AUTOMATIC SYSTEMS LTD.

Annual Report 2011

Contents

Financial Highlights

	2011	2010
	Rs M	Rs M
Statement of comprehensive income		
Total Revenue	**1,183.3**	1,325.4
Government Tax	**123.1**	111.9
Operating Profit	**17.2**	25.5
Profit before taxation	**17.7**	27.6
Taxation	**3.4**	4.9
Profit for the year	**14.3**	22.7
	Rs	Rs
Financial Ratios		
Earnings per share	**4.04**	6.42
Dividend per share	-	6.50
Share price (at 31 Dec)	**107.00**	120.00

Company Information

EXECUTIVE DIRECTORS

M. L. Jean Hardy
Hervé Henry

NON-EXECUTIVE DIRECTORS

M. A. Eric Espitalier-Noël (Chairperson)
Ravindra Chetty
Jowaheer Lall Dookun
Antoine L. Harel (resigned on 30 November 2011)
Charles P. L. Harel (resigned on 30 November 2011)
O. Farouk A. Hossen
J. D. Gérard Pascal
L. J. Michel Rivalland, G.O.S.K (resigned on 30 November 2011)
John A. Stuart
Willem Adrian Du Plessis (resigned on 16 November 2011)

ALTERNATE DIRECTORS

Peter R. Benton - Alternate to John A. Stuart
Arvind Lall Dookun - Alternate to Jowaheer Lall Dookun
M. L. Jean Hardy - Alternate to Hervé Henry and O. Farouk A. Hossen
Antoine L. Harel - Alternate to L. J. Michel Rivalland, G.O.S.K and Charles P. Harel (resigned on 30 November 2011)

ADMINISTRATOR & SECRETARY

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

REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

PricewaterhouseCoopers
18 CyberCity Ebène

REGISTERED OFFICE

c/o ABAX Corporate Administrators Ltd.
6th Floor, Tower A
1 CyberCity Ebène

Notice of Annual Meeting

AUTOMATIC SYSTEMS LTD.

Notice is hereby given that the annual meeting of AUTOMATIC SYSTEMS LTD. (“the Company”) will be held at the Mauritius Turf Club, Port-Louis on Wednesday 9 May 2012 at 14h45 to transact the following business:-

As ordinary business:

1. To receive and adopt the annual report and financial statements of the Company for the year ended 31 December 2011 and the report of the auditor thereon
2. To re-appoint Jowaheer Lall Dookun, who is over the age of 70, as director until the next annual meeting in accordance with S 138(6) of the Companies Act 2001
3. To elect Michel Nairac as director of the Company to hold office until the next annual meeting

4-10. To re-elect the following persons as directors of the Company to hold office until the next annual meeting (as separate resolutions):

4. M. A. Eric Espitalier-Noël
5. Ravindra Chetty
6. M. L. Jean Hardy
7. Hervé Henry
8. O. Farouk A. Hossen
9. J. D. Gérard Pascal
10. John A. Stuart

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

Dated this 14th March 2012

BY ORDER OF THE BOARD
ABAX CORPORATE ADMINISTRATORS LTD.
SECRETARY

- A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her and that proxy needs not also be a member.
- Proxy forms should be delivered at the Registered Office, c/o Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1 CyberCity, Ebène on Tuesday 8 May 2012 at 14h45 at latest.
- For the purpose of the Annual Meeting, the Directors have resolved, in compliance with Section 120(3) of the Companies Act 2001, that the shareholders who are entitled to receive notice of the annual meeting shall be those shareholders whose names are registered in the Share Register of the Company as at Friday 13 April 2012.
- The minutes of the annual meeting held on 13 May 2011 are available for consultation by the shareholders at the Registered Office of the Company.
- The minutes of the annual meeting to be held on 09 May 2012 shall be available for consultation and comments at the Registered Office address of the Company one month after the annual meeting from 11 to 19 June 2012.

Annual Report

The Directors of Automatic Systems Ltd (ASL) have pleasure in presenting the Company's twenty-first annual report and the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITY

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

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

REVIEW OF THE BUSINESS AND FINANCIAL STATEMENTS

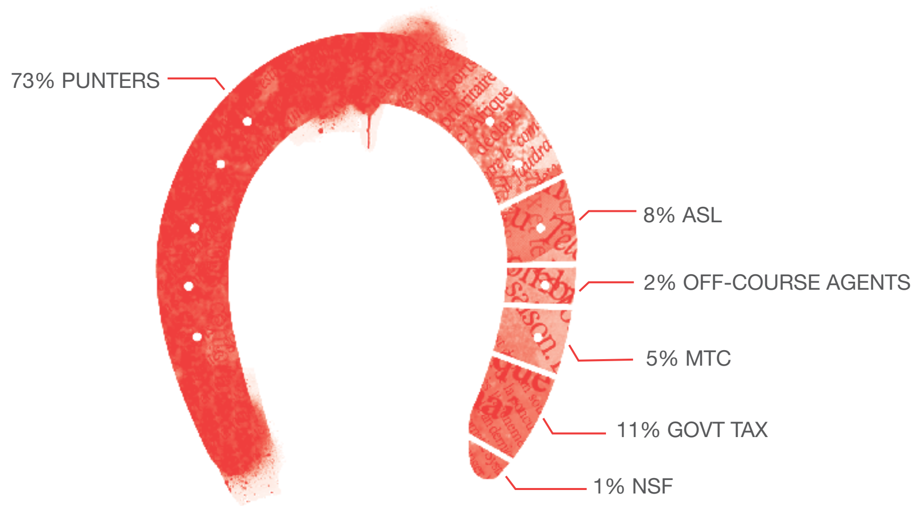
Profit for the year declined from Rs 22.7 million in 2010 to Rs 14.3 million, while earnings per share amounted to Rs 4.04 compared to Rs 6.42 in 2010. No dividend was declared in 2011 but in January 2012, an interim dividend of Rs 12.4 million (Rs 3.50 per share) was declared by the Company. In 2010, the dividend declared amounted to Rs 22.9 million (Rs 6.50 per share).

This drop of Rs 8.4 million in the Company's performance was caused by a number of factors. These included: (i) lower revenue in both segments of operations, (ii) a substantial increase in licences and betting tax, (iii) One-off expenses relating to the acquisition of HH Management Ltd, and (iv) VAT being charged as from the 2011 season on commissions paid to the MTC and to ASL's former business partner, HH Management Ltd (HHM). The VAT paid by ASL in 2011 amounted to Rs 6.9 million (MTC) and Rs 3.7 million (HHM).

The racing industry continues to face fierce competition in an ever increasing challenging gambling environment. The National Lottery continues to make serious inroads in the market and ASL is busy envisaging ways and means to consolidate and expand its share of the leisure money.

The horse racing revenue for the year 2011 amounted to Rs 1,023 million and was shared as follows:

SHARING OF HORSE-RACING REVENUE



HORSE RACING

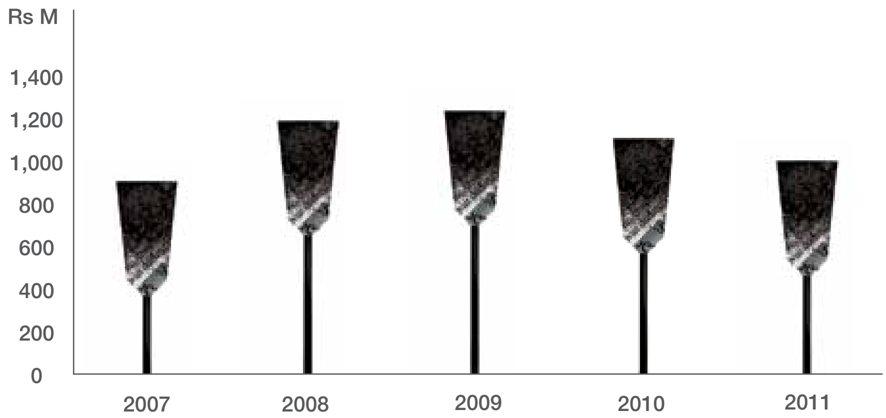
The existence of two Tote companies, leading to two smaller and less attractive pools, has had a negative impact on exotic bets, which fell by 13% from the previous year.

Punters enjoy their regular, weekly flutter. Horse racing, being seasonal, suffers by comparison, with activities such as the lotto and football betting, available every day of the year.

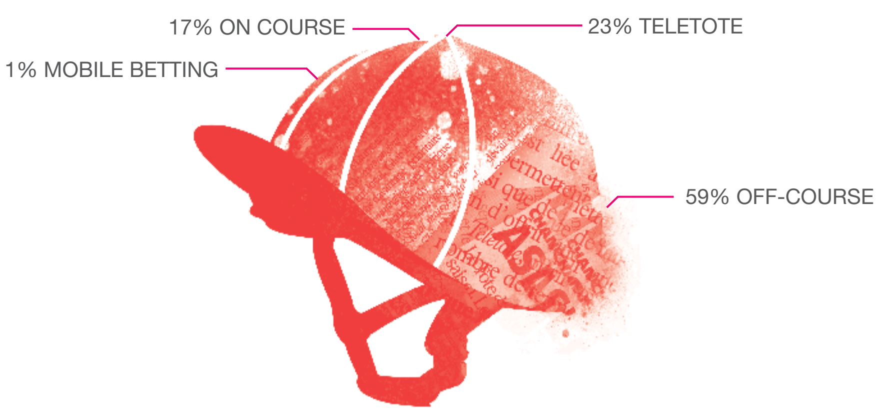
Furthermore, we again noticed this year a slump in betting revenue on horse racing as a whole. Besides the competition for the same market the economic downturn is also an important factor for the decrease in revenue. The difficulties faced by the leisure market in general in the last two years, have resulted in the average amount spent per bet decreasing by 10%.

In contradiction with other forms of betting, horse racing is also a sporting and social event attracting punters and non-punters alike. Horse-racing positively supports and brings added value to the leisure, tourism and labour sector. We continue to believe that more effort needs to be put in to support it. Instead, the horse racing industry was hit by the additional tax of 2% on straight and exotic bets and the ban on advertising on television and radio between 6 a.m. and 8 p.m., a ban from which the National Lottery is unfairly exempted.

HORSE-RACING REVENUE



HORSE-RACING REVENUE DISTRIBUTION



The revenue from **Off-Course** betting declined by 8% to Rs 606.9 million although there was one additional race meeting in 2011.

Looking ahead with the objective of reducing or reversing this trend, we aim to relocate under-performing Off-Course outlets in 2012, bearing in mind that this is conditional on approval from the Authorities. Meanwhile, management will make these outlets more appealing, more user friendly and more comfortable.

OFF-COURSE REVENUE

In 2011, **Teletote** revenue amounted to Rs 235.9 million, a decrease of 10% as compared to the previous year, whilst the average amount staked per bet in 2011 was Rs 149 compared to Rs 153 in 2010.

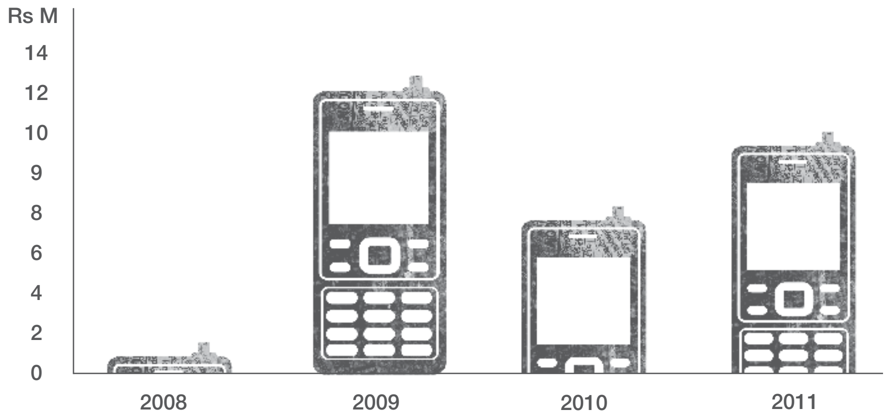
When compared to 2010, both the number of calls handled and the number of bets treated dropped by 7%, to 820,700 and 1,587,122 respectively.

The increase in the number of Teletote accounts, had reached a peak over the previous years with the opening of new Off-Course outlets. In 2011 the number of these accounts increased by 778 (951 in 2010).

Year	2007	2008	2009	2010	2011
Number	20,833	23,070	25,518	26,469	27,247

SMS Betting revenue reached Rs 10.1 million, representing an increase of 52% over the previous year. This increase is largely attributable to ASL having introduced a simplified system in 2011, making mobile betting accessible to a larger pool of users. Punters can now bet by sending a simpler text message.

MOBILE BETTING REVENUE



Even though there was one additional meeting in 2011, On-Course betting revenue decreased by 11.2%, to Rs 170.6m. This is mainly due to the fact that the average attendance per meeting decreased by 13%.

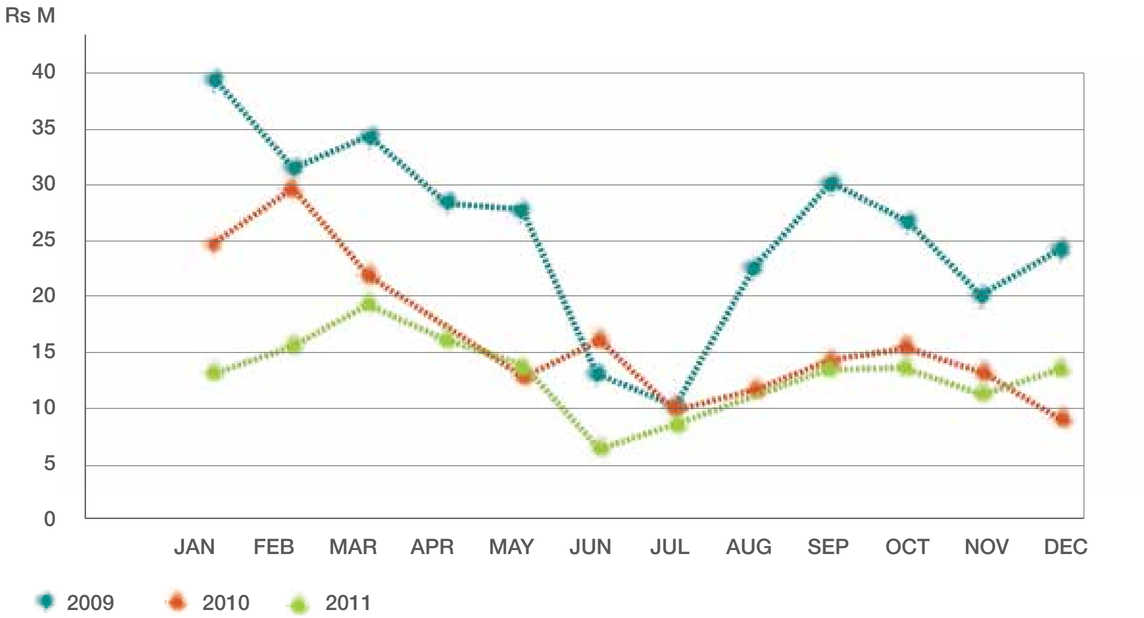
RACE COURSE ATTENDANCE

	2006	2007	2008	2009	2010	2011
STAND	131	134	111	111	98	86
GRADIN	15	18	11	7.0	5.7	5.0

FOOTBALL

The revenue from fixed-odds betting on football amounted to Rs 159.8 million in 2011, representing a drop of 22%. A further 2% increase in betting tax in 2011, (a total increase of 8% over the last three years), had a major impact on football betting.

FOOTBALL REVENUE



ADVERTISING

In the prevailing circumstances, including those pertaining to TV and radio advertising, ASL reduced its advertising budget which was highly focused on target groups through the press and specialised magazines.

During the year, the Company's main advertising campaign was the launch of a much-simplified Supertote SMS betting service. The aim of the campaign, which was supported by on-line advertising as well as an informative flyer was to promote the simplicity and convenience of the new system.

Several campaigns have been run in the press and specialised magazines, to promote both the odds available through Superscore and the advantage of multiple bets such as the double and treble.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

ASL focuses its CSR activities on education, promotion of sporting activities, health and alleviation of poverty. In this respect ASL has brought its assistance to a number of organisations in the following manner:

1. As number of HIV/AIDS cases continues to grow in Mauritius, ASL believes it is important to continue supporting PILS in its campaign to bring greater awareness on HIV/AIDS. As such PILS was present on Supertote Race Day to disseminate information on HIV/AIDS to the public. ASL remitted a cheque of Rs 125,000 to PILS on Supertote Race Day.

2. ASL also sponsored the Mouvement Civique of Tombeau Bay with a donation of Rs 100,000.

3. ASL believes in encouraging young people to take part in sporting activities and in the year under review donated Rs 50,000 to La Fondation pour la formation au football. This registered NGO has been set up as a national project to look for and develop young talented footballers across the island.

4. ASL donated Rs 80,000 to Caritas International, an organisation engaged in the fight towards reducing poverty and in campaigning for social justice. Children under the care of Caritas International from a disadvantaged area of Solitude were invited for a day at the races on Supertote Race Day. A lunch was also organised before Christmas for some 50 children, who also had the opportunity of enjoying pony riding at the Mauritius Turf Club.

5. The Haemophilia Patients and Parents Support Group is an NGO, which provides treatment to people with haemophilia and other inherited blood disorders. ASL provided them with a donation of Rs 52,400.

6. Lastly, ASL donated Rs 47,400 to the Garderie and Maternelle Etoile association, which provides day-care and education to 140 disadvantaged children in Black River.

SPONSORSHIP

ASL remained one of the most active sponsor of horse racing. ASL again sponsored the Supertote Golden Trophy, which is a Group 2 race and one of the most important events in the racing calendar. ASL was also the sponsor of five other races: the Supertote Exotic Bets Trophy, the Teletote Trophy, the Off-Course Trophy, the Supertote Red Ribbon Trophy and the Supertote SMS Betting Trophy.

An additional Rs 100,000 prize was presented to the stable manager of the winning horse in the Supertote Golden Trophy.

Supertote Day was again a success, with plenty of gifts offered to punters at the Champ de Mars and in ASL's off-course outlets. Activities were also organised in the stands area (known locally as the Gradin), where access was free to all, with pony riding, face painting, clowns, music and the distribution of gifts to youngsters.

ASL also sponsored the on-line Tipping Challenge organised by the MTC on its website as well as the Press Tipping Challenge.

Finally, with the aim of promoting equestrian sports, ASL sponsored various events held at the Club Hippique de Maurice and the Centre Equestre de La Louisa.

OUTLOOK

ASL continues to face fierce competition. The commingling of pools with Globalsports Ltd. was introduced for the last two meetings of 2011, and proved to be a technical and operational success. Commingling between the two local Tote operators should definitely have a positive bearing on the Company's revenue due to a significant increase in the size of the Tote pools.

The Amtote system has been upgraded to allow for SMS betting on the Lévé Pilé.

The ASL website is being upgraded with new features for the opening of accounts, obtaining account balances, and making deposits and withdrawals on line.

Corporate Governance

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

LAW

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

ETHICS

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

RELATIONSHIP WITH AUTHORITIES AND THIRD PARTIES

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

AVOIDANCE OF CONFLICT

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

DEALING IN SHARES OF THE COMPANY

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

SHAREHOLDERS

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

RISKS' ASSESSMENT

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

EMPLOYEES

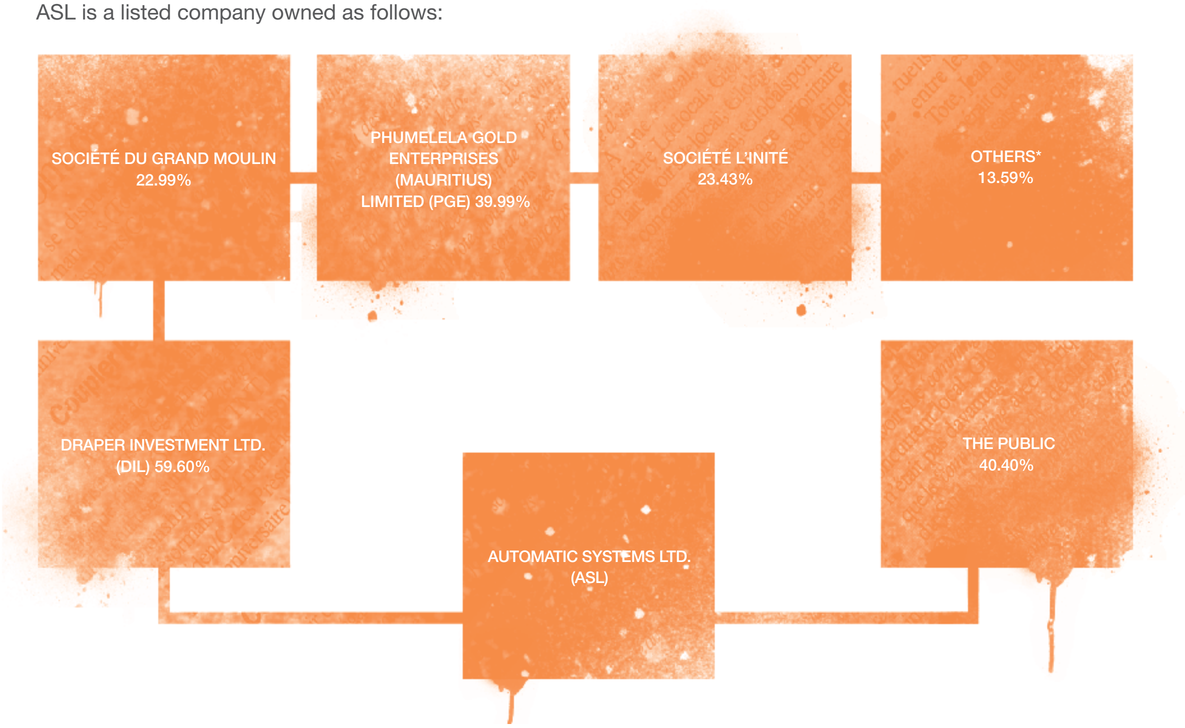
In January 2011, ASL acquired HH Management Ltd which was amalgamated with the Company on 17 October 2011. Following the amalgamation, ASL now has 23 employees who are involved in the daily operations of the amalgamated company.

ENVIRONMENTAL AND SOCIAL POLICIES

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

CASCADE HOLDING STRUCTURE

ASL is a listed company owned as follows:



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

MAJOR SHAREHOLDERS

On 31 December 2011, the following shareholders held directly and indirectly more than 5% of the ordinary share capital of ASL.

	Direct interest		Indirect interest
	No. of ordinary shares	% Holding	% Holding
Draper Investment Ltd.	2,106,909	59.60	-
Société du Grand Moulin	-	-	13.70
Société de L'Inité	-	-	13.96
Phumelela Gold Enterprises (Mauritius) Limited	-	-	23.83

DIRECTORS' PROFILES

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

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

RAVINDRA CHETTY S.C.
Appointed Director in 1997

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

JOWAHEER LALL DOOKUN
Appointed Director in 2002

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

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

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

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

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

ANTOINE L. HAREL
Appointed Director in 2000 and resigned on 30 November 2011

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

CHARLES P. L. HAREL
Appointed Director on 27 March 2007 and resigned on 30 November 2011

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

HERVE HENRY
Appointed Director at incorporation in 1991

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

O. FAROUK A. HOSSEN
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 foundered F. HOSSEN Opticians Ltd, F. Hossen Optical Manufacture Ltd, F. Hossen Medic optics Ltd. He is a director of number of Companies and of four Public Companies. He had the opportunity to sit on the board of The State Bank of Mauritius for two years. He is a director of The Mauritius Leasing Company Limited (listed company).

J. D. GERARD PASCAL
Appointed Director in 1991

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

L. J. MICHEL RIVALLAND, G.O.S.K
Appointed Director in 2008 and resigned on 30 November 2011

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

JOHN A. STUART
Appointed Director in 2008

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

WILLEM ADRIAAN DU PLESSIS
Appointed Director in 2010 and resigned on 16 November 2011

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

DIRECTORS

The table below shows the directors of the Company, their attendances at meetings and their remuneration during the year 2011. It also shows their direct and indirect interests in the share capital of the Company as at 31 December 2011.

Name	Category	Directorships in related companies		Interest in shares as at 31 Dec 2011			Attendance at meetings during 2011			Remuneration
		DIL	Phumelela	Direct		Indirect	Board 5	Audit Committee 4	Corporate Governance Committee 1	During 2011 (Rs)
				No of shares	% holding	% holding				
M. A. Eric Espitalier-Noël	Non-executive/ Independent			-	-	-	5/5	-	1/1	155,000
Ravindra Chetty	Non-executive/ Independent			100	0.003	-	3/5	-	1/1	90,000
Jowaheer Lall Dookun	Non-executive/ independent			-	-	0.531	4/5	-	1/1	72,500
M. L. Jean Hardy	Executive	*		8,000	0.226	0.162	5/5	-	-	77,500
Antoine L. Harel – resigned on 30 November 2011	Non-executive	*		-	-	0.8 (@ 30 Nov 2011)	4/4 (@ 30 Nov 2011)	4/4 (@ 30 Nov 2011)	-	95,000
Charles P. L. Harel – resigned on 30 November 2011	Non-executive	*		-	-	0.8 (@ 30 Nov 2011)	4/4 (@ 30 Nov 2011)	-	-	27,500
Hervé Henry	Executive	*		-	-	0.566	4/5	-	-	65,000
O.Farouk A. Hossen	Non-executive/ Independent			22,049	0.624	0.006	5/5	4/4	-	100,000
J. D. Gérard Pascal	Non-executive/ Independent			1,319	0.037	0.117	4/5	4/4	-	115,000
L. J. Michel Rivalland , G.O.S.K – resigned on 30 November 2011	Non-executive			-	-	-	4/4 (@ 30 Nov 2011)	-	-	65,000
John A. Stuart	Non-executive	*	*	-	-	-	2/5	-	-	52,500
Willem Adriaan Du Plessis – resigned on 16 November 2011	Non-executive	*	*	-	-	-	4/4 (@ 30 Nov 2011)	-	-	15,000
Arvind Lall Dookun Alternate to Jowaheer Lall Dookun	Non-executive/ independent			3,100	0.088	0.053	0/5	-	-	-

Beneficial interest only – no non-beneficial interest

COMMON DIRECTORSHIPS OF ASL HOLDING STRUCTURE

Please refer to the table regarding directors on page 23.

DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

Please refer to the table regarding directors on page 23.

DIRECTORS' DEALING IN SHARES

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

SHAREHOLDERS' AGREEMENT

The Company does not have a Shareholders' Agreement.

CONTRACT OF SIGNIFICANCE WITH DIRECTORS

The Company does not have any contract of significance during the year under review at 31 December 2011. The management contract with HHM was terminated effective from 01 January 2011 further to the acquisition of HHM by ASL.

REMUNERATION POLICY

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

The Corporate Governance and Remuneration Committee will be reviewing the remuneration packages for the General Manager, and also executive directors, including but not limited to basic salary, benefits in kind, annual bonuses, performance-based incentives, share incentives, pensions and other benefits.

The remuneration package of the remaining employees will be at the discretion of the General Manager.

DIRECTORS' ATTENDANCE AT MEETINGS HELD IN 2011

Please refer to the table regarding directors on page 23.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are disclosed in the related party Note 26 of the financial statements.

BOARD AND COMMITTEES

As at 31 December 2011 the Board consisted of 8 directors (2 Executive, 1 Non-Executive and 5 Non-Executive/Independent (see table on page 23) and met five times during the year. The functions and responsibilities of the chairperson and the chief executive are separate.

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

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

The Board is composed of 8 directors with complementary skills and proven track records in various fields of competence. The Board promotes and encourages open and frank discussions to which all Directors actively and positively contribute. A board evaluation questionnaire has been established which has been circulated to the Directors. The feedback obtained therefrom is used to maintain and improve the effectiveness of the Board. The new Constitution provides for the retirement of all directors from office at each annual meeting of the Company.

CORPORATE GOVERNANCE AND REMUNERATION COMMITTEE

The Corporate Governance and Remuneration Committee comprised of Ravindra Chetty (Chairperson), Jowaheer Lall Dookun, M. A. Eric Espitalier-Nöel, and Charles P L Harel met once during the year. Charles P L Harel resigned on 30 November 2011 and was replaced by Jean Hardy.

The Committee has the following objectives:

Corporate Governance Issues

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

Remuneration Issues

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

AUDIT COMMITTEE

The Audit Committee comprised of J.D. Gerard Pascal (Chairperson), Antoine L. Harel and O. Farouk Hossen, and met four times during the year. Antoine Louis Harel resigned on 30 November 2011 and was replaced by Herve Henry. The Audit Committee assists the Board in overseeing:

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

The Audit Committee met four times during the year.

INTERNAL CONTROL

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

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

RISK MANAGEMENT

The Board is responsible for the overall management of risks.

Inherent risks can be classified as follows:

- Market
- Operational
- Other risks

MARKET

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

OPERATIONAL

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

OTHER RISKS

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

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

SHARE OPTION PLAN

The Company has no share option plan.

DIVIDEND POLLCY

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

CORPORATE SOCIAL RESPONSIBILITY

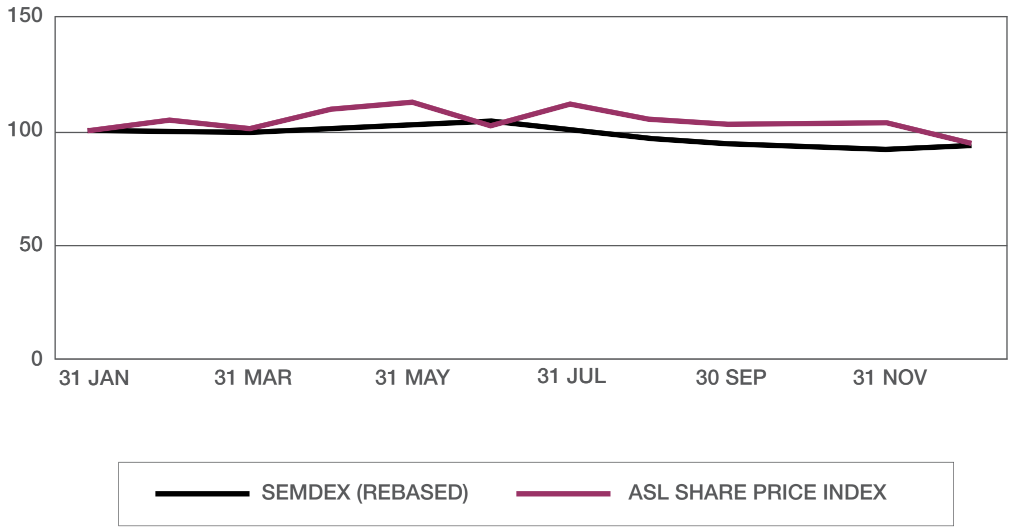
The Company has been engaged in CSR activities, details of which are set out on page 16.

IMPORTANT EVENTS

The Calendar for the year ending 31 December 2012 is as follows:

	EVENTS	DATES
1	Declaration on interim dividend	January
2	Payment of interim dividend	February
3	Publication of Annual Report 2011	April
4	Annual Meeting	May,
5	Publication of quarterly financial reports	May, August & November
6	Declaration of dividend	December

SHARE PRICE INFORMATION 2011



STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

DONATIONS

No political donation was made by the Company during the year. The paragraph on Corporate Social Responsibility (page 16) provides detailed information on the charitable donations made in 2011.

FEES PAID TO AUDITORS

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

	2011 MUR	2010 MUR
Audit fees	480,000	430,000
Non-Audit (tax fees)	**76,000**	**72,000**

AUDITOR

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

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

M. A. Eric Espitalier-Noël
Chairperson

M. L. Jean Hardy
Director


CHAMPIONCHIN
course bien placée lors de sa dernière
condition en apparence
avec des matches de
football local. C'est un
du côté de l'ASL. Nous
Football Association
offrir aux parieurs un
celui de France et du
Gaming Regulation Bill, qui serait
est adopté, ce pari serait
courses de
es paris

Secretary's Report

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

We confirm that, based on records and information made available to us by the directors and shareholders of the Company, the Company has filed with the Registrar of Companies, for the financial year ended 31 December 2011, all such returns as are required of the Company under the Mauritian Companies Act 2001.

Abax Corporate Administrators Ltd.
Corporate Secretary

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Automatic Systems Ltd.

Report on the Financial Statements

We have audited the financial statements of Automatic Systems Ltd (the "Company") on pages 31 to 70 which comprise the statement of financial position at 31 December 2011 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements on pages 31 to 70 give a true and fair view of the financial position of the Company at 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001.

Report on Other Legal and Regulatory Requirements

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

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

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

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

Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report on pages 4 to 20 and making the disclosures required by Section 8.4 of the Code of Corporate Governance of Mauritius ("Code"). The Financial Reporting Act 2004 requires us to report on these disclosures, where the directors disclose the extent of compliance with the Code.

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

Other Matter

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

PricewaterhouseCoopers
Mushtaq Oosman
Licensed by FRC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

		2011	2010
		Rs 000	Rs 000
Revenue		**1,183,288**	1,325,487
Cost of sales (Note 7)		**(1,010,008)**	(1,135,205)
GROSS PROFIT		**173,280**	190,282
Other income		**162**	-
Selling expenses		**(37,217)**	(42,062)
Operating expenses		**(64,128)**	(66,624)
Payments to The Mauritius Turf Club		**(54,902)**	(56,141)
OPERATING PROFIT (Note 8)		**17,195**	25,455
Finance income		**1,567**	2,147
Finance costs		**(1,062)**	(28)
Finance income – net (Note 10)		**505**	2,119
PROFIT BEFORE TAXATION		**17,700**	27,574
Taxation (Note 11)		**(3,434)**	(4,864)
PROFIT FOR THE YEAR		**14,266**	22,710
OTHER COMPREHENSIVE INCOME		**-**	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**14,266**	22,710
BASIC AND DILUTED EARNINGS PER SHARE (Note 12)	Rs	**4.04**	6.42

FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2011

	2011 Rs 000	2010 Rs 000
ASSETS		
Non-current assets		
Plant and equipment (Note 13)	**21,261**	27,130
Goodwill (Note 14)	**73,514**	-
Available-for-sale financial assets (Note 15)	**104**	104
Retirement benefit asset (Note 21)	**563**	-
	95,442	27,234
Current assets		
Trade and other receivables (Note 16)	**13,138**	678
Cash and cash equivalents (Note 17)	**3,107**	32,126
Inventories (Note 18)	**650**	-
	16,895	32,804
Total assets	**112,337**	60,038
EQUITY		
Share capital (Note 19)	**24,745**	24,745
Share premium (Note 20)	**1,168**	1,168
Retained earnings	**20,390**	6,124
Total equity	**46,303**	32,037
LIABILITIES		
Non-current liabilities		
Deferred income tax liability (Note 22)	**2,061**	2,855
	2,061	2,855
Current liabilities		
Trade and other payables (Note 23)	**20,340**	23,164
Bank overdraft (Note 17)	**42,249**	-
Current income tax liability (Note 11)	**1,384**	1,982
	63,973	25,146
Total liabilities	**66,034**	28,001
Total equity and liabilities	**112,337**	60,038

Authorised for issue by the Board of directors on 14 March 2012 and signed on its behalf by:

M. A. Eric Espitalier-Noël
Director

M. L. Jean Hardy
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Share premium	Retained earnings	Total equity
	Rs 000	Rs 000	Rs 000	Rs 000
At 31 December 2009	**24,745**	**1,168**	**6,392**	**32,305**
Profit and total comprehensive income for the year				
Profit and total comprehensive income for the year	-	-	22,710	22,710
Transaction with owners				
Dividends (Note 24)	-	-	(22,978)	(22,978)
Total transactions with owners	-	-	(22,978)	(22,978)
At 31 December 2010	**24,745**	**1,168**	**6,124**	**32,037**
At 01 January 2011	**24,745**	**1,168**	**6,124**	**32,037**
Profit and total comprehensive income for the year	-	-	14,266	14,266
Transaction with owners				
Dividends (Note 24)	-	-	-	-
Total transactions with owners	-	-	-	-
At 31 December 2011	24,745	1,168	20,390	46,303

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	Rs 000	Rs 000
Cash flows from operating activities		
Profit before taxation	17,700	27,574
Adjustments for:		
Depreciation of plant and equipment (Note 13)	9,567	9,631
Loss/(profit) on disposal of plant and equipment	-	39
Dividend income (Note 10)	(124)	(88)
Interest income (Note 10)	(1,443)	(2,059)
Interest expense (Note 10)	1,062	28
Retirement benefit asset	(144)	-
Working capital changes		
(Increase)/decrease in inventories	(7)	-
Decrease in trade and other receivables	7,514	241
(Decrease)/increase in trade and other payables	(10,558)	(934)
Cash generated from operations	23,567	34,432
Interest received (Note 10)	1,443	2,059
Income tax paid (Note 11)	(5,736)	(7,366)
Corporate Social Responsibility contribution paid (Note11)	(442)	(639)
Interest paid (Note 10)	(1,062)	(28)
Net cash from operating activities	17,770	28,458
Cash flows from investing activities		
Payments for purchase of plant and equipment (Note 13)	(1,474)	(2,841)
Acquisition of HHM, net of cash acquired (Note 28)	(82,385)	-
Dividends received (Note 10)	124	88
Net cash used in investing activities	(83,735)	(2,753)
Cash flows from financing activities		
Dividends paid (Note 24)	(5,303)	(24,745)
Net cash used in financing activities	(5,303)	(24,745)
Net increase/(decrease) in cash and cash equivalents	(71,268)	960
Cash and cash equivalents at beginning of year	32,126	31,166
Cash and cash equivalents at end of year (Note 17)	(39,142)	32,126

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011

1. GENERAL INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

The financial statements of Automatic Systems Ltd. (the "Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets. The financial statements are presented in Mauritian Rupees ('Rs'), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Company's accounting policies. The area which involves a higher degree of judgement in the financial statements is disclosed in Note 3 to the financial statements.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Company

The following new standards and amendments to standards are mandatory for the first time for the financial period beginning on or after 01 January 2011.

Standard	**Title**
IAS 1	Presentation of financial statements
IAS 24	Related party disclosures
IFRS 7	Financial instruments disclosures
IFRS 3	Business combinations

- The amendment to IAS 1, 'Presentation of financial statements' is part of the 2010 Annual Improvements and clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The application of this amendment has no significant impact as the Company was already disclosing the analysis of other comprehensive income on its statement of changes in equity.
- The amendment to IAS 24, 'Related party disclosures' clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The amended definition means that some entities will be required to make additional disclosures, e.g., an entity that is controlled by an individual that is part of the key management personnel of another entity is now required to disclose transactions with that second entity. The amendment has had little impact on the Company's financial statements.
- The amendments to IFRS 7, 'Financial Instruments - Disclosures' are part of the 2010 Annual Improvements and emphasises the interaction between quantitative and qualitative disclosures about the nature and the extent of risks associated with financial instruments. The amendment has also removed the requirement to disclose the following;

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

Changes in accounting policy and disclosures (cont'd)

- Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
- Fair value of collaterals; and
- Renegotiated assets that would otherwise be past due but not impaired.

The application of the above amendment has simplified financial risk disclosures made by the Company.

- IFRS 3, 'Business combinations', applicable for annual periods beginning on or after 01 July 2010. Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS Clarifies that the amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 32, 'Financial instruments: Presentation', and IAS 39, 'Financial instruments: Recognition and measurement', that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008). The amendment has no impact on the Company's financial statements.
- IFRS 3, 'Business combinations', applicable for annual periods beginning on or after 01 July 2010. The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by IFRS. The amendment has no impact on the Company's financial statements.
- The application guidance in IFRS 3 applies to all share based payment transactions that are part of a business combination, including un replaced and voluntarily replaced share-based payment awards. The amendment has no impact on the Company's financial statements.

  Other amendments and interpretations to standards became mandatory for the year beginning 01 January 2011 but had no significant effect on the Company's financial statements.

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

Numerous new standards, amendments and interpretations to existing standards have been issued but are not yet effective. Below is the list of new standards that are likely to be relevant to the Company:

Standard	**Title**	**Applicable for financial years beginning on/after**
IAS 1	Presentation of financial statements	01 July 2012
IAS 19	Employee benefits	01 January 2013
IFRS 9	Financial instruments	01 January 2015
IFRS 13	Fair value measurement	01 January 2013

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

Changes in accounting policy and disclosures (cont'd)

- IAS 1, Presentation of financial statements
  The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. Entities will be required to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

  The title used by IAS 1 for the statement of comprehensive income has remained as 'statement of comprehensive income', though IAS 1 still permits entities to use other titles. This amendment has no impact to the Company's financial statements.

- IAS 19, Employee benefits
  The impact on the Company will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur, to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset). The Company has yet to assess the full impact of the amendments.

- IFRS 9, 'Financial instruments'

  IFRS 9, was issued in November 2009 and October 2010 and replaces those parts of IAS 39 relating to the classification and measurement of financial instruments.

  IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

  For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

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

- IFRS 13, 'Fair value measurement'

  IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across all IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Company is yet to assess IFRS 13s full impact.

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

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

Business combination and goodwill

The Company acquired 100% of the shares of HH Management Ltd ('HHM'), effective from 01 January 2011. Business combinations are accounted for using the acquisition method of accounting.

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

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

Amalgamation of HH Management Ltd ('HHM')

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

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

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

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in the statement of comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in other comprehensive income

Plant and equipment

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

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

Plant and equipment (cont'd)

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

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

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

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

Intangible assets

(a) Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units ('CGUs'), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

i. it operates a main frame system based on which both horse racing and football bettings take place;

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

iii. skilled workforce are required to operate the system.

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use- are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

Impairment of non-financial assets (cont'd)

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

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

Financial assets

• Classification

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

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified in non-current assets. The Company's loans and receivables comprise of trade and other receivables and cash and cash equivalents in the statementof financial position.

(b) Available-for-sale financial assets

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

• Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

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

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of "finance income" when the Company's right to receive payments is established.

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

Financial assets (cont'd)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These 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.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(c) Offsetting financial instruments

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

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

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

Inventories

Inventories consist of ticket rolls and are stated at the lower of cost and net realisable value. Cost is determined on an average cost basis. Net realisable value is the estimated selling price in the ordinary course of business.

Trade receivables

Trade receivables are amounts due from Off-Course betting agents in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are a classified as current assets. If not, they are presented as non-current assets.

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

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Share capital

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

Cash and cash equivalents

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

Employee benefits

(a) Pension obligations

The Company operates a defined benefit plan. The Company and all its employees also contribute to the appropriate national National Pension Fund, which are defined contribution schemes. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a retirement benefit plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

Employee benefits (cont'd)

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

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

For defined contribution plans, the Company pays contributions to publicly or privately administered plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

(b) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

The Company recognises a provision where contractually obliged or where there is past practice that has created a constructive obligation.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement age, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

Current and deferred income tax (cont'd)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Revenue recognition

(a) Sales of services

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

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

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

Dividend distribution

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

Provisions

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

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

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

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

Impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of the cash-generating unit have been determined based on value-in-use calculations. The carrying amount of the goodwill and the key assumptions made are set out in Note 14.

Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 21.

Useful lives of plant and equipment

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

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

- Market risk

(a) Foreign exchange risk

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

(b) Price risk

The Company is exposed to equity securities price risk because of investment classified as available-for-sale. Given that the investment comprises only 0.09% (2010: 0.17%) of the total assets, the impact on equity is not considered significant.

(c) Interest rate risk

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

Based on the simulations performed, at 31 December 2011, the impact on post-tax profit of 50 basis points increase/decrease in interest rate would be a maximum decrease/increase of **Rs 166,000** (2010 – Rs 123,250), respectively.

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

- Credit risk

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

The Company is however exposed to trade receivables from off-course agents. The amounts presented in the statement of financial position are net of allowances for doubtful receivables estimated by the Company's management based on prior experience and the current economic environment.

Credit risk also arise from cash at bank. The Company has no significant concentrations of credit risk as it trades with the most reputable banks and companies in Mauritius. The Company has appropriate risk assessment policies in place. Credit risk is managed by regular monitoring of the credit quality of agents, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

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

4. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (cont'd)

• Credit risk (cont'd)

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:

	2011	2010
	Rs 000	Rs 000
Trade receivables (neither past due nor impaired)		
Counterparties without external credit rating		
Group 1	-	-

Group 1 refers to existing Off-Course agents with no defaults in the past.

The amount that best represents the Company's maximum exposure to credit risk at 31 December 2011 is the carrying value of the financial assets in the statement of financial position.

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

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

None of the Company' financial assets are either past due or impaired except for the following amounts in trade receivables (which are due within 30 – 45 days of the end of the month in which they are invoiced). The trade receivables which were past due but not impaired relate to a number of independent customers for whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	2011	2010
	Rs 000	Rs 000
Trade receivables (past due but not impaired)		
Past due but not impaired:		
By up to 45 days	**3,184**	-
Trade receivables individually determined to be impaired		
Carrying amount before impairment loss	**553**	-
Provision for bad debts	**(553)**	-
	-	-

The individually impaired receivables mainly relate to Off-Course agents, which are in unexpectedly difficult economic situations. It was assessed that all receivables past due by more than 45 days are considered to be impaired, and are carried at their estimated recoverable value.

4. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (cont'd)

• *Liquidity risk*

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

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

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

Capital risk management

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

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

As the Company has no long term external borrowings as at 31 December 2011, the gearing ratio does not apply but when we take into account the current year's bank overdraft, the company's gearing ratio stands at 45.8%.

Fair value estimation

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

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

• Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

• Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

• Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

2011 & 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
	Rs 000	**Rs 000**	**Rs 000**	**Rs 000**
Assets				
Available-for-sale financial assets	-	-	**104**	**104**
	=========	=========	=========	=========

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

4. FINANCIAL RISK MANAGEMENT (CONT'D)

Fair value estimation (cont'd)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Given that the level 3 investment comprises only 0.09% (2010: 0.17%) of the total assets, the directors do not consider it material to determine the fair value of the investments using the valuation techniques set out above.

5. FINANCIAL INSTRUMENTS BY CATEGORY

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

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

In disclosing trade and other receivables as a financial instrument, an amount of Rs 9,954,141 representing prepayments and deposits, has been excluded.

5. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

At 31 December 2010	Loans and receivables	Available-for-sale financial assets	Total
	Rs 000	Rs 000	Rs 000
Assets			
Available-for-sale financial assets	-	104	104
Trade and other receivables	-	-	-
Cash and cash equivalents	32,126	-	32,126
	32,126	104	32,230

	Other financial liabilities at amortised cost	Total
Liabilities		
Trade and other payables	23,164	23,164
Bank overdraft	-	-
	23,164	23,164

Trade and other receivables exclude an amount of Rs 677,565 which represents prepayments and deposits.

6. SEGMENT INFORMATION

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

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

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

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

6. SEGMENT INFORMATION (CONT'D)

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

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

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

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

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

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

6. SEGMENT INFORMATION (CONT'D)

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

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

	2011 Rs 000	2010 Rs 000
EBITDA	**26,762**	35,086
Depreciation	**(9,567)**	(9,631)
Finance income-net	**505**	2,119
Profit before taxation	**17,700**	27,574

7. COST OF SALES

Payment to winners	**864,845**	988,209
Fixed odd expenses	**8,060**	19,436
Government tax	**123,147**	111,881
Payment to National Solidarity Fund	**13,956**	15,679
	1,010,008	1,135,205

8. OPERATING PROFIT

Operating profit is stated after charging/(crediting):		
Depreciation of plant and equipment (Note 13)	**9,567**	9,631
(Loss)/profit on disposal of plant and equipment	**-**	39
Impairment of trade and other receivables (Note 16)	**553**	-
Commission and management service fees to related parties (Note 26(b))	**-**	37,735
VAT on commission paid to HHM	**3,746**	-
Commission to off-course agents	**28,885**	32,535
Repairs and maintenance	**2,196**	3,771
Licences and municipality taxes	**6,129**	4,355
Staff cost (Note 9)	**21,957**	-
Auditor's remuneration		
– audit services	**480**	430
– non-audit services	**76**	72

9. STAFF COST

	2011 Rs 000	2010 Rs 000
Wages and salaries	**18,628**	-
National pension fund contribution	**543**	-
Pension contribution	**718**	-
Transport costs	**1,059**	-
Staff welfare and other costs	**1,009**	-
Profit before taxation	**21,957**	-

10. FINANCE INCOME - NET

	2011 Rs 000	2010 Rs 000
Interest income:		
Loans at call	**1,091**	1,734
Bank	**352**	325
Dividend income	**124**	88
	1,567	2,147
Interest expense	**(1,062)**	(28)
Finance income-net	**505**	2,119

11. TAXATION

	2011 Rs 000	2010 Rs 000
Expense:		
Current income tax based on the profit for the year as adjusted for tax purposes at 15.0% (2010 – 15.0%)	**3,732**	4,802
Under/(Over) provision in previous year	**72**	(15)
Underprovision of deferred tax assets (Note 22)	**(83)**	-
Corporate Social Responsibility contribution	**442**	639
Deferred income tax (Note 22)	**(729)**	(562)
	3,434	4,864

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

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

– Implement an approved programme by the Company;

– Implement an approved programme under the National Empowerment Foundation; or

– Finance an approved NGO

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

- as reduced by the profit on disposal or revaluation of fixed assets, where any such profit or revaluation is credited to the statement of comprehensive income; and
- as increased by the loss on disposal or revaluation of fixed assets, where any such loss or revaluation is debited to the statement of comprehensive income.

11. TAXATION (CONT'D)

	2011	2010
	Rs 000	Rs 000
Current income tax liabilities:		
At 01 January	**1,982**	4,561
Acquired as part of the business combination (Note 28)	**1,334**	-
Paid during the year for tax liabilities relating to the business combination (Note 28)	**(1,334)**	
Paid during the year (including CSR contributions)	**(4,844)**	(7,366)
Under/(Over) provision in previous year	**72**	(15)
Charge for the year	**4,174**	4,802
At 31 December	**1,384**	1,982

The reconciliation between the actual income tax rate of **19.40%** (2010 – 17.64%) and the applicable rate of **15.00%** (2010 – 15.00%) is as follows:

	2011	2010
(As a percentage of profit before tax)	%	%
Applicable income tax rate	**15.00**	15.00
Effect of:		
Underprovision of deferred income tax in prior year	**(0.47)**	-
Non-allowable expenses	**2.07**	0.42
Non-taxable income	**(0.11)**	(0.05)
Corporate social responsibility contribution	**2.50**	2.32
Over/(Under) provision of income tax in previous year	**0.41**	(0.05)
Actual income tax rate	**19.40**	17.64

12. EARNINGS PER SHARE

Earnings per share is calculated on the profit after taxation of **Rs 14,266,000** (2010 – Rs 22,710,000) and on **3,535,000** issued ordinary shares outstanding during the two years under review.

13. PLANT AND EQUIPMENT

	Equipment Rs 000	Teletote Rs 000	Off-course equipment Rs 000	Electrical installation and equipment Rs 000	Office equipment and furniture Rs 000	Motor Vehicles Rs 000	Tote trophy Rs 000	Total Rs 000
Cost:								
At 01 January 2010	63,591	31,359	3,811	7,913	14,424	-	39	121,137
Additions	895	549	-	132	769	-	-	2,345
Other adjustment	(342)	-	-	-	-	-	-	(342)
Disposals	(14,054)	(419)	-	(172)	(1,001)	-	(39)	(15,685)
At 31 December 2010	50,090	31,489	3,811	7,873	14,192	-	-	107,455
At 01 January 2011	50,090	31,489	3,811	7,873	14,192	-	-	107,455
Acquired in a business combination (Note 28)	-	-	-	-	-	5,888	-	5,888
Additions	171	83	-	1,027	193	-	-	1,474
At 31 December 2011	50,261	31,572	3,811	8,900	14,385	5,888	-	114,817
Accumulated depreciation:								
At 01 January 2010	37,774	27,636	3,811	6,446	10,673	-	-	86,340
Charge for the year	5,478	2,159	-	322	1,672	-	-	9,631
Disposals	(14,054)	(419)	-	(172)	(1,001)	-	-	(15,646)
At 31 December 2010	29,198	29,376	3,811	6,596	11,344	-	-	80,325
At 01 January 2011	29,198	29,376	3,811	6,596	11,344	-	-	80,325
Acquired in a business combination (Note 28)	-	-	-	-	-	3,664	-	3,664
Charge for the year	5,643	1,069	-	540	1,137	1,178	-	9,567
At 31 December 2011	34,841	30,445	3,811	7,136	12,481	4,842	-	93,556
Net book amount:								
At 31 December 2011	15,420	1,127	-	1,764	1,904	1,046	-	21,261
At 31 December 2010	20,892	2,113	-	1,277	2,848	-	-	27,130

In the prior periods, the Company had over accrued the cost of an equipment by Rs 342,000. In 2010, management has adjusted the cost of the asset downwards.

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

13. PLANT AND EQUIPMENT (CONT'D)

	2011	2010
	Rs 000	Rs 000
Additions	**1,474**	2,345
Less: Payables to suppliers at 31 December	**-**	-
Add: Payables to suppliers at 01 January	**-**	496
Payments for purchases of plant and equipment	**1,474**	2,841

14. GOODWILL

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

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

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

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

14. GOODWILL (CONT'D)

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

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

i. it operates a main frame system based on which both horse racing and football bettings take place;

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

iii. skilled workforce are required to operate the system.

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

The recoverable amount of the CGU, in occurrence ASL, has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the horse racing and betting business in which the CGU operates.

The key assumptions used for value-in-use calculations in 2011 are as follows:

Growth rate	5.81%
Discount rate	15.8%

Management determined budgeted gross margin based on past performance and its expectations of market development such as the co-mingling betting of pools with other betting operators.

The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Listed shares	Unquoted shares	Total
	Rs 000	**Rs 000**	**Rs 000**
At 01 January and 31 December 2010 and 31 December 2011	**4**	**100**	**104**
	=========	=========	=========

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

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

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

16. TRADE AND OTHER RECEIVABLES

	2011	2010
	Rs 000	Rs 000
Trade receivables	3,737	-
Less: Provision for impairment of trade receivables	(553)	-
	3,184	-
Prepayments	9,581	311
Deposits and other debtors	373	367
	13,138	678

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

Included within trade and other receivables is an amount of Rs 8,956,784 representing amounts receivable from six Off-Course agents. This amount is set off against the amount payable to Société du Nouveau Moulin L'Inité as the Company intends to realise the asset and settle the liability simultaneously further to the acquisition of HHM by the Company.

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

As of 31 December 2011, trade receivables of Rs 3,184,000 (2010: NIL) were fully performing.

As of 31 December 2011, trade receivables of Rs 3,184,000 (2010: NIL) were past due but not impaired. These relate to a number of independent agents for whom there is no recent history of default. The ageing of these trade receivables is as follows:

	2011	2010
	Rs 000	Rs 000
By up to 45 days	3,184	-

As of 31 December 2011, trade receivables of Rs 553,000 (2010: NIL) were past due by up to 45 days and impaired.

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

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

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

	2011	2010
	Rs 000	Rs 000
At 01 January	-	-
Provision for receivables impairment	553	-
	553	-

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

17. CASH AND CASH EQUIVALENTS

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

	2011	2010
	Rs 000	Rs 000
Cash at bank	**3,107**	3,126
Loans at call	**-**	29,000
	3,107	32,126
Bank overdraft	**(42,249)**	-
Cash and cash equivalents as disclosed in the statement of cash flows	**(39,142)**	32,126

The loans at call are unsecured, repayable on demand and carry interest at **NIL** (2010: 6.75%) per annum. The bank overdraft facilities of the Company is secured by a floating charge on all the assets of the Company.

18. INVENTORIES

	2011	2010
	Rs 000	Rs 000
Ticket rolls	**650**	-

The cost of inventories included as expense amounted to Rs 252,840 (2010: NIL)

19. SHARE CAPITAL

	2011	2010	**2011**	2010
	Number	Number	**Rs 000**	Rs 000
Authorised:				
Ordinary shares of **Rs 7** each	**5,000,000**	5,000,000	**35,000**	35,000
Issued and fully paid:				
Ordinary shares of **Rs 7** each	**3,535,000**	3,535,000	**24,745**	24,745

20. SHARE PREMIUM

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

(i) the preliminary expenses of the Company; or

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

The share premium account may also be applied:

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

21. RETIREMENT BENEFIT ASSETS

Pension benefits

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

	2011 Rs'000
Present value of funded obligations	(11,860)
Fair value of plan assets	7,125
	(4,735)
Unrecognised actuarial loss	5,298
Asset/(liability) in the statement of financial position	563

The amounts recognised in profit or loss are as follows:

	2011 Rs'000
Current service cost	478
Scheme expenses	32
Cost of insuring risk benefits	38
Interest cost	720
Expected return on plan assets	(632)
Actuarial loss	82
Total included in staff costs (Note 9)	718

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

	2011 Rs'000
Retirement benefit asset arising on business combination (Note 28)	419
Total expense – as shown above	(718)
Employer's contributions	862
At 31 December	563

21. RETIREMENT BENEFIT ASSETS (CONT'D)

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

	2011 Rs'000
At 01 January – acquired as part of the business combination	(7,532)
Current service cost	(478)
Interest cost	(720)
Actuarial loss/(gains)	(3,130)
Benefits paid	-
At 31 December	(11,860)

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

	2011 Rs'000
At 01 January – acquired as part of the business combination	5,930
Expected return on plan assets	632
Employer's contribution	862
Scheme expenses	(32)
Cost of insuring risk benefits	(38)
Actuarial (losses)/gains	(229)
Benefits paid	-
At 31 December	7,125

Plan assets are comprised as follows:

	2011 Rs'000	2011 %
Overseas equities	2,672	37.5
Overseas fixed interest securities	1,603	22.5
Fixed interest	2,493	35.0
Properties	357	5
	7,125	100

The asset of the plan are invested in Anglo Mauritius' deposit administration fund. The latter is expected to produce a smooth progression of return from one year to the next. The breakdown of the assets above correspond to a notional allocation of the underlying investments based on the long term strategy of the fund.

As the fund is expected to produce a smooth return, a fairly reasonable indication of future returns can be obtained by looking at historical ones. Therefore, the long term expected return on asset assumption has been based on historical performance of the fund.

In terms of individual expected returns, the expected return on equities has been based on an equity risk premium above a risk free rate. The risk free rate has been measured in accordance to the yields on government bonds at the measurement date.

21. RETIREMENT BENEFIT ASSETS (CONT'D)

The fixed interest portfolio includes government bonds, debentures, mortgages and cash. The expected return for this asset class has been based on yields of government bonds at the measurement date.

The principal actuarial assumptions used were as follows:

	2011 %
Discount rate	9.5
Expected rate of return on plan assets	9.5
Future salary increases	8.0
Future pension increases	0.0

Plan assets

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

Mortality rate

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

	2011
Male	18
Female	23

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

	2011
Male	18
Female	23

	2011 Rs'000
At 31 December:	
Present value of defined benefit obligations	(11,860)
Fair value of plan assets	7,125
(Deficit)/surplus	(4,735)
Experience adjustments on plan liabilities	(3,131)
Experience adjustments on plan assets	(229)

The Company expects to contribute Rs 995,567 to the pension scheme for the year ending 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (CONT'D)

22. DEFERRED TAX LIABILTIES

	2011 Rs 000	2010 Rs 000
At 01 January	**2,855**	3,417
Acquired as part of the business combination	**18**	-
Under provision of deferred income tax asset (Note 11)	**(83)**	-
Income statement (credit)/ charge (Note 11)	**(729)**	(562)
At 31 December	**2,061**	2,855

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

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

	At 01 January 2010	Charge/(Credit) to statement of comprehensive income	At 31 December 2010
Accelerated capital allowances	3,417	(562)	2,855

23. TRADE AND OTHER PAYABLES

	2011 Rs 000	2010 Rs 000
Amount payable to related party (Note 26(b))	**-**	1,379
Other accounts payable and accruals	**15,504**	11,698
Teletote deposits	**4,056**	3,995
Unclaimed dividends declared in prior years	**780**	789
Dividends (Note 24)	-	5,303
	20,340	23,164

24. DIVIDENDS

	2011	2010
	Rs 000	Rs 000
At 01 January	**5,303**	7,070
Declared during the year (Rs NIL (2010 – Rs 6.50) per share))	**-**	22,978
Paid during the year (Rs 1.50 per share (2010 – Rs 7.00 per share))	**(5,303)**	(24,745)
At 31 December	-	5,303

25. COMMITMENTS

At 31 December 2011, capital expenditure of the Company approved by the directors but not yet contracted for amounted to **Rs 2,860,000** (2010 – Rs 2,300,000).

26. RELATED PARTY TRANSACTIONS

(a) Related parties

The directors regard Draper Investment Ltd, a company incorporated in Mauritius, as the Company's immediate and ultimate holding company. At 31 December 2011, Draper Investment Ltd owned 59.6% (2010 – 59.6%) of the Company's shares.

(b) Transactions with a company controlled by directors

Management Services Agreement

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

Effective from 01 January 2011, the Company acquired 100% ownership of HH Management Ltd and the latter subsequently amalgamated with the Company on 17 October 2011.

The acquisition of HH Managment Ltd by the Company falls under the scope of IFRS 3, 'Business Combinations' and was accounted for using the acquisition method as set out in the Company's accounting policies.

The amalgamation is a business combination involving entities/businesses under common control. The Company has applied the predecessor accounting method to account for the combination as follows:

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

The management duties of HH Management Ltd, prior to the acquisition and amalgamation, consisted of:

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

(b) Transactions with a company controlled by directors

Prior to the acquisition and merger, HH Management Ltd was remunerated as follows:

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

26. RELATED PARTY TRANSACTIONS (CONT'D)

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

The amount charged in the statement of comprehensive income in respect of the management services agreement is as follows. In 2011, there were no management services charged as the activities of HH Management Ltd were amalgamated with that of the Company:

	2011	2010
	Rs 000	Rs 000
Commissions payable based on:		
- revenue	-	35,756
- net profit before taxation	-	1,379
Management service fee payable	-	600
Included in operating expenses	-	37,735

The amount due to HH Management Ltd at 31 December 2011 in respect of the management services agreement was NIL (2010: Rs 1,378,676).

(c) Transactions with directors

Directors' remuneration

Executive directors	**143**	155
Non-executive directors	**787**	795
	930	950

Directors' interests in the share capital of the Company

At 31 December 2011, the following directors had direct and indirect interests in the ordinary share capital of the Company:

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

27. BANK FACILITIES

The Company has floating rate borrowing facilities of **Rs 67 m** (2009: Rs 20 m). The facilities are subject to review at various dates during 2011. The bank overdraft facilities of the Company is secured by a floating charge on all the assets of the Company.

The Company has drawn Rs 42,249,000 of the above mentioned facility at 31 December 2011.

28. BUSINESS COMBINATION

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

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

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

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

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

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

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

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

28. BUSINESS COMBINATION (CONT'D)

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

i. The skilled workforce of HHM which cannot be recognised separately as intangible assets; and

ii. Significant VAT savings (which would have been payable on management fees charged by HHM, had HHM been a separate entity).

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

The assets and liabilities arising from the acquisition of HHM are as follows:

	At 01 January 2011 Fair value Rs 000
Equipment	2,224
Retirement benefit asset	419
Inventories	643
Trade and other receivables	19,973
Cash and cash equivalents	1,682
Deferred tax liabilities	(18)
Other payables	(1,036)
Current tax liabilities	(1,334)
Borrowings	(19,547)
Net asset acquired	3,006

Cost of business acquisition as disclosed in the statement of cash flows	**At 01 January 2011** **Fair value** **Rs 000**
Business combination cost as disclosed in the statement of cash flows	82,385
Less bank overdraft acquired from business combination	(7,547)
Add cash at bank acquired from business combination	1,682
Unrecognised actuarial losses on retirement benefit obligations	(2,020)
Purchase consideration	74,,500

29. THREE YEAR SUMMARY

	2011	2010	2009
	Rs 000	Rs 000	Rs 000
Non-current assets			
Plant and equipment	**21,261**	27,130	34,797
Goodwill	**73,514**	-	-
Available-for-sale financial assets	**104**	104	104
Retirement benefit asset	**563**	-	-
Current assets			
Trade and other receivables	**13,138**	678	919
Inventories	**650**	-	-
Cash and cash equivalents	**3,107**	32,126	31,166
Equity			
Number of shares issued	**3,535**	3,535	3,535
Issued and fully paid shares	**24,745**	24,745	24,745
Share premium	**1,168**	1,168	1,168
Retained earnings	**20,390**	6,124	6,392
Non-current liabilities			
Deferred income tax liabilities	**2,061**	2,855	3,417
Current liabilities			
Trade and other payables	**20,340**	23,164	26,703
Bank overdraft	**42,249**	-	-
Current income tax liabilities	**1,384**	1,982	4,561
Statement of comprehensive income			
Revenue	**1,183,288**	1,325,487	1,550,051
Profit before taxation	**17,700**	27,574	37,596
Profit for the year	**14,266**	22,710	31,558
Statement of cash flows			
Dividends paid	**5,303**	24,745	42,420
	=========	=========	=========

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2011 (CONT'D)

30. EVENTS AFTER THE REPORTING PERIOD

Pursuant to a written resolution passed on 19 January 2012, the Company has proposed an interim dividend of Rs 3.50 per ordinary share, amounting to Rs 12,372,500 be paid to the shareholders of the Company in February 2012.

31. COMPARATIVES

In 2011, the Company acquired 100% stake in HHM and subsequently amalgamated the results of HHM into ASL's financial statements. The predecessor method of accounting was used for the amalgamation where the Company amalgamated the results of HHM as if it had always existed, that is from 01 January 2011, which is the effective date of acquisition of HHM. The 2010 comparatives relates to ASL's results only and is therefore not comparable to the 2011 results.

32. INCORPORATION AND REGISTERED OFFICE

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

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

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