asl
AUTOMATIC SYSTEMS LTD.

Celebrating 25 years of fun

CONTENTS

BOARD AND COMMITTEES MANAGEMENT

Board of Directors

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

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

Non-Executive Directors
Hervé Henry
Michel J. L. Nairac
John A. Stuart

Independent Directors
Ravindra Chetty
O. Farouk A. A. Hossen
Arvind Lall Dookun
Mushtaq M. O. N. Oosman *(appointed on 25 March 2016)*

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

Audit and Risk Committee

Mushtaq M. O. N. Oosman – Chairman *(appointed as member and Chairman on 25 March 2016)*
Hervé Henry – *(Chairman up to 25 March 2016)*
O. Farouk A. A. Hossen
Arvind Lall Dookun

Corporate Governance Committee

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

Senior Management

Robert Ah Yan – System Manager

ADMINISTRATION

Registered Office

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

Company Secretary

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

Registry and Transfer Office

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

Auditors

PricewaterhouseCoopers
18 Cybercity, Ebene

Legal Advisors

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

ENS Africa
19 Church Street, Port Louis

Notary

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

Bankers

The Mauritius Commercial Bank Ltd
SBM Bank (Mauritius) Ltd


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DIRECTORS' REPORT

REVIEW OF THE BUSINESS

In 2016, the Tote income, being the bets struck net of winnings, increased by 3.1% from Rs 216.6 million to Rs 223.3 million. Income derived from football betting also increased by 13.2% to reach Rs 104.6 million.

Expenses were well contained, however an increase of Rs 18.5 million in licences impacted on profits for the year which decreased by Rs 4.8 million (21%) from Rs 23.0 million in 2015 to Rs 18.2 million in 2016.

		2016 Rs million	2015 Rs million	2014 Rs million
Income*	Horse racing	223.3	216.6	251.3
	Football	104.6	92.4	92.5
Total Income		327.9	309.0	343.8
NSF		13.6	12.3	13.7
Government Tax & Duty		128.5	123.2	149.2
GRA Licenses		18.0	4.8	5.0
Commission to MTC (Including share of profit)		42.6	42.7	49.1
Profit for the year		18.2	23.0	15.6

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

The Company has always been resilient. Despite the difficulties, the Board and Management are constantly striving to innovate with a view of consolidating and increasing revenues and providing a good yield to shareholders.

Year	2016	2015	2014	2013	2012
Share price at 31 December (Rs)	55.75	35.00	90.00	115.00	72.00
Total dividend per share declared during the year (Rs)	4.00	3.00	2.50	10.00	9.50

DIRECTORS' REPORT (CONT'D)

The total amount of bets placed for 2016 reached Rs 1,211,432,786 (2015: 1,113,302,984) and the share of bets received is split as follows:

Licences GRA (1.49%) · *Payment to NSF(1.12%)* · *Payments to MTC (3.52%)*

Betting Taxes and Duties (10.61%) · *ASL (10.34%)* · *Payment to winners (72.93%)*

HORSE RACING AND THE TOTALISATOR SYSTEM

Automatic Systems Ltd is licensed to run a totalisator system (Tote), offering bets on horse races organised by the Mauritius Turf Club ('MTC') and of fixed-odd betting on international football matches.

The Company introduced in Mauritius in 1991 the tote system, a factually transparent and auditable betting system recognized internationally and in operation in all major racing jurisdictions such as the United States, France, Hong Kong, Australia and Singapore to name a few.

DIRECTORS' REPORT (CONT'D)

HORSE RACING AND THE TOTALISATOR SYSTEM (CONT'D)

The system:

All bets of a particular type are placed in a pool. After deduction of taxes and a house take, payoff odds are calculated by sharing the pool among all placed bets. Total bets placed are calculated automatically at the closure of bets; leaving no space for questionable declarations whether to the Mauritius Turf Club or to the Government. All punters on a similar winning combination receive the same dividend no matter at what time the bet is placed. Automatic Systems Ltd only perceives a fixed commission, independent on which horse comes first, and all of the remaining funds are divided amongst and paid up to the winners.

- The introduction of the Win and Place and of exotic bets gave punters the possibility of choosing among different types of bets, starting with the Swinger, which is the easiest and escalating to the Pick 8 with presents more odds but yields higher gains.

YEAR IN REVIEW

TOTALISATOR

In 2016, there were 2 additional race meetings compared to 2015 (37 instead of 35).This contributed to a 3% increase in totalisator turnover for the year to reach Rs 829.9 million compared to Rs 805.3 million in 2015.

It is to be noted however that the average turnover per meeting decreased by 3% over the course of the year, partly attributable to the fact that one race meeting was abandoned after the third race due to heavy rainfall and several race meetings were held with 7 races instead of 8 due to lack of runners.

Turnover Comparison						
	Total Turnover		Turnover per meeting		Variance	
	2016	2015	2016	2015	Total	Per Meeting
On Course	120,809,108	120,259,871	3,265,111	3,435,996	0%	-5%
Off Course	495,403,287	487,140,190	13,389,278	13,918,291	2%	-4%
Teletote	184,907,158	177,121,700	4,997,491	5,060,620	4%	-1%
SMS	28,813,732	20,782,195	778,750	593,777	39%	31%
TOTAL	829,933,285	805,303,956	22,430,629	23,008,684	3%	-3%

Considering the amount of horses imported in 2016/2017, which is a very encouraging sign for the industry; ASL hopes that the average turnover per meeting will improve in respect of the coming season.

ASL also believes that the image of clean racing is paramount to a sustainable industry. The MTC is giving due consideration to this issue.

DIRECTORS'
REPORT (CONT'D)

ON COURSE

The total turnover on course for the year was on par with 2015 but a 5% drop was noted in the average turnover per meeting due to the reasons stated above and to a slight drop in attendance in the stand reaching an average of 2,487 per meeting in 2016 compared to 2,564 in 2015.

OFF COURSE

In 2004 the off Course betting was permitted, not to encourage betting but to move away from a parallel and informal betting system. Along the same lines, the SMS betting system was introduced in 2008.

Off course turnover slightly improved by 2% mainly attributable to the increase in the number of race meetings in 2016.

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

Although it would have been to the benefit of all parties to relocate underperforming outlets to more appropriate locations, it is unfortunately extremely difficult to do so because of the very stringent procedures imposed by the authorities concerned.

TELETOTE

The Teletote was introduced in 1994. The number of Teletote account holders carries on increasing and reached 28,313 at end of 2016, with an average turnover of Rs 5 million per meeting.

The Company maintained the same turnover as in 2016 and registered an increase of 19% in the number of accounts opened to reach 1,754 (2014: 1,480) as demonstrated below. However, Teletote account holders have the alternative of SMS betting which significantly increased by 39% in 2016 to reach an annual turnover of Rs 28.8 million.

Since the launch of the new website in 2014, which offers a more convenient way of opening accounts, the number of accounts opened online has steadily increased from 678 in 2014 and 964 in 2015 to reach 1,347 in 2016. A summary of the Teletote activity and the trend over the last 6 years can be viewed in the below table.

Year	Teletote Calls	Teletote Turnover	Accounts Opened	No of Meetings	Average Turnover per meeting
2011	781,091	235,846,516	778	38	6,206,487
2012	756,811	214,966,898	645	38	5,657,024
2013	785,889	219,821,822	950	41	5,361,508
2014	772,099	207,491,878	1137	43	4,825,393
2015	613,538	177,131,700	1480	35	5,060,620
2016	622,243	184,907,158	1754	37	4,997,491

DIRECTORS' REPORT (CONT'D)

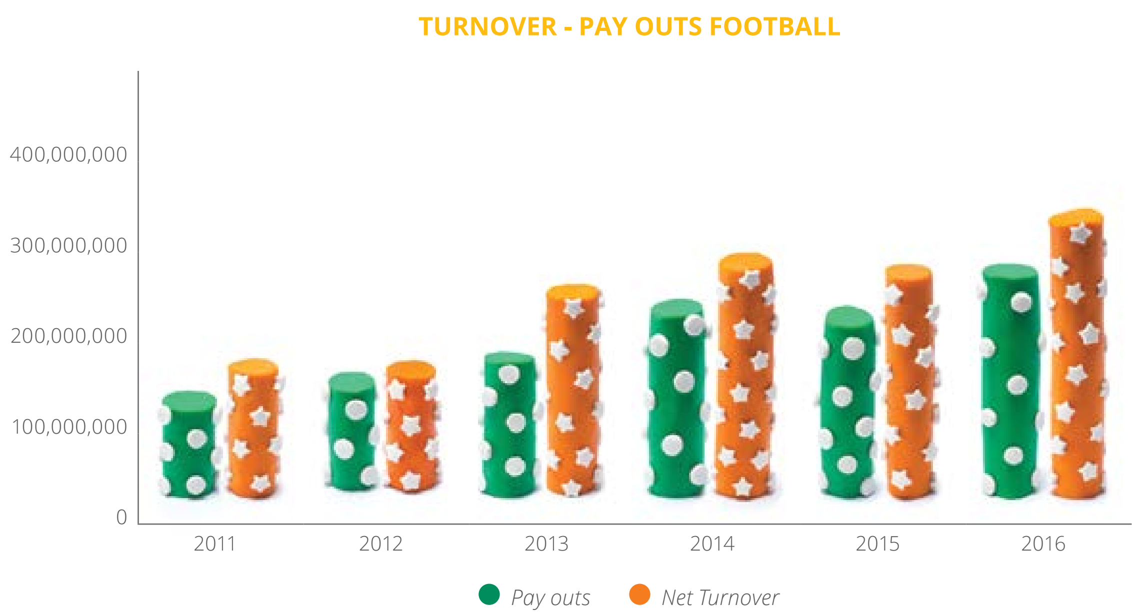
FOOTBALL

In 2008, the Company introduced fixed odd betting on international football matches.

Turnover for fixed odd betting on football reached Rs 383.5 million in 2016 which represents the best performance realised so far by the Company. This performance represents an improvement of 24% over 2015 despite having to cease football betting in three outlets, namely Triolet, Rose Hill and Chemin Grenier, at the end of June 2016 and another one at Petite Riviere in September 2016 because of a decision of the Gambling Regulatory Authority ('GRA') to limit the number of outlets per Company to ten. It is to be noted that ASL offers very competitive odds along with a variety of appealing bets and this has paid off through a significant growth.

The level of Gross Profit dropped from 22.5% in 2015 to 19.5% in 2016 but remains on par with the international trend. In the fixed odds business, the Company needs to constantly offer competitive odds in order to attract new customers and maintain its market share, thus having an impact on the revenue net of winnings.

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



DIRECTORS'
REPORT (CONT'D)

DEVELOPMENT IN AFRICA

In 2014, the Company invested in Megawin Ltd to the tune of 51% with a view of prospecting the betting market in Africa with a strategic partner well versed in the industry and well known by all key players.

Megawin Ltd ('Megawin') had its first full year of operation in 2015. It has the exclusivity of operating, in Africa, betting software of two international companies namely Mohio Gaming and Meridian Gaming.

Megawin, in partnership with local operators, operates prerecorded racing and Keno bets and is currently under contract with operators in Nigeria, Ivory Coast, Mozambique and Uganda and receives a commission on sales. A further growth is expected in 2017 and the Company will be on the lookout to secure new deals with betting operators in other regions of Africa.

The table below demonstrates the turnover realized by these operators.

Turnover Megawin				
Year	2016	2015	Variance	2016 v/s15
TOTAL	3,257,552	2,621,586	635,965	+24%

WEBSITE

The Company strongly believes that the mobile penetration on the internet will significantly increase in the coming years and it has ensured that the three betting websites were responsive and perfectly viewable from a mobile phone:

- www.supertote.mu – Our main website for Tote Betting was revamped in 2014 and the second phase of the website was completed in 2015; featuring live racing, training and racing videos together with comprehensive horse forms. The new version proved very popular amongst our clients with an average of more than 41,000 unique visitors per month across the globe compared to 35,000 in 2015. The Supertote website is, in Mauritius, amongst the most visited in its field and best ranked on Google search engine.

- www.superscore.mu – This website was launched in 2014 to cover football betting exclusively. Daily fixtures and odds are displayed as well as results. The second phase was completed in 2015 to feature live odds. The monthly number of unique visitors for the Superscore website has been constantly increasing to reach an average of 14,000 per month during the course of the year.

- www.automaticsystemsltd.com was launched in 2014 in order to convey information on the Company's corporate structure, management and administration, corporate events and financial statements.

SOCIAL MEDIA

The Company strongly believes in new technologies and in social media as a communication tool. Supertote has its own Facebook page which is followed by 5,200 persons. The number of followers doubled during the course of 2016. The Company used Facebook to communicate and post valuable information such as training videos, carry forwards and Tote dividend pay outs amongst others.

DIRECTORS' REPORT (CONT'D)

CORPORATE SOCIAL RESPONSIBILITY

The Company continues to care deeply about the environment and the community. In 2016, in line with its policy of supporting education, health, alleviation of poverty and focusing on the less privileged sections of society, the Company maintained its support from previous years and donated a total of Rs 563,810 to the following NGO's:

- PILS received acheque of Rs 75,000 for its action against HIV Aids in our society;
- The Mouvement Civique de Baie Du Tombeau received Rs 60,000 to help finance the running of "L'Ecole de la Vie", specialised in the rehabilitation of street children in the vicinity of Baie du Tombeau;
- Caritas received Rs 75,000 as a support to its poverty alleviation and social justice enhancement programme;
- The Haemophilia Association of Mauritius received Rs 75,000 to assist its action towards those suffering from haemophilia and other inherited bleeding disorders;
- The Garderie and Maternelle Etoile Association, which provides day care and education to children in need in the region of Black River, received Rs 113,810;
- The Muscular Dystrophy Association, aimed at providing assistance to persons suffering from muscular dystrophy, which is an incurable disease, received Rs 50,000;
- Oasis de Paix at Pointe aux Sables, a school co-founded in 2006 by late Father Henri Souchon and Mrs Monique Leung, received a cheque of Rs 100,000. The school's vision is to give a second chance to CPE drop-outs and to empower these children so that they become employable and responsible future citizens. The method used is a formal and non-formal teaching approach of academic subjects, combined with vocational training and extra-curricular activities;
- An amount of Rs 15,000 was attributed to Lupus Alert, who is the only registered NGO to provide active physical, moral, emotional and financial support to patients and families with Lupus and other related autoimmune diseases in Mauritius.

In addition, ASL contributed an amount of Rs 983,726 to the Gambling Regulatory Authority in order to set up a national responsible gambling program. ASL actively supports the Government's move and is willing to assist the GRA in the setting up of such a program as gambling must be perceived as leisure. A proper program will set the base for responsible gambling and will give professional support to compulsive gamblers.

DIRECTORS' REPORT (CONT'D)

OUTLOOK

As a measure to improve its service, the Company intends to facilitate betting by SMS and a new betting application will be launched as from the beginning of the 2017 racing season. The application will be available on Google play store and also IOS andwill offer a user friendly betting platform to place bets by SMS. The application will also offer other features like online deposits and withdrawals for Teletote accounts.

FOOTBALL

Since football betting started in 2008, turnover has reached a peak in 2016 with the attractive measures taken by the Company over the past few years. ASL is perceived as a trustworthy company which brings added confidence to the public. The Company believes that Football is tapping in the horse racing markets as it shows a steady growth while horse racing has been declining or showing no real growth year in year out since 2009.

ASL, as a dynamic company, will keep innovating and offering new type of bets to maintain or improve its market share. Football betting being more and more popular, ASL expects further growth in 2017.

AFRICA

The strategy is to expand cautiously through the Western African countries where contacts have been made with Local Lottery operators. The development of betting in Africa is a slow and risky process but with a good potential.

The Company is currently looking to apply for a betting licence in Rwanda in partnership with PMU Partenaire, which is a subsidiary of PMU France, with the responsibility of developing the PMU brand in Africa. The objective of the joint venture is to incorporate a company in Rwanda and offer sports bets and PMU bets on horse racing.

HIPPODROME AND ENTERTAINMENT PROJECT

ASL is studying for the implementation of a new racecourse whereby the MTC and all stake holders will be taken on board.

FINANCIAL OUTLOOK

A slight improvement is expected in the Tote turnover compared to 2016, where 6 meetings were held with only 7 races. A total of 200 new horses were acquired in 2017 which is very encouraging for the Tote business.

Following a cabinet decision in 2016, the Company was compelled to reduce the number of football outlets to a maximum of ten and has already closed down four outlets in 2016. ASL is contesting this decision in court and should this decision be maintained a further six outlets will have to be closed by June 2017.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CORPORATE GOVERNANCE REPORT

STATEMENT OF COMPLIANCE

The Board of Directors of Automatic Systems Ltd ("ASL" – "The Company") ensures that the principles of good Corporate Governance, as applicable in Mauritius, are fully adhered to and form an integral part of the Company's business practices. It is also committed to fair financial disclosure to its shareholders and all the stakeholders at large.

The New Code of Corporate Governance has been promulgated and is applicable for the Company as from its financial year starting 1 January 2018.

THE COMPANY'S STRUCTURE

ASL was incorporated on the 18 March 1991. Since 12 October 1994, it is listed on the official market of the Stock Exchange of Mauritius Ltd.

PRINCIPAL ACTIVITY

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

In 2014 the activities were extended to Africa via the subsidiary, Megawin Ltd in which the Company holds a 51% stake. Considering the operational risk in Africa, the Board opted for a prudent approach to this market.

CONSTITUTION OF THE COMPANY

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

THE ROLE OF THE BOARD AND ITS COMPOSITION

BOARD OF DIRECTORS

The Company has a unitary Board composed of ten Directors, with a suitable mix of two Executive, four Non-Executive and four Independent Directors. The Chairperson is an Independent Director.

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

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

In line with the Code and the Constitution of the Company, all Directors stand for re-election and/or re appointment on an annual basis. The names of all present Directors, their profile and categories as well as their directorships in other listed companies are set out on pages 30 and 31.

MANAGING DIRECTOR

Mr. Guillaume Hardy is the Managing Director of the Company.

BOARD CHARTER

A Board charter will be adopted to identify the specific responsibilities of the Board of Directors and thereby to enhance coordination and communication between the Board and its committees and the Board and Management.

BOARD EVALUATION

A Board evaluation will be carried during the first semester of 2017.

BOARD ACTIVITY DURING THE YEAR

The Board met four times in 2016 and the individual attendance by Directors is detailed on page 26.

DEALING IN SHARES OF THE COMPANY

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

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

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

CORPORATE GOVERNANCE REPORT (CONT'D)

The table below sets out, as at 31 December 2016, the Directors' respective category, direct and indirect interests, and number of other directorships in listed companies:

	Category	Direct Interest		Indirect Interest	Number of Other Directorships in Listed Companies
Directors/Alternates		Shares	%	%	
Ravindra CHETTY	IND	100	0.0	nil	-
Eric ESPITALIER-NOËL	IND	nil	nil	nil	6
Jean HARDY (Also alternate to Farouk HOSSEN)	ED	nil	nil	0.2	-
Hervé HENRY	NED	nil	nil	nil	-
Farouk HOSSEN	IND	22,049	0.6	nil	-
Michel NAIRAC	NED	nil	nil	nil	-
John STUART	NED	nil	nil	nil	-
Guillaume HARDY	ED	nil	nil	nil	-
Arvind Lall DOOKUN	NED	10,411	0.3	0.1	-
Mushtaq OOSMAN	IND	Nil	Nil	Nil	2

ED - Executive Director

IND - Independent Director

NED - Non Executive Director

BOARD COMMITTEES

AUDIT AND RISK COMMITTEE

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

- The quality and integrity of financial statements and public announcements related thereto;
- The Company's compliance with legal and regulatory requirements;
- The scope and effectiveness of the external audit function as well as the qualifications, experience and independence of the external auditors;
- The effectiveness of the Company's systems of internal control and practices;
- The policies and procedures established to minimize business risks, including the risk of money laundering through the tote system;

- The integrity and effectiveness of the automated system managing the bets on Supertote; and
- The adequacy of the insurance cover subscribed to by the Company.

Please refer to pages 28 and 29 for disclosures in respect of internal control and risk management.

CORPORATE GOVERNANCE NOMINATION AND REMUNERATION COMMITTEE

The objectives of the Corporate Governance Nomination and Remuneration Committee are as follows:

Corporate Governance

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

Nomination

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

Remuneration

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

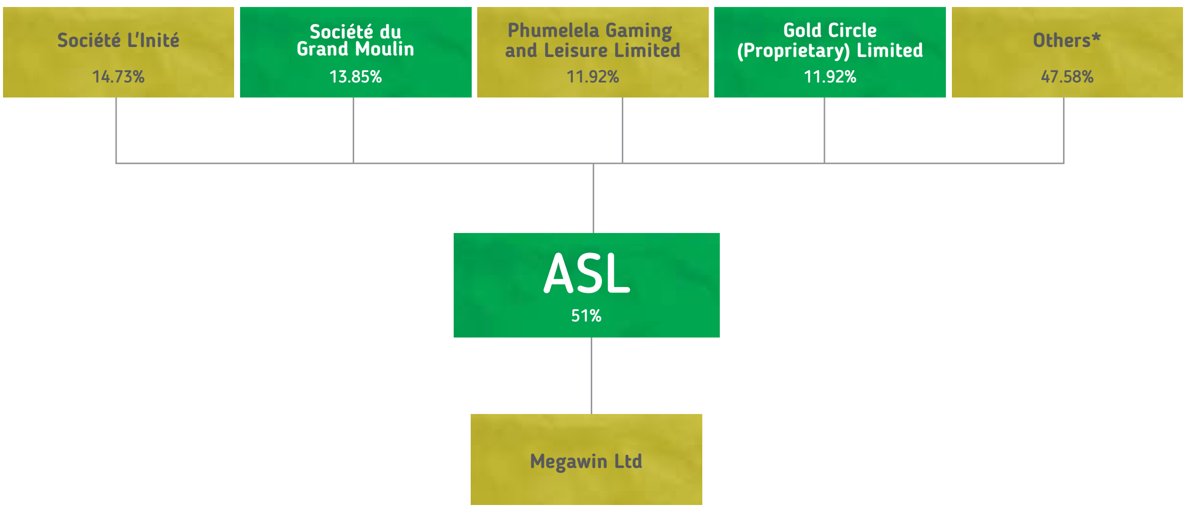
CORPORATE GOVERNANCE REPORT (CONT'D)

SHAREHOLDING

At 31 December 2016, the Company's share capital amounted to Rs 24,745,000 divided into 3,535,000 ordinary shares of Rs 7.00 each. There were 1,635 shareholders on the registry compared to 1,655 in 2015.

CASCADE HOLDING STRUCTURE

ASL's shareholding structure is as follows:



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

CORPORATE GOVERNANCE
REPORT (CONT'D)

On 31 December 2016, 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
Société L'Inité	520,667	14.7	-
Société du Grand Moulin	489,686	13.9	-
Phumelela Gaming and Leisure Ltd	421,323	11.9	-
Gold Circle (Proprietary) Limited	421,324	11.9	-

Common Directorships of ASL holding structure:

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

SGM	*Société du Grand Moulin*
SLI	*Société L'Inité*
PGL	*Phumelela Gaming and Leisure Ltd*
GCPL	*Gold Circle (Proprietary) Limited*
ML	*Megawin Ltd*

CORPORATE GOVERNANCE REPORT (CONT'D)

The Company's shareholding profile as at 31 December 2016 was as follows:

Number of Shares Held (range)	Number of Shareholders	Total Number of Shares for the Range	Percentage Held
1-500	1,268	199,673	5.65
501-1,000	183	124,494	3.52
1,001-5,000	132	300,202	8.49
5,001-10,000	20	132,970	3.76
10,001-50,000	23	452,429	12.8
50,001-100,000	2	130,506	3.69
100,001-250,000	3	341,726	9.67
250,001-500,000	3	1,332,333	37.69
500,001-99,999,999	1	520,667	14.73
	1,635	3,535,000	100

Summary of Shareholder category at 31 December 2016:

	Number of Shareholders	Total Number of Shares Held	Percentage Held
Individual	1,574	1,288,177	36.44
Insurance & Assurance Companies	5	130,172	3.68
Pension & Providence Funds	1	2,700	0.08
Investment & Trust Companies	2	18,601	0.53
Other Corporate Bodies	53	2,095,350	59.27
	1,635	3,535,000	100

SHARE PRICE INFORMATION

At 31 December 2016, the share price of the Company was Rs 55.75 (Rs 35 at 31 December 2015).

DIVIDEND POLICY

The Company has no formal dividend policy. The payment of dividends is subject to the performance of the Company, its cash flow and its capital expenditure requirements. For the year ended 31 December 2016, the Directors have approved the distribution of a final dividend of Rs 4.00 per share (2015: Rs 3.00).

SHAREHOLDERS' AGREEMENT

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

SHAREHOLDERS COMMUNICATION AND EVENTS

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

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

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

STATEMENT OF REMUNERATION POLICY

The remuneration structure with regards to Directors' fees for 2016 comprises two components, namely, a basic yearly fee and an attendance fee as follows:

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

CORPORATE GOVERNANCE REPORT (CONT'D)

STATEMENT OF REMUNERATION POLICY (CONT'D)

The table below sets out the details of attendance of directors at meetings during 2016 and Directors' remuneration perceived in relation thereto:

	Attendance at Meetings during 2016			
Directors / Alternate	Board	Audit and Risk Committee	Corporate Governance Committee	Directors' remuneration MUR
Eric ESPITALIER-NOËL	4/4	-	2/2	145,000
Jean HARDY	4/4	-	2/2	2,704,895
Farouk A. HOSSEN	4/4	2/4	-	55,000
Hervé HENRY *	3/4	3/4	-	82,500
Ravindra CHETTY	3/4	-	2/2	77,500
John STUART	3/4	-	-	52,500
Michel NAIRAC	4/4	-	-	65,000
Guillaume HARDY	4/4	-		3,583,865
Arvind Lall DOOKUN	4/4	4/4	-	95,000
Mushtaq OOSMAN**	2/3	2/3		70,000

** Resigned as Chairman of the Audit and Risk Committee on the 25 March 2016*

*** Appointed as Director and Chairman of the Audit and Risk Committee on the 25 March 2016*

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

EMPLOYEES

ASL currently employs, on a full time basis, twenty nine persons who are involved in the daily operations of the Company. 256 casual workers were recruited during the racing season. Furthermore, for its off course operation, the Company has a working arrangement with twenty agents/supervisors, each employing an average of eight casual workers during the racing season.

SHARE OPTION PLAN

The Company does not have any share-option plan.

PROFILE OF SENIOR OFFICERS

Please refer to page 31 of the report.

CORPORATE GOVERNANCE
REPORT (CONT'D)

INTERESTS OF SENIOR OFFICER – EXCLUDING DIRECTORS

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

SUSTAINABILITY REPORTING

The Company endeavours to adopt environmentally, socially and ethically sound business behaviour and understands that sustainability reporting is not an increased burden but a tool towards making better resource allocation decisions.

The Company is compliant with the requirements of ISO 9001 Standard Quality Management Systems. It has opted to use this referential model as a guide to document its existing system into procedures and work instructions that are and will be systematically followed by everyone for consistently attaining right results. ASL keeps its documents up to date and thereby maintains its certification through yearly internal and external quality audits.

ETHICS

The Company's Code of Ethics was circulated to all employees and agents in 2013 and can be viewed on the Company's website (www.automaticsystemsltd.mu). New employees joining the Company thereafter are given a copy of the Code of Ethics and are apprised thereof during their induction session.

CARBON REDUCTION COMMITMENT

The Company is conscious of its impact on the environment and firmly intends to reduce its carbon footprint over time. In March 2016 the Company invited its shareholders to contribute to this endeavour by accepting to support the Board's decision to provide the annual report of Automatic Systems Ltd in electronic format as from the financial year ended 31 December 2015. The response was satisfactory. Shareholders wishing to encourage this initiative are invited to contact the Share Registry and Transfer Office on the 2121998.

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

The Company has taken the following measures in 2016 to reduce its power consumption:

- The Company worked with Topco for the production of thermal paper rolls. They import their raw materials from the Koehler Paper Group (ISO14001) based in Germany. The Koehler group is committed to environment protection;
- New DC drive Air Conditioning units with lower power consumption have replaced the previous models; and
- Some mercury based fluorescent lamps have been replaced by LED low energy lamps across the offices.

FUTURE COMMITMENTS

The Company is committed to continuously:

- Reduce paper consumption;
- Consider the factor of energy-efficient when acquiring new equipment; and
- Replace fluorescent lamps by low energy LED lamps.

HEALTH AND SAFETY

The Company endeavours to provide a safe environment to its employees and other Stakeholders. The Company has a Health & Safety consultant to ensure that the Company complies with the relevant prescribed health and safety norms and abides by the existing legislative and regulatory frameworks pertaining thereto. Ten employees have been trained to use firefighting equipment and undergo staff evacuation in case of emergency. Furthermore, four employees are qualified first aiders. The Company continuously strives at instilling a safety culture among its employees and is committed to providing a Health and Safety environment at work. The Company has adopted a general statement of health and safety policy.

CORPORATE GOVERNANCE REPORT (CONT'D)

HEALTH AND SAFETY (CONT'D)

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

The Company has the following measures in place to prevent accidents and work related injuries, namely:

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

SOCIAL ISSUES

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

MANAGEMENT AGREEMENT

The Company does not have a Management Agreement.

RELATED PARTY TRANSACTIONS

Please refer to Note 27 to the Financial Statements.

CORPORATE SOCIAL RESPONSIBILITY

Please refer to page 14 of the Directors' Report for disclosures in respect of Corporate Social Responsibility.

INTERNAL CONTROL AND RISK MANAGEMENT

Due to the costs involved, the Directors have resolved not to appoint an Internal Auditor for the time being. The Audit and Risk Committee works closely with the Management and External Auditors to ensure that the Company's system of control effectively enables the Company to mitigate the risks inherent to its activity.

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

RISK MANAGEMENT

The Board is responsible for the overall management of risks and has delegated to the Audit and Risk Committee the responsibility of implementing a structure and process to help identify, assess and manage risks. Risk reviews are regularly conducted and mitigating measures implemented accordingly. The Company is aware that its major risks are beyond its control.

The main risks faced by the Company are as follows:

HORSE POPULATION

Competitive races and the number of race meetings depend on a healthy horse population.

Despite a noted improvement in horse imports in 2016, the limited number of acquisitions in 2015 impacted negatively on the beginning of the 2016 season with less runners entered in races and a numbered of cancelled races due to lack of runners. With an encouraging 140 horses imported in 2016 and a good expected level of new acquisitions for 2017, the risk of cancellation of races due to lack of runners is reduced.

CORPORATE GOVERNANCE
REPORT (CONT'D)

TAXES AND LEVIES

The Company is tributary to Government decisions as regards taxes and levies. The impact of the last increase in taxes and levies on the cost structure of the Company has been considerable. The Company has no choice than to comply with Authorities' decisions and new tax legislations. The Company, however, communicates its concern regarding new tax legislations to the authorities on a regular basis.

MARKET

The Company finds it challenging to maintain its market share due to the fact that it operates in a highly competitive and regulated market. The Company also faces unfair competition from illegal betting. In this difficult environment the Company's know how and experience coupled with well spread outlets contribute to keep up its competitive edge.

Numerous factors directly affect the Company's revenue, such as: the number of race meetings held annually, the number of Off-Course betting shops allowed to operate, the performance of the Mauritian economy and the number of Bookmakers operating outside the racecourse. Changes in the Company's business environment are regularly assessed by Management so as to contain any adverse impact on profitability.

OPERATIONAL

The operational risks relate to internal processes which are regulated by information technology software controlling the betting operations of the Company. That system is closely monitored at management level with cash reconciliations prepared and verified on a weekly basis. The integrity of the betting system provided and tested by Amtote International Inc. represents the main operational risk. However all software changes concerning the Amtote Betting System are made by Amtote International Inc and are secured with proper controls at different levels. The database is the property of Amtote International Inc. and users cannot make changes thereto but can only generate reports from the system.

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

IT operations and business processes are ISO certified, regularly audited, monitored and improved wherever possible. IT and Security policies, standards and guidelines have been implemented. As a security for the business continuity, the Company has a secondary site with the redundant AmTote equipment and necessary infrastructure. The secondary site is running live with real-time data. It is intended that BCP (business continuity plan) will be used to respond to disruptions of critical business processes whereby a faster recovery can take place.

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 operates according to a high standard of ethics and fairness with regards to the horse racing industry, regulators, punters and the public.

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

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

Ravindra Chetty
Director

Sophie Gellé
Box Office Ltd
Secretary

27 March 2017

CORPORATE GOVERNANCE REPORT (CONT'D)

DIRECTORS PROFILES

Eric ESPITALIER-NOEL (57 years) – Chairperson – Independent Director

Appointed Director in 2004

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

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

Jean HARDY (68 years) – Executive Director

Appointed Director at incorporation in 1991

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

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

Guillaume HARDY (42 years) – Managing Director

Appointed Director in 2013 and Managing Director in 2014

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

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

Hervé HENRY (70 years) – Non-Executive Director

Appointed Director at incorporation in 1991

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

Ravindra CHETTY S.C (54 years) – Independent Director

Appointed Director in 1997

Ravindra CHETTY, born in 1962, read Law at Balliol College, Oxford University. He was called to the bar in Middle Temple, England and in Mauritius in 1987. Since then he is practising as a barrister at law in Mauritius. His practice involves various areas such as civil, commercial, tax and insurance law. 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.

Farouk HOSSEN (71 years) – Independent Director

Appointed Director in 1991

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

CORPORATE GOVERNANCE
REPORT (CONT'D)

John STUART (60 years) – Non-Executive Director

Appointed Director in 2008

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

Michel NAIRAC (62 years) – Non-Executive Director

Appointed Director in 2012

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

Arvind Lall DOOKUN (53 years) – Independent Director

Appointed Director in 2013

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

Mushtaq OOSMAN (62 years) – Independent Director

Appointed Director in 2016

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

SENIOR MANAGER'S PROFILE

Robert AH YAN (47 years) – Tote and Sports Systems Manager

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

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

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

CORPORATE GOVERNANCE REPORT (CONT'D)

OTHER STATUTORY DISCLOSURES

CONTRACT OF SIGNIFICANCE

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

DIRECTORS

A list of Directors of the Company is given on Page 2.

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company have service contracts that need to be disclosed under Section 221 of the Companies Act 2001.

INDEMNITY INSURANCE

During the year under review, the directors have renewed the indemnity insurance cover for Directors'/Officers' liability, such policy covers the risks arising out of the acts or omissions of the Directors and officers of the Company except in cases of fraudulent, malicious or willful acts or omissions.

DIRECTORS' SHARE INTEREST

The interests of the Directors in the securities of the Company as at 31 December 2016 are disclosed at page 20.

DIRECTORS' EMOLUMENTS

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

	2016	2015
	Rs 000	Rs 000
Non-Executive Directors	642	638
Executive Directors	6,289	5,930

CORPORATE GOVERNANCE
REPORT (CONT'D)

DONATIONS / CSR

Donations made during the year were as follows:

	2016	2015
	Rs	Rs
Caritas	75,000	60,000
PILS	75,000	50,000
Haemophilia Association of Mauritius	75,000	50,000
Mouvement Civique de la Baie du Tombeau	60,000	30,000
Garderie et Maternelle L'Etoile Association	113,810	56,375
The Muscular Dystrophy Association	50,000	30,000
Oasis de Paix	100,000	60,000
Mouvement pour le progres de Roche Bois	nil	20,000
Lupus Alert	15,000	nil
Total	563,810	356,375

AUDITORS' REMUNERATION

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

	2016	2015
	Rs 000	Rs 000
Audit fees	780	765
Tax services fees	89	87

CORPORATE GOVERNANCE REPORT (CONT'D)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

For the year under review, the Directors report that:

- the financial statements fairly present the state of affairs of the Company as at the end of the financial period and the result of operations and cash flows for that period;
- the external auditors are responsible for reporting on whether the financial statements are fairly presented;
- adequate accounting records and an effective system of internal controls and risk management have been maintained;
- appropriate accounting policies supported by reasonable and prudent judgments and estimates have been used consistently;
- the financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS);
- the financial statements have been prepared on the going concern basis;
- they are responsible for safeguarding the assets of the Company;
- they have taken reasonable steps for the prevention and detection of fraud and other irregularities; and
- the Code of Corporate Governance has been adhered to in all material aspects and valid reasons have been provided in cases of non-compliance.

By Order of the Board

Eric Espitalier-Noël
Chairperson

Ravindra Chetty
Director

This 27 March 2017.

STATEMENT OF COMPLIANCE

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

Name of PIE: AUTOMATIC SYSTEMS LTD

Reporting Period: Financial year ended 31 December 2016

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

Eric Espitalier-Noël
Director

Ravindra Chetty
Director

This 27 March 2017.

SECRETARY'S REPORT

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

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

Sophie Gellé
Box Office Ltd
Secretary

27 March 2017

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF AUTOMATIC SYSTEMS LTD

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of Automatic Systems Ltd (the "Company") and its subsidiary (together the "Group") and of the Company standing alone as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001.

What we have audited

Automatic System Ltd's consolidated and separate financial statements set out on pages 46 to 87 comprise:

- the consolidated and separate balance sheets as at 31 December 2016;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

BASIS FOR OPINION

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

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

Independence

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
GROUP AND COMPANY	**GROUP AND COMPANY**
MRA Claim	
(See note 26 – Tax claim from the Mauritius Revenue Authority ("MRA")	We have sighted all communications between the MRA and the Company, including the tax assessments raised by the MRA.
In December 2014 and June 2015, the Company received claims from the Mauritius Revenue Authority ("MRA") in respect of racing seasons 2012, 2013 and 2014 following the examination of the Company's books and records in relation to betting tax.	We have discussed with the directors the possibility of this liability crystallising. We have also circularised and discussed with the Company's legal advisor, who is of the opinion that there is a possibility that the outcome of the case could be against the Company.
The MRA claims that betting tax on "All for All" bets placed with the Company in respect of the above racing seasons has not been properly accounted for. It has quantified the total tax due at Rs 25.7m as at 31 December 2015 (31 December 2014: Rs 21.5m) inclusive of penalty and interest. There has been no subsequent communication from the MRA.	In light of the above, we concluded that a provision for a tax liability of Rs 25.7 million as at 31 December 2016 is not required but that a contingent liability should be disclosed in the financial statements. We have satisfactorily assessed the completeness and accuracy of the disclosures in respect of the contingent liability in the financial statements.
The Company has made an appeal against this claim. No provision in relation to this claim has been recognised in these financial statements as the directors are of the opinion that, based on legal advice, it is possible but not probable that a significant liability will arise. A contingent liability note to that effect has been disclosed in the financial statements.	

INDEPENDENT AUDITOR'S
REPORT (CONT'D)

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

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the board and committees and management information, the administration data, the directors' report, the corporate governance report, the statement of compliance and the secretary's report, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our reporting responsibilities regarding the corporate governance report is dealt with in the "Report on Other Legal and Regulatory Requirements" section of this report.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S
REPORT (CONT'D)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Mauritian Companies Act 2001

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

a. we have no relationship with or interests in the Company and its subsidiary 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. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the "Code") as disclosed in the annual report on pages 12 to 25 and on whether the disclosure is consistent with the requirements of the Code.

In our opinion, the disclosure in the annual report on pages 18 to 34 is 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 **Robert Coutet,** licensed by FRC

27 March 2017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FINANCIAL STATEMENTS

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Income (Note 7)	332,600	313,430	327,917	308,979
Government taxes and duties	(128,481)	(123,186)	(128,481)	(123,186)
Payment to National Solidarity Fund	(13,596)	(12,275)	(13,596)	(12,275)
Net income	190,523	177,969	185,840	173,518
Other income	507	483	507	483
Selling expenses	(29,954)	(28,315)	(26,134)	(24,838)
Operating expenses	(95,463)	(76,592)	(95,463)	(76,592)
Payments to The Mauritius Turf Club	(42,590)	(42,712)	(42,590)	(42,712)
Operating profit (Note 8)	23,023	30,833	22,160	29,859
Finance income	319	309	319	309
Finance costs	(831)	(1,472)	(808)	(1,456)
Finance costs – net (Note 10)	(512)	(1,163)	(489)	(1,147)
Profit before income tax	22,511	29,670	21,671	28,712
Income tax expense (Note 11)	(3,491)	(5,759)	(3,491)	(5,759)
Profit for the year	19,020	23,911	18,180	22,953
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Changes in the fair value of available-for-sale financial assets	91	1,186	91	1,186
Re-measurements of post-employment benefit obligations (Note 22)	(407)	(771)	(407)	(771)
Deferred tax charge relating to re-measurements of post employment benefits (Note 23)	69	131	69	131
Re-measurements of post-employment benefit obligations – net of tax	(247)	546	(247)	546
Profit and total comprehensive income for the year	18,773	24,457	17,933	23,499
Profit for the year attributable to:				
Owners of the company	18,609	23,442	18,180	22,953
Non-controlling interests	411	469	-	-
	19,020	23,911	18,180	22,953
Total comprehensive income attributable to:				
Owners of the company	18,362	23,988	17,933	23,499
Non-controlling interests	411	469	-	-
	18,773	24,457	17,933	23,499
Basic and diluted earnings per share (Note 12)	5.38	6.76	5.14	6.49

The notes on pages 51 to 87 are an integral part of these consolidated financial statements.

FINANCIAL
STATEMENTS (CONT'D)

CONSOLIDATED AND SEPARATE BALANCE SHEETS – 31 DECEMBER 2016

	GROUP		COMPANY	
	As at 31 December		As at 31 December	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
ASSETS				
Non-current assets				
Plant and equipment (Note 13)	**17,018**	17,812	**15,508**	16,829
Goodwill (Note 14)	**73,514**	73,514	**73,514**	73,514
Investment in Subsidiary (Note 15)	**-**	-	**1,020**	1,020
Available-for-sale financial assets (Note 16)	**1,377**	1,286	**1,377**	1,286
Trade and other receivables (Note 17)	**491**	1,761	**491**	1,761
	92,400	94,373	**91,910**	94,410
Current assets				
Inventories (Note 19)	**286**	338	**286**	338
Current income tax asset (Note 11)	**934**	934	**886**	886
Trade and other receivables (Note 17)	**25,717**	20,401	**24,125**	19,583
Cash and cash equivalents (Note 18)	**11,634**	10,424	**10,992**	9,477
	38,571	32,097	**36,289**	30,284
Total assets	**130,971**	126,470	**128,199**	124,694
EQUITY				
Equity attributable to owners of the company				
Share capital (Note 20)	**24,745**	24,745	**24,745**	24,745
Share premium (Note 21)	**1,168**	1,168	**1,168**	1,168
Post-employment benefits reserve	**177**	515	**177**	515
Fair value reserve	**1,277**	1,186	**1,277**	1,186
Retained earnings	**37,601**	32,921	**37,207**	32,956
	64,968	60,535	**64,574**	60,570
Non-controlling interests	**1,356**	945	**-**	-
Total equity	**66,324**	61,480	**64,574**	60,570
LIABILITIES				
Non-current liabilities				
Deferred income tax liability (Note 23)	**68**	117	**68**	117
Post-employment benefits (Note 22)	**2,750**	2,161	**2,750**	2,161
	2,818	2,278	**2,818**	2,278
Current liabilities				
Trade and other payables (Note 24)	**46,681**	41,009	**45,659**	40,143
Bank overdraft (Note 18)	**-**	7,991	**-**	7,991
Dividend payable (Note 25)	**14,140**	10,605	**14,140**	10,605
Current income tax liability (Note 11)	**1,008**	3,107	**1,008**	3,107
	61,829	62,712	**60,807**	61,846
Total liabilities	**64,647**	64,990	**63,625**	64,124
Total equity and liabilities	**130,971**	126,470	**128,199**	124,694

Authorised for issue by the Board of Directors on 27 March 2017 and signed on its behalf by:

Eric Espitalier-Noël
Director

Ravindra Chetty
Director

The notes on pages 51 to 87 are an integral part of these consolidated financial statements

FINANCIAL STATEMENTS (CONT'D)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to Owners of the Parent							
	Share Capital	Share Premium	Post-Employment Benefits Reserve	Fair Value Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Group								
Balance as at 01 January 2015	24,745	1,168	1,155	-	20,084	47,152	476	47,628
Profit for the year	-	-	-	-	23,442	23,442	469	23,911
Other comprehensive income for the year	-	-	(640)	1,186	-	546	-	546
Profit and total comprehensive income for the year	-	-	(640)	1,186	23,442	23,988	469	24,457
Transactions with owners								
Dividends (Note 25)	-	-	-	-	(10,605)	(10,605)	-	(10,605)
Total transactions with owners	-	-	-	-	(10,605)	(10,605)	-	(10,605)
Balance as at 31 December 2015	24,745	1,168	515	1,186	32,921	60,535	945	61,480
Balance as at 01 January 2016	24,745	1,168	515	1,186	32,921	60,535	945	61,480
Profit for the year	-	-	-	-	18,609	18,609	411	19,020
Other comprehensive income for the year	-	-	(338)	91	-	(247)	-	(247)
Profit and total comprehensive income for the year	-	-	(338)	91	18,609	18,362	411	18,773
Transactions with owners								
Dividends (Note 25)	-	-	-	-	(14,140)	(14,140)	-	(14,140)
Unclaimed dividends	-	-	-	-	211	211		211
Total transactions with owners	-	-	-	-	(13,929)	(13,929)		(13,929)
Balance as at 31 December 2016	24,745	1,168	177	1,277	37,601	64,968	1,356	66,324

The notes on pages 51 to 87 are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital	Share Premium	Post Employment Benefits Reserve	Fair Value Reserve	Retained Earnings	Total Equity
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Company						
Balance as at 01 January 2015	24,745	1,168	1,155	-	20,608	47,676
Profit for the year	-	-	-	-	22,953	22,953
Other comprehensive income for the year	-	-	(640)	1,186	-	546
Profit and total comprehensive income for the year	-		(640)	1,186	22,953	23,499
Transactions with owners		-				
Dividends (Note 25)	-	-	-	-	(10,605)	(10,605)
Total transactions with owners	-	-	-	-	(10,605)	(10,605)
Balance as at 31 December 2015	24,745	1,168	515	1,186	32,956	60,570
Balance as at 01 January 2016	24,745	1,168	515	1,186	32,956	60,570
Profit for the year	-	-	-	-	18,180	18,180
Other comprehensive income for the year	-	-	(338)	91	-	(247)
Profit and total comprehensive income for the year	-	-	(338)	91	18,180	17,933
Transactions with owners						
Dividends (Note 25)	-	-	-	-	(14,140)	(14,140)
Unclaimed dividends	-	-	-	-	211	211
Total transactions with owners	-	-	-	-	(13,929)	(13,929)
Balance as at 31 December 2016	24,745	1,168	177	1,277	37,207	64,574

The notes on pages 51 to 87 are an integral part of these consolidated financial statements.

FINANCIAL STATEMENTS (CONT'D)

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Cash flows from operating activities				
Profit before income tax	**22,511**	29,670	**21,671**	28,712
Adjustments for:				
Depreciation of plant and equipment (Note 13)	**6,673**	6,434	**6,353**	6,212
Profit on disposal of plant and equipment (Note 8)	**-**	(3)	**-**	(3)
Dividend income (Note 10)	**(140)**	(209)	**(140)**	(209)
Interest income (Note 10)	**(179)**	(100)	**(179)**	(100)
Interest expense (Note 10)	**831**	1,472	**808**	1,456
Net post-employment benefit charge (Note 22)	**182**	116	**182**	116
Working capital changes				
Decrease/(Increase) in inventories	**53**	(210)	**53**	(210)
Increase in trade and other receivables	**(4,046)**	(12,813)	**(3,272)**	(12,238)
Increase in trade and other payables	**5,882**	8,444	**5,726**	7,865
Cash generated from operations	**31,767**	32,801	**31,202**	31,601
Interest received (Note 10)	**179**	100	**179**	100
Income tax paid (Note 11)	**(5,006)**	(1,336)	**(5,006)**	(1,336)
Corporate Social Responsibility contribution paid (Note 11)	**(564)**	(357)	**(564)**	(357)
Interest paid (Note 10)	**(831)**	(1,472)	**(808)**	(1,456)
Net cash from operating activities	**25,545**	29,736	**25,003**	28,552
Cash flows from investing activities				
Payments for purchase of plant and equipment (Note 13)	**(5,879)**	(6,165)	**(5,032)**	(5,625)
Proceeds from sales of plant and equipment	**-**	86	**-**	86
Dividends received (Note 10)	**140**	209	**140**	209
Net cash used in investing activities	**(5,739)**	(5,870)	**(4,892)**	(5,330)
Cash flows from financing activities				
Dividends paid (Note 25)	**(10,605)**	(8,838)	**(10,605)**	(8,838)
Net cash used in financing activities	**(10,605)**	(8,838)	**(10,605)**	(8,838)
Net increase in cash and cash equivalents	**9,201**	15,028	**9,506**	14,384
Cash and cash equivalents at beginning of year	**2,433**	(12,595)	**1,486**	(12,898)
Cash and cash equivalents at end of year (Note 18)	**11,634**	2,433	**10,992**	1,486

The notes on pages 51 to 87 are an integral part of these consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016

1. GENERAL INFORMATION

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

The Company is a public company with limited liability, which is listed on the Stock Exchange of Mauritius and incorporated and domiciled in Mauritius. The address of its registered office is C/o Box Office Ltd, 2nd Floor, Palm Square, 90906, La Mivoie, Tamarin, Republic of Mauritius.

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.

2.1 Basis of preparation

(i) Compliance with IFRS

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

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets.

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

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

2.1.1 Changes in accounting policy and disclosures

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

There are no new standards, amendments and interpretations that are effective during the year that would be expected to have a material impact on the Group and Company.

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

IFRS 9, 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

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

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

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

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

IFRS 15, 'Revenue from contracts with customers'
The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a full retrospective application, or prospective application with additional disclosures and is effective for annual periods beginning on or after 1 January 2018.The Group is assessing the impact of IFRS 15.

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

2.2 Principles of consolidation

(a) Subsidiaries

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

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

2.2 Principles of consolidation (cont'd)

(a) Subsidiaries (cont'd)

- Changes in ownership interests

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

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

Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

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

2.2 Principles of consolidation (cont'd)

(a) Subsidiaries (cont'd)

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

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

Segmental reporting

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

The Board of Directors who has been identified as the CODM, assesses the financial performance and position of the Group and makes strategic decision.

Foreign currency translation

(a) Functional and presentation currency

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

- Group companies

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

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

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

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

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

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

Plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

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

Plant and equipment (cont'd)

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

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

Equipment	12.5 %
Teletote	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%
Motor vehicles	20%

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 recognised in 'Other income' in the consolidated statement of comprehensive income.

Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the identifiable net assets acquired.

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

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

Impairment of assets

Intangible assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of disposal and value in use.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

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

Impairment of 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. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

- Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. 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 Group's loans and receivables comprise of trade and other receivables and cash and cash equivalents in the consolidated balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. The fair values of quoted investments are based on current bid prices.If the market for a financial asset is not active (and for unlisted securities), the Group 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.

- Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

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

(b) Available-for-sale financial assets (cont'd)

- Recognition and derecognition

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

- Measurement

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

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

– for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses.

– for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income.

– for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

As at 31 December 2016, the Group has taken into account the net asset value of Central Depository and Settlement Co. Ltd as a proxy to determine the fair value of the available-for-sale investment that it holds in that Company.Given that the above financial assets comprises only 1.05% of total assets of the Group, the directors do not consider it material to determine the fair value of the investments using a more sophisticated valuation technique in line with requirements of IAS 39.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of comprehensive income as part of revenue from continuing operations.

- Offsetting financial instruments

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

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

Impairment of financial assets

- Assets carried at amortised cost

The Group 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, 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 Group 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.

- Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Inventories

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

Trade receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

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

Cash and cash equivalents

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

Share capital

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

Trade payables

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

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

Borrowings

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

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

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

Borrowing costs

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

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

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

Current and deferred income tax

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

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

Current and deferred income tax (cont'd)

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 consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

Employee benefits

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

a. Pension obligations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

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

Employee benefits (cont'd)

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

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

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

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

b. Other entitlements

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

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

c. Termination benefits

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

d. Profit-sharing and bonus plans

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

Revenue recognition

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

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

a. Income

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

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

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

b. Interest income

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

c. Dividend income

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

Dividend distribution

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a. Critical accounting estimates and assumptions

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

Pension benefits

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

The Group's actuary determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group 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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

a. Critical accounting estimates and assumptions (cont'd)

Pension benefits (cont'd)

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

Useful lives of plant and equipment

The Group'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 equipment's useful lives and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

- Market risk

a. Foreign exchange risk

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

b. Price risk

The Group is exposed to equity securities price risk because of investment held by the Group and classified on the consolidated balance sheet as available-for-sale. Given that the investment comprises only **1.07%** (2015: 1.10%) of the total assets, the impact on equity is not considered significant.

c. Fair value Interest rate risk

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

Based on the simulations performed, at 31 December 2016, the impact on pre-tax profit of 50 basis points increase/decrease in interest rate would be a maximum decrease/increase of **Rs 54,955** (2015 – Rs 7,430) respectively at company level and **Rs 58,165** (2015: Rs 12,165) at group level.

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

- Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

4. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (cont'd)

- Credit risk (cont'd)

The Group is however exposed to trade receivables from off-course agents as the off-course agents have the responsibility to remit the proceeds from betting to the Group on a weekly basis. The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables estimated by the Group's management based on prior experience and the current economic environment. The Group's management make a monthly analysis of the aged debtors listing for off course agents and determine the appropriate level of specific impairment to be provided for long outstanding trade receivables from agents. The impairment is determined on a case by case basis based on response and follow-ups made with the off-course agents. Note 17 of the financial statements provide a disclosure of the credit risk the Group is exposed to at the reporting period.

Credit risk also arises from cash at bank. The Group has no significant concentrations of credit risk as it trades with the most reputable banks and companies in Mauritius. The Group 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. For banks, the Group only banks with institutions that are of good repute.

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

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Trade receivables (neither past due nor impaired)				
Counterparties without external credit rating				
Group 1	4,306	1,586	2,714	1,586

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

The amount that best represents the Group's maximum exposure to credit risk at 31 December 2016 is the carrying value of the financial assets in the consolidated balance sheet.

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

4. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (cont'd)

Credit risk (cont'd)

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

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Trade receivables (past due but not impaired)				
Past due but not impaired:				
Greater than 365 days	**491**	1,761	**491**	1,761

	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Trade receivables individually determined to be impaired				
Greater than 365 days	**4,288**	3,553	**4,288**	3,553

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

- Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

4. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial risk factors (cont'd)

Liquidity risk (cont'd)

All the Group's financial liabilities comprising of trade and other payables and bank overdrafts 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 management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholder's 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 Group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt.

The Group has no long term external borrowings as at 31 December 2016 and 2015. When the bank overdraft is taken into account, the Group's gearing ratio stands at **nil** (2015: 12.5%) and the Company's gearing ratio stands at **nil** (2015: 12.9%).

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Bank overdraft (Note 18)	-	(7,991)	-	(7,991)
Add: Cash and cash equivalents (Note 18)	**11,634**	10,424	**10,992**	9,477
Net cash	**11,634**	2,433	**10,992**	1,486
Total equity	**66,324**	61,480	**64,574**	60,570
Total capital	**77,958**	63,913	**75,566**	62,056
Gearing ratio	-	12.5%	-	12.9%

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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

4. FINANCIAL RISK MANAGEMENT (CONT'D)

Fair value estimation (cont'd)

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

- **Level 1**: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- **Level 2**: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- **Level 3**: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

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

GROUP AND COMPANY	Level 1	Level 2	Level 3	Total
2016	Rs 000	Rs 000	Rs 000	Rs 000
Assets				
Available-for-sale financial assets	-	-	1,377	1,377
2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	Rs 000	Rs 000	Rs 000	Rs 000
Assets				
Available-for-sale financial assets	-	-	1,286	1,286

As at 31 December 2016, the Group has taken into account the net asset value of Central Depository and Settlement Co. Ltd as a proxy to determine the fair value of the available-for-sale investment that it holds in that Company. Given that the above financial assets comprises only 1.05% of total assets of the Group, the directors do not consider it material to determine the fair value of the investments using a more sophisticated valuation technique in line with requirements of IAS 39.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

5. FINANCIAL INSTRUMENTS BY CATEGORY

GROUP	Loans and receivables	Available-for-sale financial assets	Total
AT 31 DECEMBER 2016	Rs 000	Rs 000	Rs 000
Assets			
Available-for-sale financial assets	-	1,377	1,377
Trade and other receivables (Note 17)	5,207	-	5,207
Cash and cash equivalents (Note 18)	11,634	-	11,634
Total	16,841	1,377	18,218

	Other financial liabilities at amortised cost	Total
	Rs 000	Rs 000
Liabilities		
Trade and other payables (Note 24)	46,681	46,681
Bank overdraft (Note 18)	-	-
Total	46,681	46,681

COMPANY	Loans and receivables	Available-for-sale financial assets	Total
At 31 December 2016	Rs 000	Rs 000	Rs 000
Assets			
Available-for-sale financial assets	-	1,377	1,377
Trade and other receivables (Note 17)	3,615	-	3,615
Cash and cash equivalents (Note 18)	10,992	-	10,992
Total	14,607	1,377	15,984

	Other financial liabilities at amortised cost	Total
	Rs 000	Rs 000
Liabilities		
Trade and other payables (Note 24)	45,659	45,659
Bank overdraft (Note 18)	-	-
Total	45,659	45,659

In disclosing trade and other receivables as a financial instrument for the Group and Company, an amount of **Rs 21,000,692** (2015: Rs 17,573,498) representing prepayments, has been excluded.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

5. FINANCIAL INSTRUMENTS BY CATEGORY (CONT'D)

GROUP	Loans and receivables	Available-for-sale financial assets	Total
At 31 December 2015	Rs 000	Rs 000	Rs 000
Assets			
Available-for-sale financial assets		1,286	1,286
Trade and other receivables (Note 17)	4,589	-	4,589
Cash and cash equivalents (Note 18)	10,424	-	10,424
	15,013	1,286	16,299

	Other financial liabilities at amortised cost	Total
	Rs 000	Rs 000
Liabilities		
Trade and other payables (Note 24)	41,009	41,009
Bank overdraft (Note 18)	7,991	7,991
	49,000	49,000

COMPANY	Loans and receivables	Available-for-sale financial assets	Total
At 31 December 2015	Rs 000	Rs 000	Rs 000
Assets			
Available-for-sale financial assets	-	1,286	1,286
Trade and other receivables (Note 17)	3,771	-	3,771
Cash and cash equivalents (Note 18)	9,477	-	9,477
	13,248	1,286	14,534

	Other financial liabilities at amortised cost	Total
	Rs 000	Rs 000
Liabilities		
Trade and other payables (Note 24)	40,143	40,143
Bank overdraft (Note 18)	7,991	7,991
	48,134	48,134

NOTES TO FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

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 even if both income streams uses the same mainframe system and share the same workforce as one cash generating unit.

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 income is more than 10% of the total income; 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.

ASL has incorporated the subsidiary called 'Megawin Ltd' during the year 2014 to operate foreign football betting on the African continent. Megawin Ltd has not been classified as a new reporting segment since it does not satisfy the quantitative thresholds of IFRS 8. No segmental information was disclosed for Megawin Ltd as it is not material to the Group.

The reportable operating segments derived their income 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 of the Company for the year ended 31 December 2016 is as follows:

	Horse Racing	Foreign Football	Total
	Rs 000	Rs 000	Rs 000
Income	223,313	104,604	327,917
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	13,348	15,165	28,513
Depreciation	5,082	1,271	6,353
Income tax	2,792	699	3,491
Total assets	102,559	25,640	128,199
Additions to non- current assets (other than financial instruments and deferred income tax assets)	4,026	1,006	5,032
Total liabilities	50,900	12,725	63,625

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

6. SEGMENT INFORMATION (CONT'D)

The segment information provided to the Board of directors for the reportable segments of the Company for the year ended 31 December 2015 is as follows:

	Horse Racing	Foreign Football	Total
	Rs 000	Rs 000	Rs 000
Income	216,610	92,369	308,979
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	25,996	10,075	36,071
Depreciation	4,494	1,718	6,212
Income tax	4,166	1,593	5,759
Total assets	90,197	34,497	124,694
Additions to non- current assets (other than financial instruments and deferred income tax assets)	4,069	1,556	5,625
Total liabilities	46,384	17,740	64,124

Income is the actual income of the reportable segments.Except for directly attributable expenses, all other segmental information are apportioned to betting on horse racing and foreign football using a ratio 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:

	COMPANY	
	2016	2015
	Rs 000	Rs 000
EBITDA	28,513	36,071
Depreciation	(6,353)	(6,212)
Finance income –net	(489)	(1,147)
Profit before taxation	21,671	28,712

7. INCOME

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Betting income				
Bets struck net of betting dividends paid, refunds and rebates				
- Mauritius – totalisator	223,313	216,610	223,313	216,610
- Mauritius – fixed odds	109,287	96,820	104,604	92,369
	332,600	313,430	327,917	308,979

NOTES TO FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

8. OPERATING PROFIT

	GROUP		COMPANY	
	2016	2015	2016	2015
Operating profit is stated after charging/(crediting):	Rs 000	Rs 000	Rs 000	Rs 000
Depreciation of plant and equipment (Note 13)	**6,673**	6,434	**6,353**	6,212
Profit on disposal of plant and equipment	**-**	(3)	**-**	(3)
Impairment of trade receivables(Note 17)	**735**	-	**735**	-
Commission to off-course agents	**25,384**	24,178	**22,562**	21,309
Repairs and maintenance	**2,821**	3,452	**2,821**	3,449
Licences and municipality taxes	**25,987**	8,897	**25,853**	8,897
Staff costs (Note 9)	**32,900**	31,602	**32,900**	31,602
Auditor's remuneration				
– audit services	**780**	765	**880**	765
– non-audit services	**89**	102	**102**	87

9. STAFF COSTS

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Wages and salaries	**26,941**	26,285	**26,941**	26,285
National Pension Fund contribution	**936**	882	**936**	882
Net post-employment benefit charge	**1,494**	1,272	**1,494**	1,272
Transport costs	**1,973**	1,921	**1,973**	1,921
Staff welfare and other costs	**1,556**	1,242	**1,556**	1,242
	32,900	31,602	**32,900**	31,602

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

10. FINANCE COSTS - NET

	GROUP		COMPANY	
	2016	2015	2016	2015
Finance Income	Rs 000	Rs 000	Rs 000	Rs 000
Interest income from bank	**179**	100	**179**	100
Dividend income	**140**	209	**140**	209
	319	309	**319**	309
Finance Cost				
Interest expense	**(831)**	(1,472)	**(808)**	(1,456)
Finance cost – net	**(512)**	(1,163)	**(489)**	(1,147)

11. TAXATION

The Company is liable to income tax on its profits, as adjusted for income tax purposes, at the rate of **17%** (2015 – 17%). The 17% tax rate consists of 15% corporate income tax and 2% Corporate Social Responsibility.

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Income tax expense:				
Current income tax based on the profit for the year as adjusted for tax purposes at 17.0% (2015 – 17.0%)	**3,685**	4,799	**3,685**	4,799
(Over)/ under provision in previous year	**(214)**	868	**(214)**	868
Deferred income tax (Note 23)	**20**	92	**20**	92
	3,491	5,759	**3,491**	5,759
Current income tax asset / (liability): Net				
At 01 January	**(2,173)**	1,801	**(2,221)**	1,753
Paid during the year (including CSR contributions)	**5,570**	1,693	**5,570**	1,693
(Over)/ under provision in previous year	**214**	(868)	**214**	(868)
Charge for the year	**(3,685)**	(4,799)	**(3,685)**	(4,799)
At 31 December	**(74)**	(2,173)	**(122)**	(2,221)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

11. TAXATION (CONT'D)

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

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Current income tax asset	**934**	934	**886**	886
Current income tax liability	**(1,008)**	(3,107)	**(1,008)**	(3,107)
Current income tax liability - Net	**(74)**	(2,173)	**(122)**	(2,221)

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

The reconciliation between the actual income tax rate of **15.50%** for the Group (2015 – 19.41%) and **16.10%** for the Company (2015 – 20.06%) and the applicable rate of **17.00%** (2015 – 17.00%) is as follows:

	GROUP		COMPANY	
	2016	2015	2016	2015
(As a percentage of profit before tax)	%	%	%	%
Applicable income tax rate	**17.00**	17.00	**17.00**	17.00
Effect of:				
Difference in tax rate of subsidiary	**(0.07)**	-	**-**	-
Non – allowable expenses	**0.26**	0.20	**0.20**	0.20
Non-taxable income	**(0.11)**	(0.12)	**(0.11)**	(0.12)
(Over) / under provision of income tax in previous year	**(0.95)**	2.92	**(0.99)**	3.02
(Over) / under provision of deferred tax in previous year	**-**	(0.04)	**-**	(0.04)
Deferred tax asset not recognised	**(0.63)**	(0.55)	**-**	-
Actual income tax rate	**15.50**	19.41	**16.10**	20.06

12. EARNINGS PER SHARE

Earnings per share of **Rs 5.38** (2015: Rs 6.76) and **Rs 5.14** (2015: Rs 6.49) for the Group and company is calculated on the profit for the year of **Rs 19,020,000** (2015 – Rs 23,911,000) and **Rs 18,180,000** (2015 – Rs 22,953,000) respectively and on the **3,535,000** issued ordinary shares for the two years under review.The Group and Company have no dilutive potential ordinary shares as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

13. PLANT AND EQUIPMENT

GROUP	Equipment	Teletote	Off-course Equipment	Electrical Installation and Equipment	Office Equipment and Furniture	Motor Vehicles	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cost:							
At 01 January 2015	49,181	24,594	3,811	6,279	16,965	4,245	105,075
Additions	1,352	134	-	383	4,296	-	6,165
Disposal	(86)	-	-	-	-	-	(86)
At 31 December 2015	50,447	24,728	3,811	6,662	21,261	4,245	111,154
Additions	**1,238**	**964**	**-**	**8**	**3,669**	**-**	**5,879**
Disposal	-	-	-	-	-	-	-
At 31 December 2016	**51,685**	**25,692**	**3,811**	**6,670**	**24,930**	**4,245**	**117,033**
Accumulated depreciation:							
At 01 January 2015	44,565	20,306	3,811	5,213	12,688	328	86,911
Charge for the year	1,672	1,126	-	571	1,747	1,318	6,434
Disposal	(3)	-	-	-	-	-	(3)
At 31 December 2015	46,234	21,432	3,811	5,784	14,435	1,646	93,342
Charge for the year	**1,263**	**1,258**	**-**	**346**	**2,488**	**1,318**	**6,673**
Disposal	-	-	-	-	-	-	-
At 31 December 2016	**47,497**	**22,690**	**3,811**	**6,130**	**16,923**	**2,964**	**100,015**
Net book amount:							
At 31 December 2016	**4,188**	**3,002**	**-**	**540**	**8,007**	**1,281**	**17,018**
At 31 December 2015	4,213	3,296	-	878	6,826	2,599	17,812

NOTES TO FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

13. PLANT AND EQUIPMENT (CONT'D)

COMPANY	Equipment	Teletote	Off-course Equipment	Electrical Installation and Equipment	Office Equipment and Furniture	Motor Vehicles	Total
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Cost:							
At 01 January 2015	48,457	24,594	3,811	6,280	16,965	4,245	104,352
Additions	812	134	-	383	4,296	-	5,625
Disposal	(86)	-	-	-	-	-	(86)
At 31 December 2015	49,183	24,728	3,811	6,663	21,261	4,245	109,891
Additions	**391**	**964**	**-**	**8**	**3,669**	**-**	**5,032**
Disposal	-	-	-	-	-	-	-
At 31 December 2016	**49,574**	**25,692**	**3,811**	**6,671**	**24,930**	**4,245**	**114,923**
Accumulated depreciation:							
At 01 January 2015	44,507	20,306	3,811	5,213	12,688	328	86,853
Charge for the year	1,450	1,126	-	571	1,747	1,318	6,212
Disposal	(3)	-	-	-	-	-	(3)
At 31 December 2015	45,954	21,432	3,811	5,784	14,435	1,646	93,062
Charge for the year	**943**	**1,258**	**-**	**346**	**2,488**	**1,318**	**6,353**
Disposal	-	-	-	-	-	-	-
At 31 December 2016	**46,897**	**22,690**	**3,811**	**6,130**	**16,923**	**2,964**	**99,415**
Net book amount:							
At 31 December 2016	**2,677**	**3,002**	**-**	**541**	**8,007**	**1,281**	**15,508**
At 31 December 2015	3,229	3,296	-	879	6,826	2,599	16,829

14. GOODWILL

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January and 31 December	**73,514**	73,514	**73,154**	73,514

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

14. GOODWILL (CONT"D)

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

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

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

The directors have assessed that there is no impairment of goodwill during the year (2015 – NIL).

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

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

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

Impairment tests for goodwill

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

14. GOODWILL (CONT'D)

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

As at 31 December 2016, the equity of the Company has a fair value of MUR **197,076,250** (2015: 123,725,000) based on the closing share price of MUR **55.75** (2015: MUR 35.00) per share traded on the Stock Exchange of Mauritius.

The cost to sell of the shares of the Company is brokerage fees of 0.9% claimed by investment dealers on the value of shares being sold amounting to a total of MUR **1,773,686** (2015: MUR 1,113,525).

In light of the above assessment performed by management, there is no impairment of goodwill based on fact that the fair value less cost to sell of the equity shares of the Company of MUR **195,302,564** exceeds the carrying amount of net assets as at 31 December 2016 (2015: Rs 122,611,475)

Sensitivity of the recoverable amount of the CGU

The recoverable amount of the CGU is most sensitive to the quoted share price of the Company. As such, as at 31 December 2016, if the quoted share price of the Company falls by Rs 38.60 (2015: Rs 17.85) per share (i.e falls to Rs 17.15 per share); the recoverable amount of the CGU will equal to the carrying amount of the net assets of the Company.

15. INVESTMENT IN SUBSIDIARY

	COMPANY	
	2016	2015
	Rs 000	Rs 000
Cost:		
Balance at beginning of the year	-	-
Additions	1,020	1,020
Balance at end of the year	1,020	1,020

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

Name of subsidiary	Cost 2015	Cost 2014	Country of incorporation	% holding	Principal Activity
	Rs 000	Rs 000			
Megawin Ltd	1,020	1,020	Mauritius	51%	Sports betting

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

15. INVESTMENT IN SUBSIDIARY (CONT'D)

i. The above shares are ordinary shares and denominated in MUR.

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

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

iv. On the 05 November 2015, Megawin Ltd incorporated an associate, Megawin Investments Limited at 49% holding in Zambia with sports betting as principal activity. The Company was dormant at 31 December 2016 and 2015.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January	1,286	100	1,286	100
Changes in fair value of available-for-sale investment	91	1,186	91	1,186
At 31 December	1,377	1,286	1,377	1,286

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).

17. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Trade receivables	9,085	6,900	7,493	6,900
Less: Provision for impairment of trade receivables	(4,288)	(3,553)	(4,288)	(3,553)
	4,797	3,347	3,205	3,347
Prepayments	21,001	17,573	21,001	17,573
Other debtors	410	1,242	410	424
	26,208	22,162	25,616	21,344
Less non-current portion: Trade receivables	(491)	(1,761)	(491)	(1,761)
	25,717	20,401	24,125	19,583

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

17. TRADE AND OTHER RECEIVABLES (CONT'D)

i. **Rs 491,000** (2015: Rs 1,761,000) is classified as non-current assets since collection is expected after one year or more.

ii. An amount of **Rs 7,539,811** (2015: Rs 7,894,811) representing amounts receivable from six off course agents has been offset against the amount payable to Societe du Nouveau Moulin L'Inite 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 2016, trade receivables of **Rs 2,714,886** (2015: Rs 1,586,114) were neither past due nor impaired. These relate to a number of independent agents for whom there is no recent history of default.

As of 31 December 2016, trade receivables of **Rs 4,778,490** (2015: Rs 5,313,320) were past due for more than 365 days and impaired for an amount of **Rs 4,287,976** (2015: Rs 3,552,583). An amount of **Rs 490,514** is past due for more than 365 days but not impaired at 31 December 2016 (2015: Rs 1,760,737). The ageing of these trade receivables is as per note 4.

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

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

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

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January	**3,553**	3,553	**3,553**	3,553
Provision for receivables impairment	**735**	-	**735**	-
At 31 December	**4,288**	3,553	**4,288**	3,553

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

18. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Cash at bank and in hand	**11,634**	10,424	**10,992**	9,477
Bank overdraft	-	(7,991)	-	(7,991)
Cash and cash equivalents as disclosed in the statement of cash flows	**11,634**	2,433	**10,992**	1,486

The bank overdraft facilities of the Company are secured by a floating charge on all the assets of the Company (Refer to Note 28).

19. INVENTORIES

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Ticket rolls	**286**	338	**286**	338

The net movement in inventories included as expense amounted to **Rs 17,820** (2013: Rs 41,840).

20. SHARE CAPITAL

	2016	2015	2016	2015
	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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

21. SHARE PREMIUM

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

i. the preliminary expenses of the Company; or

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

The share premium account may also be applied:

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

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

22. POST-EMPLOYMENT BENEFITS

Following the closure of the defined benefit scheme as at 01 January 2013; all active employees were transferred to a defined contribution scheme. As such, there are no retirement benefit obligations in respect of the active members. Any gains arising from the change in the pension promise of employees have been disclosed under the 'Effects of curtailment/settlement' item in profit or loss. The liabilities also include provision for retirement gratuities payable under the Employment Rights Act. The latter provides for a lump sum at retirement based on final salary and years of service. As the employees are members of a defined contribution plan, half of any lump sum and 5 years of pension (relating to employer's share of contributions only) payable from the pension fund have been offset from the retirement gratuities.

Pension benefits

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

	2016	2015
Group and Company	Rs 000	Rs 000
At 01 January		
As previously reported	**(2,161)**	(1,274)
Total expense as below	**(182)**	(116)
Actuarial losses recognised in OCI	**(407)**	(771)
At 31 December	**(2,750)**	(2,161)

The amounts recognised in profit or loss are as follows:

	2016	2015
	Rs 000	Rs 000
Service cost	**29**	24
Net Interest cost	**153**	92
Net pension cost	**182**	116

The actual return on plan assets amounted **Rs 3,411** for the year ended 31 December 2016 (2015: Rs 8,688).

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

	2016	2015
	Rs 000	Rs 000
At 01 January	**(2,161)**	(1,274)
Current service cost	**(29)**	(24)
Interest cost	**(153)**	(92)
Actuarial (gains) / losses	**(407)**	(771)
At 31 December	**(2,750)**	(2,161)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

22. POST-EMPLOYMENT BENEFITS (CONT'D)

Pension benefits (cont'd)

The principal actuarial assumptions used were as follows:

	2016	2015
	%	%
Discount rate	**6.0**	7.0
Future long-term salary increase	**4.0**	5.0
Future guaranteed pension increase	**0.0**	0.0
Post retirement mortality tables	**Annuity Rates**	a(90)

	2016	2015
Balance (deficit) / surplus	Rs 000	Rs 000
At 31 December:		
Deficit	**(2,750)**	(2,161)

The Company has not made any contribution to the pension scheme for the year ending 31 December 2016 (2015: nil).

	2012	2013	2014	2015	2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Defined benefit obligations	(10,394)	(2,568)	(1,274)	(2,161)	(2,750)
Plan assets	7,504	-	-	-	-
Deficit	(2,890)	(2,568)	(1,274)	(2,161)	(2,750)
Experience gains/(loss) on plan liabilities	3,338	(76)	1,489	(771)	(407)
Experience (loss) on plan assets	(249)	-	-	-	-

Sensitivity analysis

	2016	2015
	Rs 000	Rs 000
Decrease in Defined Benefit Obligation due to 1% increase in discount rate	**790**	656
Increase in Defined Benefit Obligation due to 1% increase in future long-term salary assumption	**889**	866
Increase in Defined Benefit Obligation due to 1% decrease in discount rate	**922**	885
Decrease in Defined Benefit Obligation due to 1% decrease in future long-term salary assumption	**775**	646

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

22. POST-EMPLOYMENT BENEFITS (CONT'D)

Risks associated with the plan

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

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

As such, the risks associated to such liabilities are:

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

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

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

23. DEFERRED INCOME TAX LIABILITY

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January	117	156	117	156
(Over)/under provision in previous year	-	(13)	-	(13)
Profit or loss charge / (credit)	20	105	20	105
Deferred income tax (Note 11)	20	92	20	92
Tax charge relating to re-measurements of post- employment benefits	(69)	(131)	(69)	(131)
At 31 December	68	117	68	117

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

23. DEFERRED INCOME TAX LIABILITY (CONT'D)

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

GROUP & COMPANY	At 01 January 2016	(Over)/ under provision in prior year	Charge/ (Credit) to income statement	Credit to other comprehensive income	At 31 December 2016
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Accelerated capital allowances	1,089	-	175	-	1,264
Provision for bad debts	(605)	-	(124)	-	(729)
Retirement benefit obligations	(367)	-	(31)	(69)	(467)
	117	-	20	(69)	68

GROUP & COMPANY	At 01 January 2015	(Over)/ under provision in prior year	Charge/ (Credit) to income statement	Credit to other comprehensive income	At 31 December 2015
	Rs 000	Rs 000	Rs 000	Rs 000	Rs 000
Accelerated capital allowances	1,086	(121)	124	-	1,089
Provision for bad debts	(713)	108	-	-	(605)
Retirement benefit obligations	(217)	-	(19)	(131)	(367)
	156	(13)	105	(131)	117

24. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Trade payables	3,751	3,707	3,433	3,707
Accruals	31,384	30,131	31,267	29,264
Other payables	1,395	422	808	422
Sports betting	3,788	1,184	3,788	1,184
Teletote deposits	5,218	4,313	5,218	4,314
Unclaimed dividends declared in prior years	1,145	1,252	1,145	1,252
	46,681	41,009	45,659	40,143

25. DIVIDENDS

	GROUP		COMPANY	
	2016	2015	2016	2015
Dividend payable	Rs 000	Rs 000	Rs 000	Rs 000
At 01 January	10,605	8,838	10,605	8,838
Declared during the year - **Rs 4** (2015 – Rs 3) per Share	14,140	10,605	14,140	10,605
Paid during the year - **Rs 3** (2015 – Rs 2.5) per share	(10,605)	(8,838)	(10,605)	(8,838)
At 31 December	14,140	10,605	14,140	10,605

NOTES TO FINANCIAL STATEMENTS (CONT'D)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

26. CONTINGENT LIABILITIES

Tax claim from the Mauritius Revenue Authority

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

Over and above the assessment dated December 2014, another assessment has been raised in June 2015 pursuant to which, an additional amount of Rs 4,188,453 inclusive of penalty and interest in respect of racing seasons 2012, 2013 and 2014 has been claimed.Thus, as at 31 December 2015, the MRA is claiming total tax due amounting to Rs 25,759,761. There has been no further communication from the MRA subsequently.

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

Bank Guarantee

At 31 December 2016, there were contingent liabilities in respect of bank guarantees given to the Gambling Regulatory Authority from which it is anticipated that no material liabilities shall arise.At 31 December 2016, the bank guarantees having a maturity date of 31 December 2049 amounted to **Rs 2,500,000** (2015: Rs 2,500,000).

27. RELATED PARTY TRANSACTIONS

(a) Key management compensation

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

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Salaries and other short term employee benefits	**7,627**	7,260	**7,627**	7,260
Post-employment benefits	**351**	371	**351**	371
Total	**7,978**	7,631	**7,978**	7,631

(b) Transactions with related parties

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Purchase of services:				
(i) Entity controlled by key management personnel	**477**	434	**477**	434

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONT'D)

27. RELATED PARTY TRANSACTIONS (CONT'D)

(c) Amount payable to related parties

	GROUP		COMPANY	
	2016	2015	2016	2015
	Rs 000	Rs 000	Rs 000	Rs 000
Amount payable				
(i) Entity controlled by key management personnel	**81**	81	**81**	81

i. As at 31 December 2016, services have been bought from entities controlled by key management personnel namely Mr Jean Hardy and Mr Hervé Henry, who are both executive and non-executive director of the reporting entity respectively.

(c) Year end balances arising from related party transactions

Socièté du Grand Moulin and Socièté L'Inité are considered to be related parties to ASL since the two companies have two common key management personnel.

At 31 December 2016, an amount of **Rs 7,539,811** (2015: Rs 7,894,811) representing amounts receivable from six off course agents has been offset against the amount payable to Socièté du Grand Moulin and Socièté L'Inité as the Company intends to realise the asset and settle the liability simultaneously further to the acquisition of HHM by the Company.

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

28. BANK FACILITIES

The Company has floating rate borrowing facilities of **Rs 44 m** (2015: Rs 44 m).The facilities are subject to review on a regular basis. The bank overdraft facilities of the Company are secured by a floating charge on all the assets of the Company. The applicable interest rate on the overdraft facilities is **6.75%** per annum (2015: 7.50%).

The Company has drawn **Rs Nil** (2015: Rs 7,990,543) of the above mentioned facility at 31 December 2016.

29. CAPITAL COMMITMENTS

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

NOTICE TO SHAREHOLDERS

Notice is hereby given that the Annual Meeting of Automatic Systems Ltd ('the Company') will be held at the Mauritius Turf Club, Port Louis, on Wednesday 31 May 2017 at 14:00 hours to transact the following business as ordinary business:

1. To consider the Annual Report 2016 of the Company.
2. To consider and adopt the audited financial statements of the Group and the Company for the year ended 31 December 2016.
3. To receive the report of PricewaterhouseCoopers, the auditors of the Company.

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

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

This 27 March 2017.

By Order of the Board

Sophie Gellé
Box Office Ltd
Company Secretary

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

To be effective,

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

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

should be delivered at the Share Registry and Transfer office, C/o ECS Secretaries Ltd, 3rd Floor, Labama House, 35 Sir William Newton Street, Port Louis not less than 24 hours before the time scheduled for the meeting, i.e. by 30 May 2017 at 14:00 hours.

For the purpose of the Annual Meeting, the Directors have resolved, in compliance with Section 120 of the Companies Act 2001, that the Shareholders who are entitled to receive notice of the Annual Meeting and attend the Meeting shall be those Shareholders whose names are registered in the Share Register of the Company as at 5 May 2017.

The minutes of the Annual Meeting held on 31 May 2016 are available for consultation by the Shareholders at the Registered Office of the Company.

The minutes of the Annual Meeting to be held on 31 May 2017 shall be available for consultation and comments at the Registered Office address of the Company one month after the Annual Meeting from 30 June 2017 to 30 July 2017.

AUTOMATIC SYSTEMS LTD.

BOX OFFICE LTD

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