

Management and Administration

EXECUTIVE DIRECTORS

M. L. Jean Hardy
Hervé Henry

NON-EXECUTIVE DIRECTORS

M. A. Eric Espitalier-Noël (Chairman)
Sunil Banymandhub P.
R. Sydney Bathfield
Ravindra Chetty
Jowaheer Lall Dookun F.
Jacques Harel
Antoine Louis Harel O.
Farouk A. Hossen J. D.
Gérard Pascal Maurice
Jean-Marc Ulcoq

ALTERNATE DIRECTORS

Arvind Lall Dookun (alternate to Jowaheer Lall Dookun)
M. L. Jean Hardy (alternate to Hervé Henry and O. Farouk A. Hossen)
Antoine Louis Harel (alternate to Maurice Jean-Marc Ulcoq)
Charles Paul Luc Harel (alternate to Antoine Louis Harel)

SECRETARY

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

AUDITORS

PricewaterhouseCoopers
Champ de Mars
Port Louis

REGISTERED OFFICE

Level 6, One Cathedral Square
Jules Koenig Street
Port Louis

Notice of Meeting

Notice is hereby given that the annual meeting of the company will be held at the Mauritius Turf Club, Port-Louis on Friday 16 June 2006 at 3.00 p.m. to transact the following business:-

As ordinary business:

1. To approve minutes of the last annual meeting held on 10 June 2005 and of the special meeting held on 16 January 2006.
2. To receive and adopt the annual report and financial statements of the company for the year ended 31 December 2005 and the report of the auditors thereon.
3. To re-appoint Jowaheer Lall Dookun who is over the age of 70, as director until the next annual meeting in accordance with S 138(6) of Companies Act 2001.
4. To re-appoint Jacques Harel who is over the age of 70, as director until the next annual meeting in accordance with S 138(6) of Companies Act 2001.
5. To re-elect Jean Hardy, director retiring by rotation and who is eligible for re-election.
6. To re-elect Eric Espitalier-Noël, director retiring by rotation and who is eligible for re-election.
7. To re-elect Hervé Henry, director retiring by rotation and who is eligible for re-election.
8. To re-elect Farouk Hossen, director retiring by rotation and who is eligible for re-election.
9. To note that PricewaterhouseCoopers, having indicated their willingness to continue in office, will be automatically re-appointed as auditors and to authorise the directors to fix their remuneration.

Dated this 10th day of May 2006.

BY ORDER OF THE BOARD

B.C.M. (SECRETARIES) LTD
SECRETARY

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

Completed proxy forms should be delivered at the Registered Office, c/o B. C.M. (Secretaries) Ltd, Level 6, One Cathedral Square, Jules Koenig Street, Port-Louis on 15 June 2006 at 3.00 p. m. at latest.

Annual Report

The directors are pleased to present to you the fifteenth annual report and the audited financial statements of the Company for the year ended 31 December 2005.

The Company

Automatic Systems Ltd (ASL) is a public company listed on the Stock Exchange of Mauritius with 1,773 shareholders at 31 December 2005.

Principal Activity

The principal activity of ASL is the running of a totalisator (Tote) system of betting on races organised by the Mauritius Turf Club (MTC) in Mauritius, on the premises of MTC, by telephone (Teletote) and through ten off-course betting outlets, in accordance with the provisions of the Mauritian Horse Racing Board Act 2003.

Profits and Dividends

The profit for the year amounted to Rs 4.8 million (2004 - Rs 6.3 million). The retained earnings at 31 December 2005 amounted to Rs 4.9 million (2004 - Rs 7.5 million).

The financial statements of the Company for the year ended 31 December 2005 are set out on pages 31 to 48. The auditors' report on these financial statements is on page 30.

On 23 February 2006, the Directors declared a dividend of Re 1.39 per ordinary share, paid on 7 April 2006, resulting in a total dividend payable of Rs 4,913,650.

Review of the Business

TOTAL TURNOVER

We are pleased to report that the results for the financial year under review are better than expected. The turnover of ASL for the 2005 horseracing season was Rs 657.4 million (2004 - Rs 421.7 million), whilst profit after tax decreased from Rs 6.3 million to Rs 4.8 million for the year ended 31 December 2005. However, it is important to point out that this decrease in profit is after accounting for an impairment loss on plant and equipment of Rs 8.965 million (refer to Note 3(a) in the Notes to the Financial Statements), as a result of investment in the new Tote system.

In 2005, Rs 493.0 million were distributed to the punters (2004: Rs 313.8 million).

The significant rise of 56% in turnover follows the trend observed since August 2003 when taxes were reduced.

In last year's report, we had indicated that we hoped to operate additional off-course outlets. ASL has, in fact, invested in five additional outlets bringing the number of operational outlets to ten as from the first race meeting of the season in April 2005 as compared to only five outlets as from August 2004. As expected, the additional outlets contributed to an increase in the turnover and to an improvement of the financial situation of the company in 2005.

The number of Teletote accounts also increased during the year under review. In 2005, the combined turnover from off-course outlets and Teletote reached 69% of the total turnover.

The *All for All* bet, which was initially planned to be in operation at the beginning of the racing season, had to be delayed and was launched only in August. Customers familiarised themselves quickly with this new type of bet, which proved to be very popular.

The Tote is a system of pool betting whereby bets are pooled and the total amount after deductions of taxes and commissions is paid as dividends to the winning punters. The principle of pool betting is such that the bigger the pool, the more attractive it becomes for the punters.

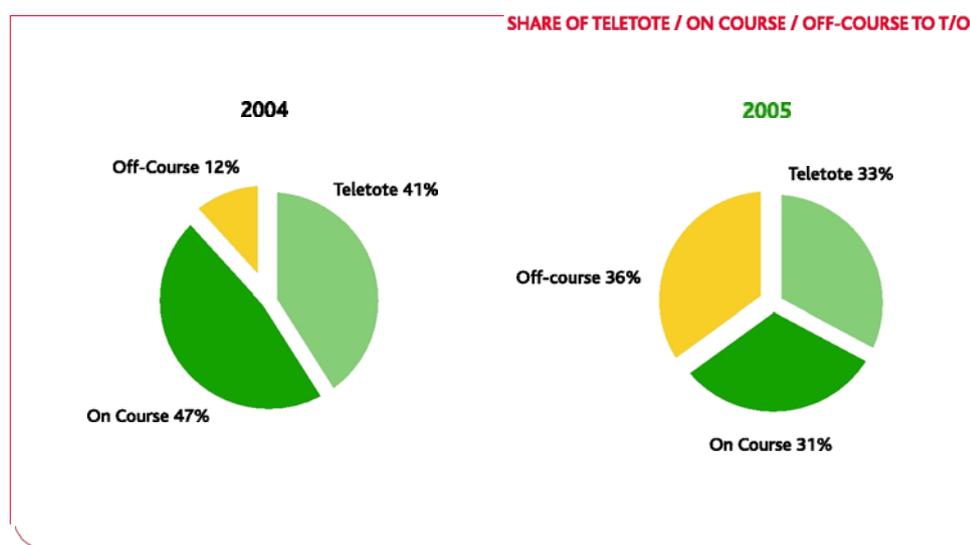
We believe that with the recent introduction of the off-course betting, our combination of pools (off-course, on-course and Teletote) is now snowballing, the end result being a substantially bigger pool, hence more attractive to punters.

OFF-COURSE BETTING

ASL obtained permission to operate its off-course betting outlets in August 2004. The first five outlets, located in Vacoas, Rose-Hill, Mahebourg, Goodlands and Flacq, were immediately in operation. Five additional outlets were subsequently opened in Beau-Bassin, Curepipe, Quatre Bornes, Riviere des Anguilles and Triolet, at the beginning of the 2005 racing season.

All of the outlets are equipped with facilities to fully service our customers. Colour televisions provide live broadcast of the races and display odds which are updated every thirty seconds.

ASL's policy on the management of the off-course operation is to have independent operators who receive a commission proportional to their turnover, while operating under our strict control. These operators are in fact SMEs which operate autonomously, and have become our partners, participating actively in the promotion of the Tote. These outlets employ part-time tellers in their respective regions. This has contributed both to the creation of direct employment within the SMEs, and indirect employment around the outlets' premises (food hawkers, etc.). In 2005, the off-course operators received Rs 9.5 million by way of commissions (2004 – Rs 2.0 million).



Contribution to total turnover

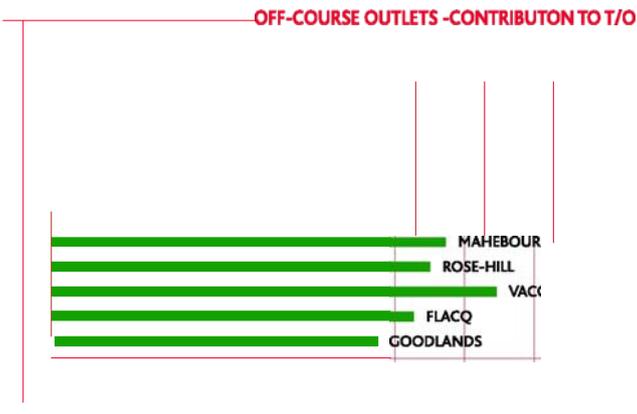
Off-course betting was in 2005 the largest contributor to the total turnover: Rs 237.6 million (36%), against Rs 50.4 million in 2004. The new outlets contributed 41% to this amount. Teletote and on-course activities contributed respectively 33% and 31% to the total turnover.

The off-course activity also supports the Teletote turnover as it enables Teletote punters to make deposits and withdrawals at the various off-course outlets, in addition to the other existing facilities.

However, the off-course operation had little effect, if any, on the performance of the on-course operation, which increased by 4%. We believe that the objective of the off-course operation, which was not to encourage betting but to tap from an existing illegal market, was achieved. We also believe that the government, through the 'Police des Jeux', exercised a more effective control on illegal betting thus shifting the punters betting habits towards the legal betting systems.

Annual Report

Statistics per region, as illustrated below, show that the Mahebourg and Vacoas outlets had the highest turnover.



TELETOTE

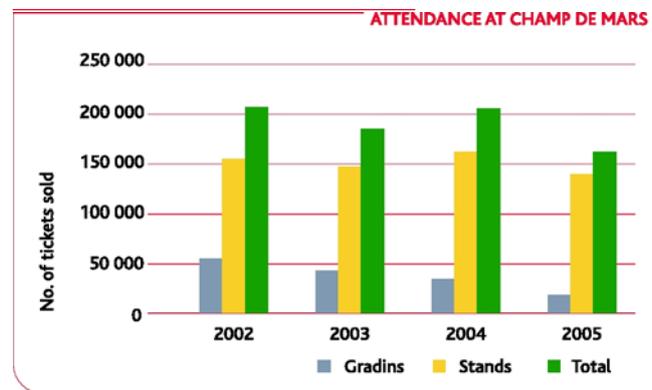
The Teletote turnover rose by 23% in 2005, reaching an all-time high of Rs 214.9 million (2004 - Rs 174 million). The fact that Teletote accounts could be opened and managed from the off-course outlets contributed significantly to this performance.

There were 2,378 new Teletote Accounts in 2005, most of which were opened at the beginning of the racing season.

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

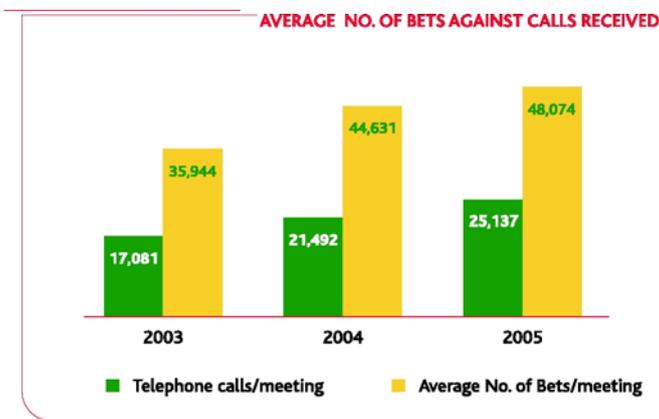
ATTENDANCE AT CHAMP DE MARS

After a small increase in the attendance at the Champ de Mars in 2004, figures showed that attendance slipped again in 2005: 159,213 "Stand" and "Gradin" tickets were sold in 2005, compared to 204,805 in 2004 (representing a 22% decrease).



This decrease was expected considering the increase in the number of off-course outlets from five to ten for the whole season. These outlets attracted many race goers away from the racecourse and this was reflected in the level of turnover achieved by the off-course operation. Moreover, punters have continued to open new Teletote accounts and tended to bet while staying away from the racecourse.

We also believe that the rise in transport costs and other expenses that need to be incurred to spend a day at the races deterred punters from travelling to the Champ de Mars. Racecourse attendance was higher in meetings featuring classic races, when several side activities and other shows were organised by the race organisers.

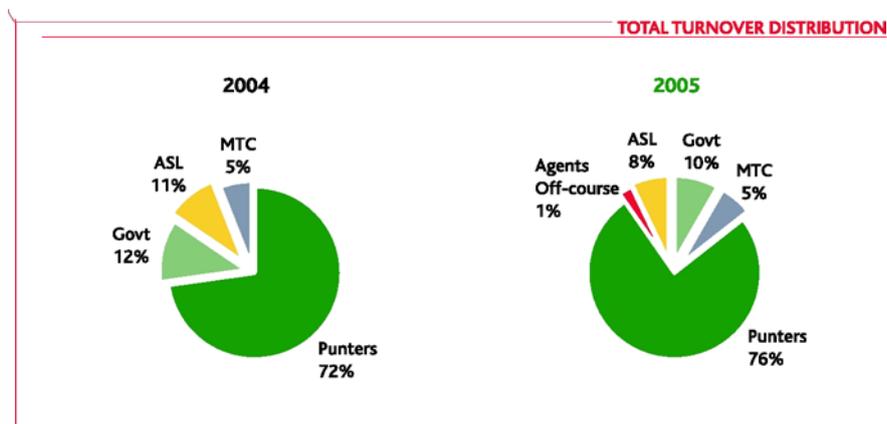


DISTRIBUTION OF TURNOVER

Total Turnover Distribution

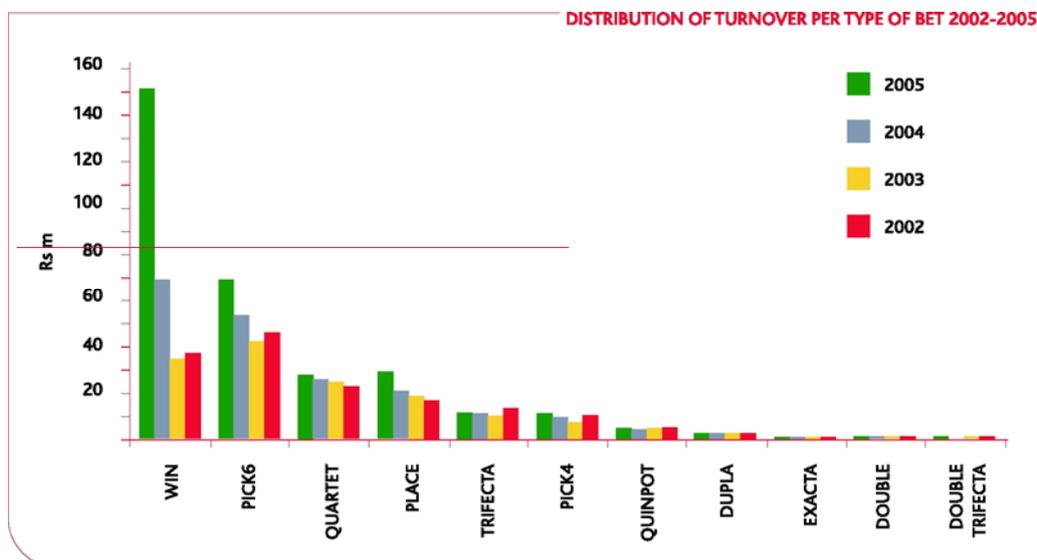
The total amount paid to winners during the 2005 horseracing season was Rs 493.0 million (2004 – Rs 313.8 million). This 57% increase is directly attributable to the increase in total turnover for the period.

A noteworthy element in the distribution of the turnover for 2005 is the commission paid to the owners of the off-course outlets.



Distribution of turnover per type of bet

The WIN Turnover increased significantly (+118%) compared to 2004 and accounted for 42% of the increase in total turnover for the year 2005. Off-course punters are more inclined to bet on WIN than on other types of bets. They are, however, gradually turning to PLACE bets and exotic combinations. The PICK 4 and PICK 6 bets have maintained a good upward trend.



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Carry Forwards for the first meeting of 2006

An amount of Rs 16,539 has been carried forward on DOUBLE TRIFECTA bets for the first meeting of 2006. In 2005, punters have generally been successful in finding the winning combinations.

Government Tax

Tax paid to the government increased, reaching Rs 58 million in 2005 (2004 - Rs 38.3 million). This is once again due to the increase in turnover.

National Solidarity Fund

Fractions and Dividends unclaimed by winning punters, amounting to Rs 6.3 million were remitted to the National Solidarity Fund in 2005. In 2004, these Fractions and Dividends had been paid to the Horse Racing Board (Rs 3.9 million).

Best Dividends Paid

The table below illustrates the highest dividends paid per type of bet in 2005.

BET	Date of Meeting	Unit Bet (Rs)	Highest Dividend Paid (Rs)
WIN	Saturday 29 October	10	371
PLACE	Saturday 29 October	10	78
DUPLA	Sunday 22 May (La Duchesse)	10	3,922
EXACTA	Saturday 30 April	10	5,453
TRIFECTA	Saturday 8 October	10	36,270
QUARTET	Saturday 19 November	5	243,111
DOUBLE	Sunday 17 July (Barbé Cup)	10	4,549
PICK 4	Saturday 30 April	10	330,069
PICK 6	Saturday 8 October	5	3,441,986
QUINPOT	Sunday 17 July (Barbé Cup)	20	45,362
DOUBLE TRIFECTA	Saturday 12 November	1	28,430

SPONSORSHIP OF TROPHIES FOR 2005

ASL is committed in the promotion of horse racing and continues its sponsorship of different events and races.

Stayers Championship

On the occasion of its 15th anniversary, ASL innovated in its traditional commitment to the local horse racing industry by organising a Stayers' championship, with points being allocated to horses according to their performance in the three main stayers' races of the season.

The championship, the first of its kind, started with the TOTE Golden Trophy run on Saturday 13 August 2005, followed by the Maiden Cup on 11 September and the "Coupe des Présidents" run on Saturday 26 November. *Have Mercy* (see photo on page 14) was the winner of the championship, and his trainer Budeshwar Gujadhur received a "cash prize" of Rs 200,000.

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The Rs 300,000 TOTE Golden Trophy

The Tote Golden Trophy was held on 13 August 2005. ASL sponsored four of the races:

- Race 1: The TELETOTE Trophy
- Race 2: The TOTE Golden Trophy
- Race 3: The TOTE Off-Course Trophy
- Race 4: The TOTE 15th Anniversary Trophy

After being run for 15 consecutive years, the TOTE Golden Trophy is now a semi-classic. The race was run over a distance of 2,200 metres and won by *World Focus* (ridden by A Whelan) in 2min15.68 after a fierce run-in from the back.

The MTC stakes money was shared as follows: Rs 200,000 to the winner, Rs 45,000 to the runner-up, and Rs 22,000 to the third horse.

In addition, ASL awarded a prize money of Rs 200,000 to the winner, Rs 70,000 to the runner-up and Rs 30,000 to the horse coming third.

A cash prize and a cup were offered to the stableman Mr. Alain Perdreau, while the jockey, A Whelan, received a souvenir.

The original Tote Golden Trophy was remitted to the owners of *Stud Master*, Mrs Colette Brochen Renaud and Mrs France Law, their horse having brilliantly won the trophy for three consecutive years (photo below).



Stableman Alain Perdreau (left) receiving cash prize from Jean Hardy for *World Focus* victory.

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

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15 YEARS OF OPERATION: REVIEWS & PROSPECTS

After 15 years of operation, the TOTE system has proved to be both reliable and transparent. The Teletote was implemented in 1994 and the number of Teletote accounts has now reached 23,000, and the company handled an amazing 755,000 telephone calls in 2005.

Off-course betting was introduced in 2004 and has brought a substantial contribution to the turnover of the company, which reached Rs 657.4 million in 2005. It contributed largely to the financial improvement of ASL, while sustaining the development of Teletote and helping the fight against illegal betting.

Pool betting has shown, both locally and internationally, that the bigger the pool, the more advantageous and attractive it is to the punters.

There are two ways to increase the pool for Mauritius:

1. The extension of the off-course network; and
2. Co-mingling of pools with totaliser operators in foreign countries.

South Africa is already offering tote bets on Mauritian races. A first step towards the above mentioned objective would be to allow them to join our pool (co-mingle). Furthermore, Mauritians should be allowed to bet on foreign races all year round and participate in the foreign pools.

The above initiatives would permit an increase in revenues for both the government and the local horse racing industry, while creating employment and discouraging illegal betting.

An official request for an increase in the number of ASL's off-course outlets, for the co-mingling of its pools with South Africa, and licensing for betting on foreign races has already been made to the authorities. The new Tote system incorporates features which facilitates such progress.

The Board remains confident that the 2006 racing season will be an exciting one, and that hopefully, some new measures will be implemented before the end of the season.

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Corporate Governance

The Directors are committed to the Code of Corporate Governance and towards maintaining the existing high standards of responsibility while adopting the recommendations of the Code of Corporate Governance, as they would apply to ASL.

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 due time. Similarly all declarations, statements and filings that need to be made by Law shall be made in due time. All licences and permits shall be applied for and renewed in due time. The Directors shall treat as confidential matters which should not be made public otherwise than by operation of the Law.

Ethics

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

Relationship with authorities and third parties

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

Avoidance of conflict

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

Shareholders

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

Risks' assessment

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

Employees

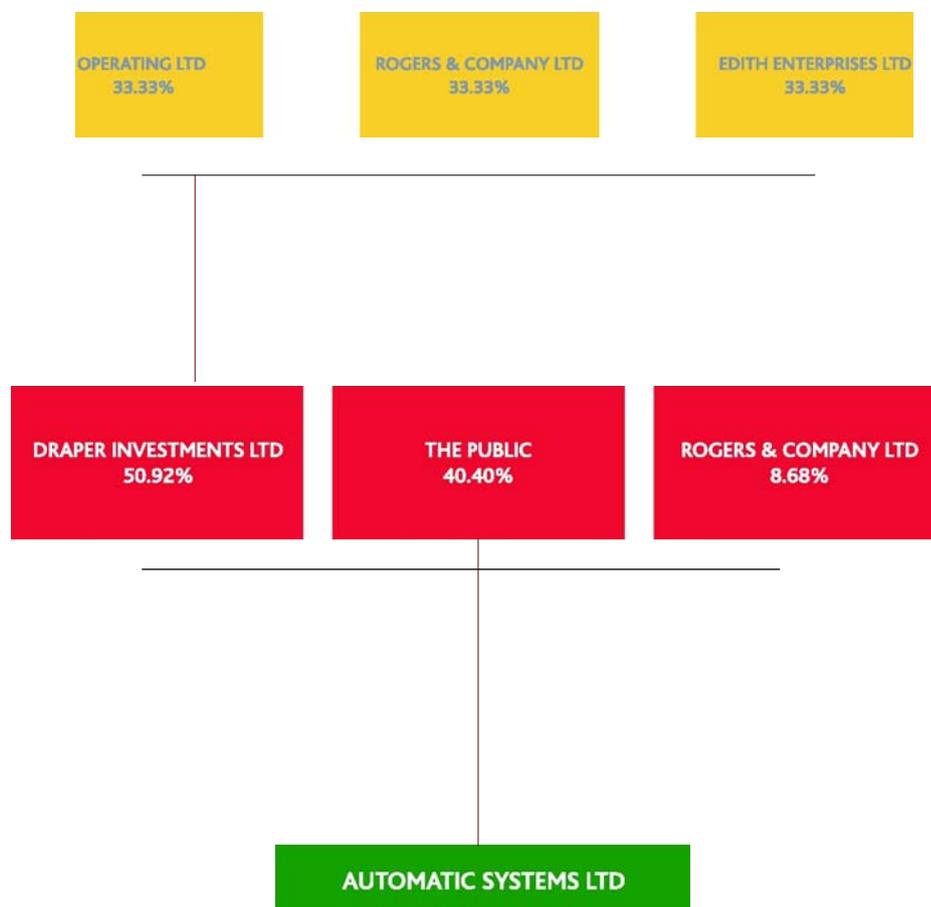
The Directors shall ensure that the persons employed by Hardy Henry Ltée for the activities of ASL are employed in the best possible conditions and enjoy a good working environment. The Directors shall ensure that Hardy Henry Ltée encourages such employees to observe a high standard of professional ethics to operate the Tote systems.

Environmental and social policies

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

HOLDING STRUCTURE

ASL is a listed company owned as follows:



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On 10 May 2006, the following shareholders held directly and indirectly more than 5% of the ordinary share capital of the Company.

	Direct Interest		Indirect Interest
	No. of ordinary shares	% Holding	% Holding
Draper Investments Ltd.	1,800,000	50.92	-
Rogers and Company Limited	306,909	8.68	16.97
Operating Ltd.	-	-	16.97
Edith Enterprises Ltd.	-	-	16.97
Jean Hardy	8,000	0.23	6.54
Hervé Henry	-	-	6.63

Messrs M.L. Jean Hardy and Hervé Henry each hold 37.5% of Operating Ltd which holds 33.3% of Draper Investments Ltd, which in turn owns 50.92% of ASL; this represents an effective holding of 6.36% each.

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

DIRECTORS	Draper Investments Ltd.	Operating Ltd.	Edith Enterprises Ltd.	Rogers and Company Ltd.
Kishore Sunil Banymandhub	•			
Pierre Raoul Sydney Bathfield				
Marie André Eric Espitalier-Noël	•			•
Marie Leon Jean Hardy	•	•		
Antoine Louis Harel	•		•	
François Jacques Harel F.C.A	•		•	
Hervé Henry	•	•		
Joseph Désiré Gérard Pascal	•			
Maurice Jean Marc Ulcoq			•	

DIRECTORS' PROFILE

ERIC ESPITALIER-NOËL

Director appointed in 2004.

Chairman of the Company since July 2004. Eric Espitalier-Noël was born in 1959. He holds a Bachelor's degree in Social Sciences from the University of Natal in South Africa and Master degree in Business Administration from University of Surrey (UK). He started his career in the audit department of De Chazal Du Mée. He also worked as Area Marketing Manager for Indian Ocean Export Ltd in Durban. In 1986, he joined the Espitalier-

Noël Group of which he is today an executive director.

SUNIL BANYMANDHUB

Director appointed in 2001.

Sunil Banymandhub, born in 1949, holds a BSc in Engineering from University of Manchester Institute of Science & Technology, an ACA and an MSC in Business Studies from London Business School. He has held various senior management positions, including that of General Manager of Caltex Oil (Mauritius) Ltd.

He has also been active in the asset-management and offshore sectors. He is the Executive Director of CIM Financial Services, a Rogers investment. He has been chairman of two parastatal bodies, a member of the Presidential Commission on Judicial Reform, and has also been President of the Mauritius Employers' Federation.

PIERRE RAOUL SYDNEY BATHFIELD

Director appointed in 1998.

Sydney Bathfield qualified as a Chartered Accountant in London in 1963. He returned to Mauritius where he joined Kemp Chatteris in 1966 and Lonrho in 1969. He emigrated to the United States of America in 1978 and worked in London and Paris before returning to Mauritius in 1995. He joined the Rogers Group and was the executive director of the International and Financial Services Cluster. Since his retirement in 2002, he has acted as a business adviser to the Rogers Group. He was Chairman of the Stock Exchange of Mauritius from 1997 to 2000.

RAVINDRA CHETTY

Director appointed in 1997.

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

JOWAHEER LALL DOOKUN

Director appointed in 2002.

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

ARVIND LALL DOOKUN

Alternate director to Jowaheer Lall Dookun, appointed in 2003.

Arvind Lall Dookun, born in 1963, holds a Textile Technology Diploma from the University of Manchester Institute of Science & Technology and a BA Hons in Clothing Business Management from London College of Fashion. He is a member of Clothing and Footwear Institute, London and Textile Institute, Manchester UK. He was director of Knitting Fabrics Industries Ltd and Bonne Terre Sportswear Ltd. Now he is the director of General Export and Economic Development Services Ltd.

MARIE LEON JEAN HARDY

Director appointed on incorporation in 1991.

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

ANTOINE LOUIS HAREL

Director appointed in 2000.

Antoine Harel was born in 1957. He holds a BA in Accounting and Computing from the University of Kent, England. He worked for Ernst & Young in London. He has qualified as a Chartered Accountant in London in 1986. He returned to Mauritius where he joined Harel Mallac & Co Ltd in 1987 as the manager of Computer Department. He became the Director for Computer, Communication, Distribution and Retail division Harel Mallac & Co in 1997. He was appointed Chief Executive Officer in 2003 and he is now the Chairman of Harel Mallac & Co Ltd.

CHARLES HAREL

Alternate director to Antoine Harel, appointed in 2003.

Aged 37, Charles Harel holds a National Diploma in Management and Finance of Cape Technikon, South Africa. In 1995, he joined Harel Mallac Group and was appointed as assistant to the Commercial Director of the "Compagnie des Magasins Populaires Ltée" (Monoprix). In 1998, he signed up as Manager of the Business Units Travel & Tourism and Retail. In May 2005, he was named General Manager of Harel Mallac Bureautique Ltd.

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FRANÇOIS JACQUES HAREL

Director appointed in 1991.

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

HERVE HENRY

Director appointed on incorporation in 1991.

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

OMAR FAROUK AZIZE HOSSSEN

Director appointed in 1991.

Farouk Hossen, born in 1951, holds the Fellowship of the Association of British Opticians and Honors Fellowship Diploma for practice in contact lenses. Practiced the profession in England for 3 years before settling in Mauritius where he established practice as an optician since 1972.

GERARD PASCAL

Director appointed in 1991.

Gérard Pascal was born in 1951 and became a Fellow Member of the Association of Certified Accountants in 1983. He was an audit manager at De Chazal du Mée, Chartered Accountants. He then joined Rogers & Co Ltd in 1982 as the Group Accountant becoming Group Finance Manager in 1986. He was appointed Executive Director-Finance & Accounting in 1997 and is now the Chief Finance Executive.

MAURICE JEAN MARC ULCOQ

Director appointed in 2000.

Jean Marc Ulcoq was born in 1952. He is Fellow Member of the Association of Certified Accountants. He then joined Harel Mallac & Co Ltd in 1981 as the Chief Accountant becoming Assistant to Managing Director in 1986. He has been appointed Finance Director and Company Secretary of Harel Mallac & Co in 2000.

MATERIAL CLAUSES OF THE COMPANY'S CONSTITUTION

The Company's Articles of Association do not comprise any material clauses which need to be disclosed.

SHAREHOLDERS AGREEMENT

The Company does not have a Shareholders' Agreement.

EXCLUSIVITY AGREEMENT

ASL has signed a written contract with the Mauritius Turf Club (MTC) since 11 September 1991. On 6 December 2005, the MTC expressed its agreement to the inclusion of an express exclusivity clause which would last for a period of 10 years. A fresh contract incorporating among others this exclusivity clause is being finalised. On 10 April 2006, in the best interest of the industry and of ASL, the Board decided to vary the exclusivity agreement to allow the MTC to consider the application for a second totalisator operator.

CONTRACT OF SIGNIFICANCE WITH DIRECTORS

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

Details of transactions with Hardy Henry & Cie. Ltée are given in Note 18(b) to the financial statements.

DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The table below sets out the direct and indirect interests in the share capital of the Company as at 10 May 2006.

Name of director	Category	No. of shares	DIRECT INTEREST	INDIRECT INTEREST
			% Holding	% Holding
Sunil Banymandhub	Non-executive	-	-	-
Sydney Bathfield	Non-executive	-	-	-
Ravindra Chetty	Non-executive/independent	100	0.00	-
Arvind Lall Dookun	Non-executive	1,057	0.03	0.10
Jowaheer Lall Dookun	Non-executive	-	-	0.10
Eric Espitalier-Noël	Non-executive	-	-	-
Hervé Henry	Executive	-	-	6.63
M. I. Jean Hardy	Executive	8,000	0.23	6.54
Charles Harel	Non-executive	-	-	0.40
Antoine Harel	Non-executive	-	-	0.39
F. Jacques Harel	Non-executive	4,146	0.12	-
O. Farouk A. Hossen	Non-executive/independent	22,049	0.62	0.01
J. D. Gérard Pascal	Non-executive	1,319	0.04	0.12
Jean Marc Ulcoq	Non-executive	-	-	-

The directors of the Company follow the Model Code for Securities transactions (Appendix 6 of the Listing Rules) in all dealings in which they are or might be interested. In the year under review, Messrs Farouk Hossen indirectly bought 200 shares, Arvind Lall Dookun bought 500 additional shares and Hervé Henry indirectly bought 26,800 shares and sold 16,800 shares.

REMUNERATION POLICY

For the year under review, the Board approved and implemented a new remuneration structure with regard to directors' fees. Such fees comprise two components, a basic monthly fee and an attendance fee. Members of the Audit and Corporate Governance Committees are paid an attendance fee only.

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DIRECTORS' ATTENDANCE AT MEETINGS HELD IN 2005

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

		No. of Board meetings attended	Remuneration for the year (Rs)
1	Eric Espitalier-Noël	7	50,000
2	Jean Hardy	6	38,000
3	Sydney Bathfield	4	34,000
4	Ravindra Chetty	5	28,000
5	Jacques Harel	6	38,000
6	Hervé Henry	7	40,000
7	Farouk Hossen	4	26,000
8	Antoine Harel (Jnr)	2	20,000
9	Jean Marc Ulcoq	3	24,000
10	Gérard Pascal	2	14,000
11	Sunil Banymandhub	2	14,000
12	Jowaheerall Dookun	3	40,000
13	Charles Harel <i>Alternate to Antoine Harel</i>	2	16,000
	TOTAL		382,000

BOARD AND COMMITTEES

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

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

For the year under review, no evaluation of the Board, the Audit Committee or the Corporate Governance Committee was carried out as the Code of Corporate Governance had only recently been

implemented. It is the intention of the Board to carry out such an evaluation during the next financial year.

It is a recommendation of the Code of Corporate Governance that directors should be re-elected every year at the annual meeting of shareholders of the Company. The Board is of the view that ASL may continue to maintain its existing policy that four directors retire by rotation, starting from the longest in office and present themselves for re-election, at each annual meeting of shareholders of the company.

Corporate Governance Committee

The Terms of reference of the Committee were approved on 23 February 2006.

The Committee shall have the following objectives:

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

Audit Committee

The Audit Committee has been established primarily to assist the Board in overseeing:

- The integrity of the financial statements.
- The company's compliance with legal and regulatory requirements.
- 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 procedures regarding the risks of money laundering through the Tote System.
- The adequacy of the insurance cover subscribed by the company.

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

RISK MANAGEMENT

The risk inherent can be classified as follows:

- Market
- Managerial
- Operational
- Other risks

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

The managerial risks have been outsourced to Henry Hardy & Cie through a Management Services Agreement which is periodically reviewed by the Board and is the subject of scrutiny by the Audit Committee.

The operational risks relate to internal processes which are regulated by an information technology software which controls the betting operations of the company. That system is closely monitored at management levels with cash reconciliations being prepared and verified after each race meeting.

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 which establishes the rules of operation through the Horse Racing Board.

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

INTERNAL CONTROL

During the year, the Company did not set up an independent internal audit function. The Audit Committee has relied more on meetings and discussions with the external auditors. It is however proposed that, following a recommendation of the Audit Committee, internal auditors be appointed next year.

SHARE OPTION PLAN

The Company has no share option plan.

DIVIDEND POLICY

The Company has no formal dividend policy. The payment of dividend is subject to the performance of the Company, its cash flow and its capital expenditure requirements.

CALENDAR OF EVENTS

The Calendar of events is as follows:

EVENTS	DATES
Quarterly Board meetings	February, June, September, December
Approval of accounts and declaration of dividend, if any	February
Publication of preliminary statements	March
Payment of dividend	April
Annual Meeting	May/June

Annual Report

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

AUDITORS

The auditors, PricewaterhouseCoopers, were remunerated as follows:

	2005 Rs. 000	2004 Rs. 000
Audit Fees	220	125
Non-audit fees	162	430
	<hr/>	
	382	555

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

Approved by the Board of directors on 10 May 2006 and signed on its behalf by:

M. A. Eric Espitalier-Noël



DIRECTORS

Ravindra Chetty

