Ebène

REGISTERED OFFICE
c/o Abax Corporate Administrators Ltd
Level 6, One Cathedral Square
Jules Koenig Street
Port Louis

NOTICE OF MEETING

AUTOMATIC SYSTEMS LTD.

Notice is hereby given that the annual meeting of the Company will be held at the Mauritius Turf Club, Port-Louis on Friday 08 May 2009 at 2.30 p.m. to transact the following business:-

As ordinary business:

1. To receive and adopt the annual report and financial statements of the Company for the year ended 31 December 2008 and the report of the auditor thereon
2. To re-appoint Jowaheer Lall Dookun, who is over the age of 70, as director until the next annual meeting in accordance with S 138(6) of the Companies Act 2001

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

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

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

Dated this 24th day of Febuary 2009

BY ORDER OF THE BOARD
ABAX CORPORATE ADMINISTRATORS LTD
SECRETARY

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her and that proxy needs not also be a member.
- Proxy forms should be delivered at the Registered Office, c/o Abax Corporate Administrators Ltd, Level 6, One Cathedral Square, Jules Koenig Street, Port Louis on Friday 07 May 2009 at 2.30 p.m. at latest.
- The minutes of the annual meeting held on 30 May 2008 are available for consultation by the shareholders at the Registered Office of the Company.
- The minutes of the annual meeting to be held on 08 May 2009 shall be available for consultation and comments at the Registered Office address of the Company (one month after the annual meeting) from 09 to 15 June 2009.

ANNUAL REPORT

The Directors have pleasure in presenting the eighteenth annual report and the audited financial statements for Automatic Systems Ltd (ASL) for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS AND FINANCIAL STATEMENTS

The profit for the year increased by Rs 8.8M to Rs 21.2M and earnings per share reached Rs 5.99 in 2008 compared to Rs 3.49 in 2007. A total dividend of Rs 17.7M (Rs 5 per share) was declared in 2008, compared to Rs 10.6M in 2007 (Rs 3 per share). Retained earnings at 31 December 2008 amounted to Rs 6.6M, against Rs 3.1M in 2007.

REVIEW OF THE YEAR

Highlights for the year include the launching of two new services namely fixed-odds betting on foreign football matches and mobile betting on racing using mobile telephone text messaging (SMS). We believe that punters will enjoy the text service in the future.

TheTote revenue increased significantly to Rs 1,189M in 2008, up by 33% on the previous year.

The revenue from On-course, Teletote & Off-course betting increased by 23%, 27% and 39% respectively.

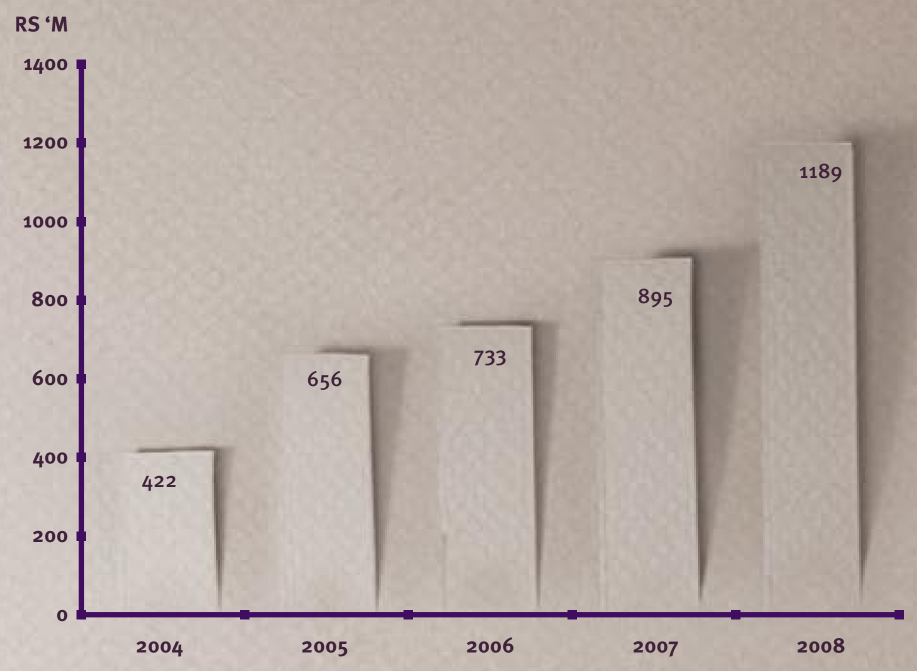
Part of the increase in revenue in 2008 as compared to 2007 can be attributed to the following:

1. There were 32 race meetings as opposed to 31 in 2007;
2. In 2007, one meeting was abandoned after the 4^{th} race on account of bad weather; and
3. ASL did not operate during the 1^{st} meeting of 2007 due to technical problems.

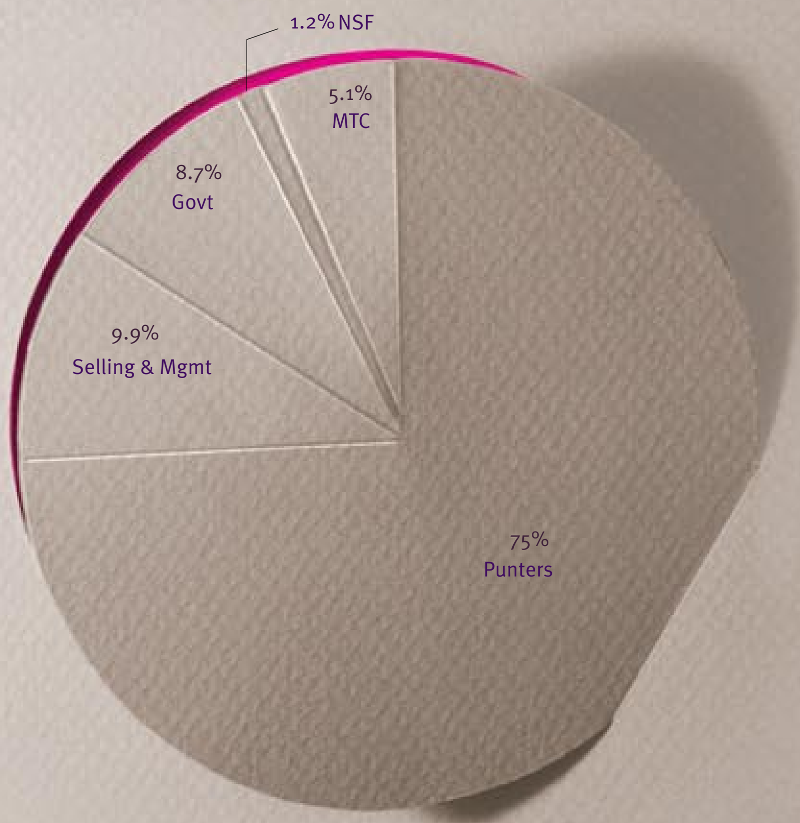
As in 2007, ASL operated 20 off-course outlets for the major part of 2008, but two new outlets were opened at Bambous and Petite Riviere towards the end of the season.

The rebranding exercise carried out in 2008 had a positive impact on the operations of ASL, which now operates as the "Supertote" (formerly "Tote").

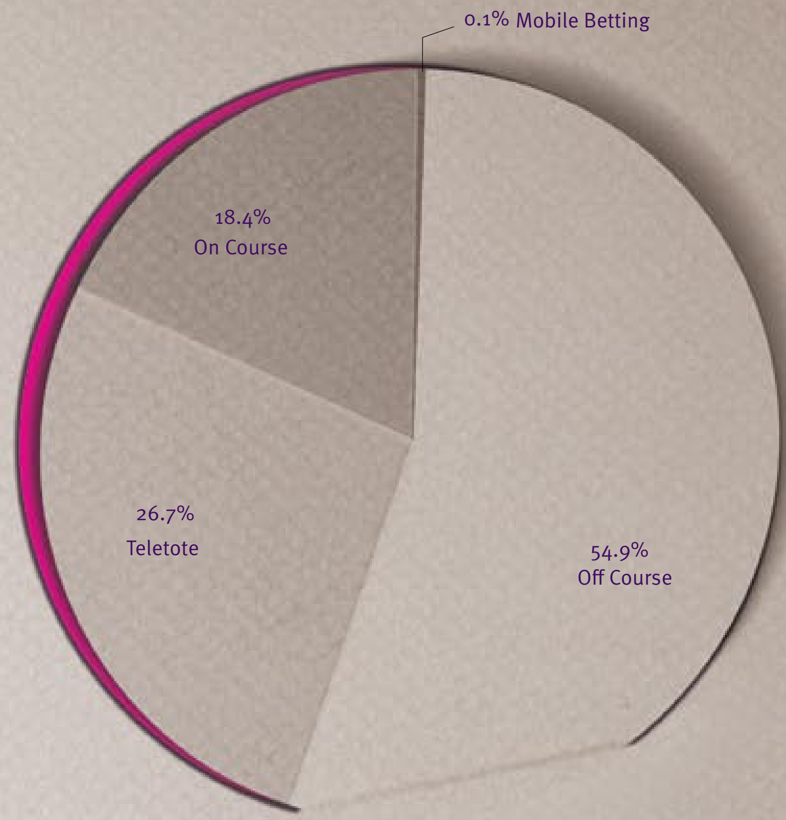
TOTAL REVENUE FROM TOTE



SHARING OF TOTAL REVENUE 2008



REVENUE DISTRIBUTION FOR TOTE



OFF-COURSE BETTING

Off-course betting grew by Rs 183.4M, representing an increase of 39% in 2008 as compared to 2007. Off-course continues to gather momentum fuelled by presumably what could be a pool of illegal betting clientele. ASL also ensures that its agents offer punters a very good service by closely monitoring the services offered, in order to improve performance and maintain its competitive edge over its competitors.

ASL started the year with twenty outlets in operation. Petite Riviere was opened for the 20th meeting and Bambous for the 22nd meeting, so that ASL finished the year with 22 outlets. The Company has already obtained authorisation from the Gambling Regulatory Authority to open three more outlets, which it aims to have operational before the start of the 2009 racing season.

ASL continually looks for ways to enhance the service it offers its clients. To this end, the new outlets will be equipped with larger LCD screens and there will be more displays to show the latest movement in odds.

For the 2008 season, the Curepipe and Mahebourg agencies were located in new premises with better facilities. The strategy worked well, as both outlets showed significantly improved turnover during the year.

Meanwhile, bookmakers have been able to operate off-course as from 2008, thus making the market even more competitive.

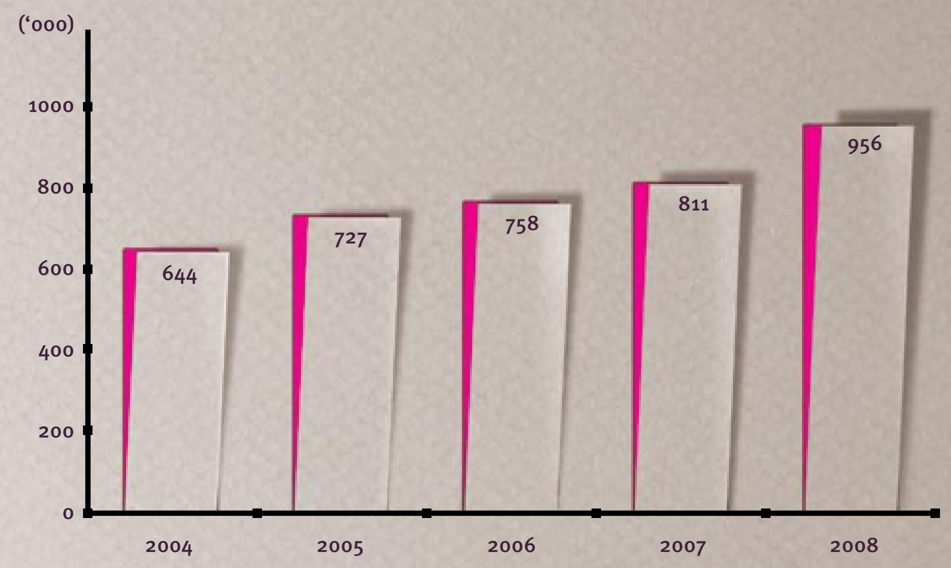
TELETOTE

Teletote revenue has progressed well, increasing by 27% in 2008 to reach Rs 317.5M. ASL aims to make its off-course network as convenient as possible for Teletote account holders. They can open accounts in the outlets, and effect their deposits and withdrawals there. In 2008, Rs 98.2M were deposited in the outlets, compared to Rs 74.0M in 2007 and Rs 62.5M in 2006. The number of new Teletote accounts opened in 2008 rose to 1,488, compared to 1,265 in 2007.

There are now 180 Teletote lines in total and all Teletote lines have been transferred from analogue to digital during 2008.

The number of calls handled in 2008 increased by 18% to 956,490.

TELETOTE CALLS

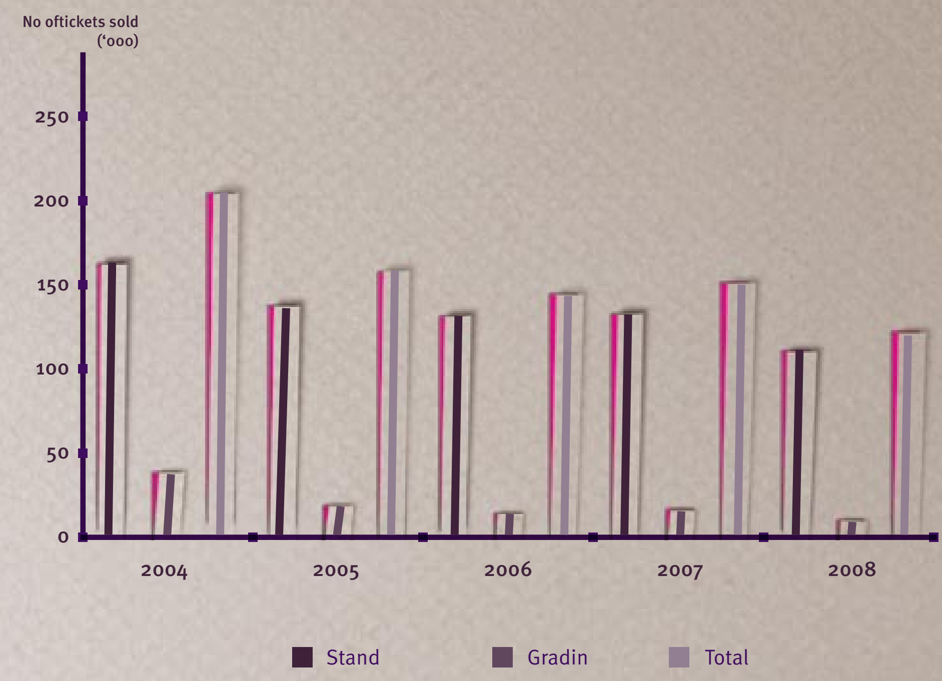


TELETOTE REVENUE

ON-COURSE BETTING

Although there was a 20% decrease in attendance at race meetings in 2008, there was a very encouraging increase of 23% in on-course revenue, which reached Rs 218.4M.

ATTENDANCE AT RACE MEETINGS



ADVERTISING

Supertote

In a competitive betting communication environment, Supertote's brand image was further reinforced in 2008, adding freshness while consolidating its unique positioning of *mizé pou amizé*. In addition to printed communication both in the press and at agencies, new TV and radio commercials were developed to give a new thrust to different services, in particular Teletote, off-course and exotic bets, including Pick 6, Pick 4, Swinger, Place Accumulator and All for All. Innovations included the launch of the Mobile Betting Campaign, offering both betting excitement and convenience. To maintain Supertote in the limelight, cost-effective sponsorship packages were secured with both public and private media partners, and a contract was signed with the MBC for the sponsorship of Supertote Racing Focus, a televised and uninterrupted racing programme. With the support of the Mauritius Turf Club, programme format continues to be enhanced.

Superscore

Football betting was launched in 2008 under the brand Superscore and developed with Supertote as Mother Brand. Using its goodwill and reputation for service excellence, Supertote gave Superscore a good kick-off. The driving strategy and theme for the campaign, which was *La Faya Football partout, vive li plein plein avec Superscore*, was drawn from a behavioural analysis of prospective punters and the Mauritian market. The new brand was also similarly positioned to Supertote, with the accent on *mizé pou amizé*. Indeed, ASL's policy is to emphasise gambling as a form of entertainment and to take a responsible attitude in relation to its activities, in line with Government policy. The nationwide campaign involved TV, press and radio. Radio games, with footballs as prizes, very quickly helped to achieve popularity and awareness. In addition, special posters and signage at off-course agencies gave extra visibility to the new brand and provided added excitement.

CORPORATE SOCIAL RESPONSIBILITY

The Company has been engaged in CSR activities, details of which are set out in the Corporate Governance Report on page 25

SPONSORSHIP

ASL has once again been the most active sponsor of horse racing events, including the Supertote Golden Trophy (Group 3), won by the sensational Mr Brock. Five other races were also sponsored: The Supertote Racing Focus Trophy in collaboration with the MBC, The Teletote Trophy, the Off-course Trophy, The Supertote Red Ribbon Trophy and The Superscore Trophy. The Supertote Day was particularly successful, with plenty of small gifts offered to punters on the day.

An additional prize of Rs 200,000 was offered to Mr Gilbert Rousset, the Stable Manager of Mr Brock, the winner of the Supertote Golden Trophy.

ASL was also involved in the International Jockey's Weekend, which featured the final meetings of the season, sponsoring the Supertote International Trophy won by crack jockey, Mr Christophe Soumillon.

ASL is the sole sponsor of Supertote Racing Focus, which is broadcast on TNT 5. In sponsoring this programme, ASL promotes horse racing, whilst offering a quality product to the Mauritian public at large.

MOBILE BETTING

As forecast in last year's annual report, Mobile Betting via text messaging (SMS) was launched in September 2008. Mobile Betting uses an application which can be downloaded on to any mobile that is Java-enabled. It enables bets to be placed using a mobile telephone through an application without having to type a text message. Authenticated Teletote account holders can perform such tasks as checking account balances and dividends, and placing bets using the XL Browser application on their mobiles. The system works for all Supertote bets except for All for All.

The application proved popular with punters, several of whom have downloaded the system. After a few meetings, turnover had attained Rs 1.3M, and turnover of Rs 15M is forecast for 2009. ASL is working to ensure that access via the two mobile telephone service providers will be improved in 2009, in order to reduce the response time when a bet is being placed.

FOOTBALL

Fixed-odds betting on football, under the brand name of Superscore, was launched in June 2008 to coincide with the European Cup. Revenue has grown steadily from June to December, because football is very popular among Mauritians. Punters can place their bets in all ASL outlets and follow all the odds live on screens. Revenue of Rs 135.8M was realised in 2008, and is expected to increase in 2009. A book manager has been employed to control and fix the odds.

FOOTBALL REVENUE IN 2008

OUTLOOK

The two brand names, Superscore and Supertote, have been well accepted by the public and ASL will continue to promote its products under these names.

Fixed-odds betting on foreign football matches has proved to be very popular, because ASL is gaining market share from illegal operators. ASL is optimistic about making further progress in 2009.

At the last Asian Racing Conference, all speakers stressed that the future of horse racing lies in the commingling of pools, in order to compete with other type of bets, as the bigger the pool the more interesting it is for the punter. ASL will seek permission from the Gambling Regulatory Authority to move in this direction.

To offer more options to our customers, ASL has also requested permission from the authorities to organise a football pool, Soccer 6, participating in the South African pool.

The Mauritius Turf Club has asked for authorisation to run 34 race meetings in 2009, compared with the 32 meetings in 2008. If the request is accepted by the authorities, it should have a positive impact on the Company's revenue.

The directors expect 2009 to be satisfactory should there be no adverse effect due to the economic slow down.

CORPORATE GOVERNANCE REPORT

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

LAW

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

ETHICS

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

RELATIONSHIP WITH AUTHORITIES AND THIRD PARTIES

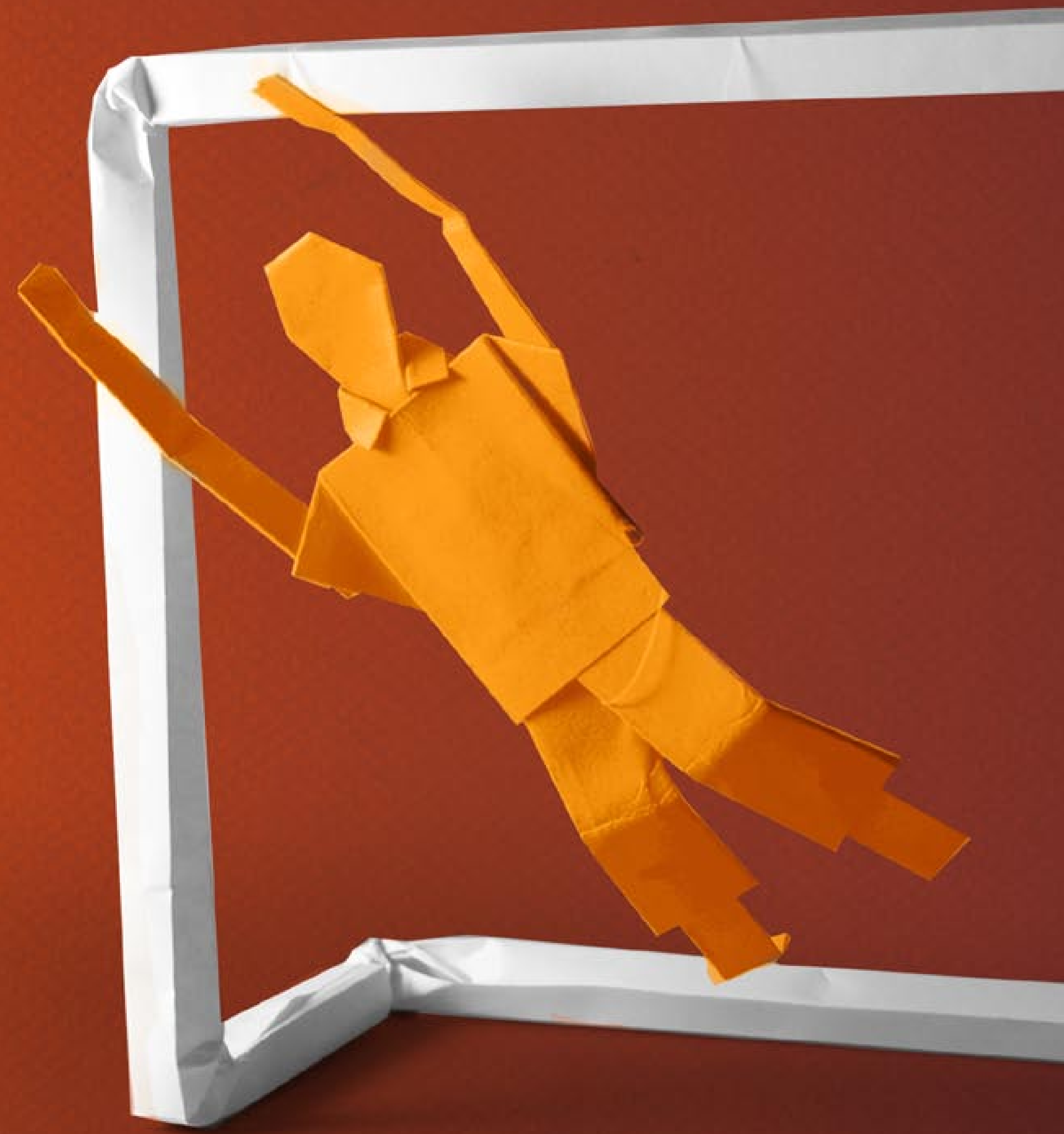
The Directors shall deal with others in a fair, honest, efficient and courteous manner. The Directors shall at all times maintain a conduct which is commensurate with the good reputation of ASL. All contracts and agreements to be entered into with any person shall be negotiated at arm's length and shall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

AVOIDANCE OF CONFLICT

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

DEALING IN SHARES OF THE COMPANY

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



SHAREHOLDERS

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

RISKS' ASSESSMENT

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

EMPLOYEES

The Company has no employees. HH Management Ltd employs all staff involved in ASL operations. Please refer to the section on Contract of Significance with Directors on page 23 for more information.

ENVIRONMENTAL AND SOCIAL POLICIES

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

CASCADE HOLDING STRUCTURE

ASL is a listed company owned as follows:

MAJOR SHAREHOLDERS

On 31 December 2008, the following shareholders held directly and indirectly more than 5% of the ordinary share capital of the Company.

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

DIRECTORS' PROFILE

M. A. ERIC ESPITALIER-NOËL (CHAIRPERSON)

Appointed Director in 2004

Chairperson of the Company since July 2004, Eric Espitalier-Noël, born in 1959, holds a Bachelor's degree in Social Sciences from the University of Natal in South Africa and a Master degree in Business Administration from University of Surrey (UK). In 1986 he joined the Espitalier-Noël Group of which he is today an executive director. He is a director of the following listed companies: Rogers & Company Ltd, The Savannah Sugar Estate Co. Limited, Mon Desert Alma Limited, Espitalier-Noël Investment Trust Ltd (DEM), Espitalier-Noël Ltd (DEM), Livestock Feed Ltd (DEM) and Tropical Paradise Co. Ltd (DEM).

DAVID R. H. ATTENBOROUGH

Appointed Director on 20 February 2008

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

PETER R. BENTON

Appointed Alternate Director to David R. H. Attenborough and John A. Stuart 20 February 2008

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

RAVINDRA CHETTY

Appointed Director in 1997

Ravindra Chetty, born in 1962, read Law at Balliol College, Oxford University. He was called to the bar in Middle Temple, England and in Mauritius in 1987. Since then he is practising as a barrister at law in Mauritius. His practice involves various areas such as civil, commercial, tax and insurance Law. He is also a lecturer and member of the Board of Examiners at the Council of Legal Education. He was the president of the Mauritius Bar Association in 2005. He also acts as legal advisor of various Funds. He had been the President of Mauritius Football Association from 1996 to 2002. He is not a director of any other listed company.

JOWAHEER LALL DOOKUN

Appointed Director in 2002

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

ARVIND LALL DOOKUN

Appointed Alternate director to Jowaheer Lall Dookun in 2003

Arvind Lall Dookun, born in 1963, holds a Textile Technology Diploma from the UMIST(Textile Dept. BIHE Bolton UK),HND in Clothing Technology and an Institute Diploma BA Hons equivalent in Clothing Fashion Business Management from the London College of Fashion part of the University of the Arts, London UK. He is an Associate member of the Clothing and Footwear Institute and a Licentiate member of the Textile Institute, Manchester UK. He is the Managing Director of General Export and Economic Development Services Ltd (ESC company) and a Director of INXS Ltd which is an insurance and re-insurance broker and consultancy company licensed by the FSC. He is not a director of any other listed company.

M. L. JEAN HARDY

Appointed Director at incorporation in 1991

M.L. Jean Hardy, born in 1948, is the promoter of the Tote Betting System in Mauritius. He was one of the co-founder of Hardy Henry & Cie Limitée in 1976. He is a director of Hardy Henry & Cie Limitée and its affiliated companies. He is not a director of any other listed company.

ANTOINE L. HAREL

Appointed Director in 2000

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

CHARLES P. L. HAREL

Appointed Director on 27 March 2007

Charles Harel, born in 1967, holds a National Diploma in Management and Finance from the Cape Technikon, South Africa, as well as an MBA from the University of Birmingham, United Kingdom. In 1995, he joined the Harel Mallac Group as assistant to the Commercial Director of the "Compagnie des Magasins Populaires Ltée" (Monoprix). In 1998, he was appointed Manager of the Business Units Travel & Tourisms and Retail. In May 2005, he joined Harel Mallac Bureautique Ltd. where he now holds the position of Managing Director. He is a director of the following listed companies: Compagnies des Magasins Populaires Ltée and Harel Mallac & Co Ltd.

HERVÉ HENRY

Appointed Director at incorporation in 1991

Hervé Henry, born in 1946, is the holder of a "Diplome de Perfectionnement en Administration des Entreprises" from the University of Aix, Marseilles. He was one of the co-founder of Hardy Henry & Cie Limitée in 1976. He is a director of Hardy Henry & Cie Limitée and its affiliated companies. He is not a director of any other listed company.

O. FAROUK A. HOSSEN

Appointed Director in 1991

Farouk Hossen, born in 1945, holds the Fellowship of the Association of British Opticians and Honours Fellowship Diploma 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. He is a director of number of Companies and of three Public Companies. He had the opportunity to sit on the board of The State Bank of Mauritius for two years. He is a director of the following listed companies: British American Investment Co. (Mtius) Ltd and The Mauritius Leasing Company Limited.

J. D. GERARD PASCAL

Appointed Director in 1991

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

L. J. MICHEL RIVALLAND

Appointed Director 20 February 2008

L. J. Michel Rivalland, born in 1953, is a Fellow Member of the Chartered Association of Certified Accountants. He is the Managing Director of The Mauritius Chemical & Fertilizer Industry Ltd. since October 2006. He is a director of the following listed companies: Harel Mallac & Co Ltd, The Mauritius Chemical & Fertilizer Industry Ltd, Bychemex Ltd (DEM), Chemco Ltd (DEM), United Investments (DEM).

JOHN A. STUART

Appointed Director in 2008

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

DIRECTORS

The table below shows the directors of the Company, their attendances at meetings and their remunerations during the year 2008. It also shows the direct and indirect interests of the directors and officers of the Company as at 31 December 2008.

Name	Category	Directorships in related companies				Interest in shares as at 31 December 2008*			Attendance at meetings during 2008			Remuneration during 2008 (Rs)
		DIL	OL	EEL	Phumelela	Direct		Indirect	Board 5	Audit Committee 2	Corporate Governance Committee 2	
						No of shares	% holding	% holding				
M. A. Eric Espitalier-Noël (chairperson)	Non-executive					–	–	–	4/4			55,000
David R. H. Attenborough (As from 20 February 2008)	Non-executive	*			*	–	–	–	2/3			30,000
Ravindra Chetty	Non-executive/ Independent					100	0.002	–	2/4		1/1	40,000
Jowaheer Lall Dookun	Non-executive					–	–	0.5313	4/4		1/1	45,000
M. L. Jean Hardy	Executive	*	*			8,000	0.226	3.2	4/4			40,000
Antoine L. Harel	Non-executive	*		*		–	–	0.9	4/4	2/2		50,000
Charles P. L. Harel	Non-executive			*		–	–	0.9	4/4		1/1	35,000
Hervé Henry	Executive	*	*			–	–	0.565	2/4			30,000
O.Farouk A. Hossen	Non-executive/ Independent					22,049	0.629	0.005	4/4	1/2		45,000
J. D. Gérard Pascal	Non-executive/ Independent					1,319	0.0371	0.1173	4/4	2/2		60,000
L. J. Michel Rivalland (As from 20 February 2008)	Non-executive					–	–	–	2/3			20,000
John A. Stuart (As from 20 February 2008)	Non-executive				*	–	–	–	3/3			30,000
Peter R. Benton Alternate to David R. H. Attenborough and John A. Stuart (As from 20 February 2008)	Non-executive					–	–	–	1/3			30,000
Arvind Lall Dookun Alternate to Jowaheer Lall Dookun	Non-executive					3,100	0.087	0.0526	0/4			–

* Beneficial interests only; no non-beneficial interests

COMMON DIRECTORSHIPS OF ASL HOLDING STRUCTURE
Please refer to the table regarding directors on page 21.

DIRECTORS INTERESTS IN THE SHARE CAPITAL OF THE COMPANY
Please refer to the table regarding directors on page 21.

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

SHAREHOLDERS' AGREEMENT
The Company does not have a Shareholders' Agreement.

CONTRACT OF SIGNIFICANCE WITH DIRECTORS
ASL has a Management Service Agreement with HH Management Ltd.

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

DIRECTORS' ATTENDANCE AT MEETINGS HELD IN 2008
Please refer to the table regarding directors on page 21.

BOARD AND COMMITTEES
As at 31 December 2008 the Board consisted of 12 directors (2 Executive, 7 Non Executive and 3 Independent (see table on 21) and met four times during the year.

The Board has not adopted a charter. The Board is chaired by M. A. Eric Espitalier-Noël who was elected by the board members.

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

For the year under review, no evaluation of the Board, the Audit Committee or the Corporate Governance Committee was carried out, as the Board is still considering how best to carry out the evaluation exercise.

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

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

The Committee has the following objectives:

- To review the structure of the Company in the light of the Code of Corporate Governance;
- To identify areas of compliance and areas of non compliance with the Code of Corporate Governance and to report to the Board accordingly;
- To assist the Board in the implementation of the Code of Corporate Governance;
- To ensure that the Company's Annual Report complies with the provisions of the Code of Corporate Governance.

Audit Committee
The Audit Committee assists the Board in overseeing:

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

The Audit Committee comprises of Gerard Pascal (chairperson), Antoine Harel and Farouk Hossen and met twice during the year.

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

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

RISK MANAGEMENT
The Board is responsible for the overall management of risks.

The risk inherent can be classified as follows:

Market Risk
The market risks relate to the number of race meetings, the number of betting shops ASL is allowed to operate and the state of the Mauritian economy, as this will impact directly on the expenditure on leisure activities.

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

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

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

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

SHARE OPTION PLAN

The Company has no share option plan.

DIVIDEND POLICY

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

CORPORATE SOCIAL RESPONSIBILITY

Business companies have become increasingly committed to supporting the community, and ASL is proud to be involved in this way and to have an active corporate social responsibility programme.

Prevention Information et Lutte contre le SIDA (PILS) is one of the main organisations in Mauritius engaged in the battle against HIV/AIDS, both through awareness and educational campaigns and through support to victims of the disease. In 2008, ASL again sponsored the Supertote Red Ribbon Trophy in collaboration with PILS on the Supertote Race Day. ASL donated Rs 115,000 to PILS, which represented 3% of the turnover taken on the race.

ASL also organised a Teledon with the collaboration of Radio One, Radio Plus and PILS. During a live broadcast from the Caudan Waterfront, PILS explained the AIDS problem to the public and replied to questions raised. The Supertote call centre was also used to raise funds, as well as the Teletote agents, who collected funds on behalf of PILS. Rs 400,000 were raised over two days. The Teledon is planned as an annual event to help to raise funds for the fight against HIV/AIDS.

Meanwhile, ASL donated Rs 210,000 for the renovation, undertaken by the Mauritius Turf Club, of a Children's Playground at the Champ De Mars. This now provides children with good facilities and a safe environment in which to play.

Other donations were made to ONGs working in Port Louis, including a grant to Viva Voce for the *Prendre un enfant par la main* project for the supply of school materials for children from disadvantaged backgrounds, to Cite Vallijee Government School for the renovation of the school, and for the organisation of a Christmas Party for children in Cite l'Oiseau, another underprivileged area.

ASL promotes betting as a form of entertainment but, to help counteract abuse, the telephone number of an ONG that helps addicted gamblers is displayed in all off-course outlets.

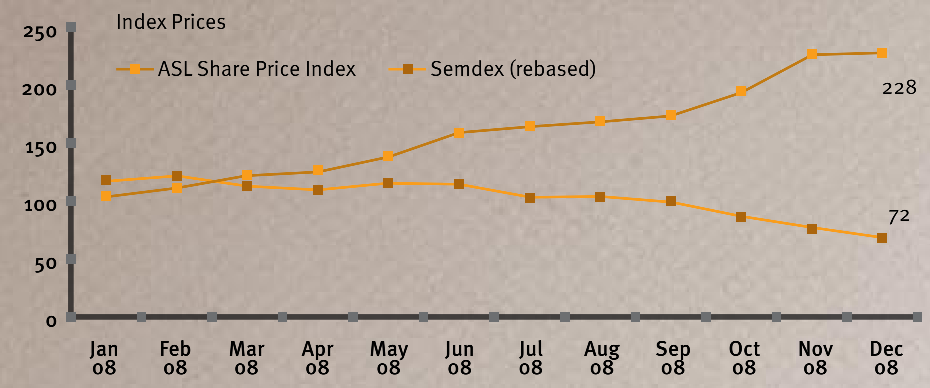
ASL legal contribution to the National Solidarity Fund increased substantially in 2008 from Rs 9.4M in 2007 to Rs 14.2M.

IMPORTANT EVENTS

The Calendar for the year ending 31 December 2009 is as follows:

	EVENTS	DATES
1	Payment of dividend (declared in 2008)	January
2	Publication of Annual Report 2008	March
3	Annual Meeting	May
4	Publication of quarterly financial reports	May, August & November
5	Declaration of dividend	December (Payment in January 2009)

SHARE PRICE PERFORMANCE



STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

DONATIONS

Donations were made by the Company during the year. The paragraph on Corporate Social Responsibility (Page 26) provides detailed information on the donations made. (2007 – Nil)

FEES PAID TO AUDITORS

The fees paid to the auditors of PricewaterhouseCoopers, are disclosed as per Note 5 in the financial statements.

AUDITOR

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

Approved by the Board of directors on 24 February 2009 and signed on its behalf by:

M A Eric Espitalier-Noël
Chairperson

M L Jean Hardy
Director

SECRETARY'S REPORT

AUTOMATIC SYSTEMS LTD
Under Section 166(d) of the COMPANIES ACT 2001

We confirm that, based on records and information made available to us by the directors and shareholders of the Company, the Company has filed with the Registrar of Companies, for the year ended 31 December 2008, all such returns as are required of the Company under the Mauritian Companies Act 2001.

Abax Corporate Administrators Ltd
CORPORATE SECRETARY
24 February 2009

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUTOMATIC SYSTEMS LTD.

REPORT ON THE FINANCIAL STATEMENTS

1. We have audited the financial statements of Automatic Systems Ltd. (the "Company") on pages 7 to 27 which comprise the balance sheet at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

2. The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritian Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

6. In our opinion, the financial statements on pages 7 to 27 give a true and fair view of the financial position of the Company at 31 December 2008 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

Companies Act 2001

7. The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:
   (a) we have no relationship with or interests in the Company other than in our capacity as auditor and tax advisor;
   (b) we have obtained all the information and explanations we have required; and
   (c) in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

OTHER MATTERS

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

PricewaterhouseCoopers

Shyam Mohadeb
Licensed auditor
24 February 2009

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

		2008 Rs 000	2007 Rs 000
REVENUE		1,328,340	895,234
Payments to winners		993,101	673,309
Fixed odd expenses		22,578	-
Government tax		106,095	77,852
Payments to the National Solidarity Fund		14,014	9,391
		1,135,788	760,552
Gross profit		192,552	134,682
Selling expenses		(39,908)	(27,118)
Operating expenses		(67,495)	(48,922)
Payments to The Mauritius Turf Club		(61,011)	(45,443)
OPERATING PROFIT (Note 5)		24,138	13,199
Finance income		955	527
Finance costs		(300)	(324)
Finance income – net (Note 6)		655	203
PROFIT BEFORE TAXATION		24,793	13,402
Taxation (Note 7)		(3,613)	(1,036)
PROFIT FOR THE YEAR		21,180	12,366
EARNINGS PER SHARE (Note 8)	Rs	5.99	3.49

BALANCE SHEET – 31 DECEMBER 2008

	2008 Rs 000	2007 Rs 000
ASSETS		
Non-current assets		
Plant and equipment (Note 9)	40,508	40,723
Available-for-sale financial assets (Note 10)	104	104
	40,612	40,827
Current assets		
Receivables and prepayments (Note 11)	3,856	1,109
Cash and cash equivalents (Note 12)	33,000	14,365
	36,856	15,474
Total assets	77,468	56,301
EQUITY		
Share capital (Note 13)	24,745	24,745
Share premium (Note 14)	1,168	1,168
Retained earnings	6,649	3,144
Total equity	32,562	29,057
LIABILITIES		
Non-current liabilities		
Deferred income tax (Note 15)	3,420	3,085
Current liabilities		
Trade and other payables (Note 16)	35,873	23,154
Bank overdraft (Note 20)	1,706	-
Current income tax (Note 7)	3,907	1,005
	41,486	24,159
Total liabilities	44,906	27,244
Total equity and liabilities	77,468	56,301

Authorised for issue by the Board of directors on 24 February 2009
and signed on its behalf by:

M A Eric Espitalier-Noël
Director

M L Jean Hardy
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital Rs 000	Share premium Rs 000	Retained earnings Rs 000	Total equity Rs 000
At 01 January 2007	24,745	1,168	1,383	27,296
Profit for the year	-	-	12,366	12,366
Dividends (Note 17)	-	-	(10,605)	(10,605)
At 31 December 2007	24,745	1,168	3,144	29,057
Profit for the year	-	-	21,180	21,180
Dividends (Note 17)	-	-	(17,675)	(17,675)
At 31 December 2008	24,745	1,168	6,649	32,562

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 Rs 000	2007 Rs 000
Cash flow from operating activities		
Profit before taxation	24,793	13,402
Adjustments for:		
Depreciation of plant and equipment (Note 9)	10,446	9,329
Profit on disposal of plant and equipment	(1)	-
Dividend income	(82)	(63)
Interest income	(873)	(464)
Interest expense	300	324
Working capital changes		
Increase in receivables and prepayments	(2,747)	(182)
Increase in trade and other payables	7,917	1,702
Cash generated from operations	39,753	24,048
Interest received	873	464
Income tax paid (Note 7)	(376)	(763)
Interest paid	(300)	(324)
Net cash from operating activities	39,950	23,425
Cash flow from investing activities		
Payments for purchase of plant and equipment (Note 9)	(12,507)	(12,546)
Proceeds from disposal of plant and equipment	9	-
Dividends received	82	63
Net cash used in investing activities	(12,416)	(12,483)
Cash flow from financing activities		
Dividends paid (Note 17)	(10,605)	(8,166)
Net cash used in financing activities	(10,605)	(8,166)
Net increase in cash and cash equivalents	16,929	2,776
Cash and cash equivalents at beginning of year	14,365	11,589
Cash and cash equivalents at end of year (Note 12)	31,294	14,365

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Accounting convention

The financial statements have been prepared under the historical cost convention.

(a) Interpretations effective in 2008 but not relevant

- **IFRIC 11, 'IFRS 2 – Group and treasury share transactions'**
- **IFRIC 12, ' Service concession arrangements'**
- **IFRIC 13, 'Customer loyalty programmes'**
- **IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'**

(b) Standards and amendments early adopted by the Company

IFRS 8, 'Operating segments', was early adopted in 2008. IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker. Comparatives are not available for segment information provided since it is the first time segmental reporting is relevant to the Company.

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

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, but the Company has not early adopted them:

- **IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009).**
- **IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).**
- **IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).**

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

- **IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).**
- **IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).**
- **IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements'- 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009)**
- **IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).**
- **IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009).**
- **IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009).**

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

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

- **IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009).**
- **IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).**
- **IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).**
- **IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).**
- **IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).**
- **IFRIC 15 – Agreements of construction of a real estate.**
- **IFRIC 16 – Hedges of a net investment in a foreign operation (effective from 1 October 2008)**
- **IFRIC 17 – Distributions of non-cash assets to owners.**
- **IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).**
- **IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).**
- **IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009).**
- **IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).**
- **IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).**

Segmental Reporting

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Property, plant and equipment

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

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

Property, plant and equipment (Cont'd)

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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-derivatives 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 balance sheet date. These are classified in non-current assets. Loans and receivables comprise of other receivables, loans at call and cash and cash equivalents in the balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

• 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 equity.

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

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

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

Financial assets (cont'd)

• Measurement (cont'd)

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 includes the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing model, making maximum use of market inputs and relying as little as possible on entity specific inputs.

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

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank, short-term, highly liquid investments and loans at call that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Share capital

Ordinary shares are classified as equity.

Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet. 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 substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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

(a) Sales of services

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

(b) Interest Income

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

(c) Dividend Income

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

Dividend distribution

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

Impairment of assets

Property, 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.

2. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

• Market risk

(a) Foreign exchange risk
The transactions of the Company are carried out in Mauritian Rupees except for limited acquisitions of property, plant and equipment which are invoiced in foreign currency. Hence, there is no exposure to foreign exchange risk.

(b) Interest rate risk
The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's policy is to maximise returns on interest-bearing assets.

• Credit risk

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

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

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

• Liquidity risk

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

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

All the Company's financial liabilities have a contractual maturity date of less than one year. The amounts disclosed are the contractual undiscounted cash flows. 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 shareholder, return capital to the shareholder, issue new shares or sell assets to reduce debt.

As the Company has no long term external borrowings as at 31 December 2008, the gearing ratio does not apply.

Fair value estimation

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2008 (CONT'D)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The Company does not have any area involving a higher degree of judgement or complexity, nor any area where assumptions and estimates are significant to the financial statements.

4. 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 asset 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 segment for the year ended 31 December 2008 is as follows:

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

Revenue is the actual revenue of the reportable segments. Except for directly attributable expenses, all other segmental information are apportioned to betting on horse racing and foreign football using a ratio of 90:10 which, in the directors' view, reflect a fair estimation of the costs associated with the two segments.

4. SEGMENT INFORMATION (CONTINUED)

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

	2008 Rs 000
EBITDA	34,584
Depreciation	(10,446)
Finance income –net	655
Profit before tax	24,793

5. OPERATING PROFIT

	2008 Rs 000	2007 Rs 000
Operating profit is stated after charging/(crediting):		
Depreciation of plant and equipment (Note 9)	10,446	9,329
Profit on disposal of plant and equipment	(1)	-
Commission and management service fees to related parties (Note 19(b))	38,466	26,768
Commission to off-course agents	29,966	18,759
Repairs and maintenance	3,686	3,214
Licences and municipality taxes	4,451	3,439
Auditor's remuneration		
– audit services	380	325
– non-audit services	55	106

The Company did not employ any staff during the year (2007 – Nil).

6. FINANCE INCOME - NET

	2008 Rs 000	2007 Rs 000
Interest income:		
Loans at call	781	262
Bank	92	202
Dividend income	82	63
Interest expense	(300)	(324)
	655	203

7. TAXATION

	2008 Rs 000	2007 Rs 000
Expense:		
Current income tax based on the profit for the year as adjusted for tax purposes at **15.0%** (2007 – 15.0%)	3,222	1,005
Under provision in prior year	56	230
Deferred income tax (Note 15)	335	(199)
	3,613	1,036
Liability:		
At 01 January	1,005	533
Paid during the year	(376)	(763)
Charge for the year	3,222	1,005
Under-provision in prior year	56	230
At 31 December	3,907	1,005

The reconciliation between the actual income tax rate of **14.6 %** (2007 – 7.7%) and the applicable rate of **15.0%** (2007 - 15.0%) is as follows:

(As a percentage of profit before tax)	2008 %	2007 %
Applicable income tax rate	15.0	15.0
Effect of:		
Deferred tax not provided in prior year	-	(1.8)
Non-taxable income	(0.1)	(0.1)
Income tax under provided in previous year	0.2	1.7
Effect of change in tax rate on deferred tax	-	(7.6)
Other permanent differences	(0.5)	0.5
ACTUAL INCOME TAX RATE	14.6	7.7

8.EARNINGS PER SHARE

Earnings per share is calculated on the profit after taxation of Rs 21,180,000 (2007 – Rs 12,366,000) and on 3,535,000 issued ordinary shares outstanding during the two years under review.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2008 (CONT'D)

9. PROPERTY, PLANT AND EQUIPMENT

	Equipment Rs 000	Teletote Rs 000	Off-course equipment Rs 000	Electrical installation and equipment Rs 000	Office equipment and furniture Rs 000	Tote trophy Rs 000	Total Rs 000
Cost:							
At 01 January 2007	44,173	26,645	3,811	6,674	9,857	39	91,199
Additions	12,906	1,064	-	634	680	-	15,284
At 31 December 2007	57,079	27,709	3,811	7,308	10,537	39	106,483
Additions	4,494	3,650	-	412	1,683	-	10,239
Disposals	-	-	-	(21)	(105)	-	(126)
At 31 December 2008	61,573	31,359	3,811	7,699	12,115	39	116,596
Accumulated depreciation and impairment losses:							
At 01 January 2007	21,822	19,146	3,811	5,492	6,160	-	56,431
Charge for the year	4,828	2,844	-	362	1,295	-	9,329
At 31 December 2007	26,650	21,990	3,811	5,854	7,455	-	65,760
Charge for the year	5,483	3,099	-	299	1,565	-	10,446
Disposals	-	-	-	(21)	(97)	-	(118)
At 31 December 2008	32,133	25,089	3,811	6,132	8,923	-	76,088
Net book amount:							
At 31 December 2008	29,440	6,270	-	1,567	3,192	39	40,508
At 31 December 2007	30,429	5,719	-	1,454	3,082	39	40,723

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2008 Rs 000	2007 Rs 000
Additions	10,239	15,284
Less: Payables to suppliers at 31 December	(973)	(3,241)
Add: Payables to suppliers at 01 January	3,241	503
Payments for purchases of plant and equipment	12,507	12,546

10. AVAILABLE FOR SALE FINANCIAL ASSETS

	Listed shares Rs 000	Unquoted Shares Rs 000	Total Rs 000
At 01 January and 31 December 2007 and 31 December 2008	4	100	104

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

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

11. RECEIVABLES AND PREPAYMENTS

	2008 Rs 000	2007 Rs 000
Other debtors	3,124	600
Prepayments	732	509
	3,856	1,109

The carrying value of receivables and prepayments approximate their fair values. Other debtors are not considered impaired.

12. CASH AND CASH EQUIVALENTS

	2008 Rs 000	2007 Rs 000
Cash at bank	-	1,865
Loans at call	33,000	12,500
	33,000	14,365

The loans at call are unsecured, repayable on demand and carry interest at **10.25%** (2007 - 11.25%) per annum.

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

	2008 Rs 000	2007 Rs 000
Cash and cash equivalents	33,000	14,365
Bank overdraft (Note 20)	(1,706)	-
	31,294	14,365

NOTES TO THE FINANCIAL STATEMENTS
– 31 DECEMBER 2008 (CONT'D)

13. SHARE CAPITAL

	2008 Number	2007 Number	2008 Rs 000	2007 Rs 000
Authorised:				
Ordinary shares of **Rs 7** each	**5,000,000**	5,000,000	**35,000**	35,000
Issued and fully paid:				
Ordinary shares of **Rs 7** each	**3,535,000**	3,535,000	**24,745**	24,745

14. SHARE PREMIUM

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

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

The share premium account may also be applied:

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

15. DEFERRED INCOME TAX

	2008 Rs 000	2007 Rs 000
The movement on the deferred tax account during the year is as follows:		
At 01 January	**3,085**	3,284
Income statement charge/(credit) (Note 7)	**335**	(199)
At 31 December	**3,420**	3,085

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

16. TRADE AND OTHER PAYABLES

	2008 Rs 000	2007 Rs 000
Amount payable to related party	**1,240**	670
Other accounts payable and accruals	**11,668**	7,594
Teletote deposits	**4,597**	3,590
Unclaimed dividends declared in prior years	**693**	695
Dividends	**17,675**	10,605
	35,873	23,154

17. DIVIDENDS

	2008 Rs 000	2007 Rs 000
Declared		
Rs 5 (2007 – Rs 3.00) per share	**17,675**	10,605
Paid		
Rs 3 (2007 - Rs 2.31) per share	**10,605**	8,166

18. COMMITMENTS

At 31 December 2008, capital expenditure of the Company approved by the directors but not yet contracted for amounted to **Rs 4,950,000** (2007 - Rs 6,575,000).

19. RELATED PARTY TRANSACTIONS

(a) Related parties

The directors regard Draper Investment Ltd, a company incorporated in Mauritius, as the Company's immediate and ultimate holding company. At 31 December 2008, Draper Investment Ltd owned **59.6%** (2007 – 59.6%) of the Company's shares.

(b) Transactions with a company controlled by directors

Management Services Agreement

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

The management duties of HH Management Ltd include:

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

19. RELATED PARTY TRANSACTIONS (CONTINUED)

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

HH Management Ltd is remunerated as follows:

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

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

	2008 Rs 000	2007 Rs 000
Commissions payable based on:		
- revenue	36,626	25,498
- net profit before taxation	1,240	670
Management service fee payable	600	600
Included in administrative expenses	38,466	26,768

The amount due to HH Management Ltd at 31 December 2008 in respect of the management services agreement was **Rs 1,239,663** (2007 – Rs 670,000).

(c) Transactions with directors

Directors' remuneration

	2008 Rs 000	2007 Rs 000
Executive directors	70	110
Non-executive directors	460	495
	530	605

Directors' interests in the share capital of the Company

At 31 December 2008, the following directors had direct and indirect interests in the ordinary share capital of the Company:

Name of director	Direct interest		Indirect interest
	No. of ordinary shares	% holding	% Holding
Ravindra Chetty	100	0.002	-
Jowaheer Lall Dookun	-	-	0.531
M. L. Jean Hardy	8,000	0.226	3.2
Hervé Henry	-	-	0.565
O. Farouk A. Hossen	22,049	0.629	0.005
J. D. Gérard Pascal	1,319	0.037	0.117
Arvind Lall Dookun	3,100	0.087	0.053
Charles Paul Luc Harel	-	-	0.9
Antoine Louis Harel	-	-	0.9

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2008 (CONT'D)

20. BANK OVERDRAFT

The bank overdrafts are secured by floating charges over the Company's assets. The Company has undrawn floating rate borrowing facilities of **Rs 25M** (2007: Rs 20M). The facilities are subject to review at various dates during 2009.

21. THREE YEAR SUMMARY

	2008	2007	2006
Non-current assets			
Plant and equipment (Rs 000)	40,508	40,723	34,768
Available-for-sale financial assets (Rs 000)	104	104	104
Current assets			
Receivables and prepayments (Rs 000)	3,856	1,109	927
Cash and cash equivalents (Rs 000)	33,000	14,365	11,589
Equity			
Number of shares issued	3,535,000	3,535,000	3,535,000
Issued and fully paid shares (Rs 000)	24,745	24,745	24,745
Share premium (Rs 000)	1,168	1,168	1,168
Retained earnings (Rs 000)	6,649	3,144	1,383
Non-current liabilities			
Deferred income tax liabilities (Rs 000)	3,420	3,085	3,284
Current liabilities			
Trade and other payables (Rs 000)	35,873	23,154	16,275
Bank overdraft (Rs 000)	1,706	-	-
Current income tax liabilities (Rs 000)	3,907	1,005	533
Income statement			
Revenue (Rs 000)	1,328,340	895,234	734,120
Profit before taxation (Rs 000)	24,793	13,402	12,099
Profit for the year (Rs 000)	21,180	12,366	9,546
Cash flow statement			
Dividends paid (Rs 000)	10,605	8,166	4,914

22. INCORPORATION AND REGISTERED OFFICE

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

The address of its registered office is c/o Abax Corporate Administrators Ltd, Level 6, One Cathedral Square, Jules Koenig Street, Port-Louis.

C/O ABAX CORPORATE ADMINISTRATORS LTD
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