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AUTOMATIC SYSTEMS LTD.

Annual Report 2018

THE COMPANY AT A GLANCE

	Tote	Football
	Rs (Million)	Rs (Million)
Turnover	1,013.8	436.5
Payment to Winners	742.3	328.9
Income	271.5	107.5
Government Tax & Duty	152.5	
Licence Fees to GRA	18.5	
National Solidarity Fund	16.3	
CSR Responsible Gambling Program	3.3	
Profit After Tax	14.5	

	Rs
Earnings Per Share	4.10
Dividend Per Share	5

2018
BIGGEST PAYOUTS

SUPERTOTE: Rs 9,226,818

SUPERSCORE: Rs 1,177,616

Contents

Board & Committees Management

BOARD OF DIRECTORS

Chairman and Independent Director
M. A. Eric Espitalier-Noël

Executive Directors
M. L. Jean Hardy
J. O. Guillaume Hardy - *Managing Director*

Non-Executive Directors
Sarah Heller - *appointed on 1st July 2018*
Michel J. L. Nairac
John A. Stuart
Hervé Henry - *resigned on 30th June 2018*

Independent Directors
Ravindra Chetty
O. Farouk A. A. Hossen
Arvind Lall Dookun
Mushtaq M. O. N. Oosman

Alternate Director
To O. Farouk A. A. Hossen: M. L. Jean Hardy

AUDIT AND RISK COMMITTEE

Mushtaq M. O. N. Oosman - *Chairman*
O. Farouk A. A. Hossen
Arvind Lall Dookun
Hervé Henry – *up to 30th June 2018*

CORPORATE GOVERNANCE COMMITTEE

Ravindra Chetty - *Chairman*
Eric Espitalier-Noël
M. L. Jean Hardy

SENIOR MANAGEMENT

Robert Ah Yan - *System Manager*

Administration

REGISTERED OFFICE

C/o Box Office Ltd
2nd Floor, Palm Square, 90906 La Mivoie,
Tamarin

COMPANY SECRETARY

Box Office Ltd
2nd Floor, Palm Square, 90906 La Mivoie, Tamarin

REGISTRY AND TRANSFER OFFICE

ECS Secretaries Ltd
3rd Floor, Labama House,
Sir William Newton Street, Port Louis

AUDITORS

PricewaterhouseCoopers
PwC Centre, Avenue de Telfair,
Telfair 80829, Moka

LEGAL ADVISORS

Me Hervé Duval S.C
River Court, 6 St Denis Street, Port Louis

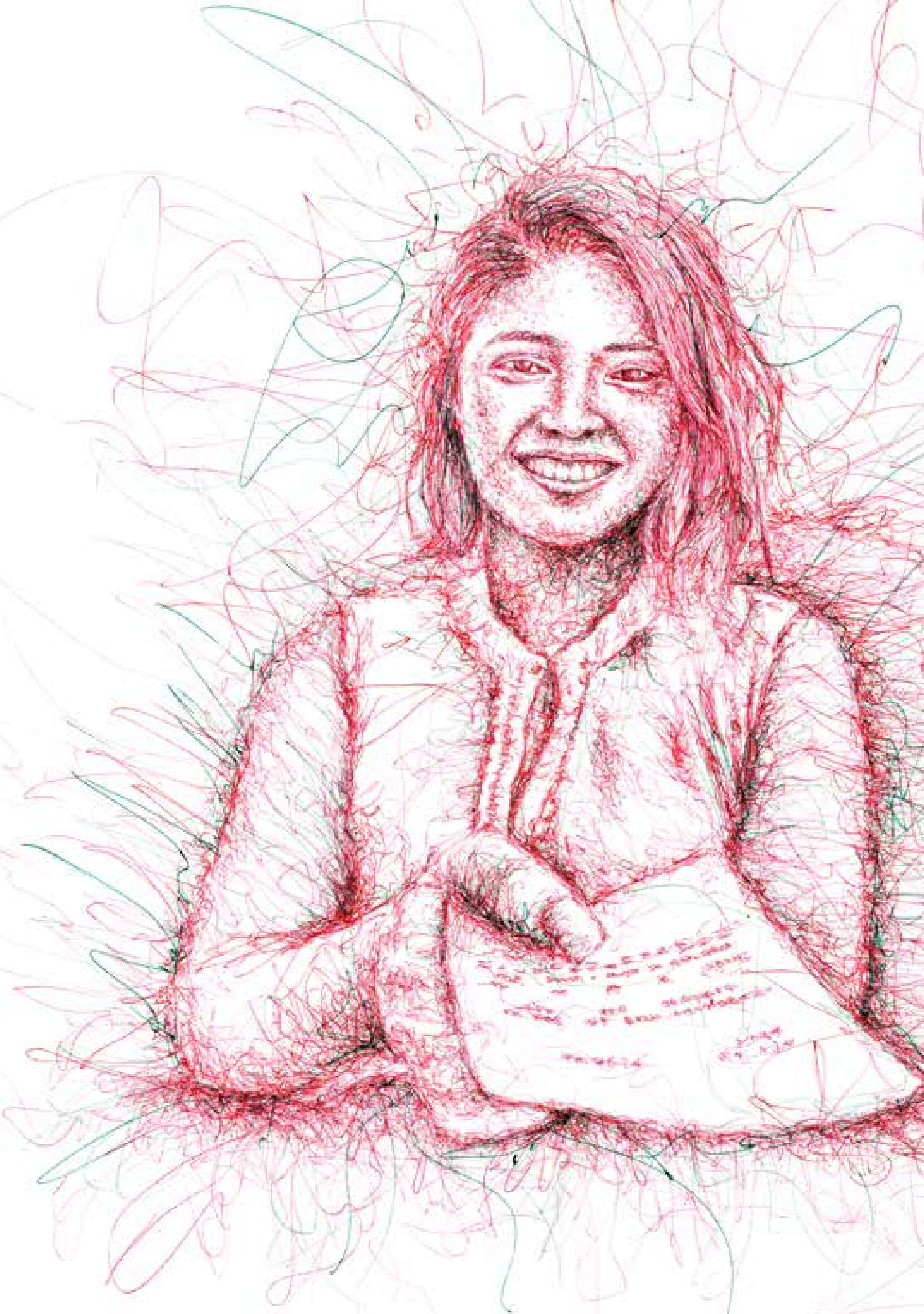
ENS Africa
19 Church Street, Port Louis

NOTARY

Me Didier Maigrot
1st Floor, Labama House,
Sir William Newton Street, Port Louis

BANKERS

The Mauritius Commercial Bank Ltd
State Bank of Mauritius Ltd
Afrasia Bank Limited



Directors' Report

REVIEW OF THE BUSINESS

In 2018 the Tote income increased from Rs 240.3 million to Rs 271.5 million while football betting income decreased by 10.9% to reach Rs 107.5 million. Expenses were well contained and profits amounted to Rs 14.5 million.

		2018 Rs M	2017 Rs M	2016 Rs M
Income*	Horse racing	271.5	240.3	223.3
	Football	107.5	120.6	104.6
Total Income		**379.0**	**360.9**	**327.9**
NSF		16.3	13.9	13.6
Government Tax & Duty		152.4	136.2	128.5
GRA Licenses		18.5	19.1	18.0
Responsible Gambling Levy		3.3	4.0	Nil
Trade Fees		3.8	3.8	3.9
Total contribution to Government & Local Authorities		**194.3**	**177.0**	**164.0**
Commission to MTC		52.8	46.6	42.6
Profit for the year		**14.5**	**25.7**	**18.2**

**Income is composed of bets struck net of winnings.*

Despite difficulties, the company showed resilience. Furthermore, the Board and Management succeeded in consolidating and increasing revenues, providing a competitive yield to shareholders.

Year	2014	2015	2016	2017	2018
Share price at 31 December (Rs)	90.00	35.00	55.75	72.00	94.50
Total dividend per share declared during the year (Rs)	**2.50**	**3.00**	**4.00**	**4.00**	**5.00**

THE COMPANY

In 1991 the Company introduced the Tote system in Mauritius. As a transparent and auditable betting process with an international recognition, its introduction has been beneficial to the horse racing industry. The Tote system is operated in all major racing jurisdictions such as the United States, France, Hong Kong, Australia, Singapore and South Africa, to name a few.

The Tote system provides for a pooling of placed bets with the final payout calculated by a software at the closure of bets, leaving no space for controversial claims against the Company, the Mauritius Turf Club (MTC) or the Government. All punters having a similar winning combination receive the same amount of dividend, irrespective of the time at which the bet is placed. The Company receives a fixed commission, irrespective of which horse comes first.

The Tote system allows punters to choose from a selection of bets from the *Win and Place* to more exotic bets like the *Swinger*. The exotic bets have a varying degree of difficulty, the easiest bet being the *Swinger* and the hardest being the *Pick 8* with a sizeable winning.

The Company pioneered telephone betting and introduced the Teletote in 1994. In 2018, the Teletote account holders generated an average turnover of Rs 5.3 million per race meeting compared to Rs 5.0 million in 2017.

In 2004 the regulators allowed off course betting as a measure to fight illegal betting. To date the Company is operating 23 off course outlets throughout the Island. Finding alternatives locations for off course outlets to replace those that close down is a continuous challenge. Therein lies a risk for the company, as a reduction in number of off course outlets would have a direct impact on its turnover.

THE COMPANY (CONT'D)

In 2008 the Company introduced the SMS betting on the Tote.

The Board and Management are committed to remain focus on operations while actively pursuing new avenues for innovation and implementing new measures to sustain operations.

As an illustration of this innovation and sustainability mindset and as a measure of diversification, the Company started offering fixed odd betting on international football in 2008 and incorporated Megawin Ltd in 2014 for its operations in Africa.

YEAR IN REVIEW

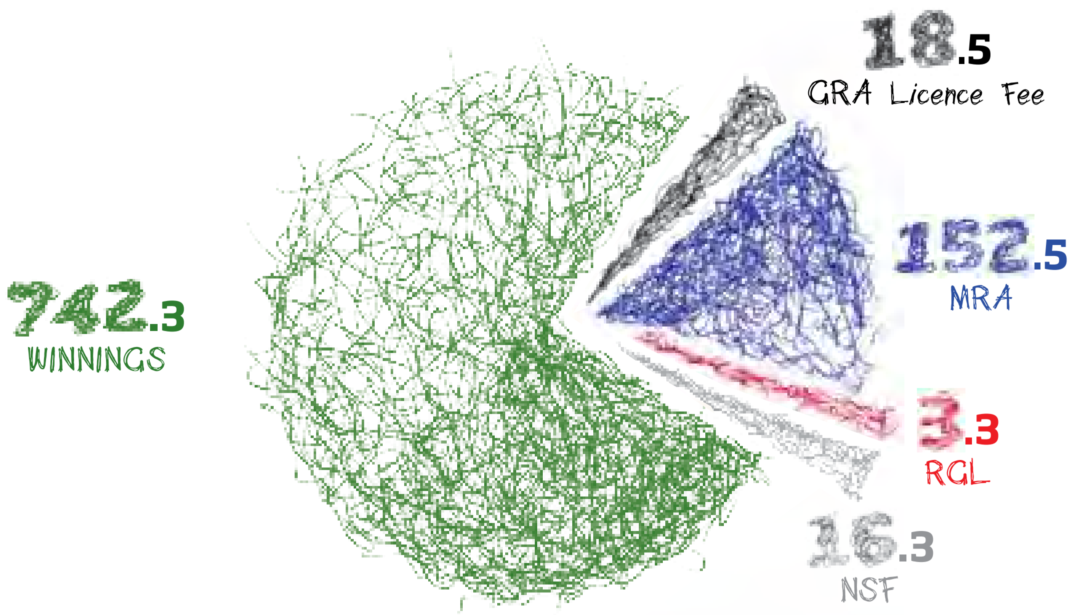
Totalisator

The Mauritius Turf Club was authorised to hold 37 race meetings in 2018 (same as 2017). The turnover for the year increased by 13% to reach Rs 1.013 billion and the average turnover per meeting, which stood at Rs 27.4 million, was the best average achieved since the racing season 2010.

TURNOVER COMPARISON

	Total Turnover		Turnover per Meeting		Variance
	2017	2018	2017	2018	
On Course	129,635,270	**137,682,699**	3,503,656	**3,721,154**	6%
Off Course	536,554,658	**598,184,928**	14,501,477	**16,167,160**	11%
Teletote	190,841,802	**194,999,121**	5,157,887	**5,270,247**	2%
SMS	38,611,898	**82,916,039**	1,043,565	**2,240,974**	115%
Total	**895,643,628**	**1,013,782,787**	**24,206,585**	**27,399,535**	**13%**

SHARE OF BETS FOR THE YEAR IN MILLION RS



RGL: Responsible Gambling Levy
NSF: National Solidarity Fund

GRA: Gambling Regulatory Authority
MRA: Mauritius Revenue Authority

WINNINGS: Payment to Winners

ON COURSE

On course turnover increased by 6%, slightly less than the global performance of the Tote. Attendance in the main stand at the racecourse in 2018 reached 100,042, a slight improvement over 2017 as demonstrated in the table below.

ATTENDANCE

2014	2015	2016	2017	2018
77,066	89,727	92,025	99,336	**100,042**

OFF COURSE

Off course turnover improved by 11% compared to 2017 notwithstanding the fact that the Company had to close the Tamarin outlet at the end of September thus forgoing 11 race meetings.

The performance of each outlet is closely monitored and scrutinized and a performance appraisal is done year on year to determine the best-managed outlet. Criteria such as customer service, cleanliness and maintenance, turnover performance, innovative measures for punters and staff rating are to determine the three best agents who then receive an award and a cash prize in recognition of their achievement.

TELETOTE & SMS

Teletote turnover increased by 2% to reach Rs 195 million. The number of accounts opened increased significantly to reach 4,657 for the year, out of which 4,147 were online from the Company's website. More and more punters are shifting to mobile betting by SMS.

For SMS Betting, the bet is placed by text message or via a mobile application ('the App'). The App is a bet builder that can be downloaded from Google Play store and Apple Store and all bets are placed by SMS.

SMS betting turnover reached Rs 82.9 million, representing an increase of 115% over 2017. The App', launched in 2017, was a hit in 2018 with a turnover of Rs 63.5 million.

SMS Betting has been improving significantly as demonstrated in the table below and in 2018 represented 8.18% of the Tote turnover. The App contributed largely to this significant increase.

TURNOVER – SMS BETTING

2014	2015	2016	2017	2018
18,632,005	20,782,195	28,813,732	38,611,898	**82,916,039**

PERCENTAGE OF TOTAL TURNOVER – SMS BETTING

2014	2015	2016	2017	2018
2.30%	2.58%	3.47%	4.31%	**8.18%**

The website offers a user-friendly process for the opening of accounts; the number of accounts opened online has increased significantly from 964 in 2015, to reach 4,147 in 2018.

The Teletote activity and trend over the last 6 years:

Year	Turnover MUR	Accounts Opened	No of Meetings	Average Turnover per meeting MUR
2013	219,821,822	950	41	5,361,508
2014	207,491,878	1,137	43	4,825,393
2015	177,131,700	1,480	35	5,060,620
2016	184,907,158	1,754	37	4,997,491
2017	190,841,802	2,461	37	5,157,887
2018	**194,999,121**	**4,627**	**37**	**5,270,247**

FOOTBALL

Turnover for fixed odd betting on football reached Rs 436.5 million in 2018 compared to Rs 412.7 million in 2017, the best performance realised so far by the Company for this sector of activity. This performance represents an improvement of 5.8% over 2017.

ASL constantly strives to innovate and offers very competitive odds along with a variety of appealing bets. In that context, the Company changed its betting software in July 2018. The new software offers more possibilities such as online booking of bets. Punters can book their bets on superscore.mu where they receive a code and this code when tendered to the teller in any of our outlets validates the bet. These innovations have contributed to maintain growth in a very competitive environment.

The table below illustrates the turnover realised through online booking of bet:

Month	Booked bets	Amount	Total Turnover	% of Turnover
July	25,192	1,760,233	31,581,275	6%
August	60,403	4,504,401	38,642,158	12%
September	74,713	5,897,584	38,610,631	15%
October	85,853	6,937,493	35,497,519	20%
November	76,161	6,968,700	29,696,597	23%
December	91,596	8,012,840	42,426,503	19%
TOTAL	**413,918**	**34,081,251**	**216,454,683**	**16%**

In the fixed odds business, the Company has to offer competitive odds to maintain its market share.

Payment to winners was much higher in 2018, affecting the gross profit margin (bets struck net of winnings) which decreased from 21.3% in 2017 to 17.1% in 2018. This drop considerably affected the football income which stood at Rs 107.5 million compared to Rs 120.6 million in 2017.

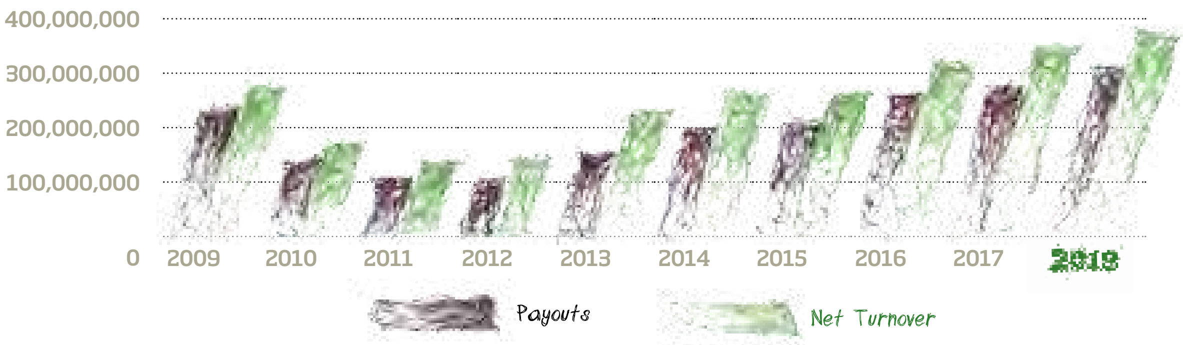
The chart below illustrates the Gross Gaming Revenue (Turnover after tax and winnings) realised on football, clearly showing that an increase in turnover does not necessarily lead to an increase in gross gaming revenue and consequently of income. In the fixed odds business, income is dependent on match results and winnings.

GROSS GAMING REVENUE FOOTBALL BETTING

	2015	2016	2017	2018
Turnover after tax	280,703,067	348,625,737	375,230,602	396,776,193
Payment to winners	217,609,814	280,495,413	295,445,939	328,946,783
Gross Gaming Revenue	**63,093,253**	**68,130,324**	**79,784,663**	**67,829,410**
GGR Margin	**22.5%**	**19.5%**	**21.3%**	**17.1%**

The chart below demonstrates the net turnover (turnover net of betting tax) compared to payouts to winners.

TURNOVER AFTER TAX - PAYOUTS FOOTBALL



DEVELOPMENT IN AFRICA

The Company holds 51% of Megawin Ltd ('Megawin') which, in 2018, reached its fourth year of operation. Megawin holds the exclusivity for marketing the betting software of an international company namely Mohio Gaming.

Megawin signed contracts with operators in Nigeria, Ivory Coast and Mozambique. However, the contract with Mozambique ended in November 2018 following a decision of the local operator to change betting software.

The company is looking for new opportunities within Africa and eventually Asia.

The table below illustrates the turnover realised by these operators and the commission received. Megawin receives a commission on sales and expects to maintain the same performance as in 2018.

MEGAWIN

	2015	2016	2017	2018
	€	€	€	€
Turnover of Operators	2,621,586	3,257,552	10,631,600	17,277,406
Commission received	114,014	121,225	338,725	460,401
	MUR	MUR	MUR	MUR
Operational Profit	958,080	839,695	4,848,801	5,787,198

WEBSITE

The Company operates three websites as follows:

- www.supertote.mu - main website for Tote Betting and featuring live racing, training and race videos as well as comprehensive horse forms. Teletote accounts can be opened online and since 2017, accounts can be funded by credit card directly through a secured platform which is PCI / DSS compliant. Credit card deposits online amounted to Rs 9.4 million in 2018 compared to Rs 5.7 million in 2017, representing an increase of 66%.

  This website proved very popular amongst our clients with an average of more than 80,000 visitors per month during the 2018 racing season compared to 70,000 and 41,000 in 2017 and 2016 respectively. Supertote.mu is the best ranked website for horse racing in Mauritius on Google search engine.

- www.superscore.mu - exclusively covers football betting. The website has been revamped in July 2018 following the migration to a new wagering system. The website proposes new features such as online booking of bets and live news. The number of visitors increased to 21,000 on average per month from an average of 16,500 since the launch of the new website in July.

- www.automaticsystemsltd.com - conveys information on the Company's corporate structure, management and administration, corporate events and financials.

SOCIAL MEDIA

The company strongly believes in new technologies and social media as a communication tool. Supertote has its own Facebook page followed by approximately 13,500 people. The number of followers increased by 30% during the course of 2018. The company uses Facebook to communicate and post valuable information such as training videos, carry forwards, short movie adverts and big payouts amongst other news. The short movie adverts for Pick 6 and Pick 8 carry forwards can, in some cases, be viewed by more than 100,000 viewers.

Social media remains an effective tool to promote our brands. Our customer service receives multiple requests from our Facebook page, which remains an effective tool to interact with customers and attend to their requests.

CORPORATE SOCIAL RESPONSIBILITY

In line with the dispositions of the current Gambling Regulatory Authority Act which provide for the totality of CSR funds to be remitted to the Gambling Regulatory Authority (the 'GRA'), the Company has contributed an amount of Rs 3.3 million in 2018 for the setting up of a national responsible gambling program. The program, which is still in process of development, has, as objective, to set the base for responsible gambling and provide professional support to compulsive gamblers. The first part of the program has been implemented in 2018 compulsive gamblers can get free counselling and support for their addiction by calling a toll free number. This number is conspicuously displayed in all our betting outlets.

The Company supports this program and believes that gambling must be a leisure. The Company has signified its commitment to work with the GRA for the implementation of the other phases of the program.

OUTLOOK

Tote

The betting by SMS application, introduced in 2017, will be further improved in 2019 to cover all available bets.

The Tote turnover has shown an upward trend in 2018 and increased by 13%. With the quality and number of horses imported in 2018, the Company expects the turnover in 2019 to be at least at par with 2018.

Football

Turnover has increased by 8% and 6% in 2017 and 2018 respectively. The Company operates in a very competitive market and must keep innovating by offering new type of bets and competitive odds to improve or at least maintain its market share. With the new software, the Company expects that its customer base will expand within limits, considering that there are no international competitions such as the World Cup in 2019.

The Company applied for the following licences with the GRA in 2017: 1) Football through remote communication and 2) Agent of foreign pool promoter. Unfortunately, the GRA did not entertain the Company's applications. These licences would have significantly increased football turnover as the Company already has 28,000 account holders who would then have access to football betting by remote communication.

Africa

Megawin has realised a significant growth in Ivory Coast in 2018. However, Mozambique has terminated its contract. The Company's objective is to consolidate its presence in Ivory Coast and made, in that respect, an offer to provide a betting platform for sports betting in partnership with an international operator. If negotiations materialise this could mitigate the termination of the operations in Mozambique and increase its revenue and profitability. The Company's objective is to expand cautiously through the Western African countries. The development of betting in Africa is a slow process with a good potential, but high risks, in particular as regards payments of contributions, attributed to strict exchange control policies in some countries.

The Company has contacted a consultant in Sri Lanka to prospect potential partnerships with existing operators.

Financial Outlook

The Directors expect the overall performance in 2019 to be at least at par with 2018. The football revenue in 2018 was particularly low with results that favoured punters. The Gross Gaming Revenue (bets struck net of winnings) in the fixed odds business being dependent on match results, remains an uncertainty. The directors remain cautious and believe that, if the parameters remain the same, profit should be more or less at par with 2018.


STORE

Corporate Governance Report

The Board is fully committed to attaining and sustaining the highest standards of Corporate Governance and ensures that the eight principles of good Corporate Governance from the National Code of Corporate Governance (the 'Code'), as applicable in Mauritius, are fully adhered to and form an integral part of the Company's business practices. It is also committed to fair financial disclosure to its shareholders and all the stakeholders at large.

The Company

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

Principal Activity

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

The Company operated in Africa via the subsidiary Megawin Ltd, in which the Company holds a 51% stake. In view of the operational risk in Africa, the Board maintains a prudent approach on this market.

Constitution of the Company

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

PRINCIPLE 1 - GOVERNANCE STRUCTURE

The Company is a public interest entity (PIE) as defined by law.

The Board is the focal point of the Corporate Governance System and is ultimately accountable and responsible for leading and controlling the Company and meeting all legal and regulatory requirements. The Board ensures compliance with relevant laws, regulations and codes of best business practices.

Role of the Board

The primary function of the Board is to provide effective leadership and direction to the Company and its subsidiary, for setting up the strategy and policies, overseeing its activities by monitoring performance and risk and supervising management to ensure accountability to its stakeholders.

For Board Meetings, a quorum of five Directors is required if the Board is composed of eight or nine Directors and a quorum of six Directors is required if the Board is composed of ten or eleven Directors.

An organisational chart with job description, accountabilities and responsibilities of all persons concerned is being prepared.

Board Charter

A Board charter has the objective to identify the specific responsibilities of the Board and thereby to enhance coordination and communication between the Board and its committees and between the Board and Management. The Board adopted in 2015 a Board charter that will be reviewed in 2019. The Board charter can be viewed on the Company's website.

PRINCIPLE 2 - THE STRUCTURE OF THE BOARD AND ITS COMMITTEES

Board structure and size

The Company has a unitary Board composed of ten Directors, with a suitable mix of two Executive, three Non-Executive and three Independent Directors. The Chairperson is an Independent Director. In terms of gender balance, Mrs Sarah Heller has been appointed as the first woman director on the Board.

To determine its current size and composition, the Board has taken into account (a) the size, complexity and diversity of its operations, (b) the various qualifications and experience of its members, (c) the recommendations of the Code.

Board Composition

There is an appropriate combination of executive directors, non-executive directors and independent directors. The directors come from diverse business backgrounds and possess the necessary knowledge, skills, objectivity, integrity, experience and commitment to make sound judgements on various key issues relevant to the business of the Company in total independence of Management.

The Board is composed of independently minded directors and is satisfied that its actual composition is balanced and commensurate with the Company's shareholding, structure and size. It is also satisfied that the current Directors have the range of skills, expertise and experience required to carry out their duties properly.

Name	Gender	Country of Residence	Status of Directorship	Other Information
Mr Marie André Eric ESPITALIER-NOËL	M	Mauritius	Independent Director	Chairman & Member of the Corporate Governance Committee
Mr Ravindra CHETTY	M	Mauritius	Independent Director	Chairman of the Corporate Governance Committee
Mr Arvind Lall DOOKUN	M	Mauritius	Independent Director	Member of the Audit & Risk Committee
Mr Jean Octave Guillaume HARDY	M	Mauritius	Executive Director	Managing Director
Mr Marie Leon Jean HARDY	M	Mauritius	Executive Director	Member of the Corporate Governance Committee
Mrs Sarah Anna Maria HELLER	F	Mauritius	Non-Executive Director	
Mr Omar Farouk Abdool Azize HOSSEN	M	Mauritius	Independent Director	Alternate Director to Mr Marie Leon Jean Hardy & Member of the Audit & Risk Committee
Mr Michel Joseph Laurence NAIRAC	M	South Africa	Non-Executive Director	
Mr Mushtaq OOSMAN	M	Mauritius	Independent Director	Chairman of the Audit & Risk Committee
Mr John Athol STUART	M	South Africa	Non-Executive Director	
Box Office Ltd		Domestic Company incorporated in Mauritius	Company Secretary	Company with two qualified chartered Secretaries as partners– Mrs Sophie Gellé and Sylvia Maigrot, offering secretarial services to a portfolio of clients.

Directors', Senior Officer's and Company Secretary's profiles can be viewed on pages 29 to 30.

PRINCIPLE 2 - THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

Role And Function Of The Chairman

Mr Eric ESPITALIER-NOËL is an Independent Chairman; he has no executive or management responsibilities. He acts as Chairman of meetings of the Board. The Chairman's primary function is:

- To provide leadership to the Board in order to ensure that it functions efficiently;
- To develop teamwork and a cohesive Board culture and to facilitate formal and informal communication with and among Directors;
- To chair annual and special meetings of shareholders;
- To maintain a close working relationship with the Executive Directors; and
- To ensure that all the relevant information and facts are placed before the Board to enable the directors to reach informed decisions, and to maintain sound relations with the Company's shareholders.

Role and function of The Managing Director

Mr Guillaume HARDY, the Managing Director, is responsible for the day-to-day management of the Company and its subsidiary. He works in close collaboration with the other Executive Director and Senior Officer. The Managing Director reports to the Board.

Role of Executive Directors

The other Executive Director, Mr Jean HARDY is involved in the day-to-day activities of the Group and, his experience in the field and as founder of the Company is of immense assistance to the Company.

Role of the Non-Executive and Independent Directors

The Board acknowledges the recommendations of the code to determine the independence of directors. However, the Board will not insist that all of the recommended criteria be cumulatively met if it is satisfied that a director is able to - and in fact exercises - independence of mind and judgment in his/her duties as a director, even though any one or more of the recommended criteria from the code is not met.

The composition of the Board is such that there is an appropriate balance of power and authority between Executive, Non-Executive and Independent Directors.

Non-Executive and Independent Directors play a vital role in providing judgment independently from management on issues of strategy, performance, resources, risks and evaluation of performance.

Board Evaluation

A Board evaluation has been carried in March 2017 by way of a Directors' self-appraisal. The Directors filled in a questionnaire and the results were summarised by the Company Secretary and analysed and discussed in the Corporate Governance Committee where improvement actions were considered for recommendation to the Board.

The last evaluation process indicated that directors consider the Board as efficient and well-balanced.

The Board is of opinion that the current assessment of the Board and Individual Directors is sufficient for the Company and the next evaluation is scheduled for 2019.

Dealing in shares of the Company

During the year under review, there were no share dealings by Directors.

The Directors endeavour to follow the principles of the Model Code for Securities Transactions by Directors of Listed Companies as detailed in Appendix 6 of the Mauritius Stock Exchange Listing Rules 2000. In terms of ASL's internal procedure, any Director purporting to deal in the shares of the Company should inform the Chairperson accordingly.

In terms of the Companies Act 2001 and the Securities Act 2005, the Company keeps an updated Interests Register and Insiders Register respectively. These registers are regularly updated with the information submitted by the Directors and/or other insiders as applicable.

PRINCIPLE 2 - THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

The table below sets out, as at 31 December 2018, the Directors' respective category, direct and indirect interests, and number of other directorships in listed companies:

	Category	Direct Interest		Indirect Interest	Number of Other Directorships in Listed Companies
Directors/Alternates		Shares	%	%	
Ravindra CHETTY	IND	nil	nil	nil	-
Eric ESPITALIER-NOËL	IND	nil	nil	nil	6
Jean HARDY (Also alternate to Farouk HOSSEN)	ED	nil	nil	0.16	-
Sarah HELLER	NED	nil	nil	nil	-
Farouk HOSSEN	IND	nil	nil	nil	-
Michel NAIRAC	NED	nil	nil	nil	-
John STUART	NED	nil	nil	nil	-
Guillaume HARDY	ED	nil	nil	nil	
Arvind Lall DOOKUN	NED	12,550	0.32	2.99	-
Mushtaq OOSMAN	IND	Nil	Nil	Nil	3

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

Board Committees

The Board has delegated certain functions to 2 Committees, namely the Audit & Risk Committee (ARC) and the Corporate Governance Committee (CGC) which also assumes the function of Remuneration and Nomination Committee. Each committee has its own written terms of reference and their next review will be during the 2019 financial year. The terms of reference of the Committees can be viewed on the Company's website.

Audit and Risk Committee

The Audit and Risk Committee assists the Board, among other things, in overseeing:

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

Please refer to pages 21 and 22 for disclosures in respect of internal control and risk management.

PRINCIPLE 2 - THE STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONT'D)

Board Committees (Cont'd)

Corporate Governance Committee

The objectives of the Corporate Governance Committee are as follows:

Corporate Governance

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

Nomination

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

Remuneration

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

During the year under review the Audit and Risk Committee members met four times and the Corporate Governance Committee met once, the attendance by members can be viewed on page 20.

PRINCIPLE 3 - DIRECTORS APPOINTMENT PROCEDURES

Election and re-election of Directors

The Corporate Governance Committee reviews all new appointments to the Board and committees prior to recommending same to the Board for approval until submission to the shareholders for approval at the Annual Meeting. In line with the Code and the Constitution of the Company, all Directors stand for re-election and/or reappointment on an annual basis.

The names of all present Directors, their profile and categories as well as their directorships in other listed companies are set out on pages 29 to 30.

Directors' Induction

The Board assumes the responsibility for the induction of new directors. New Directors are given an induction pack upon their appointment in order to get acquainted with the Company, its policies and procedures. They are also encouraged to meet with the Company's Executive Directors and Senior Officers to benefit from a better insight into the operations of the Company.

All new directors have attended and participated in an induction and orientation process.

Directors' Training

Despite the Company not providing in house Director Training and Development, as it does not have the resources for such training, Directors are encouraged to avail training from service providers offering such services.

Succession Planning

The Board assumes the responsibility for succession planning to ensure that the company continues to operate successfully in all circumstances. The Company being very IT focussed, the system is not reliant on a single person; there is a strong IT team well acquainted with the IT system and operations. The Company has 2 Executive Directors and both have a full understanding of the business activities; the Executive Director assists the Managing Director in its duties; thus comforting the Board on the business continuity at all times.

PRINCIPLE 4 - DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE

All directors are aware of their duties and are expected to objectively discharge their duties and responsibilities in the best interest of the Company. Directors are aware that they should, in their position, act with care, skill and diligence and do their utmost to avoid conflict of interests or perception of bias.

Conflict Of Interest

The Board is conscious that transactions between the Company and its Management, Directors or Shareholders may be a source of conflict of interest and ensures that transactions are disclosed in the interest register.

An interest register is kept at the offices of the Company Secretary and is available for consultation to shareholders upon written request to the Company Secretary.

Related party transactions

Related party transactions are set out at note 27. No related party transactions were outside the scope of the Company's policy.

Information, Information Technology ('IT') and Information Security Governance

Information management is an essential part of good IT governance, which in turn is a cornerstone in corporate governance. An integral part of the IT governance is information security, in particular pertaining to personal information.

The Board is responsible for overseeing information governance within the Company and ensures that performance of information and IT systems are adequate. An IT Risk Register is reviewed by the Audit and Risk Committee twice a year - or earlier if required, and a report made to the Board thereafter.

The Company has an Information Technology (IT) Policy identifying the rules and procedures for all individuals accessing and using the organisation's IT assets and resources. Users of the information system may only access those information system assets for which they have been explicitly authorized by the asset owner. Users may use the information system only for purposes for which they have been authorized, i.e. for which they have been granted access rights. Effective IT Security Policy is of essence to the Company and part of the organisation's culture.

The policy document combines legal requirements and current best practice for an information security management policy for the Company. It provides a policy with information security objectives, strategy and defines roles and responsibilities.

Core principles for information security management, as defined in ISO/IEC 27002, are adapted to the local situation for the following areas:

- Risk assessment
- Organising information security
- Frequent monitoring of the capital & IT expenditures in line with budgets
- Asset management
- Human resources security
- Physical security and restrictions to access in some cases
- Communications and operations Management.
- Access control
- System development and Maintenance
- Information security incident Management
- Business continuity management
- Compliance

The Board and Management are involved in information and IT governance, as follows:

- Oversee the realised total capital expenditures in line with budget at Board meetings;
- Regular evaluation of the information security systems; and
- Assess the need for independent evaluation from external experts on IT governance.

General Data Protection Regulation

The Company is assisted by Ahnee Duval Chambers in terms of Compliance to the Data Protection Act. The Company held a workshop in 2018 for all employees, organised by Ahnee Duval Chambers, with the objective to brief the employees about Data Protection in Mauritius, its legal perspective and practical application.

The Company has nominated a team of employees and a Data Protection Officer for the implementation of the policies during the course of 2019.

PRINCIPLE 4 - DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (CONT'D)

Remuneration of Directors

The Corporate Governance committee, which also includes the remuneration committee, annually reviews Directors fees. Thereupon the Committee makes the relevant recommendation for review to the Board.

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

The Board may itself determine the appropriate remuneration or compensation for Executive Directors, or put recommendation of the Corporate Governance Committee to shareholders at the Annual Meeting for a decision by ordinary resolution of shareholders for Directors' fees.

The remuneration for the Managing Director is composed of a fixed amount and of a variable component linked to profits.

The remuneration structure for Directors' fees has been last reviewed at the Annual Meeting of March 2017 and comprises two components, namely, a basic yearly fee and an attendance fee as follows:

	Board		Audit and Risk Committee		Corporate Governance Committee	
	Fixed Fee	Attendance Fee	Fixed Fee	Attendance Fee	Fixed Fee	Attendance Fee
Chairman	90,000	17,500	60,000	15,000	60,000	12,500
Members	45,000	12,500	30,000	7,500	30,000	7,500

The table below sets out the details of attendance of directors at meetings during 2018 and Directors' remuneration perceived:

ATTENDANCE AT MEETINGS DURING 2018

Directors / Alternate	Board	Audit and Risk Committee	Corporate Governance Committee	Total Directors' Remuneration MUR
Eric ESPITALIER-NOËL	4/4	-	1/2	197,500
Jean HARDY	4/4	-	-	2,754,575
Farouk A. HOSSEN	4/4	4/4	-	155,000
Hervé HENRY (Resigned on 30.06.2018)	2/4	2/4	-	77,500
Sarah Heller *(appointed on 01.07.2018)*	2/4			47,500
Ravindra CHETTY	3/4	-	1/2	155,000
John STUART	1/4	-	-	57,500
Michel NAIRAC	2/4	-	-	70,000
Guillaume HARDY	4/4	-		4,065,770
Arvind Lall DOOKUN	4/4	4/4	-	155,000
Mushtaq OOSMAN	3/4	4/4	-	202,500

PRINCIPLE 4 - DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (CONT'D)

Remuneration Of Directors (Cont'd)

Non-executive directors have not received remuneration in the form of share options or bonuses associated with organisational performance. There are no long-term incentive plans in place.

Code of Ethics

The Company is committed to the highest standards of integrity and ethical conduct in dealing with all its stakeholders. This commitment, which is actively endorsed by the Board, is based on the fundamental belief that business should be conducted honestly, fairly and legally.

The Company's Code of Ethics has been approved by the Board and has been circulated to all employees and agents. It can be viewed on the Company's website (www.automaticsystemsltd.mu). New employees joining the Company are given a copy of the Code of Ethics and are apprised thereof during their induction session.

The Code of Ethics is under review to include a part on whistleblowing.

PRINCIPLE 5 - RISK GOVERNANCE AND INTERNAL CONTROL

The Board is ultimately responsible for risk governance and internal control system and for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. A Risk Register as well as an IT Risk Register is regularly reviewed and monitored by management and the Audit and Risk Committee and presented to the Board with recommendations where applicable.

The appointment of EY as Internal Auditor effective as from the first semester of 2019 will assist in identifying and managing risk.

Internal Control and Risk Management

Amtote International Inc continues to provide a line monitoring of the automated system whereby its engineers analyse the operations in real time and can intervene if need be from their base in the USA. The automated system cannot be tampered with and it is subject to regular foolproof tests.

Risk Management

The Board has the overall responsibility for the Group's governance of risk, for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and for ensuring that the Company develops and executes a comprehensive and robust system of risk management.

The Board has delegated to the Audit and Risk Committee the responsibility of implementing a structure and process to help identify, assess and manage risks. Risk reviews are regularly conducted and mitigating measures implemented accordingly. The Audit and Risk Committee works closely with the Management and External Auditors to ensure that the Company's system of control effectively enables the Company to mitigate the risks inherent to its activity.

The Company is aware that its major risks are beyond its control.

The main risks faced by the Company are as follows:

Taxes and levies

The Company has to bear the Government decisions as regards taxes and levies. The impact of the recent increase in taxes and levies on the cost structure of the Company has been considerable. The taxes and licences paid to Authorities represent about 47% of the company's income. The Company has no choice than to comply with Authorities' decisions and tax legislations. The Company, however, communicates its concern regarding new tax legislations to the authorities on a regular basis.

Market

The Company is operating in a highly competitive and challenging environment and has to face unfair competition from illegal betting. In this difficult environment, the Company's know how and experience coupled with well spread outlets contribute to keep up its competitive edge.

Numerous factors directly affecting the Company's revenue are: the number of race meetings held annually, the quality of the racing fixtures, the number of Off-Course betting shops allowed to operate, the performance of the Mauritian economy and the number of Bookmakers operating outside the racecourse.

Changes in the Company's business environment are regularly assessed by Management to contain as far as possible, any adverse impact on profitability.

PRINCIPLE 5 - RISK GOVERNANCE AND INTERNAL CONTROL (CONT'D)

Risk Management (Cont'd)

IT & Operational

The operational risks related to internal processes are regulated by Information Technology systems and software controlling the betting operations of the Company. Those systems are closely monitored at management level, with cash reconciliations done daily and further reconciliation prepared and verified on a weekly basis.

The integrity of the betting system provided and tested by AmTote International Inc., based in the USA, represents the main operational risk for horse racing betting. However, all software changes concerning the AmTote Betting System are carried by AmTote International Inc and are secured with proper controls at different levels. The database belongs to AmTote International Inc. and users cannot make changes thereto but can only generate reports from the system.

Similarly, the integrity of the betting system provided by Falcon Wagering Solutions Pty Ltd which is based in Melbourne, Australia and tested by iTech Labs Australia represents another operational risk for sports (football) betting. All software changes linked to the Falcon Wager Betting System are made only by Falcon Wagering Solutions Pty Ltd and are secured with proper controls at different levels. The betting engine belongs to Falcon Wagering Solutions Pty Ltd and the database is secured with passwords which are only known by Falcon Wagering Solutions Pty Ltd. Users cannot make changes thereto but can only generate reports from the system.

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

IT operations and business processes are ISO certified, regularly audited, monitored and improved wherever possible. IT and Security policies, standards and guidelines have been implemented. As a security for the business continuity, the Company has a secondary site with the redundant AmTote equipment and necessary infrastructure. The secondary site is running live with real-time data.

Other risks

Other risks relate to the reputation of the Company and physical disasters and accidents. The Board ensures that the Company operates according to a high standard of ethics and fairness with regards to the horse racing industry, regulators, punters and the public.

Physical disasters and accidents are insurable risks covered through insurance policies upon advice from insurance brokers. These policies have also been reviewed by the Audit and Risk Committee which considers such insurance covers to be adequate.

The Company is aware that punters may shift to other products due to lack of confidence in the racing industry. To mitigate that risk, permanent communication is maintained with the relevant stakeholders.

PRINCIPLE 6 - REPORTING WITH INTEGRITY

The Board is responsible for the preparation of accounts that fairly present the state of affairs of the Company and the Group. The Annual Report includes financial statements that are prepared in accordance with International Accounting Standards and the Companies Act. The Annual report is sent to shareholders and/or can be viewed in full on the Company's website.

Carbon Reduction Commitment

The Company's activities do not have a major negative impact on environment. Being conscious that every step, even small ones, matters, the Company constantly tries to reduce its carbon footprint over time. In that respect, the Company wishes to thank its shareholders who agreed to contribute to this endeavour by accepting to support the Board's decision to provide the Company's annual report in electronic format. Other shareholders are encouraged to follow the same path. Shareholders wishing to encourage this initiative are invited to contact the Share Registry and Transfer Office at ECS Secretaries Ltd on the 2121998.

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

PRINCIPLE 6 - REPORTING WITH INTEGRITY (CONT'D)

Carbon Reduction Commitment (Cont'd)

The Company has taken the following measures in 2018 to reduce its power consumption:

- The Company promotes online paperless betting and for physically placed bets, works with Topco for the production of thermal paper rolls. Topco import their raw materials from the Koehler Paper Group (ISO14001) based in Germany and the Koehler group is committed to environment protection;
- New DC drive Air Conditioning units with lower power consumption have replaced the previous models;
- Some mercury based fluorescent lamps have been replaced by LED low energy lamps across the offices;
- InkJet Printers with Refillable Ink Tanks have been installed in several outlets and at the office; and
- Implementation of online bet booking for football betting, through the superscore.mu website or at booking terminals (kiosk) placed in a few outlets, further promotes online paperless betting. be done
- The company recycles most of its paper consumption at its head office through Paper Link Ltd who collects paper waste for recycling.

Future commitments

The Company is committed to continuously:

- Reduce paper and ink cartridge consumption;
- Consider the factor of energy-efficient when acquiring new equipment;
- Replace fluorescent lamps by low energy LED lamps;
- Continue to add more booking terminals (kiosk) in outlets; and
- Send newsletters by email instead of sending by post thus considerably reduce paper-based newsletters. Clients are encouraged to register to our online newsletter in order to reduce paper consumption.

Donations/CSR

In line with the dispositions of the current Gambling Regulatory Authority (GRA) Act, which provides for the totality of CSR funds to be remitted to the GRA, ASL has contributed an amount of Rs 3.3 million (Rs 4.0 million in 2017) for the setting up of a national responsible gambling program.

Health And Safety

The Company endeavours to provide a safe environment to its employees and other stakeholders. A general statement of health and safety policy has been adopted and a Health & Safety consultant assists the Company and ensures that relevant prescribed health and safety norms and existing legal and regulatory frameworks are complied with.

The Company continuously strives at instilling a safety culture among its employees and is committed to providing a Health and Safety environment at work. Employees followed a training on the use of firefighting equipment and staff evacuation in case of emergency. Furthermore, four employees are qualified first aiders.

The Company continuously carries out risk assessments and implements appropriate measures to eliminate health and safety hazards.

The following measures are in place to prevent accidents and work related injuries:

- Training of employees;
- Regular Risk assessment;
- Safety Audit;
- Training to enable supervisors to carry out Task Risk Evaluation;
- Empowering its Supervisors to take decisions in the face of dangers and hazards at work;
- Encouraging employees to report potential hazards, accidents or unsafe conditions; and
- Ensuring that Contractors are fully compliant with health and safety issues.

Social Issues

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

PRINCIPLE 7 - AUDIT

Internal Audit

EY has been appointed as Internal Auditors at the end of 2018. Their first assignment has started in February 2019. The Internal Auditor is expected to maintain an open and constructive line of communication with Management and reports to the Audit and Risk Committee.

The internal audit team has unrestricted access to the records, management and employees of the Company.

Internal Control and Risk Management

The Board acknowledges that it has overall responsibility for the Company's systems of risk management and internal control and for ensuring their effectiveness.

Some of the most significant risks facing the Company pertain to the economic, social, environmental, technological and political factors affecting Mauritius and countries from where the Company derives business. Reputational, foreign exchange and interest rates risks also have a direct impact on the Company's and the Group's business.

For the financial risk factors, refer to note 4 of the financial statements.

External Audit

PriceWaterHouse Coopers are the external auditors of the Company. Their tenure of office will be up to 2020, in line with the Financial Reporting Act 2004. Their replacement will be subject to a tender exercise and a recommendation for the appointment of new Auditors will be proposed at the 2020 Annual Meeting.

The Audit and Risk Committee is responsible for reviewing, with the external auditors, their letter of engagement, terms and nature of the audit scope and approach and ensure that there are no restrictions or limitations placed on such scope. The external auditors report directly to the Audit and Risk Committee, also responsible for monitoring the external auditors' independence, objectivity and compliance with ethical, professional and regulatory requirements.

During the financial year ended December 2018 the Audit and Risk Committee has met four times (26/03/2018, 08/05/2018, 19/09/2018 and 09/11/2018) and the external auditors were present at the Audit and Risk Committee of 26/03/2018 where the Audited Financial Statements were presented and reviewed. The Executive Directors attended those meetings.

Independence of Internal and External Auditors

Auditors are expected to observe the highest standards of business and professional ethics and, in particular, ensure that their independence is not impaired in any manner. They have the duty to maintain their independence and objectivity at all times, especially when providing services other than audit services to the Company or the Group. Any conflict or potential conflict of interest of any kind is expected to be reported to the Audit and Risk Committee or the Chairman of the Board immediately.

PRINCIPLE 8 - RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

Shareholder Information

The Board of Directors places great importance on an open and transparent communication with all the stakeholders of the Company. In line with the Listing Rules, it also endeavours to inform the shareholders on matters affecting the Company by announcements and disclosures in the Annual Report.

Dividend Policy

The Board has not adopted a formal dividend policy and distributes dividends subject to the Company's profitability, capital expenditure requirements and investment plan. Dividends are declared subject to the solvency test being satisfied, as required by the Companies Act 2001.

For the year ended 31 December 2018, the Directors have approved the distribution of a final dividend of Rs 5.00 per share (2017: Rs 4.00).

Relationship with Shareholders and Stakeholder

The Company maintains a close relationship with its shareholders. Through publications of quarterly results, Shareholders are informed of material events affecting the company. The Secretary is also available to provide any information or advice upon request.

The Board acknowledges its responsibility of ensuring that an appropriate dialogue takes place among the Company, its shareholders and other key stakeholders. Shareholders are invited and encouraged to attend the Annual Meeting, which is a forum for exchange with Directors, and a time where shareholders are given an insight of the Company's performance and financial outlook. The website also provides interesting information on the company's activities, financials and governance.

PRINCIPLE 8 - RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONT'D)

Employees

The Company recognises the importance of its workforce, which is key to the Company's performance. The Company currently employs, on a full time basis, 28 persons who are involved in the daily operations of the Company. 240 casual workers were recruited during the 2018 racing season. Furthermore, for its off course operation, the Company has a working arrangement with 20 agents/supervisors, each employing an average of 8 casual workers during the racing season.

Share Price Information

At 31 December 2018, the share price of the Company was Rs 94.50 (Rs 72 at 31 December 2017). An updated share price can be viewed on the Company's website or on the website of the Stock Exchange of Mauritius.

Shareholders' Agreement

No Shareholders' Agreement exists between the Company and related parties.

Shareholders communication and events

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

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

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

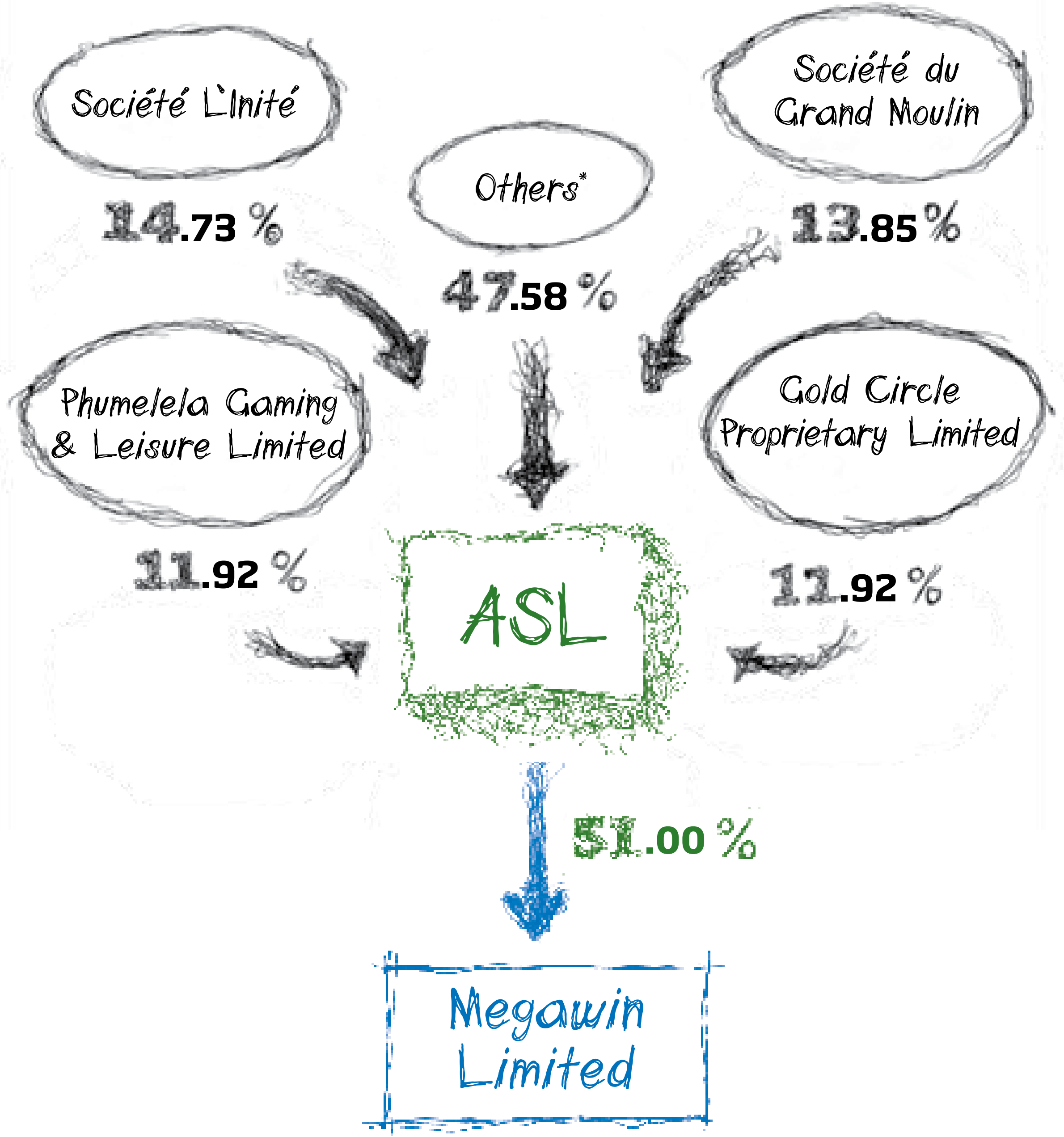
Shareholding

At 31 December 2018, the Company's share capital amounted to Rs 24,745,000 divided into 3,535,000 ordinary shares of Rs 7 each. There were 1,605 shareholders on the registry compared to 1,620 in 2017.

PRINCIPLE 8 - RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONT'D)

Cascade Holding Structure

The Company's shareholding structure is as follows:



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

PRINCIPLE 8 - RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONT'D)

On 31 December 2018, the following shareholders held directly and indirectly more than 5% of the ordinary share capital of ASL.

	Direct Interest	
	No. of Ordinary Shares	% Holding
Société L'Inité	520,667	14.7
Société du Grand Moulin	489,686	13.9
Phumelela Gaming and Leisure Ltd	421,323	11.9
Gold Circle (Proprietary) Limited	421,324	11.9

Common Directorships of the Company holding structure:

	SLI	PGL	GCPL	ML
Jean HARDY	* (Gerant)			*
John STUART		*		
Eric ESPITALIER-NOËL				*
Michel NAIRAC			*	*
Guillaume HARDY				*

SLI - Société L'Inité

PGL - Phumelela Gaming and Leisure Ltd

GCPL - Gold Circle (Proprietary) Limited

ML - Megawin Ltd

The Company's shareholding profile as at 31 December 2018 was as follows:

Number of Shares Held (Range)	Number of Shareholders	Total Number of Shares for the Range	Percentage Held
1-500	1,249	198,207	5.60
501-1,000	176	119,550	3.38
1,001-5,000	128	288,939	8.17
5,001-10,000	22	146,895	4.15
10,001-50,000	21	456,177	12.90
50,001-100,000	2	130,506	3.69
100,001-250,000	3	341,726	9.67
250,001-500,000	3	1,332,333	37.69
500,001-99,999,999	1	520,667	14.72
	1,605	3,535,000	100

Summary of Shareholder category at 31 December 2018:

	Number of Shareholders	Total Number of Shares Held	Percentage Held
Individual	1,543	1,272,300	35.99
Insurance & Assurance Companies	3	2,557	0.07
Pension & Providence Funds	10	208,121	5.88
Investment & Trust Companies	2	27,303	0.77
Other Corporate Bodies	47	2,024,719	57.57
	1,605	3,535,000	100

Corporate Governance Report (Cont'd)

OTHER STATUTORY DISCLOSURES

Contract of Significance
There was no contract of significance to which the Company was party to and in which a Director of the Company was materially interested either directly or indirectly.

Directors Service Contract
There are no service contracts between the Company and its Directors. None of the Directors has a service contract that needs to be disclosed under Section 221 of the Companies Act 2001.

Directors Share Interest
The interests of the Directors are disclosed on page 17 of this report.

Profile of Senior Officers
Please refer to page 30 of the report.

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

Management Agreement
The Company does not have a Management Agreement.

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

Directors
A list of Directors of the Company can be viewed on Page 15.

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

	2018	2017
Non-Executive Directors	**1,117,500**	1,157,500
Executive Directors	**6,820,345**	6,394,417

Auditors' Remuneration
The fees paid to the Auditors, for audit and other services were:

	2018	2017
Audit fees	**971,750**	805,000
Tax services fees	**109,825**	89,000

Mr. Ravindra Chetty
Chairman of the Corporate Governance Committee

Mr. Mushtaq Osman
Director

Box Office Ltd
Secretary
Date: 28 March 2019

DIRECTORS PROFILES

Eric ESPITALIER-NOËL (59 years) – Chairperson – Independent Director

Appointed Director in 2004

Chairperson of the Company since July 2004, Eric ESPITALIER-NOËL, born in 1959, holds a Bachelor's degree in Social Sciences from the University of Natal in South Africa and a Master degree in Business Administration from the University of Surrey (UK). In 1986, he joined ENL Limited of which he is today an Executive Director. He is currently the CEO of ENL Commercial Ltd. He is also a director of the following listed companies:

Rogers & Company Ltd, ENL Ltd, Livestock Feed Ltd (DEM) and Les Moulins de la Concorde Ltée (DEM).

Jean HARDY (70 years) – Executive Director

Appointed Director at incorporation in 1991

Appointed Alternate Director to O. Farouk A. Hossen in 2002

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

Guillaume HARDY (44 years) – Managing Director

Appointed Director in 2013 and Managing Director in 2014

Guillaume HARDY, born in 1974, holds a BA (Hons) Business Administration from South Bank University – London. He worked 2 years in London as Financial Analyst from 1998 to 2000. Then he started his career in Mauritius at PriceWaterhouseCoopers as Project Coordinator to afterwards move to Barclays Bank PLC in the Premier Banking Department as Personal Banker for 2 years.

He joined the Tote in September 2003 as Off Course Manager, was nominated General Manager of Automatic Systems Ltd in 2012 and Managing Director in 2014.

Sarah HENRY HELLER (46 years) – Non-Executive Director

Appointed as Director in July 2018

Sarah HENRY HELLER, born in 1973, holds a Bachelor degree in Business & Administration – Finance with INSEEC Paris. She is also an investment dealer on Stock Exchange of Mauritius.

She is currently Director and Project Manager at Senior Homes Ltd.

She is also a member of the board of directors of Les Terrasses de Chantenay Ltd and Le Lyceen Ltd.

Ravindra CHETTY S.C (56 years) – Independent Director

Appointed Director in 1997

Ravindra CHETTY, born in 1962, read Law at Balliol College, Oxford University. He was called to the bar in Middle Temple, England and in Mauritius in 1987. Since then he is practicing as a barrister at law in Mauritius. He took silk in 2010.

Mr Ravin Chetty does not hold any directorship in other listed companies.

Farouk HOSSEN (73 years) – Independent Director

Appointed Director in 1991

Farouk HOSSEN, born in 1945, holds the Fellowship of the Association of British Opticians and Masters for practice in contact lenses. He practised the profession in England for three years before settling in Mauritius where he established practice as an optician since 1972 and founded F.Hossen Opticians Ltd, F. Hossen Optical Manufacture Ltd and F. Hossen Medic optics Ltd. He is a director of a number of companies and sat on the Board of the State Bank of Mauritius for two years. He is also the Chairman of Viva Voce Ltd (Radio1).

John STUART (62 years) – Non-Executive Director

Appointed Director in 2008

John STUART, born in 1956, holds a B.Com and is the International Executive Director of Phumelela Gaming and Leisure Ltd. He has worked in the totalisator industry since 1979 when he joined the then TAB KwaZulu-Natal as Internal Auditor. He filled various roles in that organisation and at the time of his departure he was Assistant General Manager. He joined Phumelela in 1997 as Business Development Manager with his primary focus on alternative forms of gambling. After occupying various roles in the organisation he took responsibility for the International Division in May 2006. In September 2018 he was appointed Chief Executive Officer pf Phumelela. He is also a non-executive Director of Premier Gateway International Ltd (IOM).

DIRECTORS PROFILES (CONT'D)

Michel NAIRAC (64 years) – Non-Executive Director

Appointed Director in 2012

Michel NAIRAC was born in Mauritius in 1954 and completed his Articles of Clerkship with Coopers and Lybrand in Durban South Africa. He started his own agency business, Michel Nairac Bloodstock in 1986, which continues to operate in the Equine Industry. He then became a Director of the KZN Owners and Trainers Association, a membership entity for Owners and Trainers in KwaZulu-Natal, and was elected its Chairman in 2000. With the amalgamation of the Racing Clubs in KwaZulu-Natal he became a Director of Gold Circle (Pty) Limited, the company that operates thoroughbred horseracing and totalisator betting in the province of KwaZulu-Natal in South Africa. In 2001 he was appointed as CEO of Gold Circle, a position he currently holds.

Arvind Lall DOOKUN (55 years) – Independent Director

Appointed Director in 2013

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

Mushtaq OOSMAN (64 years) – Independent Director

Appointed Director in 2016

Mushtaq OOSMAN, born in 1954, trained and qualified as a Chartered Accountant with Sinclairs in the UK, before returning to Mauritius in 1983, when he joined the audit department of De Chazal Du Mée. He then joined Roger de Chazal & Partners (founders of Price Waterhouse in 1988 in Mauritius). He was a Partner in PwC Mauritius from July 1991 up to November 2015. He is a fellow of the Institute of Chartered Accountants in England and Wales. He served on the Africa Central Governance Board and is well versed with the working and responsibilities of a Governance Board. He is also a Member of the Board of Directors of ENL Limited, Rey and Lenferna Limited, The Mauritius Union Assurance Co Ltd, United Docks Ltd and La Prudence Life Assurance Ltd.

SENIOR MANAGER'S PROFILE

Robert AH YAN (49 years) – Tote and Sports Systems Manager

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

He joined Hardy Henry & Cie Limitée as Administrative Officer in 1992. He was promoted Assistant Manager in 1995 and as Manager in 2002 when the Company was awarded ISO9001. He is the Tote and Sports Systems Manager of the Company since 2002. Over these 20 years of service, he followed numerous Management and IT courses and is continuously updating his skills, knowledge and professional competence.

He is a Professional Member of ISACA (Information Systems Audit and Control Association) since February 2013 and is a Certified Information Systems Auditor (CISA) and a Certified Information Security Manager (CISM).

COMPANY SECRETARY'S PROFILE

Box Office Ltd is a domestic Company offering corporate and secretarial as well as business facilitation services to a portfolio of domestic companies. The two directors and shareholders of Box Office Ltd, Mrs Sylvia Maigrot and Mrs Sophie Gellé are both qualified chartered secretaries with more than 20 years' experience in the corporate secretarial practice. As qualified Secretaries, Mrs Sylvia Maigrot and Mrs Sophie Gellé have to and do acquire continuing professional development with a minimum of 20 CPD hours, per year.

Statement of Directors' Responsibilities in Respect of the Financial Statements at December 31, 2018.

The Company's Directors are responsible for the preparation and fair presentation of the financial statements, comprising the statements of financial position at December 31, 2018, the statements of profit or loss and other comprehensive income, the statements of changes in equity, and statement of cash flows, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001 and Financial Reporting Act 2004.

The Directors' responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting judgments and estimates that have been used consistently.

The Directors have made an assessment of Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The Directors report that the External Auditors are responsible for reporting on whether the financial statements are fairly presented.

The Directors confirm that

(i) adequate accounting records and an effective system of internal controls and risk management have been maintained;

(ii) appropriate accounting policies supported by reasonable and prudent judgements and estimates have been consistently used; and

(iii) International Financial Reporting Standards have been adhered to. Any departure in the interest in fair presentation has been disclosed, explained and quantified;

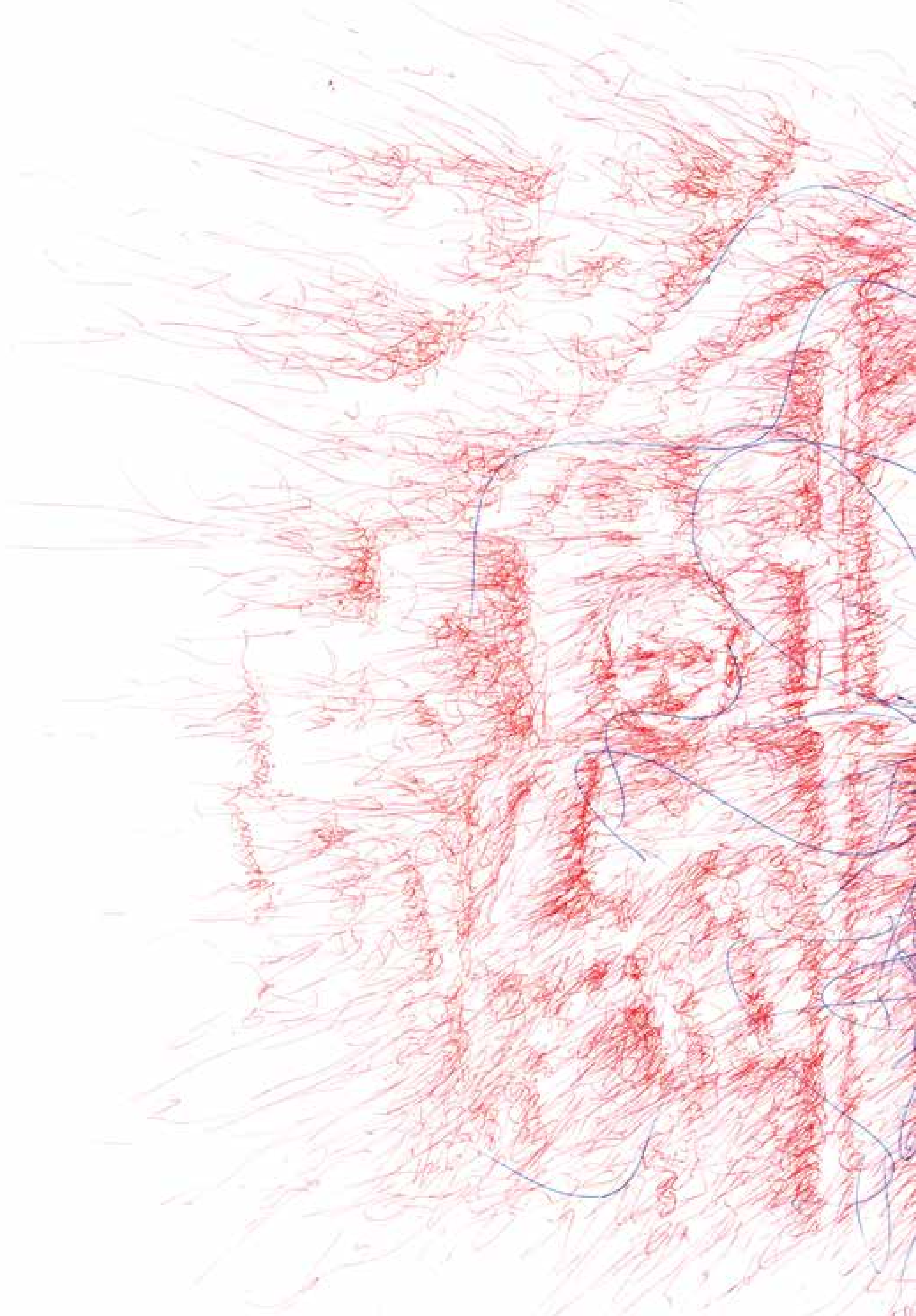
(iv) The Directors confirm that the provisions of the Code of Corporate Governance have been applied.

Approved by the Board of directors on 28.03.2019 and signed on its behalf by:

By Order of the Board

Mr. Mushtaq Osman	**Mr. Ravindra Chetty**
Director	*Director*

Date: 28 March 2019



Statement of Compliance

(Section 75 (3) of the Financial Reporting Act)

Name of Public Interest Entity (PIE):
AUTOMATIC SYSTEMS LTD

Reporting Period: Financial year ended 31 December 2018

We the Directors of Automatic Systems Ltd confirm that to the best of our knowledge the PIE has complied with all of its obligations and requirements under the Code of Corporate Governance.

SIGNED BY:

Mr. Mushtaq Osman	**Mr. Ravindra Chetty**
Director	*Director*

Date: 28 March 2019

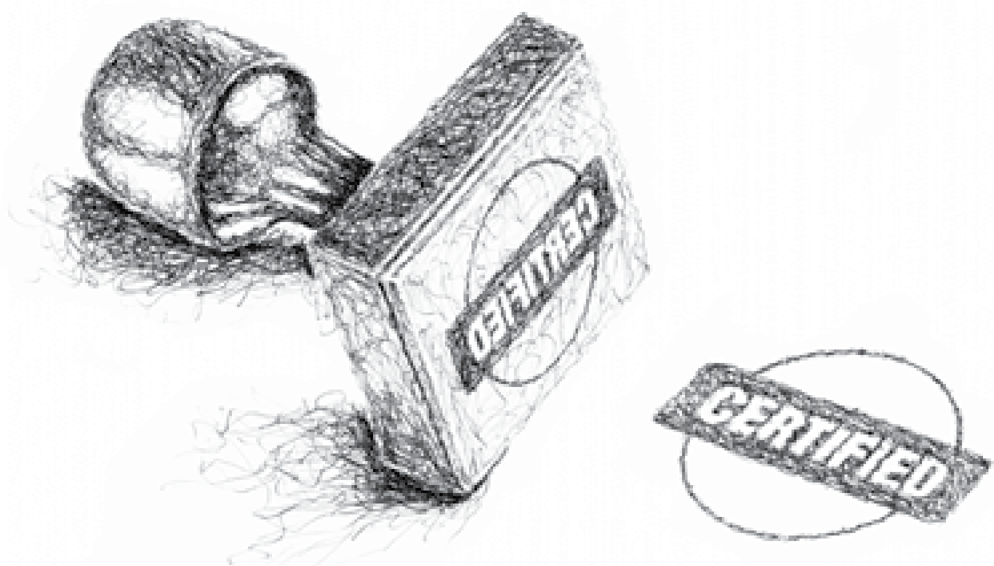
Secretary's Report

(Section 75 (3) of the Financial Reporting Act)

We certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001, in terms of section 166(d)

Sophie Gellé
Box Office Ltd
Company Secretary

Date: 28 March 2019



Independent Auditor's Report

To the Shareholders of Automatic Systems Ltd [Cont'd]

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of Automatic Systems Ltd (the "Company") and its subsidiary (together the "Group") and of the Company standing alone as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

What we have audited

Automatic Systems Ltd's consolidated and separate financial statements set out on pages 51 to 83 comprise:

- the consolidated and separate statements of financial position as at 31 December 2018;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements" section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Company and Group	**Company and Group**
MRA Claim [See note 26 - Tax claim from Mauritius Revenue Authority ("MRA")] In December 2015 and June 2015, the Company received claims from the Mauritius Revenue Authority ("MRA") in respect of racing seasons 2012, 2013, 2014 following the examination of the Company's books and records in relation to betting tax. The MRA claims that betting tax on "All for All" bets placed with the Company in respect of the above racing seasons has not been properly accounted for. It has quantified the total tax due at Rs 25.7m as at 31 December 2015 (31 December 2014: Rs 21.5m) inclusive of penalty and interest. There has been no subsequent communication from the MRA. Management has estimated this liability to be Rs 64.6m as at 31 December 2018. The Company has made an appeal against this claim. No provision in relation to this claim has been recognised in these financial statements as the directors are of the opinion that, based on legal advice, it is possible but not probable that a significant liability will arise. A contingent liability note to that effect has been disclosed in the financial statements.	We have sighted all communications between the MRA and the Company, including the tax assessments raised by the MRA. We have discussed with the directors the possibility of this liability crystallising. We have also circularised with the Company's legal advisors on the merits of this claim. We also assessed the adequacy of the disclosures in respect of this contingent liability in the financial statements.

Independent Auditor's Report (Cont'd)

To the Shareholders of Automatic Systems Ltd (Cont'd)

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONT'D)

Other Information

The directors are responsible for the other information. The other information comprise information included in the annual report but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition to the responsibilities described above and our work undertaken in the course of the audit, the Financial Reporting Act 2004 requires us to report certain matters as described below.

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Mauritius Code of Corporate Governance ("Code") disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Company has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements (Cont'd)

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the

basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report (Cont'd)

To the Shareholders of Automatic Systems Ltd (Cont'd)

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONT'D)

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Cont'd)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Mauritian Companies Act 2001

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

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

(b) we have obtained all the information and explanations we have required; and

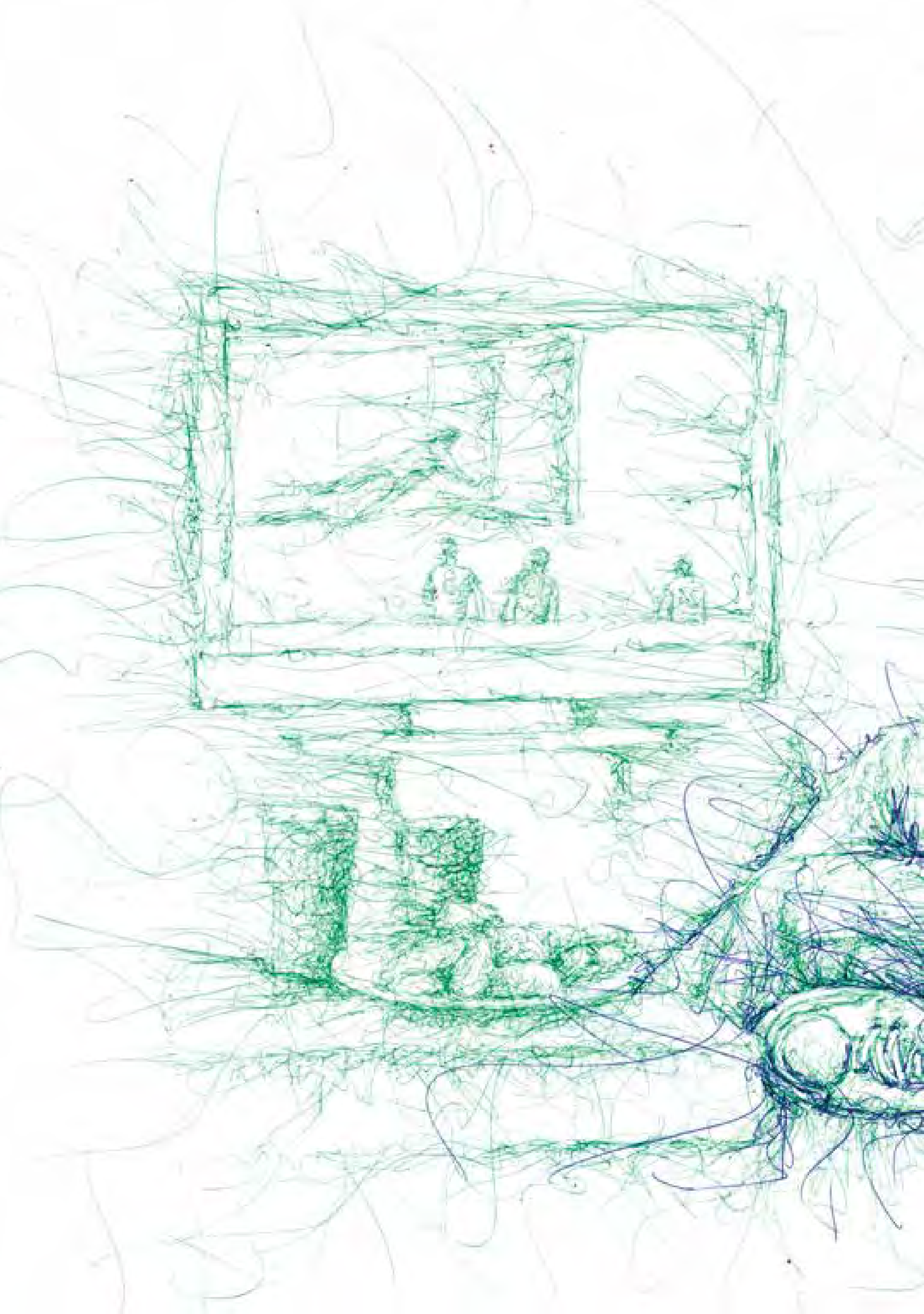
(c) in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

Other Matter

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

PricewaterhouseCoopers **Olivier Rey,** licensed by FRC

28 March 2019



Financial Statements

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Income (Note 7)	397,551	374,298	378,996	360,847
Government taxes and duties	(155,627)	(140,219)	(155,627)	(140,219)
Payment to National Solidarity Fund	(16,321)	(13,863)	(16,321)	(13,863)
Net income	225,603	220,216	207,048	206,765
Other income	1,205	565	3,712	565
Selling expenses	(43,516)	(36,030)	(31,477)	(27,332)
Operating expenses	(106,653)	(101,398)	(106,653)	(101,398)
Loss allowance on trade receivables	(1,737)	-	(1,313)	-
Payments to The Mauritius Turf Club	(52,759)	(46,640)	(52,759)	(46,640)
Operating profit (Note 8)	22,143	36,713	18,558	31,960
Finance income	4	189	-	189
Finance costs	(367)	(420)	(15)	(516)
Finance costs – net (Note 10)	(363)	(231)	(15)	(327)
Profit before income tax	21,780	36,482	18,543	31,633
Income tax expense (Note 11)	(5,049)	(6,985)	(4,065)	(5,916)
Profit for the year	16,731	29,497	14,478	25,717
Other comprehensive income:				
Items that may be reclassified to profit or loss				
Changes in the fair value of available-for-sale financial assets (Note 16)	125	94	125	94
Re-measurements of post-employment benefit obligations (Note 22)	(750)	(509)	(750)	(509)
Deferred tax charge relating to re-measurements of post employment benefits (Note 23)	127	(87)	127	(87)
Re-measurements of post-employment benefit obligations – net of tax	(623)	422	(623)	422
Total other comprehensive income for the year	(498)	516	(498)	516
Profit and total comprehensive income for the year	16,233	30,013	13,980	26,233
Profit for the year attributable to:				
Owners of the Company	14,378	27,645	14,478	25,717
Non-controlling interests	2,353	1,852	-	-
	16,731	29,497	14,478	25,717
Total comprehensive income attributable to:				
Owners of the Company	13,880	28,161	13,980	26,233
Non-controlling interests	2,353	1,852	-	-
	16 233	30,013	13,980	26,233
Basic and diluted earnings per share (Note 12)	4.07	7.83	4.10	7.27

The notes on pages 51 to 83 are an integral part of these consolidated financial statements

BALANCE SHEET – 31 DECEMBER 2018

	Group 2018 Rs 000	Group 2017 Rs 000	Company 2018 Rs 000	Company 2017 Rs 000
ASSETS				
Non-current assets				
Plant and equipment (Note 13)	25,969	19,819	25,242	18,652
Goodwill (Note 14)	73,514	73,514	73,514	73,514
Investment in subsidiary (Note 15)	-	-	1,020	1,020
Financial assets at fair value through other comprehensive Income(Note 16)	1,596	1,471	1,596	1,471
Trade and other receivables (Note 17)	-	491	-	491
Deferred income tax asset (Note 23)	1,489	1,342	1,489	1,342
	102,568	96,637	102,861	96,490
Current assets				
Inventories (Note 19)	350	509	350	509
Current income tax asset (Note 11)	16,611	26,538	12,097	22,088
Trade and other receivables (Note 17)	32,101	28,495	24,877	25,460
Cash and cash equivalents (Note 18)	9,355	-	9,355	-
	58,417	55,542	46,679	48,057
Total assets	160,985	152,179	149,540	144,547
EQUITY				
Equity attributable to owners of the Company				
Share capital (Note 20)	24,745	24,745	24,745	24,745
Share premium (Note 21)	1,168	1,168	1,168	1,168
Post-employment benefits reserve	(24)	599	(24)	599
Fair value reserve	1,496	1,371	1,496	1,371
Retained earnings	47,974	51,169	45,752	48,847
	75,359	79,052	73,137	76,730
Non-controlling interests	3,111	3,208	-	-
Total equity	78,470	82,260	73,137	76,730
LIABILITIES				
Non-current liabilities				
Deferred income tax liability (Note 23)	51	198	-	-
Post-employment benefits (Note 22)	3,434	2,443	3,434	2,443
	3,485	2,641	3,434	2,443
Current liabilities				
Trade and other payables (Note 24)	45,482	47,104	42,530	46,024
Provision (Note 30)	10,557	-	10,557	-
Dividend payable (Note 25)	20,125	14,140	17,675	14,140
Current income tax liability (Note 11)	2,866	6,034	2,207	5,210
	79,030	67,278	72,969	65,374
Total liabilities	82,515	69,919	76,403	67,817
Total equity and liabilities	160,985	152,179	149,540	144,547

Authorised for issue by the Board of directors on 28 March 2019 and signed on its behalf by:

Mr. Mushtaq Osman
Director

Mr. Ravindra Chetty
Director

The notes on pages 51 to 83 are an integral part of these consolidated financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to Owners of the Parent							
	Share Capital	Share Premium	Post-Employment Benefits Reserve	Fair Value Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
GROUP								
Balance as at 01 January 2017	24,745	1,168	177	1,277	37,601	64,968	1,356	66,324
Profit for the year	-	-	-	-	27,645	27,645	1,852	29,497
Other comprehensive income for the year	-	-	422	94	-	516	-	516
Total comprehensive income for the year	-	-	422	94	27,645	28,161	1,852	30,013
Transactions with owners								
Dividends (Note 25)	-	-	-	-	(14,140)	(14,140)	-	(14,140)
Unclaimed dividends	-	-	-	-	63	63	-	63
Total transactions with owners	-	-	-	-	(14,077)	(14,077)	-	(14,077)
Balance as at 31 December 2017	24,745	1,168	599	1,371	50,668	78,551	3,709	82,260
Profit for the year	-	-	-	-	14,378	14,378	2,353	16,731
Other comprehensive income for the year	-	-	(623)	125	-	(498)	-	(498)
Total comprehensive income for the year	-	-	(623)	125	14,378	13,880	2,353	16,233
Transactions with owners								
Dividends (Note 25)	-	-	-	-	(17,675)	(17,675)	(2,450)	(20,125)
Write back of dividend payable	-	-	-	-	102	102	-	102
Othe movements	-	-	-	-	501	501	501	-
Total transactions with owners	-	-	-	-	(17,072)	(17,072)	(2,951)	(20,023)
Balance as at 31 December 2018	24,745	1,168	(24)	1,496	47,974	75,359	3,111	78,470

The notes on pages 51 to 83 are an integral part of these consolidated financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 (CONT'D)

	Share Capital	Share Premium	Post-Employment Benefits Reserve	Fair Value Reserve	Retained Earnings	Total Equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
COMPANY						
Balance as at 01 January 2017	24,745	1,168	177	1,277	37,601	64,574
Profit for the year	-	-	-	-	25,717	25,717
Other comprehensive income for the year	-	-	422	94	-	516
Total comprehensive income for the year	-	-	422	94	25,717	26,233
Transactions with owners						
Dividends (Note 25)	-	-	-	-	(14,140)	(14,140)
Unclaimed dividends	-	-	-	-	63	63
Total transactions with owners	-	-	-	-	(14,077)	(14,077)
Balance as at 31 December 2017	24,745	1,168	599	1,371	48,847	76,730
Profit for the year	-	-	-	-	**14,478**	**14,478**
Other comprehensive income for the year	-	-	**(623)**	**125**	-	**(498)**
Total comprehensive income for the year	-	-	**(623)**	**125**	**14,478**	**13,980**
Transactions with owners						
Dividends (Note 25)	-	-	-	-	**(17,675)**	**(17,675)**
Write back of dividend payable	-	-	-	-	**102**	**102**
Total transactions with owners	-	-	-	-	**(17,573)**	**(17,573)**
Balance as at 31 December 2018	**24,745**	**1,168**	**(24)**	**1,496**	**45,752**	**73,137**

The notes on pages 51 to 83 are an integral part of these consolidated financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Cash flows from operating activities				
Profit before income tax	**21,780**	36,482	**18,543**	31,633
Adjustments for:				
Depreciation of plant and equipment (Note 13)	**8,864**	7,533	**8,424**	7,100
Impairment of plant and equipment (Note 13)	**64**	-	**64**	-
(Profit)/loss on disposal of plant and equipment (Note 8)	**(284)**	638	**(284)**	638
Loss allowance on trade receivables (Note 8)	**1,737**	-	**1,313**	-
Dividend income (Note 8)	**(175)**	(127)	**(2,725)**	(127)
Interest income (Note 10)	**(4)**	(62)	**-**	(62)
Interest expense (Note 10)	**15**	420	**15**	516
Net post-employment benefit charge (Note 22)	**241**	202	**241**	202
Working capital changes				
(Increase)/decrease in inventories	**159**	(223)	**159**	(223)
(Increase)/decrease in trade and other receivables	**8,681**	(821)	**11,719**	2,037
Movement in restricted cash	**(9,355)**	-	**(9,355)**	-
Increase in trade and other payables	**5,567**	486	**3.695**	427
Movement in provision (Note 30)	**3,352**	-	**3,352**	-
Cash generated from operations	**40,642**	44,528	**42,141**	31,202
Interest received (Note 10)	**4**	62	**62**	179
Net income tax paid (Note 11)	**(8,384)**	(2,324)	**(2,324)**	(5,006)
Interest paid (Note 10)	**(15)**	(420)	**(516)**	(808)
Net cash from operating activities	**32,247**	41,846	**39,363**	25,003
Cash flows from investing activities				
Payments for purchase of plant and equipment (Note 13)	**(15,089)**	(10,334)	**(15,089)**	(10,244)
Proceeds from sales of plant and equipment	**295**	(638)	**295**	(638)
Dividends received	**175**	127	**127**	140
Net cash used in investing activities	**(14,619)**	(10,845)	**(10,755)**	(4,892)
Cash flows from financing activities				
Dividends paid (Note 25)	**(14,022)**	(14,140)	**(14,140)**	(10,605)
Net cash used in financing activities	**(14,022)**	(14,140)	**(14,140)**	(10,605)
Net increase/(decrease) in cash and cash equivalents	**3,606**	16,861	**(583)**	14,468
Cash and cash equivalents at beginning of year	**28,495**	11,634	**25,460**	10,992
Cash and cash equivalents at end of year (Note 18)	**32,101**	28,495	**24,877**	25,460

The notes on pages 51 to 83 are an integral part of these consolidated financial statements

Notes to the Financial Statements

- 31 december 2018

1. GENERAL INFORMATION

Automatic Systems Ltd ('the Company') and its subsidiary's (together, 'the Group') principal activities is the running of a totalisator system (tote) of betting o n horse races in Mauritius organised by the Mauritius Turf Club ('MTC') and the organisation of fixed odds betting on foreign football matches in Mauritius and in countries on mainland Africa namely Kenya, Nigeria, Uganda respectively. Both are in accordance with the provisions of the Gambling Regulatory Authority Act 2007.

The Company is a public company with limited liability, which is listed on the Stock Exchange of Mauritius and incorporated and domiciled in Mauritius. The address of its registered office is c/o Box Office Ltd, 2nd Floor, Palm Square, 90906, La Mivoie, Tamarin, Republic of Mauritius. Its main place of business is situated at Champ de Mars, Port Louis. It also operates through several offcourse outlets located throughout the island.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

(i) Compliance with IFRS

The consolidated financial statements of the Automatic Systems Ltd have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC) and comply with the Mauritian Companies Act 2001. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of financial assets at fair value through other comprehensive income.

The financial statements are presented in Mauritian Rupees ('Rs'), rounded to the nearest thousands.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1.1 Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations adopted by the Group and Company

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2018:

FRS 9, 'Financial instruments'

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through profit or loss, except for equity investments that are not held for trading, which may be recorded in profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

The Group and Company have adopted the new standard on 01 January 2018 and performed the following with regards to financial assets held:

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

IFRS 9, 'Financial instruments' (Cont'd)

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through profit or loss, except for equity investments that are not held for trading, which may be recorded in profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

The Group and Company have adopted the new standard on 01 January 2018 and performed the following with regards to financial assets held:

- Equity instruments previously classified as Available-for-sale ("AFS") under IAS 39 are now classified as Fair value through other comprehensive ("FVOCI"). Under IFRS 9, for equity instruments classified as FVOCI, dividends are recognised when the entity's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognised in profit or loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in other comprehensive income. Changes in fair value are recognised in other comprehensive income and are never recycled to profit or loss, even if the asset is sold or impaired.

  Accordingly, the group will henceforth reclassify gains or losses realised on the sale of financial assets below the line from the FVOCI reserve to retained earnings rather than transfer it to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings upon sale. During the 2017 and 2018 financial year, there were no such gains or losses realised since no sale of financial assets occurred.

  The new standard also introduces expanded disclosure requirements and changes in presentation as set out in Note 16.

- Trade receivables previously classified as Loans and receivables under IAS 39 are now classified as debt instruments at amortised cost. Under IFRS 9, debt instruments at amortised cost are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest (where applicable).

The group has applied the new rules as from 01 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 are compared as follows:

Financial statement line items	Classification under IAS 39	Amount Rs'000	Classification under IFRS 9	Amount Rs'000
Trade and other receivables	Amortised cost	12,097	Amortised cost	12,097
Cash and cash equivalents	Amortised cost	24,877	Amortised cost	24,877
Financial assets at fair value through other comprehensive income	Available-for-sale financial assets	1,596	Financial assets at fair value through other comprehensive income	1,596
	Amortised cost	53,087	Amortised cost	53,087

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39.

The Company's trade and other receivables are subject to IFRS 9's new expected credit loss ('ECL') model.

Trade receivables

The Company applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for trade receivables.

The expected loss rates are based on the payment profiles of sales over the last 3 years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The Company has identified inflation rates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Cash and cash equivalents

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the impairment loss is immaterial.

Previous accounting policy for impairment of trade receivables

In the previous years, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which are known to be uncollectible were written off by reducing the carrying amount directly.

2.1.2 Changes in accounting policy and disclosures (Cont'd)

(b) New standards, amendments and interpretations adopted by the Group and Company (Cont'd)

IFRS 15, 'Revenue from contracts with customers'

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a full retrospective application, or prospective application with additional disclosures and is effective for annual periods beginning on or after 01 January 2018.

Management has assessed the effects of applying the new standard on the Group and Company's financial statements and has identified that there will be no impact on the revenue recognition since the income of the Company and Group comprises solely income made from bets made by customers struck net of betting dividends paid to the latter. There is thus be no impact on revenue recognition as a consequence of a change from IAS 18 to IFRS 15.

IFRS 16, 'Leases'

In January 2016, the International Accounting Standards Board (IASB) issued IFRS 16, 'Leases'. IFRS 16 will replace the current IAS 17 standard on leases. The effective date is 01 January 2019. The new standard requires that for lessees all leases, regardless of whether they are operating or financial in nature, be on the statement of financial position and accounted for as "financial leases". There are some exemptions which can be applied and these relates to leases of 12 months or less (short-term leases), and leases of low-value assets. For such leases, the lease costs will be accounted for in the same way as operating leases are accounted for today. IFRS 16 will significantly change the way lessees account for leases, however lessor accounting remains largely the same and the classification as a finance lease or operating lease is still a consideration. This means that straight-lining of operating leases will remain for lessors.

Management has assessed the effects of applying the new standard on the Group and Company's financial statements and has identified that there will be no impact on adoption of the new standard.

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

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

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

2.2 Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Principles of consolidation (Cont'd)

Subsidiaries (Cont'd)

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

- Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

- Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
  equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity,

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Principles of consolidation (Cont'd)

- Business combinations (Cont'd)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker (CODM).

The executive directors, who have been identified as the CODM, assesses the financial performance and position of the Group and makes strategic decision.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in thousands of Mauritian Rupees ('Rs 000'), which is the Company's functional currency.

- Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(b) income and expenses for each income statement item presented are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group or Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Principles of consolidation (Cont'd)

Plant and equipment (Cont'd)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised in 'Other income' in the statement of comprehensive income.

Intangible assets

Goodwill

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

Impairment of assets

Intangible assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting period.

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

Financial assets

- Classification

The Group and Company classify its financial assets in the following categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group and the company reclassify debt investments when and only when its business model for managing those assets changes.

- Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Principles of consolidation (Cont'd)

Financial assets (Cont'd)

- Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group and the Company's business model for managing the asset and the cash flow characteristics of the asset. The Group and the Company's financial assets consist of trade receivables and cash and cash equivalents which are classified into debt instruments at amortised cost. These assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. Debt instruments at amortised cost are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified in non-current assets.

Equity instruments

The Group and the Company subsequently measures all equity investments at fair value. Where management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/ (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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

As at 31 December 2018, the Group and Company have taken into account the net asset value of Central Depository & Settlement Co. Ltd as a proxy to determine the fair value of the available-for-sale investment that it holds in that Company. Given that the above financial assets comprises only 0.98% (2017: 0.98%) of total assets of the Group, the directors do not consider it material to determine the fair value of the investments using a more sophisticated valuation technique.

- Impairment

For trade receivables, the Group and the Company apply the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 4 for further details

- Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and Company or the counterparty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Principles of consolidation (Cont'd)

Inventories

Inventories consist of ticket rolls and are stated at the lower of cost and net realisable value. Cost is determined on using the first in, first out method. Net realisable value is the estimated selling price in the ordinary course of business.

Trade receivables

Trade receivables are amounts due from off course betting agents in the ordinary course of business. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Other borrowing costs are expensed in the period in which they are incurred.

Current and deferred income tax

The income tax expense for the year is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses and includes the Corporate Social Responsibility contribution.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the year ended, 31 December 2018. 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 consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 either 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 end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Principles of consolidation (Cont'd)

Current and deferred income tax (Cont'd)

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, income tax is also recognised in other comprehensive income or directly in equity, respectively.

Employee benefits

The Company has changed its post-employment scheme from defined benefit plan to a defined contribution plan since 01 January 2013. The employees are also entitled to a gratuity payment on retirement under the terms of the Employment Rights Act 2008. Accordingly, the Company has calculated and provided for the gratuity payment in the financial statements.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method and is recognised on the balance sheet.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included as ‘post-employment benefit’ in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

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

(b) Other entitlements

The estimated monetary liability for employees’ accrued annual leave entitlement at year end is recognised as an expense accrual. The Group recognises a provision where contractually obliged or where there is past practice that has created a constructive obligation.

(c) Termination benefits

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

2.2 Principles of consolidation (Cont'd)

Employee benefits (Cont'd)

(d) Profit-sharing and bonus plans

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in relation to horse racing and football bets. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

(a) Income

Income represents bets struck net of betting dividends paid to customers.

Betting dividends comprise punters' winnings. Unclaimed betting dividends are recognised in the statement of financial position as betting dividends payable under current liabilities. Betting dividends not claimed within 30 (thirty) days for racing and 45 (forty five) days for football from date of declaration become due to the NSF.

Income is measured at fair value of the consideration received or receivable.

(b) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

Dividend distribution

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group's actuary determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group and Company consider the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

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

Useful lives of plant and equipment

The Group and Company's management determine the estimated useful lives and related depreciation charges for its plant and equipment which is calculated on the basis of the depreciation rates set out in the accounting policy note on Plant and Equipment, in Note 2. The depreciation rates have been estimated according to the respective plant and equipment's useful lives and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group and Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, equity securities price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group and Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management remains the responsibility of the Board of directors to whom the Audit and Risk committee reports.

- Market risk

(a) Foreign exchange risk

The transactions of the Group and Company are carried out mainly in Mauritian Rupees with very few transactions in United States Dollar and Euro. Hence, there is no significant exposure to foreign exchange risk.

(b) Equity securities price risk

The Group and Company are exposed to equity securities price risk because of investment held by the Company and classified on the balance sheet as available-for-sale. Given that the investment comprises only **0.99%** (2017: 1.02 %) of the Company's total assets, the impact on equity is not considered significant.

(c) Cash flow value Interest rate risk

The Group and Company's interest rate risk arise from cash at bank. The Group and Company do not use financial instruments to hedge interest rate risk.

Based on the simulations performed, at 31 December 2018, the impact on pre-tax profit of 50 basis points increase/decrease in interest rate would be a maximum increase/decrease of **Rs 151,000** (2017: Rs 127,300) respectively at Company level and **Rs 115,000** (2017: Rs 142,475) at Group level.

The directors consider a 50 basis point shift as being reasonable to determine the sensitivity analysis as the changes in the repo rate over the past year has not exceeded 50 basis point.

- Credit risk

Receivables

The Group and Company only accept bets on a cash basis and is therefore not exposed to credit risk.

The Group and Company is exposed to trade receivables from off-course agents as the off-course agents have the responsibility to remit the proceeds from betting to the Group on a weekly basis. The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors. The amounts presented in the balance sheet are net of allowances for doubtful receivables estimated by the Group and Company's management based on prior experience, the current economic environment and forecasted GDP. The Group and Company's management make a monthly analysis of the aged debtors listing for off course agents and determine the appropriate level of specific impairment to be provided for long outstanding trade receivables from agents. The impairment is determined on a case by case basis based on response and follow-ups made with the off-course agents. Note 17 of the financial statements provides a disclosure of the credit risk the Group and Company are exposed to at the end of the reporting period.

Bank

Credit risk also arises from cash at bank.

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

4. FINANCIAL RISK MANAGEMENT (Cont'd)

- Credit risk (Cont'd)

The amount that best represents the Group and Company's maximum exposure to credit risk at 31 December 2018 is the carrying value of the financial assets in the balance sheet, as table below:

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Trade and other receivables	11,818	27,029	7,304	22,579
Cash and cash equivalents	32,101	28,495	24,877	25,460
Restricted cash	9,355	-	9,355	-
	53,274	55,524	41,536	48,039

The credit quality of financial assets that is neither past due nor impaired can be assessed by historical information about counterparty default rates as follows:

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Trade and other receivables (neither past due nor impaired)				
Counterparties without external credit rating				
Group 1	11,282	8,250	4,218	3,800
Dividend receivable from Megawin Ltd	-	-	2,550	-
Other receivables	504	418	504	418

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

No other collateral is held in respect of trade and other receivables as disclosed on balance sheet.

All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated, and management does not expect any losses from non-performance by these parties.

None of the Group and Company's financial assets are either past due or impaired except for the following amounts in trade receivables. The trade receivables which were past due but not impaired relate to a number of independent off course agents for whom there is no history of default even though they settle their debts with the Group after their specified credit term. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Trade and other receivables (past due but not impaired)				
Greater than 365 days	32	491	32	491

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Trade and other receivables (individually determined to be impaired)				
Greater than 365 days	6,025	4,184	5,601	4,184

In disclosing trade and other receivables as a financial instrument for the Group and Company, an amount of **Rs 4,793,000** (2017: Rs 17,870,000) representing prepayments, has been excluded.

4. FINANCIAL RISK MANAGEMENT (Cont'd)

Credit risk (Cont'd)

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

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Cash at bank and short-term bank deposits (including Restricted cash)				
Baa3	41,456	28,495	34,232	25,460

Liquidity risk

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

Management monitors rolling forecasts of the Group and Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 28) at all times so, that the Group does not breach borrowing limits or covenants where applicable on its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratios/targets.

All the Group and Company's financial liabilities comprising trade and other payables have a contractual maturity date of less than one year. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Group	Company
At 31 December 2018	**Less than 1 year**	**Less than 1 year**
	Rs 000	**Rs 000**
Trade and other payables	45,482	42,530
Provision	10,557	10,557
Dividend payable	20,125	17,675
	76,164	70,762
At 31 December 2017	**Less than 1 year**	**Less than 1 year**
	Rs 000	**Rs 000**
Trade and other payables	47,104	46,024
Dividend payable	14,140	14,140
	61,244	60,164

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders.

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

The Group and Company have no long term external borrowings as at 31 December 2018 and 2017.

4. FINANCIAL RISK MANAGEMENT (Cont'd)

- Fair value estimation

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

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

Group and Company

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**
Assets				
Financial assets at fair value through other comprehensive income	-	-	1,596	1,596

2017	Level 1	Level 2	Level 3	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Assets				
Financial assets at fair value through other comprehensive income	-	-	1,471	1,471

As at 31 December 2018, the Group and Company have taken into account the net asset value of Central Depository & Settlement Co. Ltd as a proxy to determine the fair value of the available-for-sale investment that it holds in that company. Given that the above financial assets comprises only 0.99% (2017: 1.02%) of total assets of the Company, directors do not consider it material to determine the fair value of the investments using a more sophisticated valuation technique in line with requirements of IFRS 9.

5 FINANCIAL INSTRUMENTS BY CATEGORY

GROUP At 31 December 2018	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total
	Rs 000	Rs 000	Rs 000
Assets			
Financial assets at fair value through other comprehensive income	-	1,596	1,596
Trade and other receivables (Note 17)	11,818	-	11,818
Cash and cash equivalents (Note 18)	32,101	-	32,101
Restricted Cash	9,355	-	9,355
Total	53,274	1,596	54,870

	Financial liabilities at amortised cost	Total
	Rs 000	Rs 000
Liabilities		
Trade and other payables (Note 24)	45,482	45,482
Provision (Note 30)	10,557	10,557
Total	56,039	56,039

COMPANY At 31 December 2018	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total
	Rs 000	Rs 000	Rs 000
Assets			
Financial assets at fair value through other comprehensive income		1,596	1,596
Trade and other receivables (Note 17)	7,304	-	7,304
Cash and cash equivalents (Note 18)	24,877	-	24,877
Restricted Cash	9,355	-	9,355
Total	41,536	1,596	43,132

	Financial liabilities at amortised cost	Total
	Rs 000	Rs 000
Liabilities		
Trade and other payables (Note 24)	42,530	42,530
Provision (Note 30)	10,557	10,557
Total	53,087	53,087

5 FINANCIAL INSTRUMENTS BY CATEGORY (Cont'd)

GROUP At 31 December 2017	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total
	Rs 000	Rs 000	Rs 000
Assets			
Financial assets at fair value through other comprehensive income	-	1,471	1,471
Trade and other receivables (Note 17)	9,159	-	9,159
Cash and cash equivalents (Note 18)	28,495	-	28,495
	37,654	1,471	39,125

	Financial liabilities at amortised cost	Total
	Rs 000	Rs 000
Liabilities		
Trade and other payables (Note 24)	47,104	47,104
	47,104	47,104

COMPANY At 31 December 2017	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total
	Rs 000	Rs 000	Rs 000
Assets			
Financial assets at fair value through other comprehensive income	-	1,471	1,471
Trade and other receivables (Note 17)	4,709	-	4,709
Cash and cash equivalents (Note 18)	25,460	-	25,460
	30,169	1,471	31,640

	Financial liabilities at amortised cost	Total
	Rs 000	Rs 000
Liabilities		
Trade and other payables (Note 24)	46,024	46,024
	46,024	46,024

In disclosing trade and other receivables as a financial instrument for the Group and Company, an amount of **Rs 4,793,000** (2017: Rs 17,870,000) representing prepayments, has been excluded.

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The executive directors are the chief operating decision makers have identified three reportable segments:

1. Totalisator: this part of the business runs a system of betting on horse races in Mauritius organised by the Mauritius Turf Club;

2. Fixed odds: this part of the business organises fixed odd betting on foreign football matches in Mauritius;

3. All other segments: The Company has incorporated the subsidiary called 'Megawin Ltd' during the year 2014 to operate foreign football betting on the African continent. Megawin Ltd has not been classified as a new reporting segment since it does not satisfy the quantitative thresholds of IFRS 8. The results of these operations are included in the 'all other segments' column.

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

The executive directors assess the financial performance of the operating segments based on Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA).

The segment information provided to the executive directors for the reportable segments of the Group for the year ended 31 December 2018 is as follows:

	Totalisator	Fixed odds	All other segments	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Income from external customers	271,487	107,509	18,555	397,551
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	20,379	4,053	6,575	31,007
Depreciation	6,739	1,685	440	8,864
Finance costs - net	12	3	348	363
Income tax	(3,252)	(813)	(984)	(5,049)
Total assets	116,776	29,194	15,015	160,985
Additions to non- current assets (other than financial instruments and deferred income tax assets)	12,071	3,018	-	15,089
Total liabilities	59,869	14,967	7,679	82,515

The segment information provided to the executive directors for the reportable segments of the Group for the year ended 31 December 2017 is as follows:

	Totalisator	Fixed odds	All other segments	Total
	Rs 000	Rs 000	Rs 000	Rs 000
Income from external customers	240,274	120,573	13,451	374,298
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	14,000	25,060	5,186	4,246
Depreciation	5,680	1,420	433	7,533
Finance costs - net	263	64	(96)	231
Income tax	4,732	1,184	1,069	6,985
Total assets	115,637	28,910	7,632	152,179
Additions to non- current assets (other than financial instruments and deferred income tax assets)	8,195	2,049	90	10,334
Total liabilities	54,252	13,565	2,102	69,919

6 SEGMENT INFORMATION (Cont'd)

Income is the actual income 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 (80:20) which, in the directors' view, reflect a fair estimation of the costs associated with the two segments.

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

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
EBITDA	31,007	44,246	26,982	39,060
Depreciation	(8,864)	(7,533)	(8,424)	(7,100)
Finance costs –net	(363)	(231)	(15)	(327)
Profit before income tax	21,780	36,482	18,543	31,633

7 INCOME

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Betting income				
Bets struck net of betting dividends paid, refunds and rebates				
- Totalisator	271,487	240,274	271,487	240,274
- Fixed odds	107,509	120,573	107,509	120,573
Foreign Commission	18,555	13,451	-	-
	397,551	374,298	378,996	360,847

8 OPERATING PROFIT

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Operating profit is stated after charging:				
Depreciation of plant and equipment (Note 13)	8,864	7,533	8,424	7,100
Impairment of plant and equipment (Note 13)	64	-	64	-
Profit/(loss) on disposal of plant and equipment	284	(638)	284	(638)
Loss allowance on trade receivables (Note 17)	1,737	-	1,313	-
Provision for copyright fees	3,307	-	3,307	-
Commission to off-course agents	27,543	30,982	27,543	24,431
Repairs and maintenance	3,560	4,143	3,560	4,141
Licences and municipality taxes	25,349	26,842	25,348	26,797
Staff costs (Note 9)	37,201	34,211	37,201	34,211
Auditor's remuneration:				
– audit services	992	897	992	897
– tax services	159	139	107	107
Dividend income	175	-	2,725	-

9 STAFF COSTS

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Wages and salaries	28,365	26,483	28,365	26,483
National Pension Fund contribution	3,449	2,744	3,449	2,744
Transport costs	1,204	2,087	1,204	2,087
Net post-employment benefit charge	2,486	1,383	2,486	1,383
Staff welfare and other costs	1,697	1,514	1,697	1,514
	37,201	34,211	37,201	34,211

10 FINANCE COSTS – NET

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Finance Income				
Interest income from bank	4	62	-	62
Dividend income	-	127	-	127
	4	189	-	189
Finance Costs				
Interest expense	(15)	(420)	(15)	(516)
Exchange difference	(352)	-	-	-
Finance cost – net	(363)	(231)	(15)	(327)

11. INCOME TAX

The Company is liable to income tax on its profits, as adjusted for income tax purposes, at the rate of 17% (2017: 17%). The 17% tax rate consists of 15% corporate income tax and 2% Corporate Social Responsibility.

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Income tax expense:				
Current income tax based on the profit for the year as adjusted for tax purposes at 17% (2017: 17.0%)	3,708	7,750	3,152	6,925
Under provision of income tax in previous year	1,508	534	933	487
Under provision of deferred tax in previous year (Note 23)	494	(480)	494	(622)
Deferred income tax credit (Note 23)	(661)	(819)	(514)	(874)
Income tax charge	5,049	6,985	4,065	5,916
Current income tax asset/(liability):- Net				
At 01 January	(6,034)	(74)	(5,210)	(122)
Paid during the year	8,384	3,034	7,088	3,034
Refund received	-	(710)	-	(710)
(Over) / under provision in previous year	(1,508)	(534)	(933)	(487)
Charge for the year	(3,708)	(7,750)	(3,152)	(6,925)
At 31 December	(2,866)	(6,034)	(2,207)	(5,210)

11. INCOME TAX (Cont'd)

The net current income tax liability of the Group and Company is presented as follows on the face of the balance sheet:

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Current income tax asset	-	-	-	-
Current income tax liability	(2,866)	(6,034)	(2,207)	(5,210)
Current income tax liability - Net	(2,866)	(6,034)	(2,207)	(5,210)

The current income tax asset has been recognised separately since this is a refund from the MRA which cannot be offset by the Company as per IAS 12.

The reconciliation between the actual income tax rate of **20.75%** for the Group (2017:19.15%) and **21.93%** (2017:18.70%) for the Company and the applicable rate of **17%** (2017:17.00%) is as follows:

	Group		Company	
	2018	2017	2018	2017
(As a percentage of profit before tax)	%	%	%	%
Applicable income tax rate	17.00	17.00	17.00	17.00
Effect of:				
Difference in tax rate of subsidiary	-	0.04	-	-
Non – allowable expenses	0.45	1.34	0.58	1.31
Non-taxable income	(1.75)	(0.06)	(2.29)	(0.07)
Under provision of income tax in previous year	3.02	1.61	3.97	1.56
Under/(over) provision of deferred tax in previous year	2.03	(1.65)	2.67	(1.97)
Deferred tax asset not recognised	-	0.87	-	0.87
Actual income tax rate	20.75	19.15	21.93	18.70

12 EARNINGS PER SHARE

Earnings per share of **Rs 4.07** (2017: Rs 7.82) and **Rs 4.10** (2017: Rs 7.27) for the Group and Company are calculated on the profit for the year of **Rs 14,378,000** (2017: Rs 27,475,000) and **Rs 14,478,000** (2017: Rs 25,717,000) respectively and on the **3,535,000** issued ordinary shares for the two years under review. The Group and Company have no dilutive potential ordinary shares as at reporting period.

13 PLANT AND EQUIPMENT

GROUP	Equipment	Teletote	Off-course equipment	Electrical installation and equipment	Office equipment and furniture	Motor vehicles	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cost:							
At 01 January 2017	51,685	25,692	3,811	6,670	24,930	4,245	117,033
Additions	1,990	5,356	-	892	2,096	-	10,034
Disposal	-	(3,580)	-	-	-	(644)	(4,224)
Scrap	(184)	(147)	-	(172)	(419)	-	(922)
At 31 December 2017	53,491	27,321	3,811	7,390	26,607	3,601	122,221
Additions	**4,221**	**661**	**-**	**854**	**8,499**	**854**	**15,089**
Disposal	**-**	**(258)**	**-**	**(38)**	**(277)**	**(2,111)**	**(2,684)**
Impairment	**-**	**-**	**-**	**-**	**(72)**	**-**	**(72)**
At 31 December 2018	**57,712**	**27,724**	**3,811**	**8,206**	**34,757**	**2,344**	**134,554**
Accumulated depreciation:							
At 01 January 2017	47,497	22,690	3,811	6,130	16,923	2,964	100,015
Charge for the year	1,219	1,881	-	422	2,923	1,088	7,533
Disposal	-	(3,580)	-	-	-	(644)	(4,224)
Scrap	(184)	(147)	-	(172)	(419)	-	(922)
At 31 December 2017	48,532	20,844	3,811	6,380	19,427	3,408	102,402
Charge for the year	**1,632**	**2,399**	**-**	**455**	**4,020**	**358**	**8,864**
Disposal	**-**	**(258)**	**-**	**(38)**	**(349)**	**(2,100)**	**(2,745)**
Impairment	**-**	**-**	**-**	**-**	**64**	**-**	**64**
At 31 December 2018	**50,164**	**22,985**	**3,811**	**6,797**	**23,162**	**1,666**	**108,585**
Net book amount:							
At 31 December 2018	**7,548**	**4,739**	**-**	**1,409**	**11,595**	**678**	**25,969**
At 31 December 2017	4,959	6,477	-	1,010	7,180	193	19,819

13 PLANT AND EQUIPMENT (Cont'd)

COMPANY	Equipment	Teletote	Off-course equipment	Electrical installation and equipment	Office equipment and furniture	Motor vehicles	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cost:							
At 01 January 2017	49,574	25,692	3,811	6,671	24,930	4,245	114,923
Additions	1,900	5,356	-	892	2,096	-	10,244
Disposal	-	(3,580)	-	-	-	(644)	(4,224)
Scrap	(184)	(147)	-	(172)	(419)	-	(922)
At 31 December 2017	51,290	27,321	3,811	7,391	26,607	3,601	120,021
Additions	**4,221**	**661**	**-**	**854**	**8,499**	**854**	**15,089**
Disposal	-	(258)	-	(38)	(277)	(2,111)	(2,684)
Impairment	-	-	-	-	(72)	-	(72)
At 31 December 2018	55,511	27,724	3,811	8,207	34,757	2,344	132,354
Accumulated depreciation:							
At 01 January 2017	46,897	22,690	3,811	6,130	16,923	2,964	99,415
Charge for the year	786	1,881	-	422	2,923	1,088	7100
Disposal	-	(3,580)	-	-	-	(644)	(4,224)
Scrap	(184)	(147)	-	(172)	(419)	-	(922)
At 31 December 2017	47,499	20,844	3,811	6,380	19,427	3,408	101,369
Charge for the year	1,192	2,399	-	455	4,020	358	8,424
Disposal	-	(258)	-	(38)	(349)	(2,100)	(2,745)
Impairment	-	-	-	-	64	-	64
At 31 December 2018	48,691	22,985	3,811	6,797	23,162	1,666	107,112
Net book amount:							
At 31 December 2018	6,820	4,739	-	1,410	11,595	678	25,242
At 31 December 2017	3,791	6,477	-	1,011	7,180	193	18,652

14 GOODWILL

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January and 31 December	73,514	73,514	73,514	73,514

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

14 GOODWILL (Cont'd)

The amalgamation of HHM fell within the scope of IFRS 3, 'Business Combinations' and the acquisition method of accounting was applied. The goodwill resulting from the amalgamation of HHM represents the excess of the aggregate amount of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets and liabilities acquired as well as contingent liabilities assumed.

The directors have identified the skilled workforce of HHM which cannot be recognised separately as intangible assets as being the major element of goodwill arising on the acquisition of HHM.

The directors have assessed that there is no impairment of goodwill during the year (2017 – NIL).

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

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

(i) it operates a main frame system based on which both horse racing and football betting take place;

(ii) there are terminals (points of sale) all over the island but which are not able to operate independently of the main frame; and

(iii) skilled workforce are required to operate the system.

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

Management reviews the business performance based on operating segments. Goodwill is monitored by management at the cash generating unit (CGU) level. It has identified both the horse racing and football betting operating segments of the entity as being one CGU as elaborated above. Goodwill is allocated and tested annually for impairment based on the CGU level.

The recoverable amount of the CGU, in occurrence ASL, has been determined based on fair value less cost to sell calculation as the Company is quoted on the Stock Exchange of Mauritius and for which there is a quoted price for the equity shares of the Company.

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The recoverable amount of the CGU, in occurrence ASL, has been determined based on fair value less cost to sell calculation as the Company is quoted on the Stock Exchange of Mauritius and for which there is a quoted price for the equity shares of the Company.

As at 31 December 2018, the equity of the Company has a fair value of **Rs 334,057,500** (2017: Rs 254,520,000) based on the closing share price of **Rs 94.50** (2017: Rs 72.00) per share traded on the Stock Exchange of Mauritius.

The cost to sell off the shares of the Company is brokerage fees of 0.9% claimed by investment dealers on the value of shares being sold amounting to a total of **Rs 3,006,518** (2017: Rs 2,290,680).

In light of the above assessment performed by management, there is no impairment of goodwill based on fact that the fair value less cost to sell off the equity shares of the Company of **Rs 331,050,983** (2017: Rs 252,229,320) exceeds the carrying amount of net assets as at 31 December 2018.

Sensitivity of the recoverable amount of the CGU

The recoverable amount of the CGU is most sensitive to the quoted share price of the Company. As such, as at 31 December 2018, if the quoted share price of the Company falls by **Rs 73.62** (2017: Rs 50.10) per share (i.e. falls to **Rs 20.88** (2017: Rs 21.90) per share); the recoverable amount of the CGU will equal to the carrying amount of the net assets of the Company.

15 INVESTMENT IN SUBSIDIARY

	Company 2018	Company 2017
	Rs 000	Rs 000
Cost:		
Balance at beginning of the year	1,020	1,020
Additions	-	-
Balance at end of the year	1,020	1,020

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

Name of subsidiary	Cost 2018	Cost 2017	Country of incorporation	% holding	Principal activity
	Rs 000	Rs 000			
Megawin Ltd	1,020	1,020	Mauritius	51%	Sports betting

The above shares are ordinary shares and denominated in Mauritian Rupees ('Rs').

Megawin Ltd was incorporated as a subsidiary on the 03 March 2014. As such, no assets and liabilities were acquired and no goodwill arose in relation to this transaction.

All the undertakings of the subsidiary are included in the consolidation. The proportion of voting rights in the subsidiary undertakings held directly by the parent does not differ from the proportion of ordinary shares held.

On 05 November 2015, Megawin Ltd incorporated an associate, Megawin Investments Limited at 49% holding in Zambia with sports betting as principal activity. Megawin Investments Limited was dormant at 31 December 2018 and 31 December 2017.

Set out below is summarised financial information for Megawin Ltd that has a non-controlling interest that is material to the group. The amounts disclosed are before inter-company eliminations.

Summarised balance sheet	2018	2017
	Rs 000	Rs 000
Current assets	14,288	7,485
Current liabilities	8,612	1,081
Current net assets	5,676	6,404
Non-current assets	727	1,166
Non-current liabilities	51	-
Non-current net assets	676	1,166
Net assets	6,352	7,570
Accumulated NCI	3,111	3,208
Summarised statement of comprehensive income		
Revenue	18,555	13,450
Profit for the period	4,803	3,779
Other comprehensive income	-	-
Total comprehensive income	4,803	3,779
Profit allocated to NCI	2,353	1,852
Dividends declared and payable to non-controlling interests	2,450	-
Summarised cash flows		
Cash flows from operating activities	4,185	2,386
Cash flows from investing activities	4	7
Cash flows from financing activities	-	-
Net increase in cash and cash equivalents	4,189	2,393

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January	1,471	1,377	1,471	1,377
Changes in fair value of financial assets recognised in other comprehensive income	125	94	125	94
At 31 December	1,596	1,471	1,596	1,471

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

All financial assets at fair value through other comprehensive income are denominated in Mauritian Rupees ('Rs').

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Current				
Trade receivables	14,395	10,085	6,907	5,635
Dividend receivable	-	-	2,550	-
Less: Loss allowance on trade receivables	(3,081)	(1,835)	(2,657)	(1,835)
	11,314	8,250	6,800	3,800
Prepayments	4,793	17,870	4,793	17,870
Other debtors	504	418	504	418
	16,611	26,538	12,097	22,088
Non-current				
Trade receivables	2,944	2,944	2,944	2,944
Less: Loss allowance on trade receivables	(2,944)	(2,453)	(2,944)	(2,453)
	-	491	-	491

(i) **Rs 491,000** (2017: Rs 491,000) is classified as non-current assets since collection is expected after one year or more.
At 31 December 2018, the amount has been fully impaired.

(ii) Included within trade and other receivables is an amount of **Rs 7,597,000** (2017: Rs 7,051,811) representing amounts receivable from six off course agents. This amount is set off against the amount payable to Socièté du Grand Moulin and Socièté L'Inité as the Company intends to realise the asset and settle the liability simultaneously further to the acquisition of HHM by the Company, as per note 27.

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

17 TRADE AND OTHER RECEIVABLES (Cont'd))

Group and Company

The Group and Company impairs all material receivables due for more than one year.

As of 31 December 2018, trade receivables of **Rs 11,282,000** (2017: Rs 8,250,000) and **Rs 6,768,000** (2017: Rs 3,800,000) were neither past due nor impaired for the Group and Company respectively. These relate to a number of independent agents for whom there is no recent history of default and dividend receivable from Megawin Ltd for the Company.

As of 31 December 2018, trade receivables of **Rs 5,633,000** (2017: Rs 4,675,000) were past due for more than 365 days and impaired for an amount of **Rs 5,601,000** (2017: Rs 4,288,000) for Group and Company. An amount of **Rs 424,000** (2017: Nil) relates to trade receivable past due and impaired at subsidiary level only. The ageing of these trade receivables is as per note 4.

The carrying amounts of the Group and Company's trade and other receivables are denominated in Mauritian Rupees ('Rs'). The other classes within trade and other receivables do not contain impaired assets.

Movements on the Group's provision for impairment of trade receivables are as follows:

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January	4,288	4,392	4,288	4,392
Loss allowance on trade receivables	1,737	-	1,313	-
Reversal of loss allowance on trade receivables	-	(104)	-	(104)
	6,025	4,288	5,601	4,288

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

18 CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Cash at bank	30,147	26,516	22,923	23,481
Cash in hand	1,954	1,979	1,954	1,979
Cash and cash equivalents as disclosed in the statement of cash flows	32,101	28,495	24,877	25,460

19 INVENTORIES

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Ticket rolls	350	509	350	509

The net movement in inventories included as expense amounted to Rs 1,582,000 (2017: Rs 1,125,000).

20 SHARE CAPITAL

	Group		Company	
	2018	2017	2018	2017
	Number	Number	Rs 000	Rs 000
Authorised:				
Ordinary shares of Rs 7 each	5,000,000	5,000,000	35,000	35,000
Issued and fully paid:				
Ordinary shares of Rs 7 each	3,535,000	3,535,000	24,745	24,745

21 SHARE PREMIUM

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

(i) the preliminary expenses of the Company; or

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

The share premium account may also be applied:

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

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

22 POST-EMPLOYMENT BENEFITS

The liabilities include provision for retirement gratuities payable under the Employment Rights Act. The latter provides for a lump sum at retirement based on final salary and years of service. As the employees are members of a defined contribution plan, half of any lump sum and 5 years of pension (relating to employer’s share of contributions only) payable from the pension fund have been offset from the retirement gratuities. The residual amount has been reocognised as a liability. This is assessed by an independent actuary, engaged by management, which performs this exercise on an annual basis.

22 POST-EMPLOYMENT BENEFITS (Cont'd)

Pension benefits

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

GROUP AND COMPANY	2018	2017
	Rs 000	Rs 000
At 01 January	(2,443)	(2,750)
Total expense as below	(241)	(202)
Actuarial losses recognised in other comprehensive income	(750)	509
At 31 December	(3,434)	(2,443)

The amounts recognised in profit or loss are as follows:

	2018	2017
	Rs 000	Rs 000
Service cost	24	35
Net Interest cost	124	167
Transfer to Post-employment benefits reserve	93	-
Net pension cost	241	202

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

	2018	2017
	Rs 000	Rs 000
At 01 January	(2,443)	(2,750)
Current service cost	(24)	(35)
Interest cost	(124)	(167)
Actuarial gains/(losses)	(750)	509
Transfer to Reserve	(93)	-
At 31 December	(3,434)	(2,443)

The principal actuarial assumptions used were as follows:

	2018	2017
	%	%
Discount rate	6.2	5.0
Future long-term salary increase	4.0	3.0
Future guaranteed pension increase	0.0	0.0
Post retirement mortality tables	Annuity Rates	Annuity Rates

Balance (deficit)/surplus	2018	2017
	Rs 000	Rs 000
At 31 December:		
Deficit	(3,434)	(2,443)

19 POST-EMPLOYMENT BENEFITS (Cont'd)

The Company has not made any contribution to the pension scheme for the year ended 31 December 2018 (2017: Nil).

	2014	2015	2016	2017	2018
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Defined benefit obligations	(1,274)	(2,161)	(2,750)	(2,443)	(3,434)
Plan assets	-	-	-	-	-
Deficit	(1,274)	(2,161)	(2,750)	(2,443)	(3,434)
Experience gains/(loss) on plan liabilities	1,489	(771)	(407)	509	(750)
Experience (loss) on plan assets	-	-	-	-	-

Sensitivity analysis

	2018	2017
	Rs 000	Rs 000
Decrease in Defined Benefit Obligation due to 1% increase in discount rate	650	683
Increase in Defined Benefit Obligation due to 1% increase in future long-term salary assumption	768	759
Increase in Defined Benefit Obligation due to 1% decrease in discount rate	759	801
Decrease in Defined Benefit Obligation due to 1% decrease in future long-termsalary assumption	668	659

The sensitivity analyses above have been determined based on reasonable possible changes of the discount rate or salary increase rate occurring at the end of the reporting period if all other assumptions remained unchanged.

Risks associates with the plan

The pension plan has been converted to a defined contribution plan, thus eliminating the risks inherent in a defined benefit plan in respect of active members. There are a few deferred members with defined benefit pension but the liabilities are not significant.

The bulk of the liabilities that we are valuing relates to the active employees who are entitled to retirement gratuities payable under the Employment Rights Act (ERA). The latter provides for a lump sum at retirement based on final salary and years of service. As the employees are members of a defined contribution plan, half of any lump sum and 5 years of pension (relating to Employer's share of contributions only) payable from the pension fund have been offset from the retirement gratuities.

As such, the risks associated to such liabilities are:

Interest rate risk: If the Bond interest rate decreases, the liabilities would be calculated using a lower discount rate, and would therefore increase.

Investment risk: Should the returns on the assets of the plan be lower than the discount rate, the defined contribution pot will be lower this resulting in a smaller offset.

Salary risk: If salary increases are higher than assumed in our basis, the liabilities would increase giving rise to actuarial losses.

23 DEFERRED INCOME TAX ASSET/(LIABILITY)

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January	(1,144)	68	68	23,481
Under provision in previous year	494	(480)	(623)	1,979
Profit or loss (credit) / charge	(661)	(819)	(874)	
Deferred income tax (Note 11)	(167)	(1,299)	(1,497)	
Tax charge relating to re-measurements of post-employment benefits	(127)	87	(127)	87
At 31 December	32,101	28,495	24,877	25,460

The net deferred income tax asset of the Group and Company is presented as follows on the face of the balance sheet:

Deferred income tax asset	(1,489)	(1,342)	(1,489)	(1,342)
Deferred income tax liability	51	198	-	-
Deferred income tax asset - Net	(1,438)	(1,144)	(1,489)	(1,342)

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

GROUP	At 01 January 2018	Under provision in prior year	Charge/ (credit) to profit or loss	Credit to other comprehensive income	At 31 December 2018
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Accelerated capital allowances	1,206	494	258	-	1,958
Loss allowance on trade receivables	(711)	-	(308)	-	(1,019)
Provision for copyrights fees	(1,225)	-	(570)	-	(1,795)
Retirement benefit obligations	(414)	-	(41)	(127)	(582)
Scrap	(184)	(147)	-	(172)	(419)
	(1,144)	494	(661)	(127)	(1,438)

	At 01 January 2017	(Over)/under provision in prior year	Charge/(credit) to profit or loss	Debit to other comprehensive income	At 31 December 2017
Accelerated capital allowances	1,264	256	(314)	-	1,206
Loss allowance on trade receivables	**(728)**	**-**	**17**	**-**	**(711)**
Provision for copyrights fees	-	(623)	(602)		(1,225)
Retirement benefit obligations	(468)	-	(33)	87	(414)
Loss b/f from prior years	-	(113)	113	-	-
	68	(480)	(819)	87	(1,144)

23 DEFERRED INCOME TAX ASSET/(LIABILITY) (Cont'd)

COMPANY	At 01 January 2018	Under provision in prior year	Charge/ (credit) to profit or loss	Credit to other comprehensive income	At 31 December 2018
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Accelerated capital allowances	1,008	494	333	-	1,835
Provision for impairment of trade receivables	(711)	-	(236)	-	(947)
Provision for copyrights fees	(1,225)	-	(570)	-	(1,795)
Retirement benefit obligations	(414)	-	(41)	(127)	(582)
	(1,342)	494	(514)	(127)	(1,489)

	At 01 January 2017	(Over)/under provision in prior year	Charge/ (credit) to profit or loss	Debit to other comprehensive income	At 31 December 2017
Accelerated capital allowances	1,264	-	(256)	-	1,008
Provision for impairment of trade receivables	**(728)**	**-**	**17**	**-**	**(711)**
Provision for copyrights fees	-	(623)	(602)		(1,225)
Retirement benefit obligations	(468)	-	(33)	87	(414)
	68	(623)	(874)	87	(1,342)

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Trade payables	9,400	3,414	2,845	4,392
Accruals	28,140	33,937	33,817	-
Other payables	1,495	1,785	1,394	(104)
Sports betting	-	888	888	4,392
Teletote deposits	5,108	5,836	5,836	-
Unclaimed dividends declared in prior years	1,339	1,244	1,244	(104)
	45,482	47,104	46,024	4,288

25 DIVIDENDS

	Group		Company	
	2018	2017	2018	2017
Dividend payable	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January	14,140	14,140	14,140	14,140
Declared during the year by Company - **Rs 5** (2017: Rs 4) per share	17,675	14,140	17,675	14,140
Declared during the year by Megawin Ltd - Rs 25 (2017: Rs Nil) per share*	2,450	-	-	-
Paid during the year – **Rs** 4, Rs 5 (2017: Rs 4) per share	(14,022)	(14,140)	(14,022)	(14,140)
Transfer to unclaimed dividend declared in prior years	(118)	-	(118)	-
At 31 December	20,125	14,140	17,675	14,140

*Dividend declared by Megawin Ltd during the year amounts to **Rs 5,000,000** out of which **Rs 2,550,000** is payable to the Company and **Rs 2,450,000** payable to non-controlling interests.

26 CONTINGENT LIABILITIES

Tax claim from the Mauritius Revenue Authority

In December 2014, the Company received a claim of Rs 21,571,308 from the Mauritius Revenue Authority ("MRA") regarding race meeting No. 1 of racing season 2012 to race meeting No. 43 of racing season 2014 following the examination of the Company's books and records in relation to betting tax. The MRA claims that betting tax on "All for All" bets placed with the Company in respect of the above race meetings has not been properly accounted for.

Over and above the assessment dated December 2014, another assessment has been raised in June 2015 pursuant to which, an additional amount of Rs 4,188,453 inclusive of penalty and interest in respect of racing seasons 2012, 2013 and 2014 has been claimed. Thus, as at 31 December 2015, the MRA is claiming total tax due amounting to Rs 25,759,761. There has been no further communication from the MRA subsequently. Management has estimated this liability to be Rs 64,600,000 (2017: Rs 57,000,000 million) as at 31 December 2018.

The Company has made an appeal against this claim. No provision in relation to this claim has been recognised in these financial statements, as the directors are of the opinion that, based on legal advice, it is possible but not probable that a significant liability will arise.

Bank Guarantee

At 31 December 2018, there were contingent liabilities in respect of bank guarantees given to the Gambling Regulatory Authority from which it is anticipated that no material liabilities shall arise. At 31 December 2017, the bank guarantees having a maturity date of 31 December 2049 amounted to **Rs 2,500,000** (2017: Rs 2,500,000).

27 RELATED PARTY TRANSACTIONS

(a) Key management compensation

Key management includes directors (executive and non-executive), members of the Executive Committee and the Company Secretary. The compensation paid or payable to key management for employee services is shown below:

	Group		Company	
	2018	2017	2018	2017
	Rs 000	Rs 000	Rs 000	Rs 000
Salaries and other short term employee benefits	7,938	8,439	7,938	8,439
Post-employment benefits	426	366	426	366
Total	8,364	8,805	8,364	8,805

(b) Transactions with related parties

Purchase of services

(i) Entity controlled by key management personnel	413	575	413	575

(c) Amount payable to related parties

Amount payable

(i) Entity controlled by key management personnel	56	137	56	137

(ii) As at 31 December 2018 and 31 December 2017, services have been bought from entities controlled by key management personnel namely Mr Jean Hardy and Mr Hervé Henry, who are both executive and non-executive director of the Company respectively.

(c) Year end balances arising from related party transactions

(d) Transaction with subsidiary.

	Company	
	2018	2017
	Rs 000	Rs 000
Dividend income from and receivable from Megawin Ltd	2,550	-

27 RELATED PARTY TRANSACTIONS (CONTINUED)

Société du Grand Moulin and Société L'Inité are considered to be related parties since that are shareholders of the Company. They also have two common key management personnel.

At 31 December 2018, an amount of Rs 7,597,000 (2017: Rs 7,052,000) representing amounts receivable from six off course agents is included in Trade and Other receivables. This amount is set off against the amount payable to Socièté du Grand Moulin and Société L'Inité as the Company intends to realise the asset and settle the liability simultaneously further to the acquisition of HHM by the Company.

During the year, no other transactions have occurred between ASL and Société du Grand Moulin and Société L'Inité.

28 BANK FACILITIES

The Company has floating rate borrowing facilities of Rs 44 m (2017: Rs 44 m). The facilities are subject to review on a regular basis. The bank overdraft facilities of the Company are secured by a floating charge on all the assets of the Company. The applicable interest rate on the overdraft facilities is 6.25% per annum (2017: 6.25%).

The Company has drawn Rs Nil (2017: Nil) of the above mentioned facility at 31 December 2018.

29 RESTRICTED CASH

Restricted cash relates to balance paid into an escrow account under the custody of the Company's legal counsel following the order of the supreme court of Mauritius on the 16th of December 2016 in relation to the case between the Company and Sports Data Feed Ltd.

30 PROVISION

An amount of Rs 10,557,000 (2017: Rs 7,250,000) has been provided in relation to the Sports Data Feed Ltd. This was previously recognised in Note 24 -Trade and Other Payables.

31 CAPITAL COMMITMENTS

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

Notice to Shareholders

Notice is hereby given that the Annual Meeting of Automatic Systems Ltd ('the Company') will be held at the Mauritius Turf Club, Port Louis, on Friday 31 May 2019 at 14:00 hours to transact the following business as ordinary business:

1. To consider the Annual Report 2018 of the Company.
2. To consider and adopt the audited financial statements of the Company for the year ended 31 December 2018.
3. To receive the report of PricewaterhouseCoopers, the auditors of the Company.

4-11. To re-elect the following persons who, conformably to the Company's constitution, retire from office at the present meeting, to hold office as Directors of the Company until the next Annual Meeting (as separate resolutions):

4. M. A. Eric Espitalier-Noël
5. Ravindra Chetty
6. Michel J. L. Nairac
7. John A. Stuart
8. J. O. Guillaume Hardy
9. Arvind Lall Dookun
10. Mushtaq M. O. N. Oosman
11. Sarah Heller
12. To authorise O. Farouk A. A. Hossen to continue to hold office as Director of the Company until the next Annual Meeting in accordance with Section 138(6) of the Companies Act 2001.
13. To authorise M. L. Jean Hardy to continue to hold office as Director of the Company until the next Annual Meeting in accordance with Section 138(6) of the Companies Act 2001.
14. To note that PricewaterhouseCoopers, having indicated their willingness to continue in office, will be automatically re-appointed as auditors of the Company and to authorise the Board of Directors to fix their remuneration.
15. Shareholders' question time.

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

To be effective,

- **For individuals**: the instrument of proxy and, if applicable, a power of attorney or other authority under which it is signed and a notarial certified copy of that power of attorney

- **For corporations**: the instrument appointing a proxy and an extract of resolution of its Directors or other governing body

should be delivered at the Share Registry and Transfer office, ECS Secretaries Ltd, 3rd Floor, Labama House, 35 Sir William Newton Street, Port Louis not less than 24 hours before the time scheduled for the meeting, i.e. by 30 May 2019 at 14:00 hours.

For the purpose of the Annual Meeting, the Directors have resolved, in compliance with Section 120 of the Companies Act 2001, that the Shareholders who are entitled to receive notice of the Annual Meeting and attend the Meeting shall be those Shareholders whose names are registered in the Share Register of the Company as at 6 May 2019.

The minutes of the Annual Meeting held on 31 May 2018 are available for consultation by the Shareholders at the Registered Office of the Company.

The minutes of the Annual Meeting to be held on 31 May 2019 shall be available for consultation on notice (to call on 4834309) and comments at the Registered Office address of the Company one month after the Annual Meeting, on business days, from 30 June 2019 to 30 July 2019.

This 28th March 2019

By Order of the Board

Sophie Gellé
Box Office Ltd
Company Secretary

AUTOMATIC SYSTEMS LTD.

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