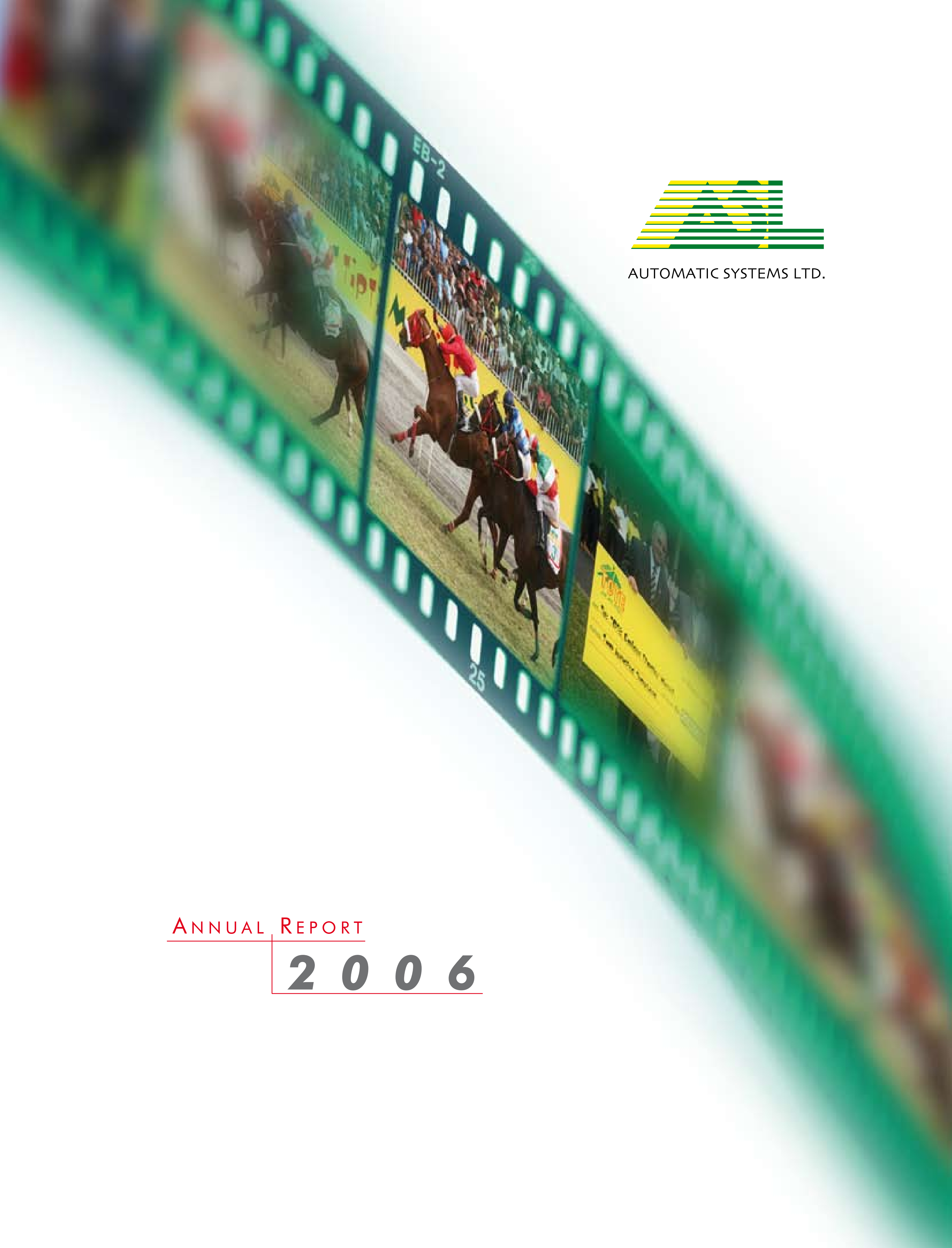


AUTOMATIC SYSTEMS LTD.

ANNUAL REPORT 2006

Contents


KAP

Financial Highlights

	2006	2005
	Rs M	Rs M
Income Statement		
Total revenue	734.1	657.4
Operating profit	10.7	4.6
Government tax	64.9	58.0
Profit before taxation	12.1	6.7
Taxation	2.6	1.9
Profit for the year	9.5	4.8
	Rs	Rs
Financial Ratios		
Earnings per share	2.70	1.37
Dividends per share	3.70	2.10
Share Price (at 31 Dec)	34.30	37.70

Company Information

Executive Directors

M. L. Jean Hardy
Hervé Henry

Non-executive Directors

M. A. Eric Espitalier Noël (Chairperson)
K. Sunil Banymandhub (resigned on 21 September 2006)
P. R. Sydney Bathfield
Ravindra Chetty
Jowaheer Lall Dookun
Charles P. L. Harel (appointed on 27 March 2007)
F. Jacques Harel (resigned on 28 February 2007)
Antoine L. Harel
O. Farouk A. Hossen
J. D. Gérard Pascal
M. Jean-Marc Ulcoq
Timothy Taylor (appointed on 22 September 2006)

Alternate Directors

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 Maurice Jean-Marc Ulcoq)
Charles P. L. Harel (alternate to Antoine Louis Harel)

Secretary

Abacus Corporate Services Ltd
(previously B.C.M. (Secretaries) Ltd)
Level 6, One Cathedral Square
Jules Koenig Street, Port Louis

Auditor

PricewaterhouseCoopers
TM Building
Pope Hennessy Street, Port Louis

Registered Office

As from 02 June 2006
Level 6, One Cathedral Square
Jules Koenig Street
Port Louis

Up to 01 June 2006
Third Floor, TM Building
Pope Hennessy Street
Port Louis

Notice of Meeting

Notice is hereby given that the annual meeting of the company will be held at the Mauritius Turf Club, Port-Louis on 22 June 2007 at 3.00 p.m. to transact the following business:-

As ordinary business:

1 To approve minutes of the last annual meeting held on 16 June 2006

2 To receive and adopt the annual report and financial statements of the company for the year ended 31 December 2006 and the report of the auditor thereon

3 To ratify the appointment of Timothy Taylor as director

4 To ratify the appointment of Charles Harel as director

5 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 Companies Act 2001

6 To re-elect Antoine Harel, director retiring by rotation and who is eligible for re-election

7 To re-elect Jean Marc Ulcoq director retiring by rotation and who is eligible for re-election

8 To re-elect Gérard Pascal director retiring by rotation and who is eligible for re-election

9 To re-elect Sydney Bathfield director retiring by rotation and who is eligible for re-election

10 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

And as special business:

11 As a special resolution, to revoke the memorandum and articles of association of the company in accordance with Section 44(3) of the Companies Act 2001

12 As a special resolution, to adopt a new Constitution in accordance with Section 44(1) of the Companies Act 2001

Dated this 27th day of March 2007

BY ORDER OF THE BOARD

ABACUS CORPORATE SERVICES 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 and that proxy needs not also be a member.

Proxy forms should be delivered at the Registered Office, c/o Abacus Corporate Services Ltd, Level 6, One Cathedral Square, Jules Koenig Street, Port Louis on 21 June 2007 at 3.00 p.m. at latest.

Annual Report

The directors are pleased to present to you the sixteenth annual report and the audited financial statements of the Company for the year ended 31 December 2006.

Principal Activity

The Company's principal activity is the running of a totalisator (Tote) system of betting on races organised by the Mauritius Turf Club in Mauritius in accordance with the provisions of the Mauritian Horse Racing Board Act 2003. In 2006, the Company operated 19 off-course outlets (2005 - 10).

Review of the Business and Financial Statements

The profit for the year amounted to Rs9.5 million (including an exceptional item of Rs1.9 million realised on the sale of old equipment) compared to Rs4.8 million in 2005 (including an impairment loss of Rs9.0 million suffered on old equipment). Comparative profit figures exclusive of exceptional items were Rs7.7 million for 2006 as opposed to Rs13.8 million for 2005. Dividends of Rs13.1 million were declared in 2006 (2005 - Rs7.4 million). Retained earnings at 31 December 2006 amounted to Rs1.4 million (2005 - Rs4.9 million).

The financial statements of the Company for the year ended 31 December 2006 are set out on pages 29 to 46. The auditor's report on these financial statements is on pages 27 and 28.

REVIEW OF THE YEAR

Turnover continued to grow, rising from Rs657.4 million in 2005 to Rs734.1 million in 2006, an increase of 11.6%.

The rise in turnover is closely linked to the increase in ASL's off-course betting and Teletote activities, which are attracting a growing number of punters. Punters are accustomed to off-course betting but a lot of this business still takes place in illegal circumstances. There is, therefore, a large market to be tapped in this sector.

The number of Teletote accounts has also increased with turnover up by 9%. This reflects the positive impact of opening off-course outlets, where punters can open accounts, make deposits and withdrawals. From meeting 24 onwards, we had 19 outlets in operation, compared with 10 at the start of the season.

"A new betting system, Amtote"

Two new bets were introduced, the Swinger and Place Accumulator, whilst Dupla, Quinpot and Double Trifecta were withdrawn. The Place Accumulator has proved very popular and, at some meetings, even topped Pick 6 as the most popular exotic bet.

It produced a turnover of Rs80.9 million in 2006 against the Quinpot's turnover of Rs8.7 million in 2005. The Swinger, which replaced the Dupla, recorded the same turnover, Rs3.6 million in 2006, as the Dupla in 2005.

In 2006, ASL brought a new betting system, Amtote, into operation, replacing the Australian Tabcorp system. Amtote, an American system, is the

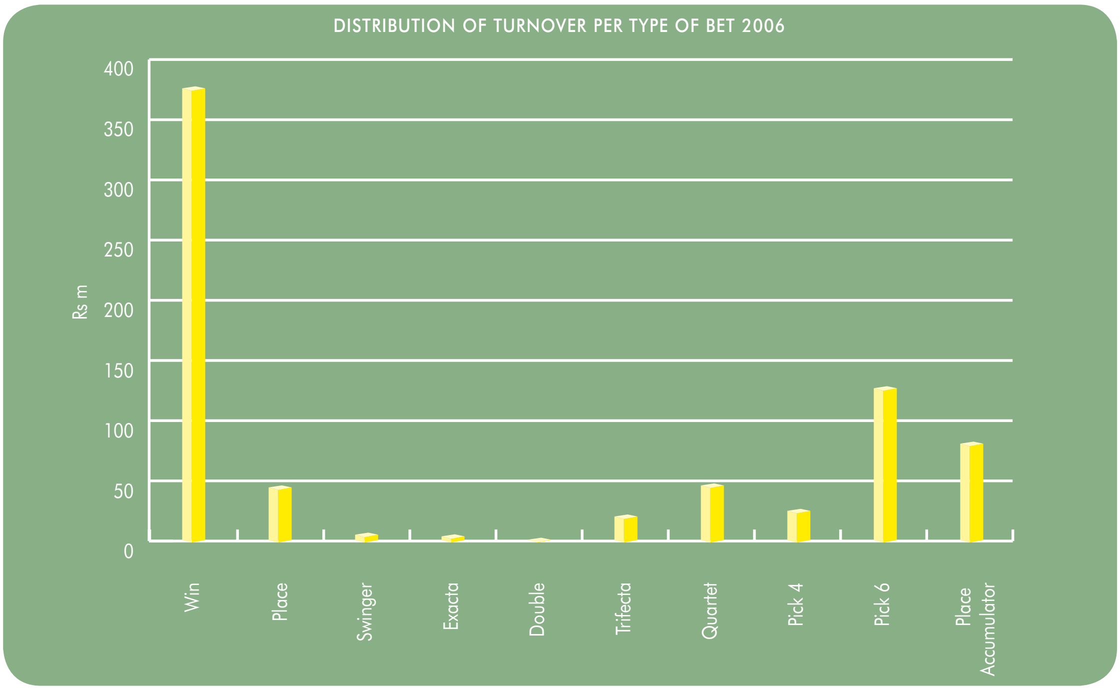
Annual Report (continued)

commingling pioneer. With the growing tendency for commingling around the world, ASL needed to have a system that can operate effectively in the new environment. Amtote has the necessary protocol (ITSP) in order to communicate with Tote systems elsewhere. ASL believes that the trend to commingling is the future of Tote systems worldwide. Commingling enables betting on foreign races and participation in substantially bigger pools in the host country where dividends are more attractive to punters.

ASL also organised two types of betting on the football World Cup, Win and Quartet. For Quartet, punters had to determine the first four teams in the correct order. As no advertising was permitted for this event, the turnover of Rs298,195 produced was encouraging. ASL strongly believes that sports betting should be allowed within the framework of licensed operators, in order to combat an illegal market where millions are wagered every year, often with dubious ramifications. It would also enable Government to obtain additional tax revenues.

The licensing of a second Tote operator has had an impact on performance. The new operator, GSL, started operations from the 18th meeting onwards. Until then, turnover had been 15.5% up from 2005. Thereafter it dropped to 7.5%, suggesting that the new situation has had a negative impact on our turnover. The turnover continued to increase at a diminishing rate even after we opened new off-course outlets as from the 24th meeting.

Exotic bets also performed less well towards the end of the season, confirming that we have been adversely affected by a situation where two Tote companies offer the same types of bets. Moreover, the reduction of the pool resulted in reduced dividends.



Annual Report (continued)

OFF-COURSE BETTING

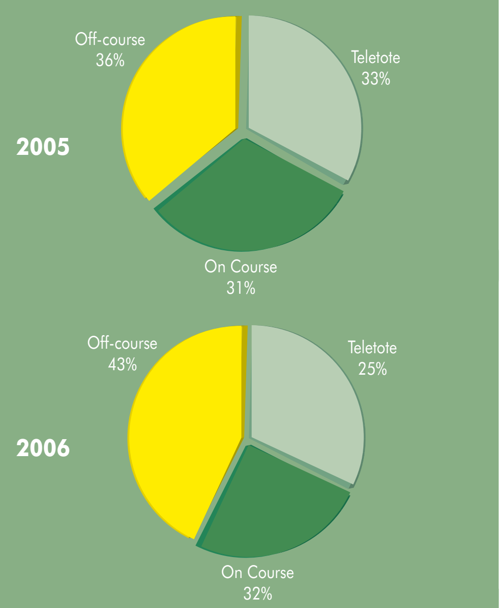
An initial 5 off-course betting outlets were opened in August 2004. By the beginning of the 2006 racing season, ten outlets were in operation, and a further nine were opened during the season, in St Pierre, Lallmatie, Paillotte, Rose Belle, Pamplemousses, Triolet, Bel Air, Riviere du Rempart and Montagne Blanche. All outlets are equipped to provide customers with a full range of services and a secure environment, with panic buttons and security cameras at all outlets.

ASL's policy was consistent for the management of off-course outlets. They are run by independent operators and the system encourages new small businesses and entrepreneurship, in line with government policy. These operators receive a commission based on a percentage of turnover, whilst operating under strict ASL control. Off-course operators received Rs12.5 million as commission in 2006.

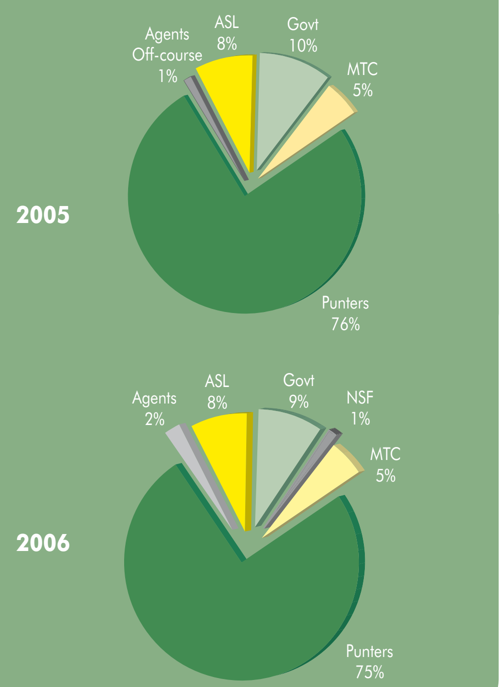
The percentage of turnover attributable to off-course betting continues to grow, rising from 36% in 2005 to 43% in 2006. Teletote account holders also benefit from off-course facilities, as they can effect their deposits and withdrawals at any outlet in addition to using other existing facilities. Punters can also open their initial accounts at any of the off-course outlets.

Turnover grew in 2006 in nearly all off-course outlets, with the majority posting significant increases, as punters become more and more used to betting off-course.

SHARE OF TELETOTE / ON COURSE / OFF-COURSE TO T/O

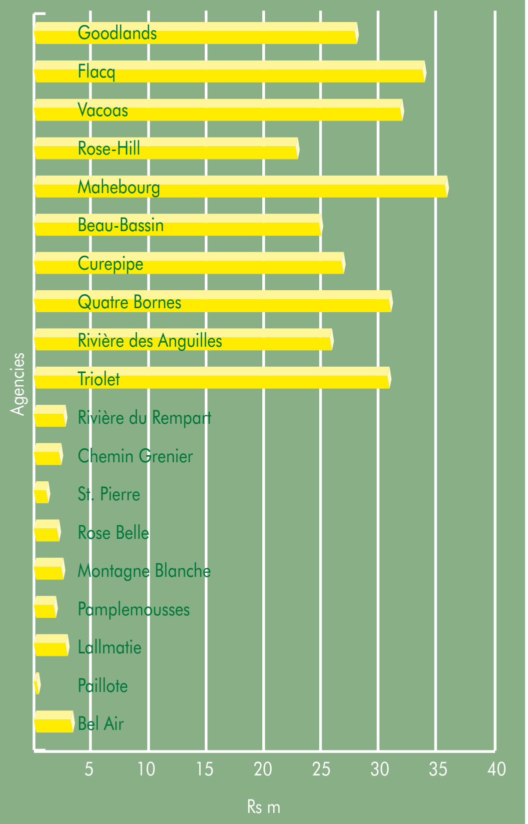


TOTAL TURNOVER DISTRIBUTION

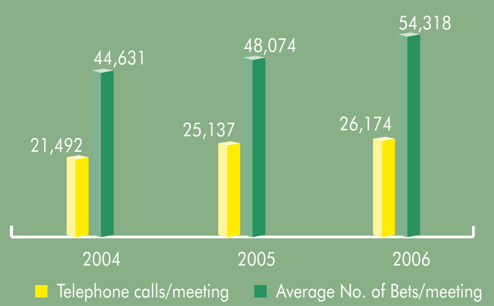


Annual Report (continued)

OFF-COURSE OUTLETS -CONTRIBUTION TO T/O



AVERAGE NO. OF BETS AGAINST CALLS RECEIVED



TELETOTE

In 2006, Teletote turnover increased by 9% over the previous year, to record an all-time high of Rs234.2 million. Of the 2,761 new accounts opened in 2006, 1,715 of them (62%) were opened through the off-course network as punters took advantage of the fact that they no longer need to travel to Port Louis to do this. The decrease in total number of Teletote accounts is due to the closure of 6,865 inactive accounts, at the beginning of 2006.

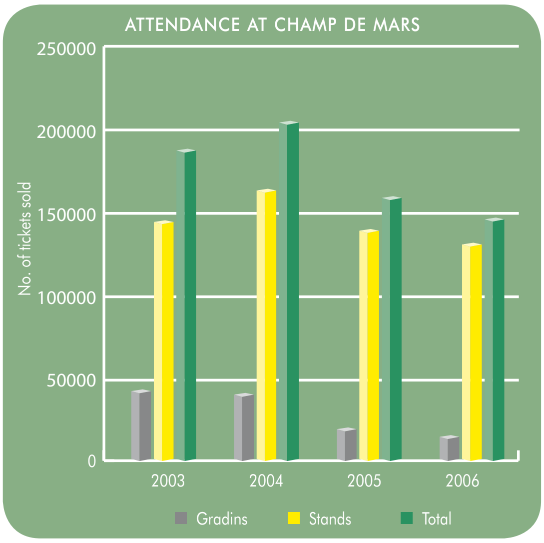
No. of Teletote Accounts	
1996	4,668
1997	7,600
1998	9,468
1999	11,422
2000	13,797
2001	16,754
2002	18,803
2003	18,096
2004	20,634
2005	23,012
2006	18,908

As regards to average number of bets wagered, an increase of 13% has been noted compared to an increase of only 4% on calls received. This, we believe is an indication that punters are more aware of the different bets offered and thus, they bet more effectively.

Annual Report (continued)

ON COURSE

By contrast, on-course betting suffered. The introduction of off-course outlets has coincided with a downward trend in attendance at the Champ de Mars race-course. This is in line with international trend, where punters are increasingly moving towards more convenient modes of betting. As noted above, commencement of operations by a second Tote company resulted in a decline in the percentage increase in turnover from their date of entry into the market.



GOVERNMENT TAX

Tax paid to the Government increased to Rs64.9 million, from Rs58.0 million in 2005 and Rs38.3 million in 2004.

NATIONAL SOLIDARITY FUND

Fractions and Dividends unclaimed by winning punters, amounting to Rs7.5 million in 2006 (2005 - Rs6.3 million) were remitted to the National Solidarity Fund.

WEBSITE

ASL's innovative website allows punters to be constantly updated on betting trends, as current odds are posted every 30 seconds. They can also obtain information on the dividends of the whole meeting, as well as download an application form for a Teletote account, which they can then fax to our customer services, where an agent will handle it and follow-up with the client. The site also contains other interesting information and punters themselves are able to make suggestions on-line. All queries and suggestions are followed up.

Advertising policy

To eliminate all confusion that may arise from our competitor's branding and advertising strategies, ASL has decided to enhance its separate identity as "SUPERTOTE", emphasizing its reliability, experience and the advantages it offers to punters. We believe we offer a superior product and our slogan "Mizé pou amizé" reflects the spirit in which we wish to see betting develop. We believe in a responsible approach to betting, which should be essentially a fun activity.

SUPERTOTE
MIZÉ POU AMIZÉ!

SPONSORSHIP

ASL has continued with its sponsorship of various events and races. We are currently discussing with the local Authorities and contributing to the upgrading of the children's playground at Champ de Mars.

Annual Report (continued)

WINNERS OF THE TOTE GOLDEN TROPHY 1991-2006	
1991	Lines of Power
1992	Bona Fide
1993	American Eagle
1994	Flying Herald
1995	Gaelic Find
1996	Del Taurus
1997	Phantom Fun
1998	Mustang Manny
1999	Pinehurst
2000	Stage Mate
2001	The Piper
2002	Stud Master
2003	Stud Master
2004	Stud Master
2005	World Focus
2006	Cavendish

Mr. R. Gujadhur, Stable Manager of Cavendish, receiving cash prize from Mr. J. Hardy, Director of ASL.

Stayers Championship

In order to promote long distance races in Mauritius, ASL has increased the prize money for the Tote Stayers Championship to Rs300,000. In this championship, points are allocated to horses according to their performances in the three main stayers' races of the season. Cavendish was the 2006 winner and its stable manager received Rs500,000 from the Tote as winner of both the Tote Golden Trophy and the Tote Stayers Championship.

Owners of Cavendish, Winner of the Tote Golden Trophy, with Mr. J. Hardy, Director of ASL.

The TOTE Golden Trophy

The Trophy has now been recognised by the MTC as a semi-classic and in 2006 was again won by Cavendish. Prize money was maintained at Rs300,000.

The Tote International Trophy

International Jockeys' day, the last race meeting of the season, is a major event in the racing calendar. For the second year in succession, ASL sponsored the above mentioned trophy, reserved for women riders, as part of its strategy to attract more female customers and racegoers.

Annual Report (continued)

Outlook

A new Gambling Regulatory Bill has been prepared, dealing with Sports Betting, overseas Inter-Totalisator race Betting (Commingling) and Internet betting.

ASL has already conducted some trials with South Africa on commingling, with a positive outcome. As soon as the bill becomes law, ASL will offer betting on foreign races through commingling. It will mean, for example, that Mauritians will be able to bet on the South African races, and vice versa. This will increase the size of the Mauritian pool and offer better value to local punters. As mentioned above, ASL has already moved to the Amtote system to facilitate commingling. The new Amtote system also enables ASL to offer fixed odds on sports betting. ASL is also ready to offer bets via the Internet.

Applications have also been made to the Authorities to open five new off-course outlets in Mauritius and one in Rodrigues.

Once in place, the various initiatives will produce all-round benefits, discouraging illegal betting and create employment, as well as increase income for both Government and the local racing authorities.

Annual Report (continued)

CORPORATE GOVERNANCE

The Directors 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 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.

Annual Report (continued)

CORPORATE GOVERNANCE (continued)

Employees

The Company has no employees as Hardy Henry & Cie Limitée, by virtue of the Management Service Agreement it has with ASL, employs all staff involved in the Tote.

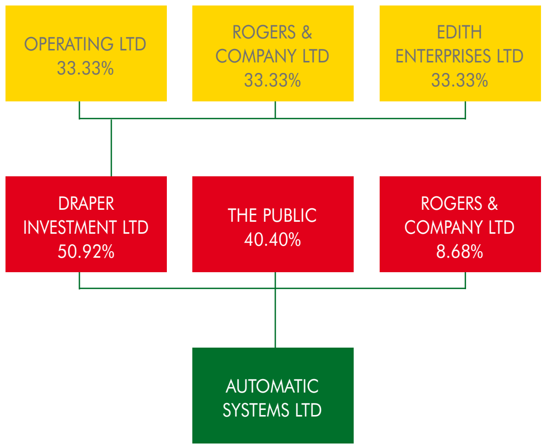
Environmental and social policies

The Directors shall ensure that the activities of ASL do not have a negative impact on the environment. The Directors shall contemplate such social actions which will contribute positively to the betterment of society.

Although no formal policies exist, the Company is aware of its responsibilities and has sponsored various sporting events during the year.

CASCADE HOLDING STRUCTURE

Automatic Systems Ltd is a listed company owned as follows:



Annual Report (continued)

CORPORATE GOVERNANCE (continued)

MAJOR SHAREHOLDERS

On 27 March 2007, 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 Investments Ltd	1,800,000	50.92	-
Rogers and Company Ltd	306,909	8.68	16.97
Operating Ltd	-	-	16.97
Edith Enterprises Ltd	-	-	16.97

COMMON DIRECTORSHIPS OF ASL HOLDING STRUCTURE

The names of the common directors at each level of the ASL holding structure are as follows:

DIRECTORS	Draper Investments Ltd	Operating Ltd	Edith Enterprises Ltd	Rogers and Company Ltd
K. Sunil Banymandhub	*			
P. R. Sydney Bathfield				
Ravindra Chetty				
Jowaheer Lall Dookun				
O. Farouk A. Hossen				
M. A. Eric Espitalier-Noël	*			*
M. L. Jean Hardy	*	*		
Antoine L. Harel	*		*	
F. Jacques Harel	*		*	
Hervé Henry	*	*		
J. D. Gérard Pascal	*			
M. Jean Marc Ulcoq	*		*	
Timothy Taylor				*
Arvind Lall Dookun				
Charles P. L. Harel				

Annual Report (continued)

CORPORATE GOVERNANCE (continued)

DIRECTORS' PROFILE

M. A. ERIC ESPITALIER NOËL

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). He started his career in the audit department of De Chazal Du Mée. He also worked as Area Marketing Manager for Indian Ocean Export Ltd in Durban. 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 and Company Limited, The Savannah Sugar Estate Co. Limited, Mon Desert Alma Limited, Espitalier Noel Investment Trust Ltd (DEM), Espitalier Noel Ltd (DEM), Livestock Feed Ltd (DEM) and Tropical Paradise Co. Ltd (DEM).

P. R. SYDNEY BATHFIELD

Appointed Director in 1998

Sydney Bathfield qualified as a Chartered Accountant in London in 1963. He returned to Mauritius where he joined Kemp Chatteris in 1966 and Lonrho in 1969. He emigrated to the United States of America in 1978 and worked in London and Paris before returning to Mauritius in 1995. He joined the Rogers Group and was the executive director of the International and Financial Services Cluster. Since his retirement in 2002 he has acted as a business adviser to the Rogers Group. He was Chairman of the Stock Exchange of Mauritius from 1997 to 2000. He is not a director of any other listed companies.

RAVINDRA CHETTY

Appointed Director in 1997

Ravindra Chetty, born in 1962, 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 companies.

JOWAHEER LALL DOOKUN

Appointed Director in 2002

Jowaheer Lall Dookun, born in 1932, holds a graduation from North Western Polytechnic, London, UK. He was director of Paramount Co. Ltd, the holding company of National Transport Corporation, and he is director in various companies as Mauritius Cosmetics Limited, Paper Converting Company Limited, Gumboots & Protectivewear Manufacturing Ltd and Agri-Pac Limited. He was elected councilor 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).

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

Annual Report (continued)

CORPORATE GOVERNANCE (continued)

Limitée and its affiliated companies. He is not a director of any other listed companies.

ANTOINE L. HAREL

Appointed Director in 2000

Antoine Harel, born in 1957, holds a BA in Accounting and Computing from the University of Kent, England. He worked for Ernst & Young in London and qualified as a Chartered Accountant in London in 1986. He returned to Mauritius where he joined Harel Mallac & Co Ltd in 1987 as the manager of 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 in 2003 and he is now the Chairperson of Harel Mallac & Co Ltd. He is a director of the following listed companies: Compagnie des Magasins Populaires Limitée, Harel Mallac and Company Limited, Mauritius Chemical & Fertilizer Industry Ltd, Bychemex (DEM) and Chemco (DEM).

CHARLES P. L. HAREL

Appointed Alternate Director to Antoine Harel in 2003 and Director on 27 March 2007

Charles Harel, born in 1967, holds a National Diploma in Management and Finance of Cape Technikon, South Africa. In 1995, he joined Harel Mallac Group and was appointed as assistant to the Commercial Director of the "Compagnie des Magasins Populaires Limitée" (Monoprix). In 1998, he was appointed Manager of the Business Units Travel & Tourisms and Retail. In May 2005, he has been appointed General Manager of Harel Mallac Bureautique Ltd. He is a director of the following listed companies: Compagnies Des Magasins Populaires Limitée and Harel Mallac and Company Limited.

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 companies.

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 Invesment 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 Chartered Certified Accountants in 1983. He was an audit manager at De Chazal du Mée, Chartered Accountants, before joining Rogers & Co 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 not a director of any other listed companies.

Annual Report (continued)

CORPORATE GOVERNANCE (continued)

TIMOTHY TAYLOR

Appointed Director on 22 September 2006

Timothy Taylor, born in 1946, holds a BA Hons in Industrial Economics from Nottingham University. He joined Rogers in 1973 as Manager of the Planning and Development Department, eventually becoming Chief Executive of the Group in 1999 and retiring from this position in December 2006. He is a director of the following listed Companies: Rogers and Company Limited, New Mauritius Hotels Ltd, Liberty Investment Trust Ltd and Air Mauritius Ltd. He is the Chairman of the National Committee on Corporate Governance.

M. JEAN MARC ULCOQ

Appointed Director in 2000

Jean Marc Ulcoq, born in 1952, is a Fellow Member of the Association of Chartered Certified Accountants. He joined Harel Mallac & Co Ltd in 1981 as the Chief Accountant becoming Assistant to Managing Director in 1986. He became a member of Harel Mallac & Co Ltd's Board of Directors in 1990 and was appointed Group Finance Director in 1997 and Company Secretary in 2000. In 2006, he was appointed Chief Corporate Affairs Executive and Company Secretary. He is not a director of any listed companies.

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 University of Manchester Institute of Science & Technology and a BA Hons in Clothing Business Management from London College of Fashion. He is a member of the Clothing and Footwear Institute, London UK and Textile Institute, Manchester UK. He was director of Knitting Fabrics Industries Ltd and Bonne Terre Sportswear Ltd. He is also now, the managing director of General Export and Economic Development Services Ltd and director of INXS Limited, an insurance and re-insurance broker company. He is not a director of any listed companies.

F. JACQUES HAREL

Appointed Director in 1991

Resigned on 28 February 2007

Jacques Harel, born in 1933, is a Fellow Member of the Institute of Chartered Accountants in England and Wales. He worked for Harel Mallac & Co Ltd from 1960 to 1998. From 1987 he was acting as Chief Executive officer and Chairperson of the Group and resigned as Director of Harel Mallac & Co Ltd in 1997. He was one of the directors of The Mauritius Commercial Bank Ltd for many years.

K. SUNIL BANYMANDHUB

Appointed Director in 2001

Resigned on 21 September 2006

Sunil Banymandhub, born in 1949, holds a BSc in Engineering from University of Manchester Institute of Science & Technology, an ACA and an MSC in Business Studies from London Business School. He has held various senior management positions, including that of General Manager of Caltex Oil (Mauritius) Ltd. He has also been active in the asset-management and offshore sectors. He is the General Manager of International Management (Mauritius) Ltd and also acting as Executive Director of the International & Financial Service cluster of Rogers Group. He has been chairperson of two parastatal bodies and a member of the Presidential Commission on Judicial Reform and has also been President of the Mauritius Employers' Federation.

Annual Report (continued)

CORPORATE GOVERNANCE (continued)

SHAREHOLDERS AGREEMENT

The Company does not have a Shareholders' Agreement.

MATERIAL CLAUSES OF THE COMPANY'S CONSTITUTION

The Company's Memorandum and Articles of Association are dated 05 March 1991. It is in the intention of the directors to propose at the annual meeting scheduled for 22 June 2007 that the existing Memorandum and Articles of Association of the Company be repealed and replaced by a Constitution.

CONTRACT OF SIGNIFICANCE WITH DIRECTORS

Automatic Systems Ltd has a Management Service Agreement with Hardy Henry & Cie Limitée, a company controlled by two directors, namely, Messrs Jean Hardy and Hervé Henry. The Management Service Agreement, signed with Hardy Henry & Cie Limitée on 25 October 1991, was amended on 18 January 2000 and reviewed on 27 February 2004.

Details of transactions with Hardy Henry & Cie Limitée are given in Note 17(b) to the financial statements.

DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The table below sets out the direct and indirect interests of the directors in the share capital of the Company as at 31 December 2006.

		DIRECT INTEREST		INDIRECT INTEREST
Name of director	Category	No. of shares	% holding	% holding
P. R. Sydney Bathfield	Non- executive	-	-	-
Ravindra Chetty	Non- executive/Independent	100	0.00	-
Arvind Lall Dookun	Non executive	2,057	0.06	0.00
Jowaheer Lall Dookun	Non- executive	-	-	0.11
M. A. Eric Espitalier Noël	Non- executive	-	-	-
Hervé Henry	Executive	-	-	0.57
M. L. Jean Hardy	Executive	8,000	0.23	1.42
Charles P. L. Harel	Non- executive	-	-	0.37
Antoine L. Harel	Non- executive	-	-	0.37
F. Jacques Harel	Non- executive	4,146	0.12	-
O. Farouk A. Hossen	Non-executive/Independent	22,049	0.63	0.01
J. D. Gérard Pascal	Non- executive	1,319	0.04	0.13
M. Jean Marc Ulcoq	Non- executive	-	-	-
Timothy Taylor	Non- executive	16,077	0.46	-

Annual Report (continued)

CORPORATE GOVERNANCE (continued)

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. In the year under review, Messrs Arvind Lall Dookun bought 1,000 additional shares and Hervé Henry indirectly bought 10,000 shares. Jowaheer Lall Dookun and Arvind Lall Dookun both indirectly sold 500 shares during the year.

REMUNERATION POLICY

Last year the Board approved and implemented a new remuneration structure with regard to directors' fees. Such fees comprise two components, 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 2006

The attendance of directors at Board meeting and remuneration received during the year are set out in the table below. The directors received no other benefits.

	Board meetings	Corporate Governance Committee	Audit Committee	Remuneration For the year (Rs)
No. of meetings during the year	5	2	4	
DIRECTORS				
M. A. Eric Espitalier Noël	5	2		95,000
M. L. Jean Hardy	5			60,000
P. R. Sydney Bathfield	3		4	60,000
Ravindra Chetty	5	2		80,000
F. Jacques Harel	4		3	60,000
Hervé Henry	4			50,000
O. Farouk A. Hossen	3		3	45,000
Antoine L. Harel	1			20,000
M. Jean Marc Ulcoq	3			40,000
J. D. Gérard Pascal	2		3	40,000
K. Sunil Banymandhub	-			-
Jowaheer Lall Dookun	4	2		60,000
Timothy Taylor	2			25,000
Charles P. L. Harel *(Alternate to Antoine L. Harel)*	2	2		30,000
			Total	665,000

Annual Report (continued)

CORPORATE GOVERNANCE (continued)

BOARD AND COMMITTEES

The Board, which consists of 12 Directors, (2 Executive, 8 Non-Executive and 2 Independent) met five times during the year under review. So far the board has not adopted a charter. The Board is chaired by Mr. Eric Espitalier-Noël and Mr. Jean Hardy is the Chief Executive. The Chairperson and Chief Executive are elected by the members of the Board.

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 and have four members. 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.

It is the general practice that directors should be re-elected every year at the annual meeting of shareholders of the Company. The Board is of the view that Automatic Systems Ltd may continue to maintain its existing policy that one third of its directors shall retire by rotation, starting from the longest in office and present themselves for re-election at each annual meeting of shareholders of the Company.

Corporate Governance Committee

The Corporate Governance Committee comprised of Ravindra Chetty (Chairperson), Jowaheer Lall Dookun, Eric Espitalier-Nöel and Charles Harel.

The Committee has the following objectives:

- To review the Constitution and structure of the Company in the light of the Code on 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 on Corporate Governance.

The Corporate Governance Committee met twice during the year.

- In October 2006, the members considered the Corporate Governance Report to be included in the Annual Report for the year ended 31 December 2006.
- The Committee has also worked on a new Constitution for the Company. The draft Constitution was considered by members of the Committee and submitted to the full Board for their comments. The draft Constitution is in its final form and will be presented to the annual meeting of the shareholders for consideration and approval.

Annual Report (continued)

CORPORATE GOVERNANCE (continued)

Audit Committee

Up to 28 February 2007, the Audit Committee comprised of Sydney Bathfield (Chairperson), Farouk Hossen, Gérard Pascal and Jacques Harel. On 27 March 2007 Antoine Harel was appointed on the Committee in the place of Jacques Harel.

The Audit Committee has been established primarily to assist 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 the Tote
- The adequacy of the insurance cover subscribed by the company.

The Audit Committee met four times during the year.

Given that the Chairperson of the Audit Committee should have substantial accounting and financial experience and that none of the independent directors have such experience, the Audit Committee is chaired by a non-executive director.

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

Annual Report (continued)

CORPORATE GOVERNANCE (continued)

RISK MANAGEMENT

The Board is responsible for the overall management of risks.

The risk inherent can be classified as follows:

- Market
- Managerial
- Operational
- Other risks

The market risks relate to the number of race meetings and 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.

The managerial risks have been outsourced to Henry Hardy & Cie Limitée through a Management Services Agreement. This agreement is 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. Hardy Henry & Cie Limitée 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.

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 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 Horse Racing Board.

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

DONATIONS

No donations were made by the Company during the year.

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.

Annual Report (continued)

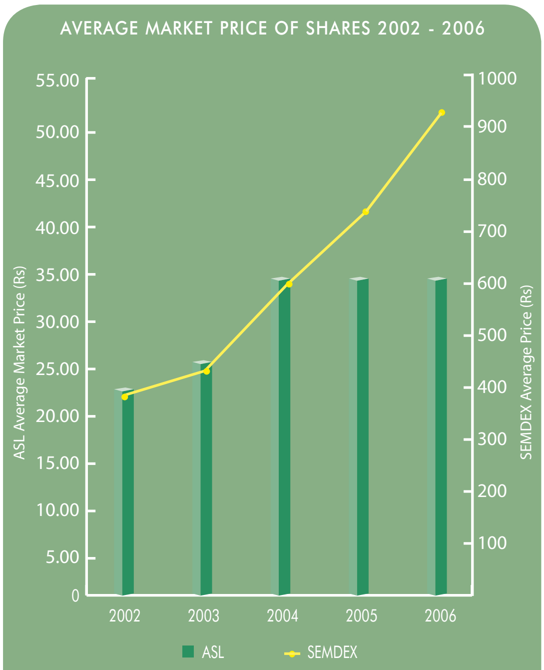
CORPORATE GOVERNANCE (continued)

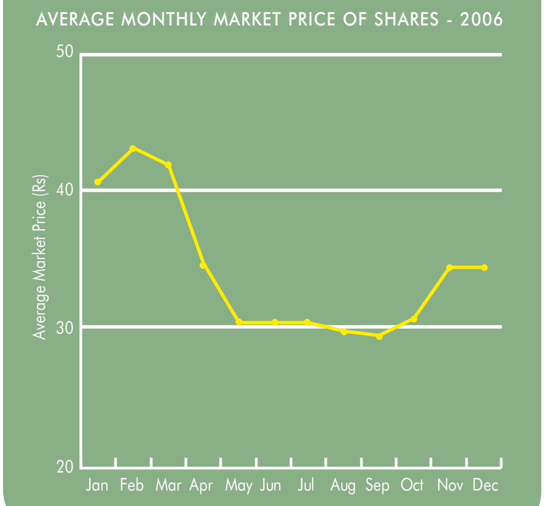
IMPORTANT EVENTS

The Calendar for the year ending 31 December 2007 is as follows:

EVENTS	DATES
1 Quarterly Board meetings	March, June, October, December
2 Payment of dividend (declared in 2006)	February
3 Approval of accounts as at 31 December 2006	March
4 Publication of preliminary statements	March
5 Annual Meeting	June
6 Declaration of dividend	December

SHARE PRICE INFORMATION





Annual Report (continued)

CORPORATE GOVERNANCE (continued)

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 judgments 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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITOR

The auditor, PricewaterhouseCoopers, was remunerated as follows:

	2006	2005
	Rs 000	Rs 000
Audit fees	**300**	220
Non-audit fees	**81**	162
	381	382

The non-audit fees for 2006 consisted of tax fees and fees for preparation of annual report. 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 27 March 2007 and signed on its behalf by:

M. A. Eric Espitalier-Noel] DIRECTORS
P. R. Sydney Bathfield

ABACUS CORPORATE SERVICES LTD
Level 6, One Cathedral Square
Jules Koenig Street
PORT LOUIS

Secretary's Report

to be included in the financial statements of

AUTOMATIC SYSTEMS LTD.
under Section 166(d) of the Mauritian Companies Act 2001

We confirm that, based on records and information made available to us by the directors of the Company, the Company has filed with the Registrar of Companies, for the financial year ended 31 December 2006, all such returns as are required of the Company under the Mauritian Companies Act 2001.

Abacus Corporate Services Ltd
CORPORATE SECRETARY
27 March 2007

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 29 to 46 which comprise the balance sheet at 31 December 2006 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 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report to the Members of Automatic Systems Ltd. (continued)

Opinion

6. In our opinion, the financial statements on pages 29 to 46 give a true and fair view of the financial position of the Company at 31 December 2006 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

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 advisers;
   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
27 March 2007

Income Statement
For the year ended 31 December 2006

		2006 Rs'000	2005 Rs'000
TURNOVER		734,120	657,430
Payments to winners		549,563	492,976
Payments to the National Solidarity Fund		7,529	6,309
Government tax		64,941	57,992
Net pools carried forward		-	16
		622,033	557,293
Gross profit		112,087	100,137
Selling expenses		(6,937)	(5,845)
Administrative expenses		(53,234)	(45,497)
Other operating expenses:			
Impairment loss (Note 7)		-	(8,965)
Payments to The Mauritius Turf Club		(41,240)	(35,224)
OPERATING PROFIT (Note 3)		10,676	4,606
Finance income (Note 4)		1,423	2,094
PROFIT BEFORE TAXATION		12,099	6,700
Taxation (Note 5)		(2,553)	(1,867)
PROFIT FOR THE YEAR		9,546	4,833
BASIC AND DILUTED EARNINGS PER SHARE (Note 6)	Rs	2.70	1.37

Balance Sheet - 31 December 2006

	2006 Rs'000	2005 Rs'000
ASSETS		
Non-current assets		
Plant and equipment (Note 7)	34,768	8,464
Available-for-sale financial assets (Note 8)	104	100
	34,872	8,564
Current assets		
Receivables and prepayments (Note 9)	927	926
Loans (Note 10)	10,000	30,500
Cash at bank	1,589	2,917
	12,516	34,343
Total assets	47,388	42,907
EQUITY		
Share capital (Note 11)	24,745	24,745
Share premium (Note 12)	1,168	1,168
Retained earnings	1,383	4,917
Total equity	27,296	30,830
LIABILITIES		
Non-current liabilities		
Deferred income tax (Note 13)	3,284	1,065
Current liabilities		
Trade and other payables (Note 14)	16,275	7,087
Current income tax (Note 5)	533	3,925
	16,808	11,012
Total liabilities	20,092	12,077
Total equity and liabilities	47,388	42,907

Authorised for issue by the Board of directors on 27 March 2007
and signed on its behalf by:

M. A. Eric Espitalier-Noel
P. R. Sydney Bathfield
DIRECTORS

Statement of Changes in Equity
For the year ended 31 December 2006

	Share capital Rs 000	Share premium Rs 000	Retained earnings Rs 000	Total Equity Rs 000
At 01 January 2005	24,745	1,168	7,508	33,421
Profit for the year	-	-	4,833	4,833
Dividends (Note 15)	-	-	(7,424)	(7,424)
At 31 December 2005	24,745	1,168	4,917	30,830
Profit for the year	-	-	9,546	9,546
Dividends (Note 15)	-	-	(13,080)	(13,080)
At 31 December 2006	24,745	1,168	1,383	27,296

Cash Flow Statement
For the year ended 31 December 2006

	2006 Rs'000	2005 Rs'000
Cash flow from operating activities		
Profit before taxation	12,099	6,700
Adjustments for:		
Depreciation of plant and equipment (Note 7)	7,694	5,441
Impairment of plant and equipment (Note 7)	-	8,965
Loss on plant and equipment scrapped	-	1
Profit on disposal of plant and equipment	(1,893)	-
Dividend income	(30)	(29)
Interest income	(2,190)	(2,065)
Interest expense	797	-
Operating profit before working capital changes	16,477	19,013
Increase in receivables and prepayments	(1)	(97)
Increase in trade and other payables	1,420	976
Cash generated from operations	17,896	19,892
Interest received	2,190	2,065
Income tax paid (Note 5)	(3,726)	(2,857)
Interest paid	(797)	-
Net cash from operating activities	15,563	19,100
Cash flow from investing activities		
Payments for purchase of plant and equipment (Note 7)	(34,886)	(3,992)
Payments for purchase of available-for-sale investment	(4)	-
Proceeds from disposal of plant and equipment	2,383	-
Dividends received	30	29
Loans granted	-	(44,000)
Loans reimbursed	20,500	18,500
Net cash used in investing activities	(11,977)	(29,463)
Cash flow from financing activities		
Dividends paid (Note 15)	(4,914)	(7,424)
Net cash used in financing activities	(4,914)	(7,424)
Net decrease in cash and cash equivalents	(1,328)	(17,787)
Cash and cash equivalents at beginning of year	2,917	20,704
Cash and cash equivalents at end of year	1,589	2,917

Notes to the Financial Statements - 31 December 2006

1 Summary of Significant Accounting Policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment to fair value. 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 areas involving a higher degree of judgement and complexity or areas where assumptions and estimates are significant to the financial statements are discussed below.

Standards, amendments and interpretations effective in 2006 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 01 January 2006 but are nor relevant to the Company's operations:

IAS 21 (Amendment), Net investment in Foreign Operations

IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions

IAS 39 (Amendment), The Fair Value Option

IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts

IFRIC 4, Determining whether an Arrangement contains a lease

Interpretations to existing standards that are not yet effective and not relevant for the Company's operations

Management have considered interpretations to existing Standards that have been published and hat are mandatory for the Company's accounting period beginning on 01 January 2007 or later periods but which the Company has not early adopted. The directors have assessed the relevance of these Standards, interpretations and amendments with respect to the Company's operations and concluded that they are not relevant to the Company's operations.

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 under the circumstances.

Notes to the Financial Statements - 31 December 2006 (continued)

1 Summary of Significant Accounting Policies (continued)

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

Foreign currency translation

Foreign currency transactions are translated into Mauritius Rupees, 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.

Plant and equipment

Plant and equipment are 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. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Equipment ATL	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%
Tote Trophy	33.3%

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 proceeds with carrying amount.

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, 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.

Notes to the Financial Statements - 31 December 2006 (continued)

1 Summary of Significant Accounting Policies (continued)

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

• 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 are classified as trade and other receivables in the balance sheet.

• 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.

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.

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.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

Impairment of assets

Plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of

Notes to the Financial Statements - 31 December 2006 (continued)

1 Summary of Significant Accounting Policies (continued)

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 level for which there are separately identifiable cash flows.

Share capital

Ordinary shares are classified as equity.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred 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.

The principal temporary difference arises from depreciation of property, plant and equipment. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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 a reliable estimate of the amount can be made.

Revenue recognition

Bets are recognised as turnover when they are placed at the counters or over the telephone.

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

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

Dividends

Dividends to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are declared by the directors.

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 and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Notes to the Financial Statements - 31 December 2006 (continued)

2 Financial Risk Management

Financial instruments

Financial instruments carried on the balance sheet include available-for-sale financial assets, receivables, loans, cash at bank and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial risk factors

The Company's activities expose it to a variety of financial risks. The Company's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Company.

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

• 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.

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.

Fair values

The carrying amounts of available-for-sale financial assets, receivables, loans, cash at bank and trade and other payables approximate their fair values.

Currency profile

All the Company's financial assets and liabilities are denominated in Mauritian rupee.

Notes to the Financial Statements - 31 December 2006 (continued)

3 Operating Profit

	2006 Rs'000	2005 Rs'000
Operating profit is stated after charging/(crediting):		
Depreciation of plant and equipment (Note 7)	7,694	5,441
Impairment of plant and equipment (Note 7)	-	8,965
Profit on disposal of plant and equipment	(1,893)	-
Loss on plant and equipment scrapped	-	1
Commission and management service fees to related parties (Note 17(b))	22,060	20,050
Commission to off-course agents	12,550	9,507
Repairs and maintenance	2,973	2,350
Licences and municipality taxes	3,547	2,969
Auditors' remuneration		
- audit services	300	220
- non-audit services	81	162

The Company did not employ any staff during the year (2005 - Nil).

4 Finance Income

	2006 Rs'000	2005 Rs'000
Interest income:		
The Mauritius Turf Club	-	679
Other borrower	2,172	1,177
Bank	18	209
Dividend income	30	29
Interest expense	(797)	-
	1,423	2,094

Notes to the Financial Statements - 31 December 2006 (continued)

5 Taxation

	2006 Rs'000	2005 Rs'000
Expense:		
Current income tax based on the profit for the year as		
adjusted for tax purposes at **22.5%** (2005 - 25%)	**533**	3,925
Overprovision in prior year	**(199)**	(173)
Deferred income tax (Note 13)	**2,219**	(1,885)
	2,553	1,867
Liability:		
At 01 January	**3,925**	3,030
Paid during the year	**(3,726)**	(2,857)
Charge for the year	**533**	3,925
Overprovision in prior year	**(199)**	(173)
At 31 December	**533**	3,925

The reconciliation between the actual income tax rate of **21.1%** (2005- 27.9%) and the applicable rate of **22.5%** (2005 - 25.0%) is as follows:

(As a percentage of profit before tax)	2006 %	2005 %
Applicable income tax rate	**22.5**	25.0
Effect of:		
Investment allowances claw back/(investment allowances)	**-**	2.1
Non-taxable income	**(0.1)**	(0.1)
Disallowable expenses	**-**	0.9
Income tax overprovided in previous year	**(1.7)**	-
Effect of change in tax rate on deferred tax	**0.3**	-
Other permanent differences	**0.1**	-
Actual income tax rate	**21.1**	27.9

6 Basic and Diluted Earnings per Share

The basic and diluted earnings per share is calculated on the profit after taxation of **Rs 9,546,306** (2005 - Rs 4,832,997) and on **3,535,000** ordinary shares outstanding during the two years under review.

Notes to the Financial Statements - 31 December 2006 (continued)

7 Plant and Equipment

	Equipment ATL 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 2005	73,006	25,515	5,228	5,509	5,695	39	114,992
Additions	901	2,387	-	47	1,429	-	4,764
Scrapped	-	(66)	-	-	(108)	-	(174)
At 31 December 2005	73,907	27,836	5,228	5,556	7,016	39	119,582
Additions	24,998	5,531	-	1,118	2,841	-	34,488
Disposal	(54,732)	(6,722)	(1,417)	-	-	-	(62,871)
At 31 December 2006	44,173	26,645	3,811	6,674	9,857	39	91,199
Accumulated depreciation and impairment losses:							
At 01 January 2005	66,547	20,583	472	5,028	4,255	-	96,885
Charge for the year	1,768	2,131	582	165	795	-	5,441
Scrapped	-	(66)	-	-	(107)	-	(173)
Impairment loss	4,419	372	4,174	-	-	-	8,965
At 31 December 2005	72,734	23,020	5,228	5,193	4,943	-	111,118
Charge for the year	3,330	2,848	-	299	1,217	-	7,694
Disposal	(54,242)	(6,722)	(1,417)	-	-	-	(62,381)
At 31 December 2006	21,822	19,146	3,811	5,492	6,160	-	56,431
Net book amount:							
At 31 December 2006	22,351	7,499	-	1,182	3,697	39	34,768
At 31 December 2005	1,173	4,816	-	363	2,073	39	8,464

	2006 Rs'000	2005 Rs'000
Additions	34,488	4,764
Less: Payables to suppliers at 31 December 2006	(503)	(901)
Add: Payables to suppliers at 01 January 2006	901	129
Payments for purchases of plant and equipment	34,886	3,992

Notes to the Financial Statements - 31 December 2006 (continued)

8 Available-For-Sale Financial Assets

		Listed shares Rs 000	Unquoted shares Rs 000	Total Rs
At 01 January and 31 December 2005		-	100	100
Additions		4	-	4
At 31 December 2006	Rs	4	100	104

The investment in listed shares consist 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. The directors consider the cost of the investment to approximate its fair value.

9 Receivables and Prepayments

	2006 Rs'000	2005 Rs'000
Other debtors	418	417
Prepayments	509	509
	927	926

Other debtors include deposits to Mauritius Telecom Ltd amounting to Rs **320,500** (2005 - Rs 320,500). These deposits are not receivable within 12 months of the balance sheet date.

10 Loans

	2006 Rs'000	2005 Rs'000
Loans at call	10,000	30,500

The loans at call are unsecured, repayable on demand and carry interest at **10.5%** (2005 - 9.0%) per annum.

Notes to the Financial Statements - 31 December 2006 (continued)

11 Share Capital

	2006 Number	2005 Number	2006 Rs 000	2005 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

12 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.

13 Deferred Income Tax

	2006 Rs'000	2005 Rs'000
The movement on the deferred income tax account during the year is as follows:		
At 01 January	1,065	2,950
Income statement credit (Note 5)	2,219	(1,885)
At 31 December	3,284	1,065

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.

Notes to the Financial Statements - 31 December 2006 (continued)

14 Trade and other payables

	2006 Rs'000	2005 Rs'000
Amount payable to related party	605	911
Other creditors and accruals	3,687	2,472
Teletote deposits	3,420	3,435
Net pools carried forward	-	16
Unclaimed dividends declared in prior years	397	253
Dividends declared (Note 15)	8,166	-
	16,275	7,087

15 Dividends

	2006 Rs'000	2005 Rs'000
Paid		
Rs 1.39 per share (2005 - Rs 2.10)	4,914	7,424
Declared		
Rs 2.31 per share (2005 - Rs Nil)	8,166	-
	13,080	7,424

16 Commitments

At 31 December 2006, capital commitments of the Company approved by the directors but not yet contracted for amounted to **Rs 5,525,000** (2005 - Rs 32,247,500).

17 Related Party Transactions

(a) Related parties

The directors regard Draper Investments Ltd, a company incorporated in Mauritius, as the Company's immediate and ultimate holding company. Draper Investments Ltd owned 50.9% of the Company's shares at 31 December 2006 and 2005.

Other companies are represented on the Board of Directors by virtue of their direct and indirect interests in the ordinary share capital of the Company. In addition to its interest in the holding company, one of the related parties directly owned 8.7% of the Company's shares at 31 December 2006 and 2005.

Notes to the Financial Statements - 31 December 2006 (continued)

17 Related Party Transactions (continued)

(b) Transactions with a company controlled by directors

Management Services Agreement

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

The management duties of Hardy Henry & Cie Limitée 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.

Hardy Henry & Cie Limitée is remunerated as follows:

- A percentage of the turnover of the Company which declines as the turnover 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:

	2006 Rs'000	2005 Rs'000
Commissions payable based on:		
- turnover	**20,855**	19,116
- net profit before taxation	**605**	334
Management service fee payable	**600**	600
Included in administrative expenses	**22,060**	20,050

The amount due to Hardy Henry & Cie Limitée at 31 December 2006 in respect of the management services agreement was **Rs 605,000**. (2005 - Rs 334,900).

Other transactions

Other transactions with Hardy Henry & Cie Limitée are in respect of the purchase of services, reimbursement of Value Added Tax incurred by Hardy Henry & Cie Limitée in the running of the totalisator operations. The total amount expensed in the income statement in 2006 in respect of other transactions was **Rs 411,491** (2005 - Rs 1,223,331).

Notes to the Financial Statements - 31 December 2006 (continued)

17 Related Party Transactions (continued)

(c) Transactions with directors

Directors' remuneration

	2006 Rs'000	2005 Rs'000
Executive directors	110	78
Non-executive directors	555	304
	665	382

Directors' interests in the share capital of the company

At 31 December 2006, the following directors had direct and indirect interests in the ordinary share capital of the Company:

	Direct interest		Indirect interest	
Name of director	No. of ordinary shares	% Holding	No. of ordinary shares	% Holding
Ravindra Chetty	100	0.00	-	-
Jowaheer Lall Dookun	-	-	3,819	0.11
M. L. Jean Hardy	8,000	0.23	50,332	1.42
F. Jacques Harel	4,146	0.12	-	-
Hervé Henry	-	-	20,000	0.57
O. Farouk A. Hossen	22,049	0.63	200	0.01
J. D. Gérard Pascal	1,319	0.04	4,145	0.13
Arvind Lall Dookun	2,057	0.06	169	0.00
Timothy Taylor	16,077	0.46	-	-
Charles P. L. Harel	-	-	12,912	0.37
Antoine L. Harel	-	-	12,912	0.37

Notes to the Financial Statements - 31 December 2006 (continued)

18 Three Year Summary

	2006	2005	2004
Non-current assets			
Plant and equipment (Rs 000)	34,768	8,464	18,107
Available-for-sale financial assets (Rs 000)	104	100	100
Current assets			
Receivables and prepayments (Rs 000)	927	926	829
Loans (Rs 000)	10,000	30,500	5,000
Cash at bank (Rs 000)	1,589	2,917	20,704
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)	1,383	4,917	7,508
Non-current liabilities			
Deferred income tax liabilities (Rs 000)	3,284	1,065	2,950
Current liabilities			
Trade and other payables (Rs 000)	16,275	7,087	5,339
Current income tax liabilities (Rs 000)	533	3,925	3,030
Income statement			
Turnover (Rs 000)	669,179	599,438	383,487
Profit before taxation (Rs 000)	12,099	6,700	8,180
Profit for the year (Rs 000)	9,546	4,833	6,330
Cash flow statement			
Dividends paid (Rs 000)	4,914	7,424	-

19 Incorporation

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

20 Currency

The financial statements are presented in thousands of Mauritian rupees.

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