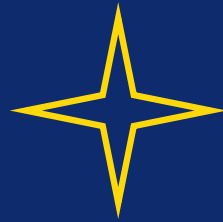




**WIN  
FOR THE  
FUTURE**

Annual Report **2018**



## **Vision**

To be the preferred gaming provider in Mauritius and the region.

## **Mission**

To create and enhance shareholder value through socially responsible and regulated gaming operations.

## **Values**

Our core values of integrity, trustworthiness and responsibility are complemented with our passion for results, innovation and teamwork.

## **Goals**

To be the preferred gaming provider in Mauritius and create a long-term sustainable business through a responsible growth strategy. The main focus is: offering relevant, regulated products and services to the player; corporate social responsibility (CSR) initiatives congruent with our values; building and protecting a stellar reputation.

**04**

Lottotech at a glance

**06**

Our year in brief

**10**

Executive Chairman's Message

**12**

Our Business Model

**13**

Our Performance

**14**

Joint MD's Statement

**16**

Company Information

**17**

Directors' Report

**22**

Corporate Governance Report

**54**

Secretary's Report

**60**

Financial Capital

**62**

Human Capital

**65**

Social and Relationship Capital / Natural Capital

**67**

Corporate Social Responsibility

**76**

Responsible Gaming

**82**

Intellectual and Manufacturing Capital

**87**

Independent auditor's report to the members of Lottotech Ltd

**92**

Statement of profit or loss and other comprehensive income

**93**

Statement of Financial Position

**94**

Statement of changes in Equity

**95**

Statement of Cash Flows

**96**

Notes to the Financial Statements



**Commitment to Sustainability**

Lottotech's annual report has been printed using recycled paper to demonstrate its commitment to green initiatives. This aligns with our engagement towards the SDGs 12 and 13.

# 2018

## Lottotech at a glance

# 31

jackpot winners

MUR

# 1

**Billion**

amount paid to winners

2017: MUR 898 Million

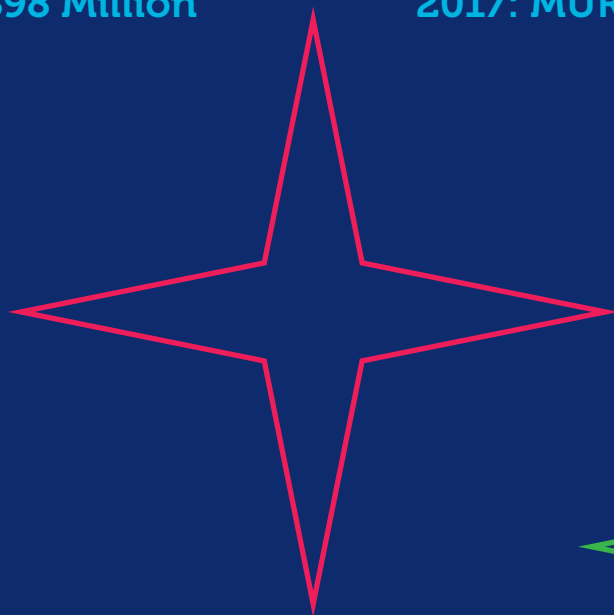
MUR

# 2

**Billion**

turnover

2017: MUR 1.85 Billion







MUR  
**112** Million  
retailer commission

2017: MUR 102 Million

MUR  
**485** Million  
consolidated fund

2017: MUR 440 Million

MUR  
**134.9** Million  
net profit before tax

2017: MUR 135.6 Million

MUR  
**111.3** Million  
net profit after tax

2017: MUR 110.8 Million

MUR  
**33** Million  
national solidarity fund

2017: MUR 39 Million

MUR  
**3** Million  
corporate social responsibility

2017: MUR 2.4 Million

MUR  
**0.33**  
earnings per share

MUR  
**0.32**  
dividend per share

# Our year in brief

## April

Egg Hunt and Aquarium visit: An Easter egg hunt and a visit to the Aquarium were organized to create a bond with the kids at the Don Bosco shelter. These activities were both recreational and educational.



## February

National Sports Awards: Lottotech has participated for the second consecutive year, to this annual sports event, where best performing Mauritian athletes are rewarded.

Launch of Agro Pédagogie Project : The pilot project, carried out in collaboration with Le Vélo Vert and Atelier Joie de Vivre, has been launched with 27 students.

World Cancer Day Football Tournament: Lottotech team gave their best for the PAPIM gala football tournament.

World Muay Thai Championship: Lottotech proudly supported Ranini Cundasawmy's participation to the World Muay Thai Championship. Ranini Cundasawmy won the gold medal in her category.



## June

Successful Mediation! After a long wait, Lottotech has been able to ensure business continuity. In June, the Mediation Court has granted Lottotech its renewal of license for 10 years, the launch of the twice weekly game and the acquisition of the Loterie Vert brand.

Environment Day: On the World Environment Day, Le Vélo Vert gave a presentation to Lottotech employees to raise awareness on environmental issues. Plants were distributed to the team.

World Cup Competition for Retailers: For the World Cup, Lottotech organized a competition as an incentive for the retailers, using social media platforms for the first time.

Jeux de La Francophonie: Lottotech was one of the supporters of the Jeux de la Francophonie.



## July

School Paint: Lottotech employees engaged in a volunteering activity to paint Atelier Joie de Vivre's school. The team spent 3 days to repaint the school walls and premises before the students went back to school after their holidays.



## August

Atelier Moz'ar school extension: As an upcycling initiative, a 20ft container was given to Atelier Moz'ar for their school extension.





## September

Twice Weekly! Finally, the Twice Weekly game was launched, representing a major innovation for the market. Mercredi and Samedi are the new rendez-vous of the Loto players.

CSR and RG EL/WLA Conference: Lottotech presented its CSR strategy to EL/WLA members, focused on integrating the SDGs in its operations.

## October

Moka'mwad: A group of citizens, institutions and companies work together to improve the quality of life in Moka.

ISO 27001:2013: Successful recertification was achieved.

Appropriate Response Training: In line with our Responsible Gaming initiative, employees followed a 3-day training session to improve players' management and relationships.

## November

Zot Zete Nou Ramasse! Our used papers are collected weekly and are recycled through MAFTA, one of the registered recyclers in Mauritius.

## December

Welcome on Board! Onboarding of 44 new employees within Lottotech.

Dinner for the homeless: For the 4th consecutive year, Lottotech and Radio One teamed up to bring a smile to the homeless people of Port-Louis, by providing them with hot meals.

Holiday Campaign: Once again, Lottotech showed its commitment and participated in the Holiday Campaign to raise awareness about the fact that Lottery games are not child's play.

Distribution of school materials: Lottotech has contributed to the distribution of school materials with the NGOs FAITH and Smart Citizen.



# Decent work and economic growth

## **To inspire winners, we need to be winners.**

A team must have the incentive to carry out a company's mission. This is why Lottotech provides fair wages to all employees. We also intend to understand the employee's working experience through surveys and thus, ensuring an environment describable as a great place to work. We encourage them to improve, adopt innovations and be genuinely engaged because we believe that it is the best way to develop and retain talent and therefore, sustain productivity.







# Executive Chairman's Message



***“The Company has demonstrated its ability to overcome challenges in its external environment through the resolve of our people and the strength of our brand and reputation.”***

## Dear Valued Shareholder

It is my pleasure to present to you in my capacity as Executive Chairman the annual report and audited financial statements of Lottotech Ltd (“Lottotech” or the “Company”) and its subsidiary (together, the “Group”) for the year ended 31 December 2018.

In 2018 the Company continued its good performance and delivered Profit After Tax of Rs111million and Earnings Per Share were Rs0.33. The Company’s share price as at 31 December 2018 was Rs9.30. These financial results are the outcome of successful efforts to ensure both our Lottotech team and leadership remain motivated by our vision, mission and values, and adhere to the Company’s goals for measuring success. Rs485 million was delivered to the Consolidated Fund which is invested into good causes in Mauritius.

## Year 2018 Highlights

The legal action taken by the Company in 2016 resulted in a positive outcome after one year of mediation with the Gambling Regulatory Authority and the Ministry of Finance and Economic Development. In June 2018, following agreement reached between the parties to the court case and ratified as a judgement of the Mediation Division of the Supreme Court, the Company’s licence to operate the Mauritius National Lottery was extended for a further period of 10 years to April 2029. In addition, the agreement allowed for Lottotech to introduce a second Loto 6/40 draw on Wednesdays, and a new modernized game under the brand of the traditional Loterie Vert.

Loterie Vert will be operated under a subsidiary of Lottotech with a launch planned for late 2019.

The Company has demonstrated its ability to overcome challenges in its external environment through the resolve of our people and the strength of our brand and reputation. We will continue to provide our consumer relevant innovation and brand portfolio. The Company will continue to invest in research and leverage these insights to inform and evolve our operations and programs, in particular to help our players make informed and healthy decisions.

In June 2018, the Board appointed a new Director, Mr Jairaj Sonoo to fill a casual vacancy and he will



be presented for re-election at the next shareholders' meeting. The Board appointed its CEO Mrs Michelle Carinci and its COO Mr Moorghen Veeramootoo as Joint Managing Directors of the Company's operations to further strengthen its position for the future.

You will read more detailed analysis of this year's performance in the Joint Managing Directors statement to you.

### Outlook

At the end of 2018, the Board and Management have engaged into a number of strategic initiatives both greenfield and acquisitions in order to widen our product portfolio and enter new markets. This is in order to deliver profitable growth.

Management focuses on the execution of our responsible gaming strategy, investment in innovative customer related initiatives and cost productivity. We remain committed to being the preferred lottery provider in Mauritius, and creating long-term sustainable business through a responsible gaming strategy. Inspired by the vision, our long-term value creation strategy remains unchanged.

### Dividend

The Board of Directors has approved the declaration and payment of a final dividend of MUR 0.22 per share. With the interim dividend of MUR 0.10 paid in September 2018, we will pay out a total dividend of MUR 0.32 for the whole year 2018. This represents a total dividend payout ratio of 98% of the Company's net profit.

### Acknowledgement

I would like to express my thanks to my colleagues Board members for their support, valued contribution and oversight of the business and the Company.

On behalf of the Board, I would like to thank the Lottotech team for their dedication, and our retailers and service providers for the commitment to excellence enabling the Company to continue its strong performance. We offer a special thanks to our shareholders for their continued confidence and encouragement.



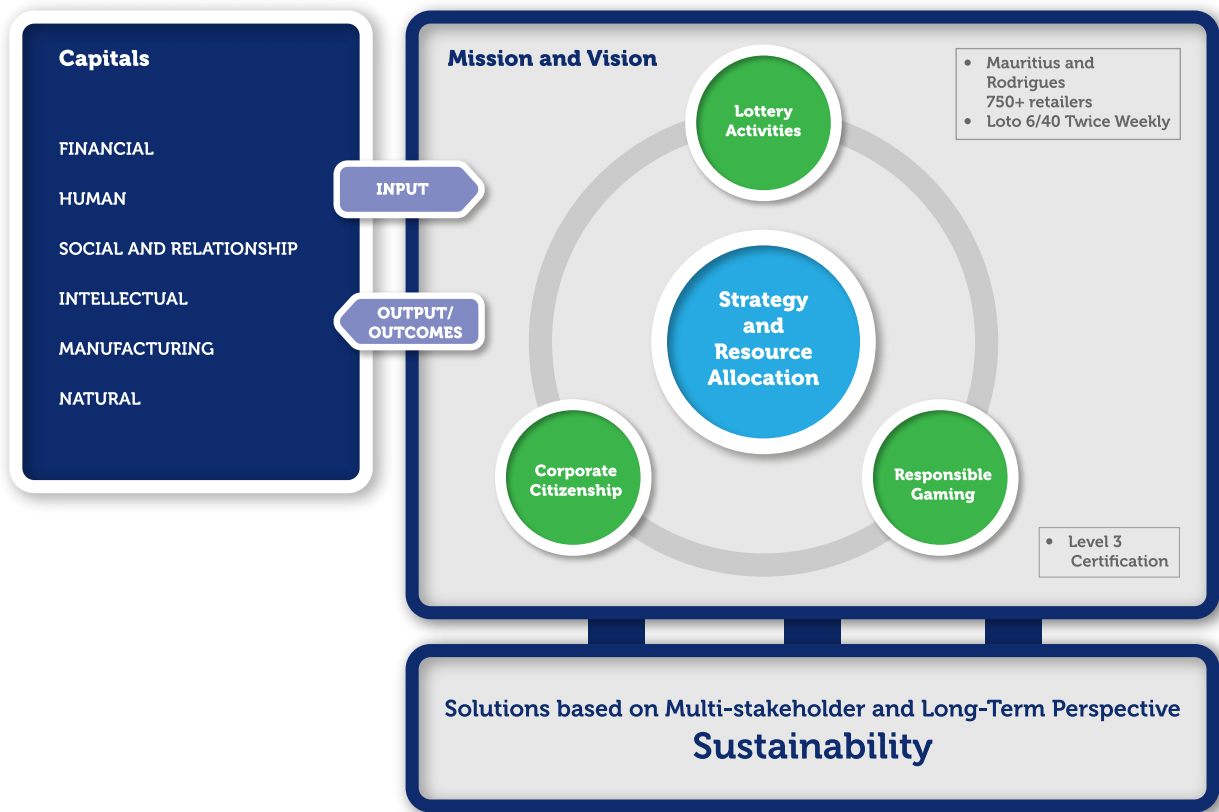
**Carl Ah Teck**

Executive Chairman

Date: 25 April 2019



# Our Business Model



Lottotech holds significant responsibilities within its value chain and uses different capitals – financial, human, social and relationship, intellectual, manufacturing and natural – as inputs to contribute to our economy and community at large. We promote a responsible and multi-stakeholder approach in everything we do from our core lottery activities to our corporate citizenship initiatives.





# Our Performance

A Corporate Balanced Scorecard is established with strategic organizational objectives which are translated into departmental objectives and further cascaded down to individual key performance indicators. This ensures that there is alignment and strategic focus.

Input	Initiatives	Value created during the year	Community Impact	Actual 2018 (%)	Target 2018 (%)	Performance	Targets for 2019:
<b>Financial</b> - Solid equity - Long-term financial stability	Read more page 60-61	- Performance improvement <b>Sales MUR 2 billion</b> <b>Profit after tax MUR 111.3 million</b>	- Support for the economy - Investor and employee remuneration <b>Shareholders' fund MUR 181.2 Million</b>	86.04	60		
<b>Human</b> - Engaged people - Skilled professionals	Read more page 62-64	Performance improvement Strong corporate culture Team growth <b>Training Investment MUR 889,904</b>	- Empowerment and personal development - Equal opportunities - Merit and transparency - Greater well being <b>Employee engagement (81%)</b> <b>Gender Diversity (M-45%; F-55%)</b>	10	10		
<b>Social and Relationship</b> - Long-term stakeholder relationship - Socio-economic development - Responsible Gaming framework	Read more page 65-81	Product innovation – Twice weekly Game Revenue enlargement Reputation enhancement Responsible operator Minimisation of risk <b>Direct CSR funds MUR 1.5 million</b>	- Customer Satisfaction - Social inclusion - Increased number of beneficiaries of community projects - Safe and Regulated games <b>10+ projects</b> <b>2000+ Beneficiaries</b>	14	5		<b>- Launch new product under Loterie Vert Brand</b> <b>- Increase positive impact of the business on the society</b> <b>- Improve our channel of distribution</b>
<b>Intellectual</b> - Effective and safe ICT system - Efficient and effective processes - Innovation capability	Read more page 82	Performance improvement Sustainability and reliability of systems Business opportunity	Business continuity and security <b>100% secure system</b>	18	20		<b>- Engage our stakeholders on Responsible Gaming</b> <b>- Achieve Level 4 Certification in Responsible Gaming</b>
<b>Manufacturing Capital</b> - Long-term relationship with retailers - Data centers and support function premises - Equipment and technology resources that enable service delivery	Read More Page 82-83	Smooth running of business Client retention and acquisition	Create greater wealth for winners No down time, therefore a guarantee of high service quality at all time Proximity of product and service to customers <b>100% performing system</b>	5	5		
<b>Natural</b> - Soil, water, fauna conservation	Read more page 72	Green initiatives Energy consumption reduction	Environmental business culture development	-	-	In progress	



**Joint MD's  
Statement**



***"The Company will be introducing a new game under the Loterie Vert brand in 2019 which will offer players a different and new experience in lottery."***



Michelle Carinci



***"All of our business decisions are made through the lens of balancing social responsibility with delivering sustainable revenue for Mauritius."***



Moorghen Veeramootoo

The year 2018 proved to be a winning year indeed. The Company continued its strong sales performance generating MUR 2.1 billion in turnover and MUR 111.3million in net profit. There was a record number of 31 jackpot winners, our retailers earned MUR 112 million in commissions, MUR 485 million was contributed to the Consolidated Fund which in turn is invested in a variety of ways back into our communities and MUR 33 million was transferred to the National Solidarity Fund to assist the less fortunate in Mauritius. The Company measures itself against a balanced scorecard which includes financial, business development, public opinion and human resource engagement. I am pleased to report that Lottotech met 104% of its objectives overall.

The Loto brand was strengthened with the introduction of a Wednesday weekly draw in September. Sales of the Wednesday draw are on average 60% of the Saturday draw. The full positive impact of the Wednesday draw will be realized in 2019. The average per capita weekly spend is MUR 97 in keeping with our responsible gaming strategy of a large number of players participating in the game spending a small amount. All of our business decisions are made through the lense of balancing social responsibility with delivering sustainable revenue for Mauritius.

### **Our Team**

The Lottotech team's strong values and passion for making a difference shone through as we welcomed 44 new team members from the former Loterie Vert organization in December 2018. A significant on-boarding program, training and transition was flawlessly executed creating a stronger culture of high performance, teamwork and innovation. The team of skilled professionals over multiple disciplines is committed to creating excellent service for both the players and internal customers.

Lottotech conducts a survey annually to measure employee engagement on many levels and subsequently creates an internal team to understand what the results mean. They design and execute a plan to continuously improve the employee experience at Lottotech.

### **Our Players**

The average number of transactions per week increased in 2018 by 14.3% due to the launch of second Loto draw.

The core player base defined as those players who play at the lowest jackpot of MUR 5 million has increased by 1%.

### **Socially active in making a difference**

Lottotech continued to support projects in communities throughout the country. It invested MUR1.5 million in four sustainable development categories as established by the United Nations, namely Quality Education, Gender Equality, Climate Action and Responsible Production and Consumption. Our team invested over 650 hours in volunteering in IT literacy for students of Atelier Joie de Vivre, leadership courses for women entrepreneurs and also in organising CSR activities. Lottotech continued to invest resources in supporting women entrepreneurs throughout 2018 and, to date, over 100 entrepreneurs have been certified by Women in Networking.

### **Sustainable and Responsible**

The ISO 27001 Certification was renewed, demonstrating our commitment to world-class information security management. Lottotech must follow the evolution of the digital and cyber environment. Therefore, after extensive due diligence, Lottotech has undertaken with PwC, to introduce 24/7 security service of all its systems.

### **Future Outlook**

While profits are strong and the future outlook is positive, offshore and regional competition continues to increase. Players new and old are looking for new regulated gaming experiences which is why the company continues to invest in technology and innovation. Our technology, games, apps and regulatory environment must evolve to ensure we are offering competitive, regulated entertainment for Mauritians and as a result keep the revenue for good causes in Mauritius.

The Company will be introducing a new game under the Loterie Vert brand in 2019 which will offer players a different and new experience in lottery.

On behalf of the Lottotech team, I thank the Board of Directors for their continued guidance, confidence, support and active participation in developing and monitoring our strategy.



# Company Information

<b>Directors:</b>	Chian Yew Ah Teck (Chairman)	
	Allagappen Veeramootoo	
	Banoomatee Veerasamy	Resigned on 23 March 2018
	Chian Luck Ah Teck	
	Chian Tat Ah Teck	
	Cyril How Kin Sang	Resigned on 25 May 2018
	Friedrich Stickler	Resigned on 25 May 2018
	Geoffroy Dedieu	Resigned on 13 August 2018
	Jean Claude Lam Hung	Appointed on 25 May 2018
	Jairaj Sonoo	Appointed on 30 July 2018
	Kavita Achameesing	
	Manickchand Beejan	Appointed on 25 May 2018
		Resigned on 30 July 2018
	Michelle Carinci	
	Narghis Bundhun	
	Paul Halpin	Resigned on 30 March 2018
<b>Secretary:</b>	Gamma Corporate Services Ltd Royal Road Chapman Hill Beau Bassin Republic of Mauritius	
<b>Registered Office:</b>	Royal Road Chapman Hill Beau Bassin Republic of Mauritius	
<b>Principal place of business:</b>	Ground Floor HSBC Centre 18, CyberCity Ebène Republic of Mauritius	
<b>Auditor:</b>	Ernst & Young 9th Floor NeXTeracom Tower1, Cybercity Republic of Mauritius	
<b>Principal Banker:</b>	SBM Bank (Mauritius) Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Republic of Mauritius	
<b>Legal advisor:</b>	Anwar Moollan, SC 6th Floor, PCL Building, Sir William Newton Street Port Louis Republic of Mauritius	





**The directors are pleased to present the annual report and the audited financial statements of Lottotech Ltd (“the Company” or “Lottotech”) and its subsidiary (the “Group”) for the year ended 31 December 2018.**

### Principal Activity

The Company operates the Mauritius National Lottery on behalf of the Government of Mauritius.

Following a Request for Proposal issued by the State Investment Corporation Ltd in March 2008, the proposal of the Company, including its structured game plan, was accepted and the Company was selected in July 2008 as the preferred bidder for the implementation and operation of the Mauritius National Lottery. In April 2009, the Gambling Regulatory Authority (GRA) issued an exclusive licence to Lottotech Ltd to operate the Mauritius National Lottery.

The activity of the Mauritius National Lottery, also called La Loterie Nationale, is regulated by the GRA Act 2007. The Company operates in a highly regulated environment. Currently, the Company offers one loto game that has two weekly drawings on Wednesday and Saturday.

On 3 March 2014, the Company was converted into a public company, and on 11 June 2014, it was listed on the official market of the Stock Exchange of Mauritius Ltd. The successful listing process created over 8,000 new Central Depository & Settlement Co Ltd (CDS) accounts on the Stock Exchange of Mauritius Ltd, with a total of 12,385 applications and a subscription ratio of 2.99 times. The new shareholders comprised of individual and institutional investors, including foreign investors.

In March 2015, the Government announced budgetary measures that banned advertising of the lottery effective 24 March 2015, and the prohibition of the Quick Win category of games effective 30 June 2015.

In June 2018, following the conclusion of the mediation between the Company, the Gambling Regulatory Authority (GRA) and the Ministry of Finance and Economic Development before the Supreme Court of Mauritius (Commercial Division), the Company informed its shareholders that:

- The Company’s licence has been renewed until 2029;
- The Company has been granted approval to launch a second weekly draw of the Loto 6/40, and to launch a new game under the Loterie Vert brand.

The Company incorporated a new fully owned subsidiary, Loterie Vert Ltd, in October 2018.

As a result of the ongoing and systematic focus on increasing the player base through innovation and communications and responsible cost management, the business continued its strong performance throughout 2018.

### Results and Performance

<b>Group</b>	
<b>Group Statement of Profit or Loss and Other Comprehensive Income</b>	
Turnover from lottery tickets	Net profit after taxation
Dec 2018: MUR2,019.6m	Dec 2018: MUR109.9m
Dec 2017: MUR1,852.5m	Dec 2017: MUR110.8m

<b>Company</b>	
<b>Company Statement of Profit or Loss and Other Comprehensive Income</b>	
Turnover from lottery tickets	Net profit after taxation
Dec 2018: MUR2,019.6m	Dec 2018: MUR111.3m
Dec 2017: MUR1,852.5m	Dec 2017: MUR110.8m



# Directors' Report (cont'd)

The Company contributed MUR485m to the Consolidated Fund in 2018 compared to the contribution of MUR440m in 2017.

The Company continues to be profitable and sustains both top line and bottom line growth. Loto maintained its strong brand with high approval ratings and high participation rates and a modest weekly spend at MUR60. This aligns with the Company's responsible gaming strategy. The total number of jackpot winners created since the start of operations is 227 while in 2018, 31 winners won or shared the jackpot.

## Retailer Network

The retailer network of the Company exceeds 750 retailers, comprising mainly small family-owned businesses. Total commissions to retailers in 2018 were MUR112m. On average, our retailers earn an annual commission of more than MUR140,000. MUR1.4m was paid to 31 retailers for selling the jackpot winning tickets. There is approximately one retailer for every 1,600 population.

## Corporate Social Responsibility (CSR)

The Company is a member of the World Lottery Association (WLA). The WLA is recognised as the global authority on the lottery business and upholds the highest ethical principles. There are terms and conditions that the Company must fulfil to be a member of the WLA, namely:

- The member organisation must be licensed or authorised to conduct lotteries and/or sports betting operations by a jurisdiction domiciled in a state recognised by the United Nations.
- Sales of games of chance and/or skill must account for the majority of the organisation's total annual gross revenues.
- The majority of the organisation's net revenues must be dedicated to the public good.
- The organisation's business practices must conform to the aims and objectives of the Association.
- The organisation must subscribe to the WLA Code of Conduct as approved by the membership or to an equivalent Code of Conduct adopted by a regional lottery association.

The Company received the WLA Responsible Gaming certification Level 3 in 2017. Further, the ISO 27001 certification was renewed, demonstrating the commitment to world-class information security management.

For the year ended 31 December 2018, the CSR budget as per the legal requirements totalled MUR3.0m.

Several CSR projects were evaluated on the criteria of making a significant difference, aligning with the Company's branding of "La Chance Pour Tous", offering a long-term impact and providing opportunities for employees of the Company to become involved. This year, the Company continued its focus on alleviation of poverty and education.

## Consolidated Fund and National Solidarity Fund

The Company contributed MUR485m to the Consolidated Fund of the Government of Mauritius in 2018. As per the GRA Act, any money paid into the Consolidated Fund is used to finance the implementation of projects relating to community development, the promotion of education, health, sports and culture and for reimbursement of public debt of the Government of Mauritius.

In addition, the National Solidarity Fund received over MUR33m representing unclaimed prizes during the period. The National Solidarity Fund is used to improve the lives of the most vulnerable Mauritian citizens.

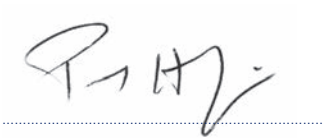
**Future Outlook**

The fundamentals of the Company’s business remain strong. The introduction of the second (Wednesday) weekly Loto draw in September 2018 has had a positive impact on sales and profit. The introduction of the new Loterie Vert game in 2019 will further boost sales, and the contribution to the consolidated fund for good causes in Mauritius. The Group will continue to explore opportunities to diversify its product portfolio and services to continue to meet consumer expectations.

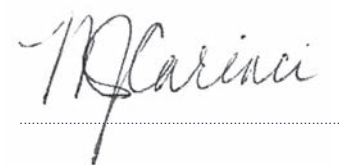
Lottotech will continue its efforts to make a difference and participate in our communities through its involvement in multiple projects to enhance the education of vulnerable groups and women entrepreneurs. The Company will strive to successfully be certified at the highest WLA of Responsible Gaming, Level 4.

Lottotech will continue to operate within its responsible gaming strategy. Our international experience lends itself to working closely with the GRA to develop an overall responsible gaming strategy and gaming alternatives in the regulated market.

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



**Director**



**Director**

Date: 27 March 2019



# Gender Equality

## **A winner does not have a gender.**

Lottotech pictures the world as a tray on a pivot. To keep the balance, one must make sure that everyone has the same opportunity. Better than winning the big jackpot, women should have the possibility to BE the winning jackpot. This engagement starts internal with 55 % female in our team. It goes further whilst creating the Women Leadership Programme where women learn about how to start and run a business and, equally to men, have a chance to become a leader.







# Corporate Governance Report

## Compliance with the National Code of Corporate Governance for Mauritius (2016)

The Board has assessed the implications of the New Code of Corporate Governance for Mauritius (“the Code”) introduced in 2016, which adopts an ‘apply and explain’ methodology based on the eight principles. This year’s report demonstrates the Board’s engagement towards the new Code and continuing effort to integrate the eight principles. The applicable disclosures pertaining to the eight principles of the Code has been made in the annual report.

## Our Philosophy

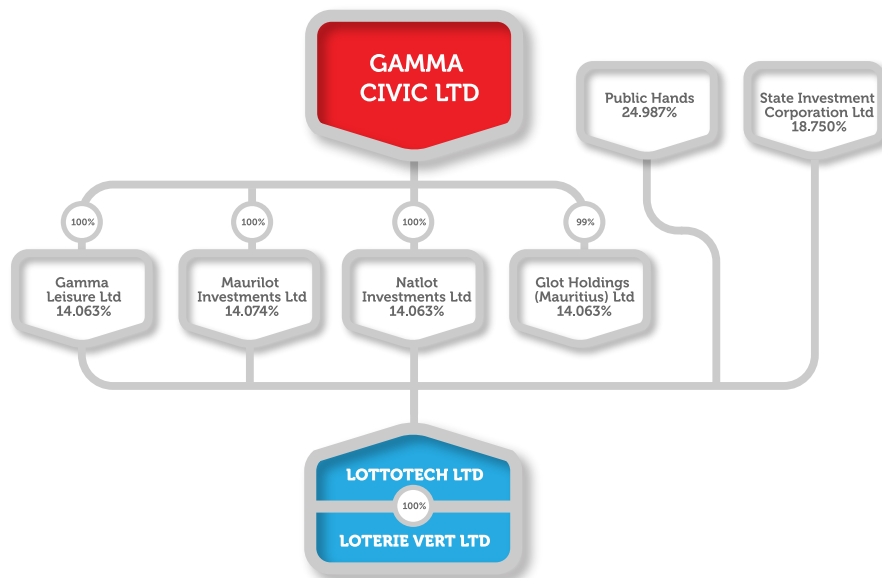
In today’s progressive and aggressive business environment, there is a growing importance for corporate governance. The philosophy of corporate governance is based on the foundation of transparency, accountability and trust.

Lottotech Ltd (“Lottotech” and/ or “the Company”), listed on the Stock Exchange of Mauritius (the “SEM”) and falling under the definition of Public Interest Entity (“PIE”), is held to high standards by investors and customers, and the Board’s commitment to corporate governance and rules of the country.

The objective of the Board of Directors, Management and all employees of the Company is to adopt and live the values of Corporate Governance which can only be achieved by demonstrating professional and ethical conduct so as to build and maintain trust through a shared commitment to ethical behaviour and to act with integrity. Therefore, the Company’s “Code of Conduct” provides guidance to all Directors and employees of Lottotech Ltd to fulfill their duties and obligations with highest standards of business ethics. The Board of Directors sets long-term strategy and provides oversight on the basis of strong principles and an appropriate tone from the top, which ensures the long-term success of the Group and the focus on corporate culture helps Lottotech to align the interests between the business, wider stakeholders and the Mauritian society.

The Board is pleased to announce that significant progress have been made in terms of disclosure on Corporate Governance this year.

The shareholding structure of Lottotech at 31 December 2018 was as follows:

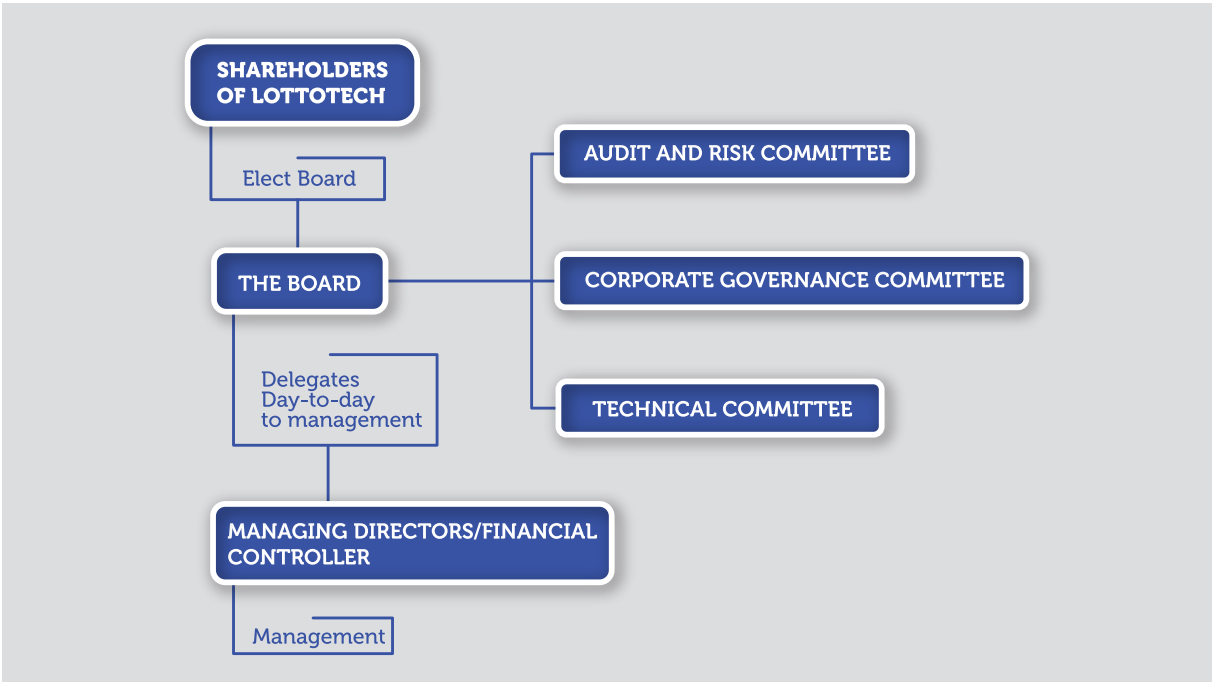




**Principle 1: Governance Structure**

Lottotech is led by a unitary and committed Board, which is collectively accountable and responsible for the long-term success of the Company. The Board has created three committees of the Board to strengthen the decision-making process. Delegation of responsibilities and authority is clearly defined whilst enabling the Board to have control on matters affecting the Company. The Board’s structure remains flexible and autonomous in order to be effective at all times and the Board monitors the performance of the Management Team in relation to set objectives and policies on a regular basis. The Company manages performance accountabilities and key performance indicators through a formal balanced scorecard process.

**Board Structure**



**Roles and Responsibilities**

**Role of the Chairman**

- Responsible for management and leadership of the Board of Directors of the Company;
- Provides leadership and governance of the Board so as to create the conditions for overall Board’s and individual Director’s effectiveness, and ensures that all key and appropriate issues are discussed by the Board in a timely manner;
- Promotes effective relationships and open communication, and creates an environment that allows constructive debates and challenges, both inside and outside the boardroom, between Non-Executive Directors and management;
- Ensures that the Board as a whole plays a full and constructive part in the development and determination of the Lottotech’s strategies and policies, and that Board decisions taken are in the Lottotech’s best interests and fairly reflect Board’s consensus;



# Corporate Governance Report (cont'd)

## Roles and Responsibilities (cont'd)

### **Role of the Chairman (cont'd)**

Ensures that the strategies and policies agreed by the Board are effectively implemented by the Managing Directors and management;

Ensures that the Directors are trained and are up-to-date with latest professional practices and to changes and trends in the Company's business;

Sets, in consultation with the Managing Directors and Company Secretary, the Board meeting schedule and agenda to take full account of the important issues facing the Company and the concerns of all Directors, and ensures that adequate time is available for thorough discussion of critical and strategic issues;

Ensures that the Board is properly briefed on issues arising at Board meetings and receives, in a timely manner, adequate information which must be accurate, clear, complete and reliable, to fulfil its duties, such as reports on Lottotech's performance, the issues, challenges, opportunities and matters reserved for it to make decision;

Ensures that there is effective communication with shareholders, and that each Director develops and maintains an understanding of the stakeholders' views; and

Establish good corporate governance practices and procedures and promotes the highest standards of integrity, probity and corporate governance throughout the Company and particularly at Board level.

### **Role of the Board**

Setting strategy and organisation structure by means of a five-year strategy development and financial planning exercise, including an IT strategy and the review thereof as is deemed fit, given the prevailing economic context;

Policy making;

Accurate and transparent regular reporting on the "state of play" of the Company, including the annual report as per statutory requirements;

Appointment, supervision and monitoring of the executive management of Lottotech Group companies;

Through its risk oversight role, satisfy itself that Management is effectively managing and mitigating relevant risks, including business risks, by having in place policies and procedures consistent with the Group's strategy and risk appetite; and

Setting Lottotech values and standards.

### **Role of Committees**

Facilitate efficient decision-making;

Uphold integrity in Financial Reporting;

Strengthen composition;

Provides inherent expertise to improve decision-making in key areas;

Monitor progress of project scope;

Resolving conflicts; and

Focus on specific areas of responsibility

### ***Role of CEO/Managing Directors***

Leads management in the day-to-day running of Lottotech's business in accordance with the business plans and within the budgets approved by the Board;

Leads management to ensure effective working relationships with the Chairman and the Board by meeting or communicating with the Chairman on a regular basis to review key developments, issues, opportunities and concerns;

Develops and proposes the Lottotech's strategies and policies for the Board's consideration;

Implements, with the support of management, the strategies and policies as approved by the Board and its committees in pursuit of the Company's objectives;

Maintains regular dialogue with the Chairman on important and strategic issues, and ensures bringing these issues to the Board's attention;

Ensures that management gives appropriate priority to providing reports to the Board which contain relevant, accurate, timely and clear information necessary for the Board to fulfil its duties;

Ensures that the Board, especially the Chairman, is alerted to forthcoming complex, contentious or sensitive issues affecting the Group;

Leads the communication programme with the stakeholders including shareholders; and

Conducts the affairs of the Group in accordance with the practices and procedures adopted by the Board and promotes the highest standards of integrity, probity and corporate governance within the Group.

### ***Role of Company Secretary***

As an officer of the Company, the Company Secretary is accountable to the Board through the Chairman in the performance of its duties and responsibilities as well as for the corporate governance processes. The duties of the Company Secretary shall include but shall not be restricted to:

Providing the Board with guidance as to its duties and responsibilities, and powers;

Informing the Board of all legislations on functions and operations relevant to or affecting meetings of shareholders and directors and reporting at any meetings as may be reasonably required from time to time for the filing of any documents required of Lottotech Ltd;

Ensuring that minutes of all meetings of shareholders and directors are duly recorded and that all statutory registers are properly maintained;

Certifying in the annual financial statements of the Company that Lottotech Ltd has filed with the Registrar of Companies all such returns as are required of Lottotech Ltd under the Companies Act 2001;

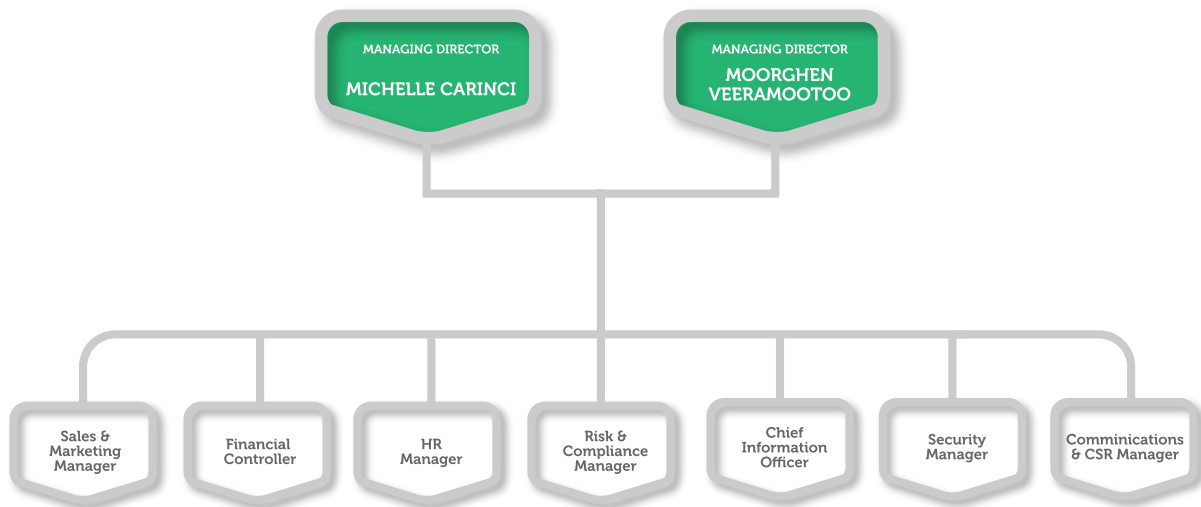
Ensuring that a copy of Lottotech Ltd's annual financial statements and, where applicable, the annual reports are sent by email or post to every person/entity entitled to such statements or reports in terms of the Companies Act 2001.



# Corporate Governance Report (cont'd)

## Senior Positions

The Board has approved appropriate job descriptions and accountabilities of senior management positions which are reviewed on a regular basis.



\*As from January 2019, Michelle Carinci and Moorghen Veeramootoo, have been nominated as Joint Managing Directors to head the Company's operations.

## Constitution

The Company is governed by a constitution, which is in line with the Companies Act 2001. There is no material clause in the Company's constitution which requires disclosure.

A copy of the Company's constitution is available for inspection at the registered office of the Company.

## Principle 2: The Board Structure and the Committees

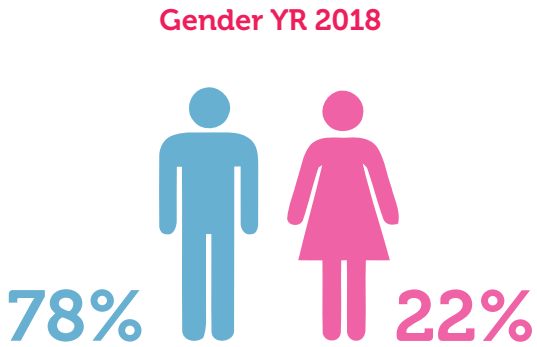
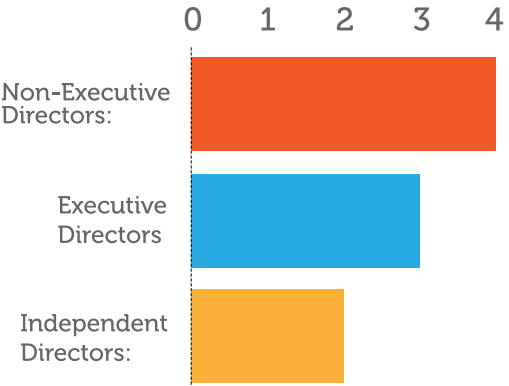
### Board Composition

According to the Lottotech's Charter, the Board may be composed of a maximum number of twelve Directors as per the Company's constitution, to serve a term of office of three years, subject to the shareholders' resolution at each Annual Meeting. The constitution also provides for a staggered rotation system to ensure the Board's renewal while retaining corporate memory.

The composition of the Board is clearly in line with the National Code of Corporate Governance, having the appropriate mix of executive, non-executive, independent directors and directors of Mauritian residence, as well as gender balance. Furthermore, the Board has the required mix of skills, experience, independence and knowledge to play its role fully in serving the interests of all the stakeholders of the Company.

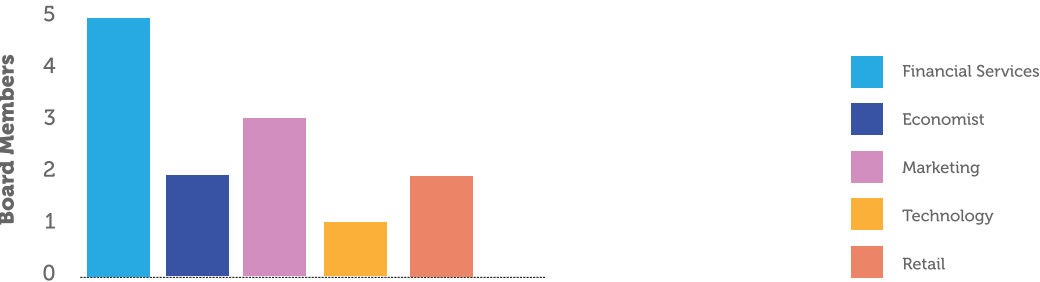


The Board was composed of nine Directors year ended 31 December 2018:



**Independence of the Board (2/9 directors): 22%**

### Skills and Expertise



\* Some Directors have multiple skills and expertise

### Meetings process of the Board of Directors

The meeting process is guided by the Lottotech Charter, which was duly approved by the Board of Directors on 07 August 2014 and ratified by the shareholders on 30 April 2015, the review of the charter is done every two years. The last review was effected in 2017 when the new code of the Corporate Governance was implemented and no change was required. The Charter is available for inspection at the office of the Company Secretary upon request.

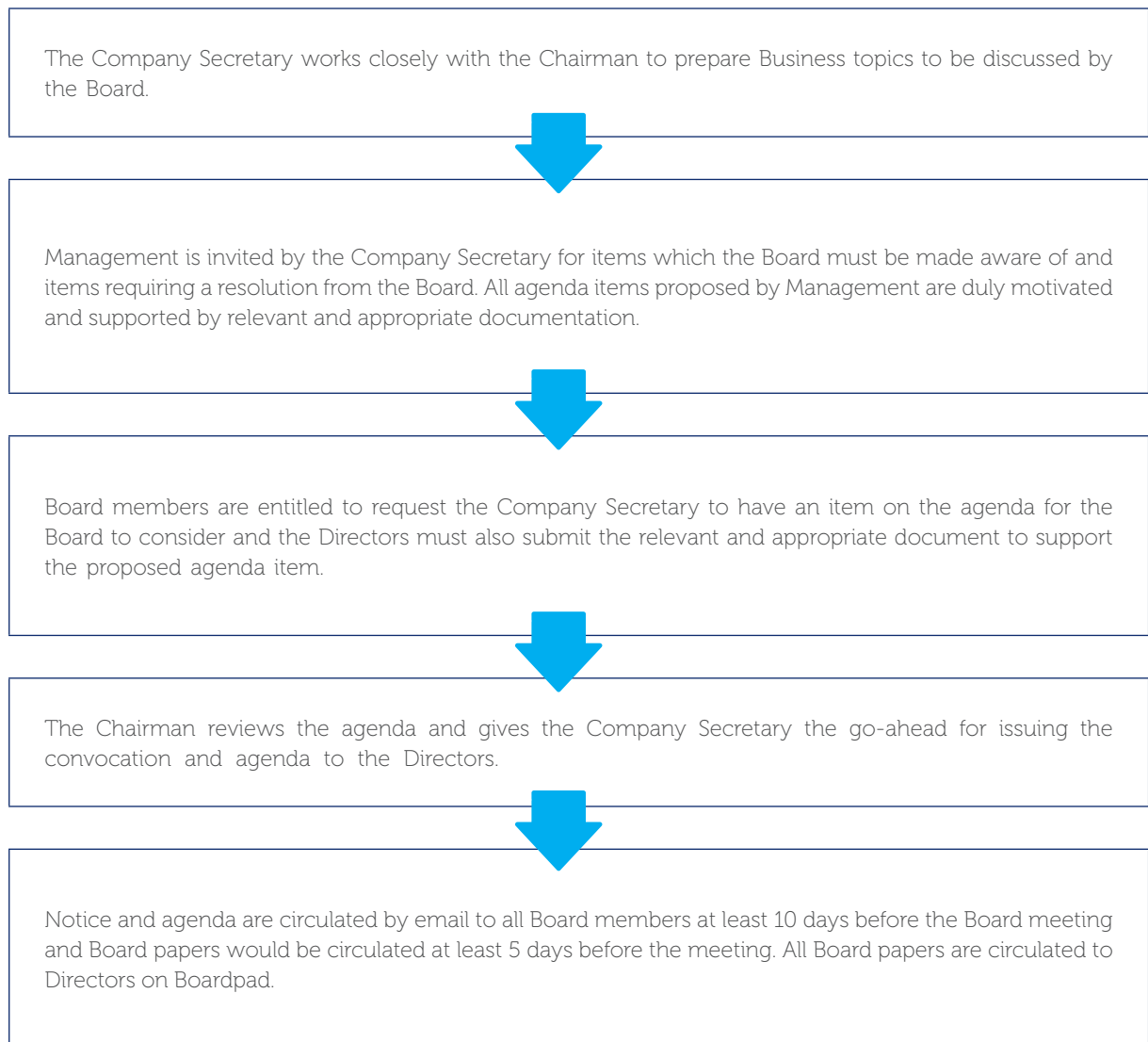
The Company Charter provides that the Company should hold a minimum of four quarterly Board meetings each year and a strategy meeting. All meetings are called by the Chairman of the Board and the Company has facilities to enable Directors to attend and participate in meetings either in person or via audio/visio means. Additional meetings may be called by the Chairman depending on the exigencies of the Company’s businesses. Furthermore Board members may also make written request to the Chairman for additional Board meetings.



# Corporate Governance Report (cont'd)

Board meetings are structured in such a way so as to facilitate open discussions, debates and challenges. The Company Secretary, Gamma Corporate Services Ltd, is a wholly-owned subsidiary of Gamma Civic Ltd, was set up on 16 March 2012 to provide corporate services (legal, secretarial and any other related services) under the supervision of the Chairman, who ensures that all Directors receive the right information in a timely manner to enable them to make informed business decisions. The agenda for Board meetings are set according to the process described in the diagram below.

## Meeting Preparation:



## Board Attendance

All Board members are expected to attend all or at least a minimum of 75% of the Board meetings held in the course of the year. Two consecutive "electronic" attendances (e.g. by telephone, video, internet/intranet or other technical means) for the approved quarterly statutory Board meetings by Directors shall not be permitted and shall be recorded as being absent. If a member misses more than three of the Board meetings set in the month of December for the following year or three Board Committees, in a row without permission from the Chairman or the Board as a whole, that member may be required to step down as a Director of the Board.

The directors who served on the Board and their attendance to Board meetings during year ended 31 December 2018 are provided below:

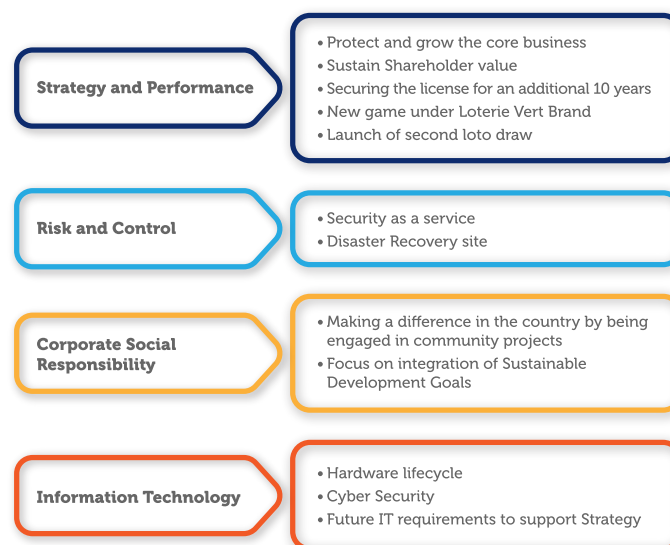
Members	Board Member Since	Board Status	Meeting attendance
Mr Chian Yew Ah Teck - Carl	08 April 2008	Executive Chairman	3/4
Mr Allagapen Veeramootoo - Moorghen	26 May 2017	Executive Director – Chief Operating Officer	4/4
Mr Chian Luck Ah Teck - Patrice	11 April 2008	Non-Executive Director	4/4
Mr Chian Tat Ah Teck - Tommy	11 April 2008	Non-Executive Director	3/4
Mr Cyril How Kin Sang	08 April 2008 to 25 May 2018	Non-Executive Director	1/2
Mr Friedrich Stickler <sup>2</sup>	27 May 2016 to 25 May 2018	Independent Non-Executive Director	2/2
Ms Kavita Achameesing	12 June 2015	Non-Executive Director	2/4
Mr Manickchand Beejan	25 May 2018 to 30 July 2018	Non-Executive Director	N/A
Mrs Michelle Carinci	07 August 2014	Executive Director – Chief Executive Officer	4/4
Mr Paul Halpin	27 May 2016	Independent Non-Executive Director	4/4
Mrs Banoomatee Veerasamy	12 June 2015 to 23 March 2018	Non-Executive Director	N/A
Mrs Narghis Bundhun	22 May 2015 to 30 March 2018	Independent Non-Executive Director	0/1
Mr Geoffroy Dedieu	26 May 2017 to 13 July 2018	Non-Executive Director	2/2
Mr Jairaj Sonoo	30 July 2018	Non-Executive Director	1/1
Mr Jean Claude Lam Hung	25 May 2018	Independent Non-Executive Director	2/2



# Corporate Governance Report (cont'd)

## Board Focus Areas

The main topics of discussion of the Board during the year revolved around the following:



## Board Committees

The Board has three committees which assist it to efficiently advance the business of the Board, and to facilitate efficient decision making of the Board, namely the Audit and Risk Committee, the Corporate Governance Committee and the Technical Committee. The Audit and Risk Committee also fulfils the functions of a Risk Committee, while the Corporate Governance Committee fulfils the functions of Remuneration Committee and Nomination Committee. Each committee has its own charter which can be referred to in the Company's Charter. Each Committee shall review its Terms of Reference from time to time to ensure that it is operating with maximum effectiveness and may recommend any changes which the Committee may consider necessary, to the Board for approval.

### Audit and Risk Committee

The Audit Committee assists the Board for reporting financial information, for appropriate application and amendment of accounting policies, for the identification and management of risk, for the implementation of internal control systems and for internal audit, statutory and regulatory compliance of the Company. The Committee provides a forum for effective communication between the Board and the external and internal auditors.

Name	No. of attendance	Executive/Non-Executive	Appointed/Resigned on
Mr Paul Halpin – Chairman	4/4	Non-Executive	Appointed on 30th July 2018
Mr Friedrich Stickler	2/2	Non-Executive	Resigned on 25th May 2018
Mr Geoffroy Dedieu	2/2	Non-Executive	Resigned on 13th July 2018
Mrs Jyoti Achameesing	2/4	Non-Executive	Appointed on 30th July 2018
Mr Jean Claude Lam Hung	1/2	Non-Executive	Appointed on 30th July 2018

<b>Responsibilities</b>
To define the risk appetite of the Company;
Review and discuss with management the Company's risk assessment and risk management processes, including any policies and procedures for the identification, evaluation and mitigation of major risks of the Company;
To assist the Board in setting risk strategies, policies, frameworks, models, procedures in liaison with management and in discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and reporting;
Receive periodic reports from management as to efforts to monitor, control and mitigate major risks;
Review of periodic reports from management pertaining to cyber security programmes and data protection controls and such other appropriate information security reports as the Committee deems appropriate;
Review and discuss with management the Company's compliance with laws and regulations, including major legal and regulatory initiatives;
Monitor the integrity of the financial statements of the Group, including the annual report and any other formal announcement relating to its financial performance and position, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain, having regard to matters communicated to it by the External Auditor;
Monitor the effectiveness and objectivity of the Company's internal audit function (the "Internal Audit Function") and the external auditor (the "External Auditor");
Receive and note the Company's risk reports and action taken as appropriate;
Ensure that risk considerations are incorporated within the strategic planning and budgeting process; and
Ensure the Company is compliant with all Health & Safety matters, permissions and licences and have oversight of the relationship with its regulators.

<b>Agenda/ Topics discussed for the year</b>
Financial reporting
Risk and controls
Systems and procedures
Internal & External audits

### Corporate Governance Committee

The Corporate Governance Committee acts as a mechanism for making recommendations to the Board on all corporate governance matters relevant to the Company to ensure that the Board remains effective and complies with the "Code" and prevailing corporate governance principles.

The Committee is also responsible for the remuneration and nomination matters. The remuneration philosophy is geared towards rewarding efforts and merits for individual and joint contribution to the Company's results, whilst having also due regards to market conditions, the interest of the shareholders and to the financial well-being of the Company.



# Corporate Governance Report (cont'd)

## Corporate Governance Committee (cont'd)

Name	No. of attendance	Executive/Non-Executive	Appointed/Resigned on
Mrs Narghis Bundhun – Chairman	0/1	Non-Executive	Resigned on 30th March 2018
Mrs Banoomatee Veerasamy	0/1	Non-Executive	Resigned on 30th March 2018
Mr Cyril How Kin Sang	1/1	Non-Executive	Resigned on 25th May 2018
Mr Geoffroy Dedieu	1/1	Non-Executive	Resigned on 13th July 2018
Mr Tommy Ah Teck – New Chairman	1/1	Non-Executive	Appointed on 30th July 2018
Mr Patrice Ah Teck		Non-Executive	Appointed on 30th July 2018
Mrs. Michelle Carinci		Executive Director	Appointed on 30th July 2018
Mr. Jairaj Sonoo		Non-Executive	Appointed on 30th July 2018

## Responsibilities

To ensure that the shareholders and the market in general have a complete, truthful and timely access to the information that Company must disclose;

To oversee the performance of the Board;

To assess, on a regular basis, the compliance with the Corporate Governance Code. When necessary, to propose to the Board of Directors amendments in order to improve and execute correctly the Corporate Governance Code;

Assess Board Effectiveness and review the structure in terms of size, composition and proper balance of skills and expertise;

To keep up to date about the best practices, new regulation and any other change on the Corporate Governance area in order to comply with the Committee's duties and responsibilities efficiently;

To coordinate the procedure of selection, appointment and rotation of the Board of Directors;

To oversee the compliance with the requirements and procedures for the election of the Board of Directors (competences, inabilities and limitations, among other features);

Review succession plan for executives and non-executive members;

Oversee and support a formal, rigorous and transparent approach to senior appointments in the Group, and making recommendations regarding appointments; and

Determine, approve and review remuneration of Board of Directors and Senior Management taking into account the balance scorecard and KPIs.

## Agenda/ Topics discussed for the year

Review of Performance Management System

Assess Remuneration Policy

Integration of Corporate Social Responsibility in Lottotech's operation

Corporate governance



## Technical Committee

A Technical Committee ("Comtech") is a committee set up to ensure that Management is functioning within the strategy and budget as approved by the Board of Directors. In no event shall the Technical Committee have authority over or substitute itself for the Board.

The Comtech consists of representatives of the Board and of Management, and it holds monthly meetings.

Name	No. of attendance	Executive/Non-Executive	Appointed/Resigned on
Mrs Michelle Carinci	9/10	Executive	
Mr Geoffroy Dedieu	4/4	Non-Executive	Resigned on 13th July 2018
Mr Patrice Ah Teck	10/10	Non-Executive	
Mr Moorghen Veeramootoo	10/10	Executive	
Mr Twalha Dhunoo	10/10	Member (Group CFO)	

### The detailed responsibilities of the Comtech cover the following:

#### Board Delegation

- Review and agree relevant items before escalation for consideration by the Board. All escalation should be clear and purposeful in highlighting key issues and recommendations as appropriate; and
- Approve actions and other matters under any delegated authority from the Board or Board Committees and, where relevant, in accordance with any transaction approval or expenditure delegated authorities' limits set by the Board.

#### Strategy

- Consider emerging issues that are material to the business and affairs of the Group and ensure appropriate plans are in place;
- Review material strategic initiatives, including acquisitions and disposals and joint ventures and recommend such to the Board;
- Implement the Board approved strategy and business plans;
- Measure and monitor the progress of achieving strategic plans and objectives;
- Identify barriers to achieving strategic plans and objectives and implement appropriate remediation;
- Maximise performance across all lines of business and functions;
- Consider the opening of overseas branches and representative offices, and any related requirements and recommend such to the Board; and
- Approve submission to the Board of the business plans of the Group ahead of the annual Board strategy discussions including clear implementation plans and deliverables.

#### Budget and Financial

- Monitor and report achievement of key financial objectives, including those set out in the Board approved annual budget;
- Review the Annual Report and Financial Statements and any other financial reports;
- Demonstrate appropriate financial controls are in place to avoid misstatements in the financial statements and to mitigate the risk of fraud;
- Ensure that financial and management reporting is timely and accurate including submission to Gamma Civic Ltd.



# Corporate Governance Report (cont'd)

## Technical Committee (cont'd)

### The detailed responsibilities of the Comtech cover the following:

#### Risk and Compliance

- Receive and note the Group's risk reports and action taken as appropriate;
- Consider recommendations from the management team and from the Board, in relation to risk management matters including recommendations on appetite, risk policies and risk management strategies and that these are implemented;
- Ensure that risk considerations are incorporated within the strategic planning and budgeting process;
- Oversee the control framework with respect to adequate accounting and other records and systems planning and internal control; and
- Ensure the Company is compliant with all Health & Safety matters, permissions and licences and have oversight of the relationship with its regulators;

#### New Products

- Approve the roll out of new products and business lines within the agreed strategy and business plan and recommend to the Board any new products or business lines that are outside the agreed strategy and business plan.

#### Customer Issues

- To receive and consider reports on client matters, where these are deemed material to the Company and take action as it considers appropriate.

#### Intra-Group Co-operation

- Ensuring the efficient liaison, co-ordination and co-operation by and between all staff, divisions and entities of the Group.

#### Audit

- To oversee the implementation of internal and external audit action points and monitor the remediation of any key issues that arise; and
- To facilitate the completion of the audit of the Annual Report and financial statements in a timely manner and once compiled, to review and approve and recommend such to the Board.

#### IT Systems

- To ensure the Company is implementing best in class IT practices prudently and appropriately.

### Agenda/ Topics discussed for the year

In line with the duties with the Comtech so as to ensure operational performance as approved by the Board.

## Principle 3: Director Appointment Procedures

### Directors' Orientation, Guidance and Support

Directors of the Board shall be provided with a Director's Lottotech Ltd Corporate Document pack containing the Lottotech Ltd Charter which will serve as a reference tool for all members of the Board. Thus, Directors are aware of their roles and responsibilities. The Company shall also issue a letter of appointment to newly appointed Directors stipulating the terms and conditions of the directorship as well as their legal duties. Directors shall be elected on the Board for a maximum period of three years, subject to further review by the Shareholders. Subject to adherence to the procedure outlined hereunder, Lottotech Ltd will meet reasonable costs incurred in obtaining

independent professional advice, jointly or severally by a Director or Directors where such advice is necessary to enable the obligations imposed on an individual or individuals through membership of the Board, to be properly fulfilled. The procedure requires that the member requiring the independent professional advice shall inform the Chairman of his request, or in his absence to the Chairman of the Audit and Risk Committee, who shall give a written instruction to the Company Secretary to seek such independent professional advice, and when such advice is obtained the Company Secretary shall inform all Directors of the advice so received.

The Corporate Governance Committee assists the Board in the nomination and appointment of senior executives in the following manner:

- Identifies individuals qualified to become members of the Board, consistent with criteria approved by the Board;
- Recommends directors to be elected by the Board to fill any vacancies; and
- Oversees and recommends to the Board matters pertaining to the nomination and dismissal of the Managing Directors and Financial Controller of the Group.

**Board members appointment**

All Board members stand for election each year.

**Induction and training**

As a Director of the Company, members are expected to know the Company’s businesses, its objective and modalities. They may consult the Chairman for any induction and training they may require in relation to the Company.

Upon appointment, Directors are issued a letter of appointment stipulating the terms and conditions of the directorship. The Directors are also communicated a copy of the Lottotech Charter, which is applicable to the Company, the Company’s constitution and relevant laws which apply to the operation and business of the Company. The corporate presentation of the Company is delivered by the Chairman and the Managing Directors proceed with a presentation of the operation, including a site visit.

**Professional development and training**

The Directors are encouraged to keep themselves up-to-date with latest professional practices and to changes and trends in the Company’s business, market, economic, political, social and legal environment in general. The Board may organise trainings as and when required, and newly appointed Board members are expected to make themselves available for these training sessions.





# Corporate Governance Report (cont'd)

## Board Members profile

The profiles of the individual Directors are given below:



**(a) Chian Yew Ah Teck**, (also called Carl Ah Teck)  
Executive Chairman

Carl holds a first class degree in Civil Engineering from Lancaster University and an MPhil. Degree in Soil Mechanics from the University of Cambridge. After university, he joined consulting firm Sir Alexander Gibb and Partners in Mauritius. He is a registered professional engineer. He has also attended several executive management programs at NUS/Stanford University, London Business School and INSEAD.

After 5 years with Sir Alexander Gibb and Partners, where he held various positions in both the design office and on site for major projects, he founded Gamma Construction Co Ltd in 1987, which has subsequently acquired Randabel & Sons Ltd (now known Gamma-Civic Ltd).

From 1987 to 2011, he was the Chief Executive Officer of the Gamma Group before occupying the post of Chairman of Gamma-Civic Ltd since February 2011, and the Chairman of Lottotech Ltd since its incorporation in 2008.

Directorship in listed companies: Three (Executive Chairman: Gamma-Civic Ltd, Morning Light Co Ltd and Kolos Cement Ltd).



**(b) Allagapen Veeramootoo**, (also called Moorghen Veeramootoo)  
Executive Director & Joint Managing Director since January 2019

Moorghen holds a Master degree in Marketing and a BSc, Engineering, European Studies & Technology from Coventry University in the UK. He is also a holder of a Diplôme Universitaire en Technologie (DUT) from the Institut Universitaire de Technologie of Avignon in France. Moreover, Moorghen is an Insead Alumni and has attended a number of other Executive programs, including one at the National University of Singapore.

He has previously occupied the post of Marketing and Sales Manager and Business Unit Manager at Gamma from 2004 to 2009. He has also worked as Marketing Manager at Happy World Foods Ltd (now Innodis Ltd) from 1999 to 2004 and Cread & Co. Ltd in 1999. He joined Lottotech in 2009 and has occupied the post of Deputy General Manager and presently holds the post of Chief Operating Officer/Executive Director.

Note: Moorghen was appointed as a Director of the Company on 26 May 2017 and in January 2019, he has been appointed as Joint Managing Director.

**(c) Banoomatee Veerasamy**

Non-Executive Director

Banoomatee Veerasamy studied law at the University of London, UK. She is a fellow of the Institute of Chartered Secretaries & Administrators. Besides, she holds BA (Hons) in Administration and a certificate in Financial Management & Banking from the University of Strathclyde in Glasgow. She has joined the State Investment Corporation Ltd in year 1985 where she held various positions. In 2015, she was the Acting Managing Director of SIC until her retirement.

Directorship in listed companies: One (Air Mauritius Ltd).

*She is no longer a Director as from 23 March 2018.*



**(d) Chian Luck Ah Teck, (also called Patrice Ah Teck)**

Non-Executive Director

Patrice holds a BA (Hons) Accounting and Finance from South Bank University. He worked as a Trainee Accountant with Nunn, Crick and Bussell in the UK, and in 1993, he joined the Gamma Group as Sales and Marketing Manager. He was appointed Sales and Marketing Director in 2000, and he has occupied the post of Deputy Managing Director. Since July 2015, he is no longer an Executive Director, and is a member of the Board of Gamma-Civic Ltd in a Non-Executive capacity.

Directorship in listed companies: Three (Non-Executive Director: Gamma-Civic Ltd., Morning Light Co Ltd and Kolos Cement Ltd).



**(e) Chian Tat Ah Teck, (also called Tommy Ah Teck)**

Non-Executive Director

Tommy holds a BSc (Hons) Engineering from University of Westminster and an MPhil in Mechanical Engineering from Loughborough University of Technology. He worked as a Trainee Accountant with Griffin & Partners, Chartered Accountants in London, UK. He occupied the post of Managing Director of Gamma-Civic Ltd from 1987 to January 2011. He was appointed Group CEO in February 2011. Since July 2015, he is no longer an Executive Director, and is a member of the Board in a Non-Executive capacity.

Tommy is also the Vice Chairman of the Company, whereby he is responsible for public relations and networking for the resolution of issues across the Group under the guidance of the Chairman who is in charge of Corporate Development of the Company. He also chairs the Gamma Foundation.

Directorship in listed companies: Three (Non-Executive Director: Gamma-Civic Ltd, Morning Light Co Ltd and Kolos Cement Ltd).



# Corporate Governance Report (cont'd)

## Board Members profile (cont'd)

### (f) Paul Cyril How Kin Sang, (also called Cyril How Kin Sang)

Non-Executive Director

Cyril studied accountancy at the University of West London and is a member of the Institute of Chartered Accountants in England & Wales. From 1985 to 1988, he trained and worked as a Chartered Accountant in the UK with a number of accounting firms including KPMG. He joined Gamma in 1989 and has occupied several posts within the Group, including Group Finance Director and Supervisory Executive Director of Lottotech Ltd, and is involved in the business development of the Group. He was appointed as the Managing Director of Gamma-Civic Ltd in February 2011. Since July 2015, he is no longer an Executive Director, and is a member of the Board of Gamma Civic Ltd in a Non-Executive capacity.

Directorship in listed companies: Two (Gamma-Civic Ltd and Morning Light Co Ltd).

*He is no longer a Director as from 25 May 2018.*

### (g) Geoffroy Dedieu

Non-Executive Director

Geoffroy holds a DEA Business Law from Université Panthéon-Assas, a LLM from the National University of Singapore and an MBA from INSEAD. After his studies, Geoffroy started his career as a corporate lawyer in Asia. He was previously the Managing Director at a Top 5 Swiss bank in Singapore, and he subsequently set up a single-family office holding company in the UK. He is an experienced family business manager with focus on the entrepreneurial family model. Geoffroy is also a Charter Member of the UK Chartered Institute for Securities & Investments and a Certified Financial Planner.

Directorship in listed companies: Two (Gamma-Civic Ltd and Morning Light Co Ltd).

*He is no longer a Director as from 13 July 2018.*

### (h) Friedrich Stickler

Independent Non-Executive Director

After completing his studies at the University of Natural Resources and Life Sciences in Vienna, Friedrich worked for Casinos Austria. In 1985, Friedrich was involved as project director on the introduction of Lotto "6 out of 45" in Austria, after which he was appointed Executive Director on the Board of the Austrian Lotteries in 1986, and was promoted to the position of Deputy Managing Director in 2006. He is an Executive Member of the European Lottery Association, and he has been at the vanguard of the movement that promotes preservation of a healthy regulatory framework in the European Union. He is also a member of the Austrian Federal Economic Chamber, and is responsible for the professional group Casinos Austria and Austrian Lotteries. In 2015, Friedrich was elected to the Executive Committee of the Global Lottery Monitoring System (GLMS) for sports betting.

Directorship in listed companies: None.

*He is no longer a Director as from 25 May 2018.*



**(i) Kavita Kumari Achameesing**, (also called Jyoti Achameesing)  
Non-Executive Director

Jyoti holds an MSc in Investment Promotion & Economic Development from Edinburgh Napier University, Scotland, since 2013, after having completed her BA (Hons) Financial Services in 2003. She also holds a Diploma in Management and Marketing from the UK Institute of Commercial Management. Jyoti is currently the Senior Administrative Finance Officer (SAFO) at the SIC.

Director in listed companies: None.



**(j) Michelle Jane Carinci**, (also called Michelle Carinci)  
Executive Director & Joint Managing Director since January 2019

Michelle, a Canadian national, has proven leadership in operations and innovation both locally and internationally, with over 40 years' experience in the gaming industry. As President and CEO of the Atlantic Lottery Corporation, she developed and implemented a corporate social responsibility framework which strives to promote integrity, transparency and responsibility. Prior to joining Atlantic Lottery Corporation, she was President of Gamescape, a wholly-owned subsidiary of IGT and a Corporate Vice President in charge of marketing and customer relations at IGT.

She has also been recognised four times as one of the top 50 CEOs in Atlantic Canada and is an inductee into the Lottery Hall of Fame class of 2006. Michelle is also a strong promoter of responsible gaming having been one of the founding members of the Responsibility Program on behalf of the WLA. Michelle also aided in the creation of responsible gambling principles and its associated frameworks and standards, which were unanimously approved by 140 organisations worldwide.

Since March 2012, Michelle holds the position of CEO of Lottotech Ltd, and in August 2014, she was appointed as Board member. As the Company's Managing Director, Michelle heads the management team and is responsible for the day-to-day business operations. She is also responsible for implementing the Board's resolutions and the Company's strategy as approved by the Board of Directors.

Directorship in listed companies: None.

Note: In January 2019, she has been appointed as Joint Managing Director.





# Corporate Governance Report (cont'd)

## Board Members profile (cont'd)

### (k) Narghis Bundhun

Independent Non-Executive Director

Narghis studied law at Université de la Réunion, and did her Bar at the Council of Legal Education in Mauritius in 1988. She was called to the Bar in 1989. She further holds a Diploma in International Commercial Arbitration, and has attended several training programmes on mediation and arbitration. Narghis is a member of the Electoral Supervisory Commission and the Electoral Boundaries Commission. She also has teaching experience as a lecturer at the Mauritius Council of Legal Education and Council of Vocational and Legal studies and the University of Mauritius. She was the first woman to chair the Mauritius Bar Council in 2000.

Directorship in listed companies: None.

*She is no longer a Director as from 30 March 2018.*



### (l) Kune Foo Jean Claude Lam Hung, (also called Jean Claude Lam Hung)

Independent Non-Executive Director

Jean Claude is a Fellow of the Institute of Chartered Accountants in England and Wales. He was awarded the Edward Billington Scholarship to read for a BA (Hons) Business Studies at Liverpool John Moores University. He graduated with a first class honours degree. From 1998 to 2009, he trained and qualified as a Chartered Accountant with Ernst & Young (London) before assuming senior manager and director roles at Deloitte (London) and BDO (London) respectively. In November 2009, he became a partner at Mazars LLP (London). From August 2012 to October 2015 he was the Group CFO of Gamma Civic Ltd and he is currently the Chief Executive Officer of CG Re (Africa) Ltd, an insurance broker company. In January 2017, Jean Claude joined the Board of Directors of Gamma Civic Ltd as Non-Executive Director anew.

Directorship in listed companies: Non-Executive Director: Gamma Civic Ltd.



### (m) Jairaj Sonoo

Non-Executive Director

Jairaj Sonoo, C.S.K, holds an MBA from University of Surrey and he has pursued General Management Programmes with INSEAD (France), Colombia Business School (New York), Wharton (Singapore) and Indian Institute of Management Ahmedabad (India). He has also followed a Private Banking Programme with Euromoney Training Centre, UK and is a Member of the Institute of Bankers.

He has almost 41 years of experience in the financial sector, with about 38 years at SBM Bank (Mauritius) Ltd, where he has occupied different positions. He is currently the Chairman of The State Investment Corporation Limited.

He is the holder of Duke of Edinburgh's Award-Silver Standard and also the honorary title of Commander of the Star and Key of the Indian Ocean("C.S.K.").

Directorship in listed companies: None.

**(n) Manickchand Beejan**, (also called Prem Beejan)

Non-Executive Director

Prem holds a B.A. Hons with Distinction in Economics from a Canadian University and an MSc in Financial Management from the University of London. Prem is currently the Managing Director of the State Investment Corporation Ltd. He has a long and successful career with work experience in government, state-owned enterprises and private sector companies. He sat in capacities ranging from Chairman, Executive Director and Independent Director on more than 40 Boards of companies that are involved in a diverse range of activities including insurance, equity investment, portfolio and wealth management, fund management, casinos, housing, property development, sugar sector, IT sector, commerce and education. Prem has more than 35 years of professional experience starting his career as Government Economist and successively moving up to the level of Managing Director. His areas of competence include project conception, development and implementation, designing innovative financial instruments, designing and implementing business processes, and long-range asset-liability matching with scenario planning. His pastime includes complex modelling in EXCEL and trading at the stock market.

He is no longer a Director as from 30 July 2018.



**(o) Paul Laurence Halpin**

Independent Non-Executive Director

Paul has been an Independent Director of the Company since 27 May 2016; and he is Chairman of the Audit and Risk Committee.

Paul is a former Partner at PwC Johannesburg, London and Dublin, where he held leadership positions in the financial services industry practice. He is widely experienced in matters of corporate governance, board effectiveness and prudential supervision and has served companies in the following sectors: Financial Services, ICT, Healthcare, Real Estate, Construction, Renewables and Heavy Manufacturing. Qualifications: Chartered Accountant; B. Comm. University College Dublin.

From 2016 to 2018, he served as Lloyd's General Representative for Mauritius. From 2005 to 2010, he was a Non-Executive Board Member of the Board of Investment, Mauritius and from 2005 to 2009, he was an Independent Non-Executive Director of Standard Bank (Mauritius) Ltd.

He is an Independent Non-Executive Director of Gamma Civic Ltd, Gamma Construction Ltd, Kolos Cement Ltd, and Gamma Treasury Management Ltd.

Other non-executive directorships: Citicc Africa Holdings Ltd (Real Estate investor in East Africa); Grofin Capital (Development Finance and Private Equity in Africa and the Middle East); MakeMyTrip Limited (India's largest online travel agent, Listed on Nasdaq); various companies in the MIH Group (A leading Internet-based investor in India and China); and RMB Westport Real Estate Development Fund Ltd (Real Estate investor in West Africa).

Directorship in listed companies: Two (Kolos Cement Ltd (Development and Enterprise Market, Mauritius), and MakeMyTrip Limited (Nasdaq)).



# Corporate Governance Report (cont'd)

## Management profiles



**Michelle Carinci**  
Joint Managing Director

Please refer to Michelle's profile under the 'Directors' Profiles' (j) of this report.



**Moorghen Veeramootoo**  
Joint Managing Director

Please refer to Moorghen's profile under the 'Directors' Profiles' (b) of this report.



**Ansuya Seewooruthun**  
Financial Controller - resigned in 2018

Ansuya has a Bachelor of Commerce in Accounting and Finance from the University of Mauritius. She also completed the ACCA qualification, and is currently doing a Master in Business Administration with the University of Bradford, UK. She has more than 10 years of experience in accounting and finance in both local and international organisations. She joined Lottotech in December 2010 and resigned in 2018.



**Guito Lucchesi**  
Sales and Marketing Manager

Guito joined Lottotech in 2009 as a Field Sales Representative (FSR) and gradually climbed the ladder to become a Senior FSR in 2010, Sales Manager in 2013 and actually is the Sales and Marketing Manager since 2017. He has over 20 years of experience in the sales industry. With a diverse and encompassing work history, Guito is familiar with the entire sales process and analysing performance. He has a unique management style that fosters colleagues to reach greater goals and encouraging feedback. Guito is also responsible for the marketing programs and the brand management. He thrives on challenges, particularly those that expand the company's reach. His most recent project is the launch of the Loto Second weekly draw.



**Harikrishna Ramsamy**  
Chief Information Officer

Harikrishna has a Master in Business Administration from Heriot Watt University. He has over 25 years' experience in the IT profession, and has joined Lottotech in 2011. Harikrishna holds the position of Chief Information Officer and is responsible for the planning and execution of IT strategy that support the Company's objectives. He also oversees and ensures the smooth and efficient running of the on-line lottery sales and IT services.



**Queensnee Pergun**  
Human Resource Manager

Queensnee has a Bachelor of Arts from the University of New Delhi, India and a Diploma in United Nations and International Understanding from the Institute of United Nations Studies. Prior to her role as Human Resource Manager in Lottotech, she served as Human Resource Lead at CIM Global Management. She has over one decade of experience in the Human Resource ranging from human capital management, strategic thinking and change management. Queensnee joined the Company in 2013 where her responsibilities are to link people and strategy, cultivate a shared culture, create a collaborative environment, provide strategic advice to the management team on cross functional and complex projects, motivate and retain talent necessary to support long-term success of Lottotech.



# Corporate Governance Report (cont'd)

## Management profiles (cont'd)



**Richard Papie**  
Security Manager

Richard joined Lottotech in 2009, and has over 24 years of experience within the security profession. He is a former police officer and held the position of security manager across a number of industries. Richard holds a legal background in criminal justice and tort. He oversees, investigates and liaises with the relevant legal and enforcement authorities to authenticate any winning tickets that may be in dispute.



**Shalini Luchmun**  
Financial Controller - as from February 2019

Shalini is a fellow member of The Association of Chartered Certified Accountants. She holds an MBA from Heriot-Watt University. She started her career in 2005 as auditor with BDO Mauritius and left in 2008 to gain practical experience as an accountant. She worked in the banking sector before joining Lottotech as Accountant in 2014. She is currently the Company's Financial Controller.



**Sivalingum Candassamy**  
Compliance and Risk Manager

Sivalingum holds a LL.M from Université Panthéon-Assas, an MSc in Computer Security and Forensics and a Master in Business Administration from the University Technology of Mauritius. He joined Lottotech in 2009 and is in charge of the risk and compliance aspects of Lottotech's operations. He assists management in identifying key risks to the business, and ensures that appropriate controls are in place to mitigate these to an acceptable level.



**Virginie Pasnin**  
Communications and CSR Manager

Virginie holds a Master Degree in Business Administration with a specialization in Marketing from the University of Mauritius. Since 2009, Virginie joined the Company and now acts as the Communications and CSR Manager. Her main responsibilities are to devise and implement strategic communications for the company as well as to oversee the implementation and effectiveness of the CSR and responsible gaming programme.

## Succession Planning

The Board is responsible for ensuring that the Group has an appropriate succession plan in place for Directors and Senior Management. This responsibility has been delegated to the Corporate Governance Committee under its Nomination function.





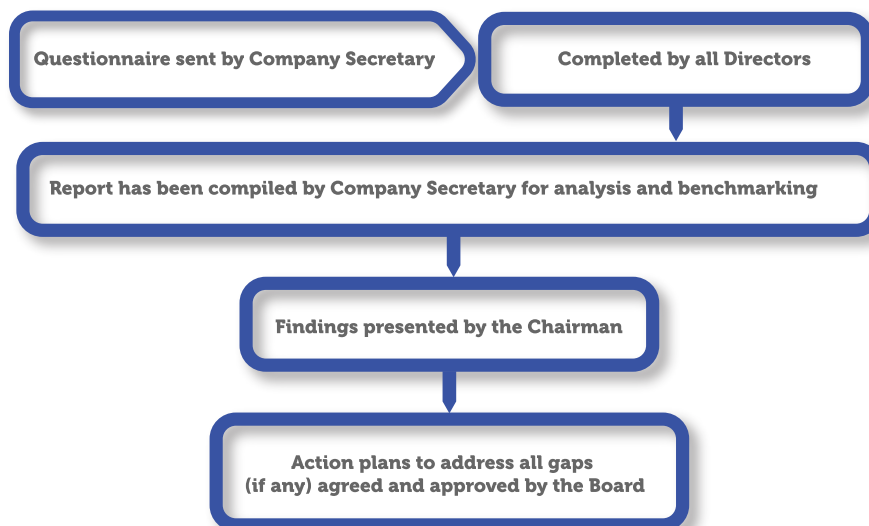
# Corporate Governance Report (cont'd)

## Principle 4: Board Of Directors' Performance

The Board has established a process for an annual performance evaluation by an experienced independent and external consultant of the Board, Board Committees and individual Directors including the Chairman of Lottotech Ltd.

A survey is sent to all Board members to evaluate the performance of the Board in order to improve the processes, structure, composition so as the Board can fulfil its role effectively. In January 2018, the survey was sent to all Board members for the Board Self and Peer Performance Evaluation where no areas of concerns were identified requiring the Board's particular attention. However, the Board continues to work towards the effectiveness of the Board proceedings with the aim of sharpening its capacity.

### Evaluation Process



### Remuneration Policy: statement of remuneration policy

The Company remains focused on its long term philosophy as described in the Group Human Resource Manual, which is to attract and retain leaders with the objective of delivering business priorities within a framework that is aligned with the interest of the Company.

The Company's Charter provides for the remunerations payable to the Independent Non-Executive Directors, as well as the reimbursement of their expenses, in line with a Remuneration policy, duly approved by the Shareholders in a non-binding vote.

There may be special reward, if approved by the Board, to individual Board members following specific assignment to such members.

For the year ended 31 December 2018, the remunerations paid by the Company to its Directors were as follows: MUR 19,823,221.

The Directors' remuneration have been disclosed in aggregate due to the confidentiality of the information.

## Interest Register

The Company discloses in respect of all related party transactions in the Interest Register which in accordance to the law, is available for inspection upon a written request made to the Company Secretary.

### Directors share of interest and dealings in securities/share

As at 31 December 2018, the Directors' share interests in the Company were

Director	Number of Shares	
	Direct	Indirect
Carl Ah Teck	147,840	33,015,181
Tommy Ah Teck	-	33,063,307
Patrice Ah Teck	147,840	33,000,146
Michelle Carinci	38,796	14,434
Kavita Achameesing	-	-
Allagappen Veeramootoo	52,632	-
Paul Halpin	-	-
Jairaj Sonoo	-	-
Kune Foo Jean-Claude Lam Hung	42,823	109,527

### Directors' Dealings in Shares of the Company

As part of the Company's statutory quarterly reporting process to the Stock Exchange of Mauritius Ltd and the Financial Services Commission, the Company Secretary would request the Directors to confirm their shareholding and any dealings which they may have effected in the Company's shares, with reference to Code of Securities Transactions by Directors.

The Directors are thus fully aware of the principles of the Model of Code of Securities Transactions by Directors, as detailed in Appendix 6 of the Mauritius Stock Exchange Listing Rules.

During the period under review, there were no share dealings by any of the Directors holding shares in the Company, as per above table.

### Directors' Service Contract

The Directors have no service contracts with the Company.

### Contract of Significance

The Company has no contracts of significance with either a Director or a controlling shareholder.



# Corporate Governance Report (cont'd)

## Directors' Insurance

There is a Lottotech Directors and Officer's Liability insurance cover in place.

## Conflicts of Interest

All Directors have a duty to avoid conflicts of interest. No Directors shall place themselves in a position where their interests conflict or may be perceived to conflict with those of the Lottotech Ltd. The decision to undertake external activities is a matter for individual Directors to decide, bearing in mind their personal responsibilities and commitments, including those to the Lottotech Ltd. The Chairman is always available to all members of the Board to discuss possible, actual or perceived conflicts. Directors must take all care with respect to any external activities to avoid difficulties in this regard.

A conflict may occur or be perceived to occur by carrying out work for a competitor. If Directors have any doubts about conflicts, they should consult the Chairman or the Company Secretary before doing anything that might cause prejudice to Lottotech Ltd.

## Declaration of Conflict of Interest

The first item of the agenda for all board meetings is for Directors to declare if they have any conflict on any items which the Board will address for the business of the day. All Directors would sign a duly approved declaration of interest form, which forms part of the Board's proceeding. Furthermore, Directors who are conflicted would not participate on discussions on the specific agenda item. The Interests Register is available to shareholders for consultation upon request.

## IT Governance

Information Technology plays an essential role as it is pervasive in all Lottotech business operations. The Board is responsible for IT Governance and ensures that the appropriate policies and procedures are in place. The executive management is responsible to ensure the implementation of the IT Governance framework as per industry standards and applicable laws.

There is a strong focus on the confidentiality, integrity and availability of information supported by a robust technology platform, IT policies and business processes. Lottotech ensures that all the security policies are enforced at all levels. IT Security training are given to its staff on a regular basis as required.

Lottotech continues to invest on technology and digitalization to enhance operation efficiencies and the player experience. Lottotech has partnered with leading industry security firms to reinforce security of our information and IT systems.

## Code of Professional and Ethical Conduct

The Lottotech Ltd's Code of Professional and Ethical Conduct ("Code of Conduct") provides guidance to all Directors and employees of Lottotech Ltd, of their duties and obligations to conduct themselves and their business affairs in accordance with the highest standards of business ethics. Hence, the Code of Ethics is reviewed from time to time by the Board of Directors.

### Principle 5: Risk Governance And Internal Control

Lottotech Ltd is committed to the highest standards of ethical behaviour. Risk management is part of our culture across the Company. Strong independent oversight is in place at all levels. Committees, which are integral to the organisation’s risk governance structure, allow executive management and the Board to evaluate the risks and to manage them effectively. We accept the risks we can manage and where this gives us a competitive advantage. We seek to mitigate or avoid other risks. Ensuring we have an efficient risk management system in place is key to developing our business and achieving our objectives.

The risk management framework, is designed to align the strategy and culture with the appropriate processes in place while encouraging the sense of entrepreneurship - helping management to take reasonable risks to fuel growth and improve business performance. All identified risks are compiled in a risk register which acts as a vehicle for capturing all the assessment and decisions made in respect thereof. Regular meetings are carried out with Management to monitor and review the risks. Emerging risks are taken on board and existing risks are rated according to impact and likelihood. Risks identified are recorded in risk registers and risk heat maps. The risk register and risk heat maps are put forward to the Audit & Risk Committee on a quarterly basis for review, following which the Audit & Risk Committee may recommend to the Board for approval.

Lottotech has committed itself to aggressively pursue managing risks to be within its risk appetite to avoid exposure to losses and to manage actions that could have a negative impact on the reputation of the Group. The Company has monitored and evaluated its risk categories on a regular basis as per the illustration that follows.

Lottotech is certified ISO 27001:2013 for establishing, implementing, operating, monitoring, reviewing, maintaining and improving its information security management system. The Group abides to the procedures and policies related to the standard. On an annual basis, surveillance audit is being carried out by external parties.

### Risk Categories:





# Corporate Governance Report (cont'd)

Furthermore, the Company has in place a Risk Management Framework based on the following principles:

- There is a defined approach for risk management setting out its strategy and objectives and the approaches and processes that the Company adopts to achieve them;
- There is a defined process to identify, assess and mitigate the significant risks to the achievement of business objectives; and
- There is an on-going process to monitor the risk profile, and identifying and responding to significant issues and events. The key financial risks identified for the Company are outlined in Note 3 of the Financial Statements.

The Company has in place a whistleblowing procedure and many other additional procedures which are readily available at the office.

## Principle 6: Reporting With Integrity

### Donations

The Company did not make any political or other donations for the period under review.

### Environment, Health and Safety

The Company complies with the Occupational Safety and Health Act 2005, and other applicable legislative and regulatory frameworks. It is committed to sustainable development, and ensures that its operations are conducted in ways that minimise their impact on the environment and on society at large.

In this respect, the Company Charter has provided for an Environment Policy. Hence, the Company is committed to reducing its environmental impact and continually improving the environmental performance as an integral and fundamental part of the Company's business strategy and operating methods.

### Refer to section on Financial Capital/ Social and Relationship Capital/ Human Capital

Refer to the full annual report made available on our website: [www.lottotech.mu](http://www.lottotech.mu)

## Principle 7: Audit

### Internal Audit of Lottotech Ltd

Internal audit is an independent appraisal function established for the review of the internal control system. The internal audit function is also a way to ensure that policies and internal governance systems are being adhered to throughout the Company. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic and effective use of resources. Internal Audit provides assurance that effective control exists to maintain process and information integrity.

The internal audit function provides independent assurance and objective assessment on the robustness of the Risk Management Framework and the appropriateness and effectiveness of internal control to the Audit & Risk Committee and the Board. Lottotech Ltd has an internal audit function, which is carried out by a combination of in-house resources and outsourced assistance from an independent firm, namely BDO Mauritius Ltd which carried out the Enterprise Risk Management review. The auditors have full access about all data that are requested. The primary objective of Internal Audit is to deliver a reasonable level of assurance to those in charge of governance that systems of control as established by management are appropriate and are operating effectively. In other words, the main role of Internal Audit is to provide assurance that the business is managing its key risks effectively. An Internal Audit tender was conducted in 2012, and after 6 years a new auditor was appointed. As from January 2019, KPMG is acting as the Company's Internal Auditors.

The Board is conscious of the importance of having in place internal control which aims at providing reasonable assurance against material misstatements and loss, and this responsibility is fulfilled by the Audit and Risk Committee on behalf of the Board.

The Company maintains a system of financial control which is designed to ensure the proper keeping of accounting records and the reliability of the Company's financial information. It also ensures compliance to internal system and procedures, statutory requirements, accounting and financial reporting standard.

The Board, under the recommendation of the Audit and Risk Committee has appointed KPMG to act as the Company's internal auditor as from January 2019. The internal auditor reports directly to the Audit and Risk Committee and a report is subsequently submitted to the Board at the quarterly statutory Board meetings.

The internal audit plan is prepared by the internal audit following discussions with Management under the supervision of the Audit and Risk Committee, which is the body entitled to approve the final audit plan.

The external auditor is appointed at the Annual General Meeting of the Company. External auditor's review was conducted in 2017 and appointment of Ernst and Young was effective as from 2017 at the Lottotech's AGM. The Board of Lottotech or Audit Committee meets at least twice a year with the external auditor. Items of discussion include accounting principles, financial statements risks, judgement areas and audit findings.

Ernst and Young is the Company's external auditor for the second year. The auditor's objectivity and independence are assessed by the Audit Committee.

In the performance of its function, the auditors have free access to the Company's records, employees and members of the Audit and Risk Committee.

Remunerations, including VAT, of the auditors for the year ended 31 December 2018 are as follows:

	<b>MUR</b>
Audit fees	862,500
Other fees	97,750





# Corporate Governance Report (cont'd)

## Principle 8: Relations With Shareholders And Other Key Stakeholders

The Board of Directors is committed to have an open and transparent communication with its shareholders and other stakeholders at all times. It normally communicates through its annual report, announcements as provided under the Listing Rules, whenever applicable, statutory reporting and publications. Moreover, during the AGM, shareholders have the opportunity to discuss with the Board of Directors, the Company's matters such as its performance and future outlook. Subjects that were debated revolved around the mediation and the possible outcomes.

The Company also uses its website to inform its shareholders and stakeholders on Company's activities and events. The key stakeholders:

- 1) The Gambling Regulatory Authority who approves all the rules and regulations of our game
- 2) Retailers who are authorized by Lottotech and approved by the Regulator to sell Loto 6/40 or to pay certain prizes in respect of valid winning tickets of the Loto 6/40 game
- 3) Customers who participate to the Loto 6/40 game including winners who win prizes
- 4) Employees who work together as a team in order to achieve the Company's goals
- 5) Suppliers, local and international, who are key to our operations in terms of software, hardware or any support service to the lottery system.

### Shareholding Profile

The shareholders holding more than 5% of the ordinary shares of the Company at 31 December 2018 were:

	% Shareholding
Gamma Leisure Ltd	14.063
Maurilot Investments Ltd	14.074
Natlot Investments Ltd	14.063
Glott Holdings (Mauritius) Ltd	14.063
State Investment Corporation Ltd	18.750



**Management Agreement**

The Company has a management agreement with A.S. Burstein Management Ltd (“ASB”), a subsidiary of Gamma-Civic Ltd, to offer it specific services related to the technical business operation of the Company. Furthermore, Gamma-Civic Ltd has a management agreement with ASB for the same services.

**Dividend Policy**

The Company’s Dividend Policy is that the Company shall distribute a minimum of 75% of its annual net profit after tax as dividend, except as otherwise resolved by the shareholders by way of Ordinary Resolution, subject to the Company meeting the Solvency Test.

As a general rule, it is expected that the Company will declare an interim dividend in or around August, and a final dividend in or around March following the year-end.


**Calendar of events 2019**

Meeting	Date	Events
Statutory Reporting	March 2019	Publication of audited results for the year ended 31 December 2018
	May 2019	Publication of quarter results ended 31 March 2019 & Annual General Meeting
	August 2019	Publication of half year’s results ended 30 June 2019
	November 2019	Publication of nine months’ results ended 30 September 2019

**Statement of Compliance**

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

Approved by the Board of Directors on 27 March 2019 and signed on its behalf by



Director



Director



# Secretary's Report

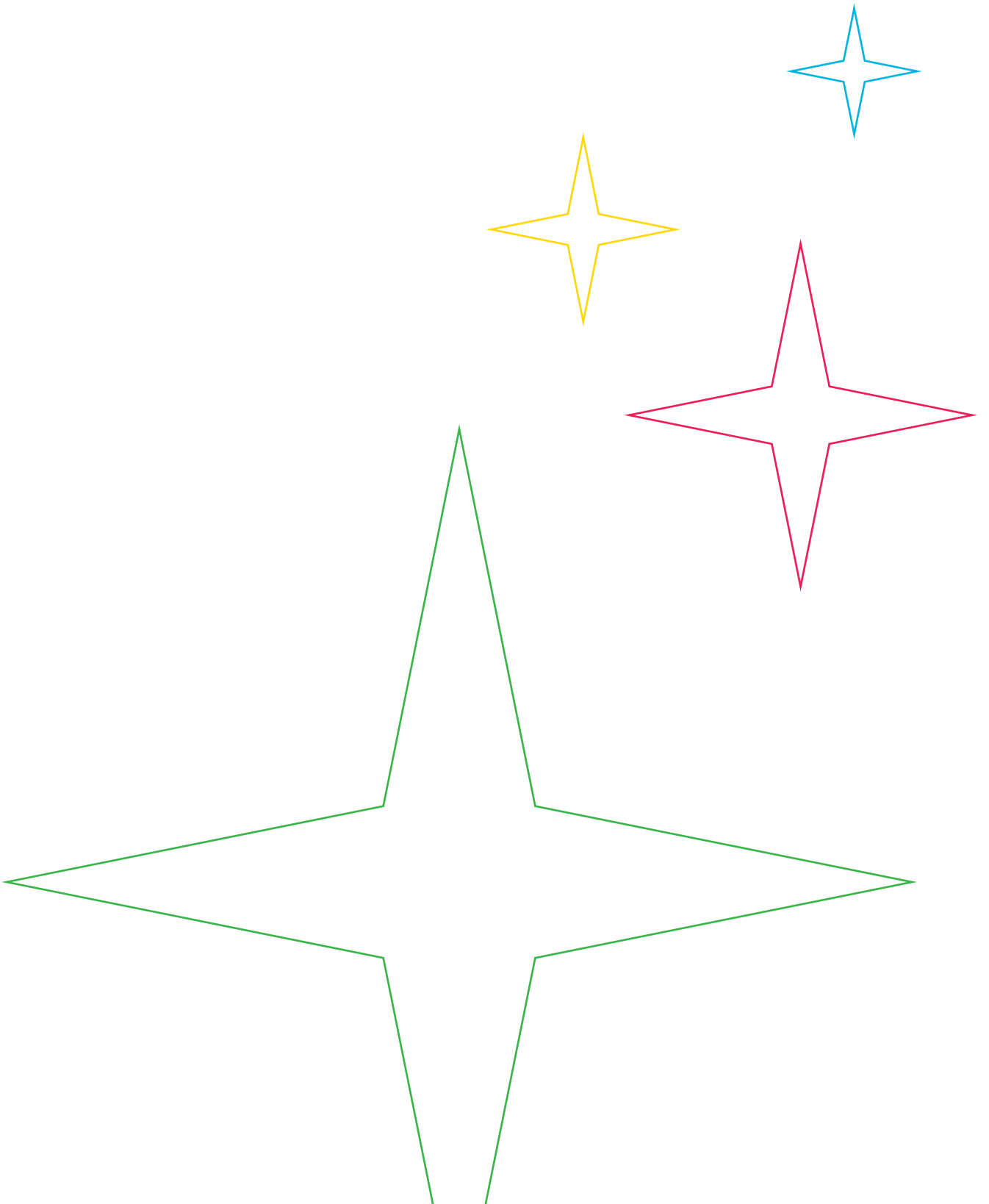
## Under Section 166(d) of the Companies Act 2001

*We confirm that, based on records and information made available to us by the directors and shareholders of the Company, the Company has filed with the Registrar of Companies, for the year ended 31 December 2018, all such returns as are required of the Company under the Mauritian Companies Act 2001.*



.....  
**Gamma Corporate Services Ltd**  
Secretary

27 March 2019





# Quality Education

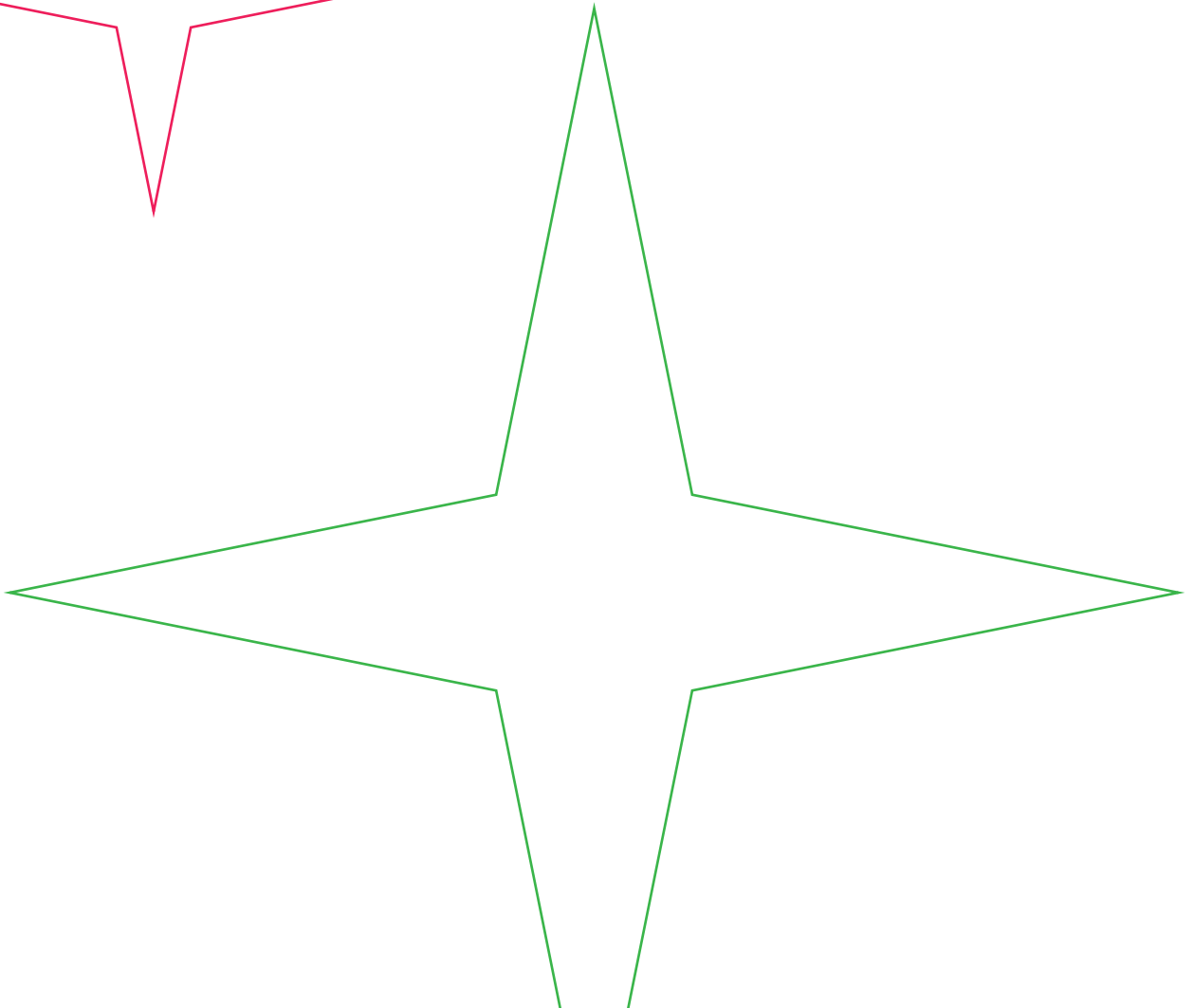
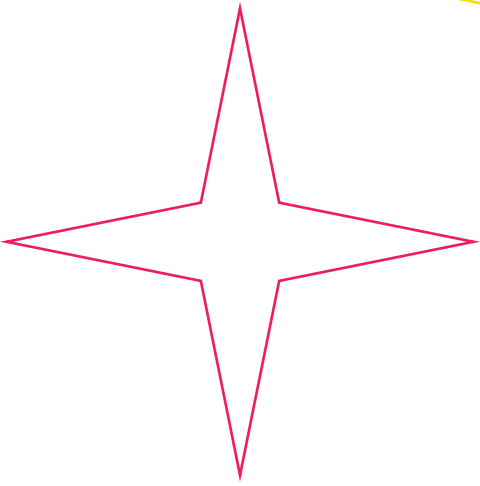
**Everyone should have a chance to win.**

Lottotech believes in the philosophy of teaching a man to fish to efficiently eradicate poverty. As education is now about holistic development, we support organizations that propose alternative fields that can be more stimulating to the beneficiaries such as music or agriculture. The big picture is to offer new possibilities to the underprivileged for a fairer chance to succeed as a citizen.









## **Making the difference together!**

*"At Lottotech, we believe that in today's economy we are not only accountable for profitability but we have an obligation towards our stakeholders; shareholders, players, employees and partners to fulfill our social and environmental commitments.*

*Our Corporate Social Responsibility (CSR) vision is to contribute to the sustainable development of our society by reinforcing the trust that people of Mauritius places in us, and making a real difference in our community. Furthermore, the nature of our business calls for a particular attention to our business strategies where responsible gaming forms an integral part of our CSR program. Consequently, Lottotech is engaged to keep its promises towards the community of which we are part and make Mauritius a more sustainable and healthier country."*

**Michelle Carinci**

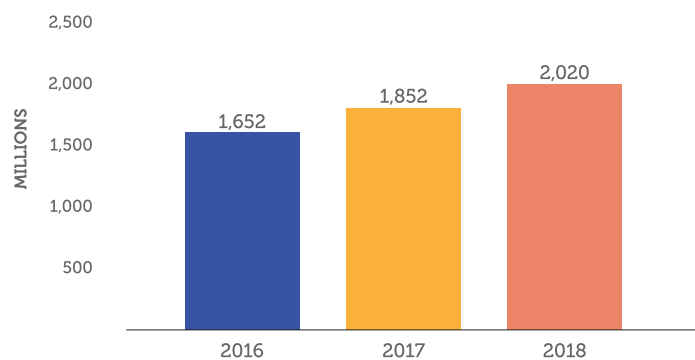
Managing Director - Lottotech Ltd



The Group is successfully rising above all the challenges and setbacks which have been impacting its financial performance over the last five years. Since the budgetary announcement in 2015 prohibiting the Quick Win category of games, the Group has adopted various measures to increase its player base, while seeking new alternatives to diversify its product portfolio.

Turnover from lottery tickets for the year ended 31 December 2018 was MUR2,019.6m, an increase of 9% as compared to the previous year. The Group introduced a second weekly draw as from September 2018, which positively impacted aggregate jackpot, and consequently turnover from lottery tickets. The jackpot was hit 25 times during 2018 compared to 18 times during 2017.

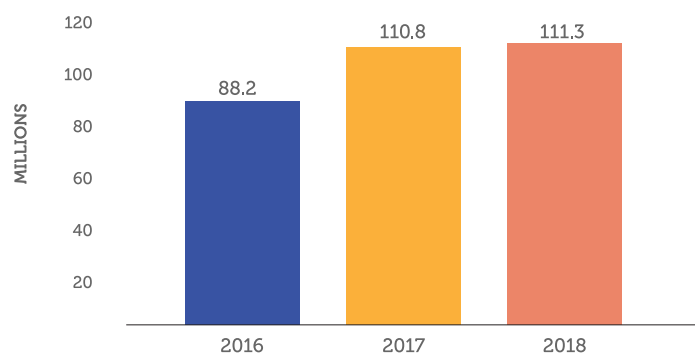
### Turnover from lottery tickets



The Group's net profit after tax for the year ended 31 December 2018 was MUR109.9m compared to MUR110.8m in 2017. The Group's results for 2018 included one month of operations for its fully owned subsidiary, Loterie Vert Ltd, which was incorporated in October 2018.

The Company's net profit for the year ended 31 December 2018 was MUR111.3m compared to MUR110.8m for last year. The increase in turnover entailed an increase in cost of sales. Moreover, the contribution to the consolidated fund increased from 46.16% to 47.16% of net turnover from lottery tickets as from September 2018.

### Net profit After tax



The Group has maintained a healthy cashflow for the year ended 31 December 2018, with net cash generated from operating activities being MUR160.8m, and net current asset balance of MUR116.8m as at 31 December 2018. The Group's liquidity position is robust, with a current ratio of 1.38 for 2018 as compared to 1.27 in 2017.

The future outlook for the Group's financial performance is bright and will be influenced to a great extent by its expansion strategies. The introduction of the new Loterie Vert game in 2019 is expected to bring a positive impact on the Group's turnover, while effective cost management and appropriate cash management remain a top priority.

Value Added Statement	2018	2017	2016
	Rs'M	Rs'M	Rs'M
<b>Direct Economic Statement Generated</b>			
Turnover from lottery tickets	<b>2,020</b>	1,852	1,652
Less Direct Cost	<b>(1,711)</b>	(1,566)	(1,405)
<b>Total direct economic statement generated</b>	<b>309</b>	286	247
<b>Wealth Distributed</b>			
To players as prizes	<b>979</b>	898	801
To employees as salaries, wages and other benefits	<b>82</b>	69	66
To retailers as commissions	<b>112</b>	102	91
To shareholders as dividend	<b>102</b>	78	92
To government and its agents	<b>491</b>	507	447
To communities as corporate social responsibility	<b>3</b>	2	2
<b>Total Wealth Distributed</b>	<b>1,769</b>	1,656	1,499
<b>Wealth Reinvested</b>			
Retained profit	<b>80</b>	72	39
Depreciation	<b>43</b>	48	46
<b>Total wealth reinvested</b>	<b>123</b>	120	85



**“Our People are at the heart of our strategy and success”**

**A year dedicated to building a strong organizational culture**

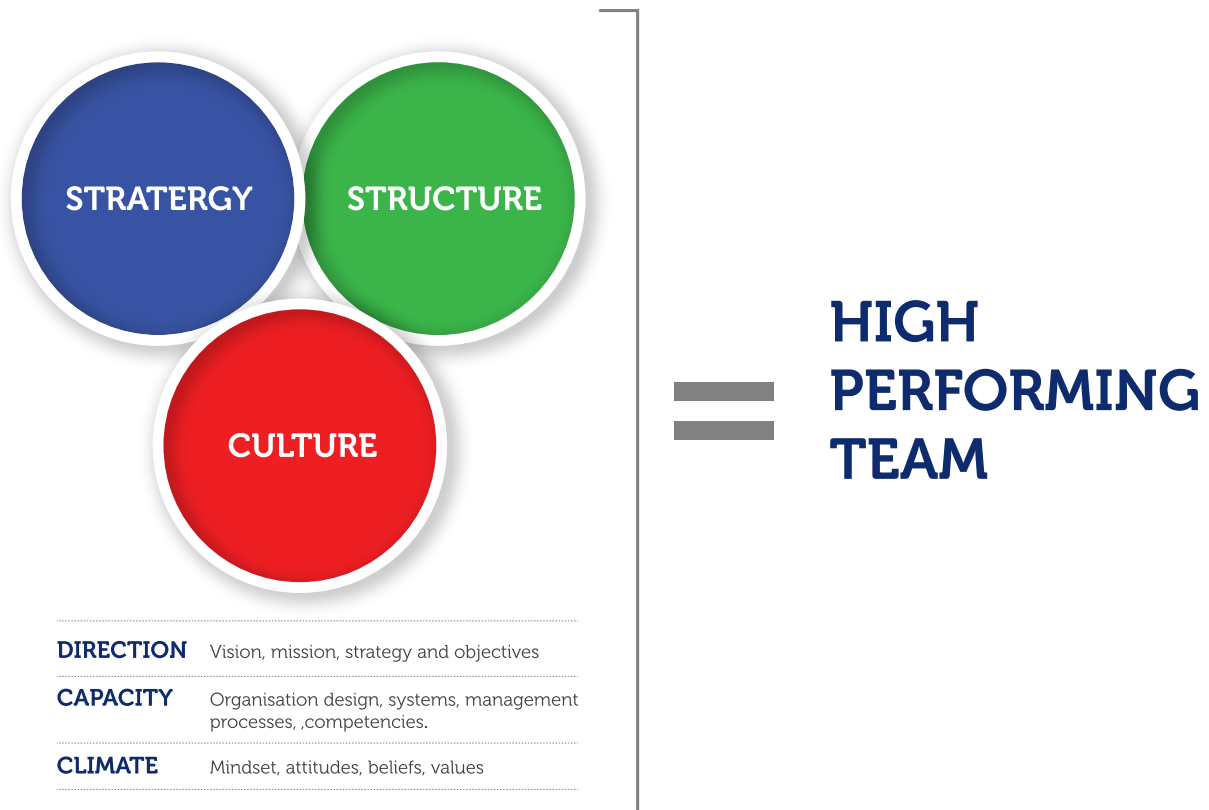
Our Vision, Mission and Values play a critical role in Lottotech’s strategic and business decisions, approach to resource management and sustainable development policy.

Our people strategy focuses mainly on developing a stronger performance culture.

Prior to the integration of 44 team members from Loterie Vert, Lottotech laid great emphasis on creating and strengthening our culture dynamics by celebrating our values in our day to day activities.

We believe that our unique diverse community of over 100 employees and partners embody the values driving Lottotech’s success. Creating and firming up our culture has taken us along an amazing journey. It required patience, passion and commitment to ensure Lottotech remains a great place to work. Our leaders are dedicated to constantly improving, adopting innovations that are pivotal to increasing our business value whilst motivating, engaging and inspiring our people to give the best of themselves.

In a nutshell, Lottotech’s sustainability is hinged on our ability to act together as a one team and to create a culture that is responsive, agile, resilient and creative, enabling us to rise to the challenges ahead.



**Employee Engagement**

Our engaged and empowered workforce is crucial to achieving growth and team success. Every year employees participate in the people survey. The survey provides a comprehensive understanding of the employee working experience and assists management and employees to create an environment in which everyone can succeed and deliver sustainable performance. As a result, our engagement score reads 76%. The team believes in continuous improvement to ensure that Lottotech remains a great place to work.

**95%**

*I have a good understanding of the organization's strategy and goals.*

**84%**

*I feel proud to work for the organization*

**89%**

*I am encouraged to come up with new or better ways of doing things.*

**84%**

*The organization supports me in achieving a reasonable balance between my work life and my personal life (Work life balance)*

**Onboarding with Lottotech**

With the acquisition of 44 ex-Loterie Vert employees, Lottotech has designed an onboarding and integration program to engage new employees in the organization's culture and vision, while getting them acquainted to their new role and providing the tools and resources they need to be successful. An integration committee was created to facilitate employee integration. Lottotech has adopted a tactical approach to re-alignment of functions in line with the business strategy and merge teams.

Our existing employees became ambassadors and buddies to their 44 new colleagues. Moreover, a blended learning system has been designed to support independent self-learning so that new team members can keep improving and realize their full potential.

**Lottotech Team**







# Human Capital (cont'd)

## Performance and talent management

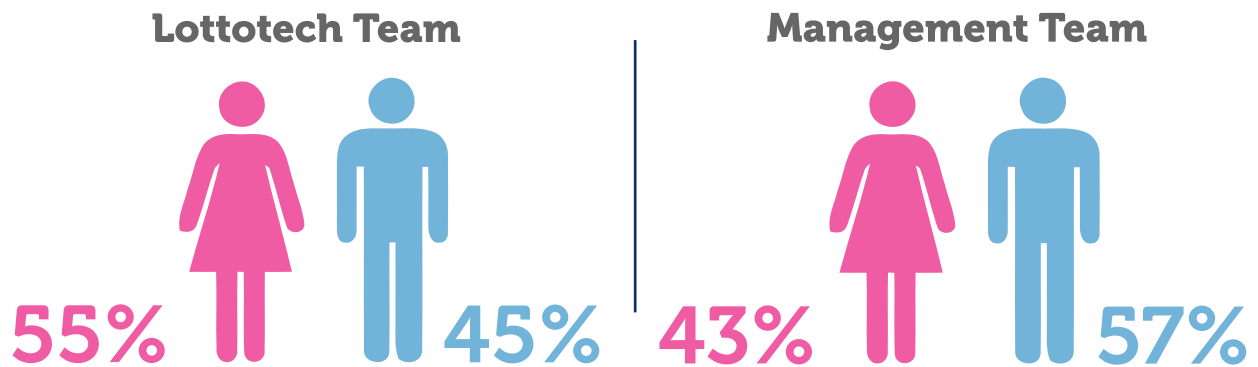
The performance objectives of our employees are fully aligned with business goals. We all have clear areas of accountability and understand how our job impacts business results. Regular check-in conversations take place during the year in order to align execution and to allow team leaders/managers to observe and develop their teams. Open, timely and constant feedback is key to a strong performance culture.

In line with the business strategy for FY 2019 and forthcoming business opportunities, Lottotech's intention is to develop and retain talent.

In 2018 we completed our Talent Review & Succession Planning process. This process allowed us to identify talents in our organization and improve our succession plan for key roles. We were able to take the right development decisions and identify areas of improvement of our talent pipeline. This ensures we have the right people for the business.

Training hours  
**970 hrs**

## Gender Diversity



Gender diversity has positive impact across the entire organization in terms of bottom line, inclusive culture that improves employee retention, and multiplicity of perspectives that spark creativity and innovation.

Regarding the effectiveness of gender diversity program, regular follow-up and assessments are essential. Therefore, a Gender equality questionnaire was sent to employees at various levels of the organisation, to evaluate, if parity and meritocracy are part of our culture.

**86.6%**

*Think men and women have same opportunities.*

**87%**

*Think promotions are based on meritocracy.*

**70%**

*Think gender is not important when giving promotions.*



# Social and Relationship Capital/Natural Capital

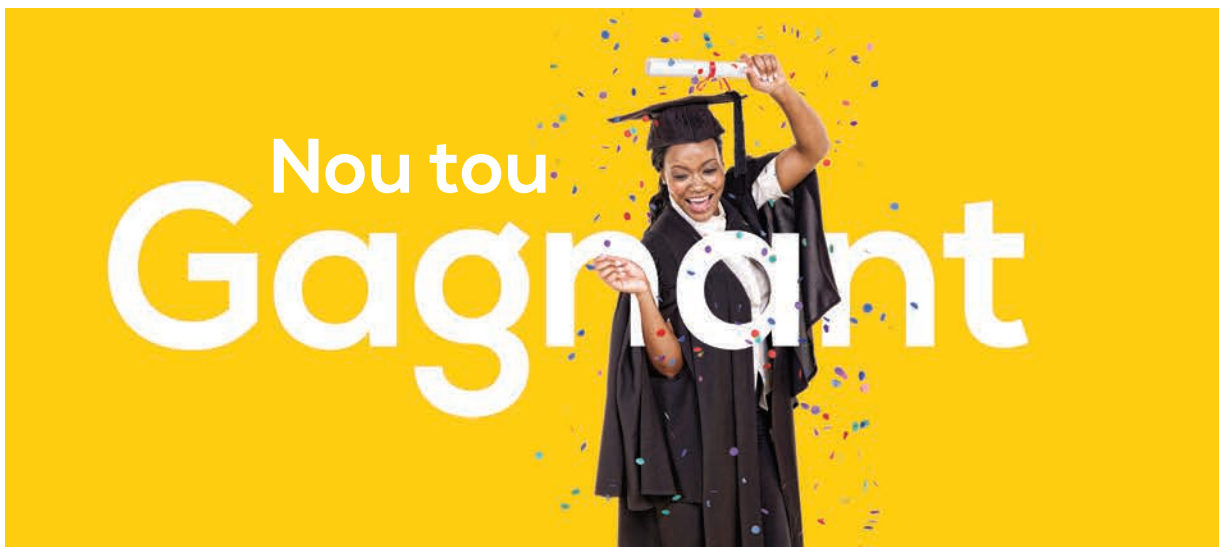
## Brand

### Loto Twice Weekly

Launched on 5th September 2018, the twice weekly game has satisfied the market demand for innovation to the Loto game 6/40. IGT, the global partner in Lottery system, has worked closely with the IT team for a secured upgrade of the system in order to facilitate the integration of new game features.

The real challenge was to position the Wednesday draw as the new Loto rendez-vous during the week. After an ingenious pre-launch campaign, the Wednesday became viral and ingrained in the minds of the players.

Consequently, with an expected increase in participation of 35%, at the end of 2018, Lottotech reached 60% as base increase over the Saturday draw which was above expectation. Increase in sales definitely means increase in commission for retailers, additional funds to be invested in the economy through the Government, more winners accomplish their projects and greater means to bring positive change in the community.



As the business evolves, so should the brand. After nearly 10 years, and with the introduction of twice weekly draw and upcoming games on the market, it was time for a brand refresh. Business growth has led to innovation so the Lottotech brand needed to reflect the purpose of the company to be socially engaged and represent the company image to the customer. We came up with a fresher, fun, engaged and national brand.



# Social and Relationship Capital/Natural Capital (cont'd)

## Brand (cont'd)

### Digital Strategy

With more than 180,000 adult followers on Facebook and a growing audience on Instagram, Lottotech uses social media platforms to better communicate with its audience, particularly with the younger generation. Images and videos of events, winners, jackpot information and the social responsibility initiatives of the company are regularly featured on our social media platforms. These contents led to better and significant engagement with players and public at large.

This has resulted in a high rating for the page:



### Facebook community:

**2017: 150,000**

**2018: 188,000**

**Growth Rate: 25% ↑**



# Corporate Social Responsibility

In 2018, Lottotech has implemented its strategy to focus on projects aligned with 5 main SDGs which are:



With a reduction in CSR funds, Lottotech has invested in long term projects and collaboration with various partners. We believe that leadership and partnership are the key factors of a successful CSR strategy. SDGs will be fully integrated in operations only if the Management team embraces and understands the importance of setting goals and KPIs in order to maximize positive impact on society and minimize negative impact. Therefore, Lottotech puts great emphasis on engaging the teams with a solid volunteering program and ensure that they become responsible gaming ambassadors.

Multi-stakeholder engagement on projects can accelerate the achievement of SDGs. From ideas generation and action-oriented solutions, multi-stakeholder partnerships can contribute and enhance the way we do things. Hence, Lottotech works hand in hand with NGOs and various institutions by staying committed and engaged towards the same goal: The greater good for Mauritius and Rodrigues.

## SDG 4 – Quality Education



### Agro-Pédagogie



Following the 10 months Agro-Pédagogie education program, implemented in Atelier Joie de Vivre with the collaboration of Le Vélo Vert, the results are very positive. The program aims at raising awareness around sustainable agriculture, the impact of chemical products on environment and cultivating crops in a sustainable way. The project was fully funded by Lottotech with MUR241,400 for FY 2018.

In October, the 27 beneficiaries, including the gardener, received a Certificate of participation in the presence of representatives of MITD and ANFEN. Due to the success and engagement of the students, the program continues for a second year involving the whole school. In order to start the project smoothly in January, an additional amount of MUR50,000 was injected into the program for year 2019.





# Corporate Social Responsibility (cont'd)

## SDG 4 – Quality Education (cont'd)



### Achievements



1. 1760m2 of unused land transformed in a sustainable garden and learning playground.
2. Shift from use of chemicals for the small existing garden to growing fruits and vegetables without chemicals and understanding the importance of biodiversity and insects.
3. Learning about medicinal plants.
4. Exposure to future job opportunities through educative outings.



### A lunch a day!



**\*6,666 meals served**

Lottotech continued to support the 'A lunch A day!' program for the students of Atelier Joie de Vivre coming from underprivileged families. At school, they can enjoy proper balanced meal which has proven to have direct impact on their health and on their ability to focus and learn. MUR 200,000 was contributed for the lunch. We further supported them by donating shirts for their sports activities. Lottotech employees also volunteered to repaint the school, thus helping the school to save money whilst creating a pleasant learning environment for the students.

For the second consecutive year, employees volunteered for the IT literacy program.

Item	Number of sessions	Beneficiaries	Hours
IT program	7	60	68

### Centre d'Amitié



In the heart of the poor community of Bambous, Centre d'Amitié cares for needy children of the region ensuring they have a good start in life. Besides providing for free pre-primary schooling and nursery services, they also supply food and other basic necessities to the children. Lottotech has supported the school since 2015 and for the year 2018, we have donated MUR200,000.

### Atelier Mo'zar



For the past two years, Lottotech has supported Atelier Mo'zar, a music school found in Roche Bois, one of the poorest regions of Mauritius. The school aims at developing talents of underprivileged kids not only from Roche Bois but throughout the country. The success of their program has brought them on international platforms. In 2018 they participated in Cuba's Jazz Plaza International Festival and students have also been awarded scholarships for Berklee School of Music. Lottotech has proudly contributed MUR150,000 for instruments and music lessons and an additional contribution of MUR50,000 for the Berklee School of Music project.

Lottotech played a key role in Atelier Mo'zar' school extension project by providing a 20ft container. The new school will be a safer place and better adapted for music lessons as for the time being, lessons are given in a house in poor conditions.





# Corporate Social Responsibility (cont'd)

## SDG 4 – Quality Education (cont'd)



### Ecole d'Avenir Rodrigues



In collaboration with FAITH, Lottotech will be the main sponsor of a school, L'Ecole d'Avenir, for underprivileged kids in Rodrigues. The aim is to provide additional tuition lessons to slow learners. The school opening ceremony was held in February 2019. Two sisters, Naiken and Cecillia, are the founders of Rodrigues Student Needs Association will coordinate the program. The beneficiaries will be 50 children of Montagne Cabris Corail.

### Le Pont du Tamarinier

Le Pont du Tamarinier has reached for 115 families from 3 different areas in the village of Tamarin. They have decided to invest in the youth aiming to develop the beneficiaries' full potential and ensure that they do not become victims of social ills. The youth will benefit from sensitization campaigns and team building activities such as football, cycling training and various sports tournaments.

### Distribution of school materials

#### *Enn Rev, Enn Sourir: Smart Citizen*

Smart Citizen is a platform regrouping companies, citizens, artists, students and athletes. Lottotech participated in the distribution of school materials to underprivileged children in Plaines Wilhems.

#### *Faith*

In December, Lottotech also contributed to the distribution of school materials in the region of Port Louis. This has impacted more than 250 beneficiaries.

## SDG 5 – Gender Equality



### Women Leadership Programme



Women Leadership programme is a platform where women entrepreneurs or aspiring to become entrepreneurs follow a 9 week training session on concepts and tools needed to become future leaders.

Lottotech in collaboration with Women in Networking and the support of the Ministry of Gender Equality ensures that they have the right information to start their business and run it in a professional way.

From digital, communication, marketing to financial courses, Lottotech has trained or impacted about 250 women entrepreneurs.

#### Key results:

Item	Number of session	Beneficiaries	Hours
Leadership session	9	250+	70



### Gender Empowerment in Lottotech



In order to assess and improve Lottotech’s culture for gender equality, we distributed in 2018 a questionnaire on gender equality to all employees to assess their perceptions about gender empowerment and equality in the organization. Data collected will help Lottotech in finding ways to create or improve an environment where there is equality for genders and that everything is done in transparency.

# Corporate Social Responsibility (cont'd)

## SDG 4 – Climate Action



### Recycling Program

Lottotech's objective is to reduce carbon footprint and protect the environment. This year we will continue our collaboration with NGOs/ Companies disposing of materials in an ecofriendly way.

Each week, MAFTA collects all used papers from the office to recycle.

We have also involved other stakeholders such as our sister company Gamma Civic.

Electronic waste and hazardous items are disposed in eco-friendly way. Our client was collected by BEM Recycling, a company specialized in the recycling of electronic waste.

**\*60KG**

*of paper were collected for recycling*

### No more single use plastic

All plastic cups have been replaced by paper cups. Employees are encouraged to use mugs and glasses in order to avoid single use plastic products.

**\*10,000**

*plastic cups were used per year*

### Awareness Program

An awareness session on the protection of environment and sustainable agriculture was delivered by Le Vélo Vert for employees. The objective is to raise awareness among our internal stakeholders.



## Moka'mwad



Lottotech collaborated with Moka'mwad movement and other institutions such as Municipal Council of Moka and Police of Environment to raise awareness around pollution, recycling and making Moka a clean village. This project brings together various stakeholders to discuss on environmental issues and solutions.

## Other CSR support

### Link to Life



Lottotech has contributed MUR 100,000 for the breast cancer awareness program. Link to Life went around the island to offer free screenings.

**More than  
1,000**  
*people have been screened in 2018.*

### Association Amis de Don Bosco



This shelter protects and gives love to young victims of abuses. Lottotech once again contributes MUR 175,000 to their balanced meal programme which has a positive impact on the children health's.

The team has also volunteered to organize an egg hunt day at the beach as well as a visit at the Aquarium. These activities – both recreational and educational – helped to create a bond with the children.



### Sports - Ranini Cundasawmy

Lottotech supported Ranini Cundasawmy who represented our country in the World Muay Thai Championship. She has won the gold medal in her category.

## Financial Donation for 2018:

**Rs 1.5 million**

**\*\*Beneficiaries: +1400 direct beneficiaries from direct funding, +600 from volunteering program and small recreational events organized for NGOs.\*\***

2017: **700**      2018: **2000**      Growth Rate: **285% ↑**

**\*\*Volunteering Hours:**

2017: **200**      2018: **680**      Growth Rate: **340% ↑**

**\*\*Participation rate**

2017: **55%**      2018: **77%**      Growth Rate: **22% ↑**

**\*\*Other Donations:**

**1 day**

at Aquarium with the kids of Amis de Don Bosco.

**20 ft**

container for extension of Atelier Mo'zar's school.

**+ Rs 570,000**

value of donations and volunteering.





**Atelier de Formation Joie de Vivre:**

**“Lottotech is always there for us”**

In Chemin Grenier, Frances Townsend, manager of the Atelier de Formation Joie de Vivre, cannot stop thanking Lottotech for its support. “The team is always there for us. Whenever we have an issue, I can call and they will respond,” she says with deep gratitude in her voice. “The Lottotech team comes regularly at our school, for the IT classes, the lunches and the Vélo Vert project.”

Frances Townsend also shares how the Vélo Vert project has brought positive transformation within the school. “The children just love being in the garden, even if the weather is not good. This activity is very popular and they now have to take turns to work in the garden.” Furthermore, this project helps the children, often labelled as non-achievers or slow learners, to regain confidence. “I was so thrilled when one young boy said to his mum that he will choose bio-farming as his job when he grows up. It is an amazing success.”

**Atelier Mo’Zar:**

**“Lottotech truly cares for us”**

Valérie Lemaire, Managing Director of Atelier Mo’Zar, states it clearly: “We have established a strong bond with Lottotech which goes far beyond their financial contribution to our activities.” Lottotech remains a loyal supporter of Atelier Mo’Zar through donations which are used to buy musical instruments and fund other school activities. Lottotech has also been instrumental in the extension of the school by donating a 20ft container. “In fact, the Lottotech team truly cares for the Atelier Mo’Zar. They are always asking for updates on our students’ achievements. We communicate regularly and it’s not always about a cheque remittance. They do understand our mission and are really involved in our endeavours.”







# Responsible Gaming

As a member of the World Lottery Association, our duty is to promote and ensure that Responsible Gambling is integrated in our operations. Having achieved the level 3 in Responsible Gambling in 2017, Lottotech is working towards the level 4 which is the highest international recognition.

Our ultimate goal is to become the most responsible operator in the region and engage our stakeholders in order to provide quality entertainment in a safe and regulated environment.

## 1. Research

Gathering data on our players helps us to track their playing habits. Though no tracking study was undertaken in 2018, Lottotech has run a survey on social media to track playing habits and perception on Lottotech among social media users. The results are skewed towards the segment of 25-34 years old but this has given a good indication on millennial's playing habits.

**\*\*83.2%**

*have a favourable opinion on Lottotech*

**\*\*85.0%**

*believe that 'Lottotech selling Loto responsibly'*

**\*\*74.4%**

*think that Lottotech contributes positively to Mauritian Economy*

**\*\*54.7%**

*of them stated that responsible gambling "is to bet what one can afford"*

**\*\*41.6%**

*understand responsible gambling as "setting a reasonable ceiling of money for betting"*

**\*\*99.0%**

*stated the age to play is 18+*

**\*\*66.3%**

*believe Lottotech is transparent*

## 2. Employee Program

We believe that corporate social responsibility, including responsible gaming, is the responsibility of each and everyone of our employees. We aim to ensure that the entire team understands the consequences of misuse of gambling products, the importance responsible gaming means for their job and personal lives and that they feel empowered to help develop our overall CSR and RG strategies.

Following the Level 1 training in Responsible Gambling, compulsory for all new employees, Lottotech has stretched the training for those having direct contact with the public. With the collaboration of psychologist, Pascale I. Bodet, the employees followed a three-day training on 'Appropriate response training'. The aim is to learn how to deal with players and identify the signs of addiction.

A special induction session was given to the new employees who joined the company in December particularly those involved in another gambling company. The objective was to make them understand the concept of Responsible Gambling and how it is integrated in Lottotech's operations and culture.

In 2019, the level 2 training will cover product knowledge, odds, CSR and RG.

Each year, a climate survey is also sent to assess the perception of employees.

**\*\*89.0%**

**Being socially responsible  
(a good "corporate citizen")**

**\*\*100%**

**employees in touch with public  
or retailers going through specific  
RG training**

## 3. Retailer Program

The objectives of our retailer program are to ensure that our retailers are informed about our games as well as general risks related to gambling. We also ensure that retailers protect vulnerable groups (including minors) and themselves, from adverse impacts of gambling. We ensure they know how to respond when faced with potential questions regarding problems associated with gambling.

All retailers are provided with the rules and regulations of our Loto game, which includes responsible gaming related requirements such as:

"Claimant": A person of age 18 and above who submits a claim for the Prize in accordance with these Rules.

"Participant": A member of the public of age 18 and above who purchases or otherwise acquires a Loto 6/40 Game Ticket.

Frequent checks are done by our investigation team to ensure that the retailers operate within the law.

Terminal messages are sent on a regular basis to reinforce the messaging around underage play and any consequences that might arise if they infringe the law.

Our player's protection program also involves the collaboration of our retailers by ensuring that they use best practice in terms of service and security.



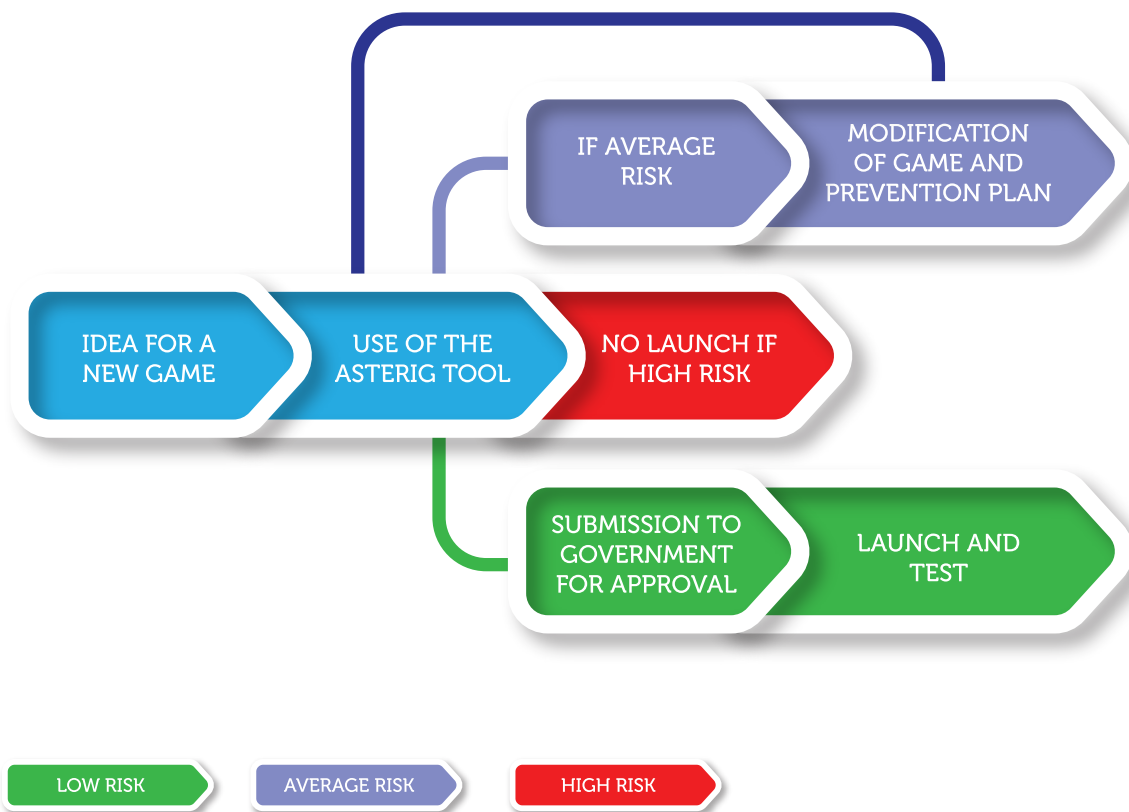
# Responsible Gaming (cont'd)

## 4. Game Design

Game design process is a systematic approach to applying evidence-based responsible gaming considerations to the design selection and introduction of new lottery and gaming products.

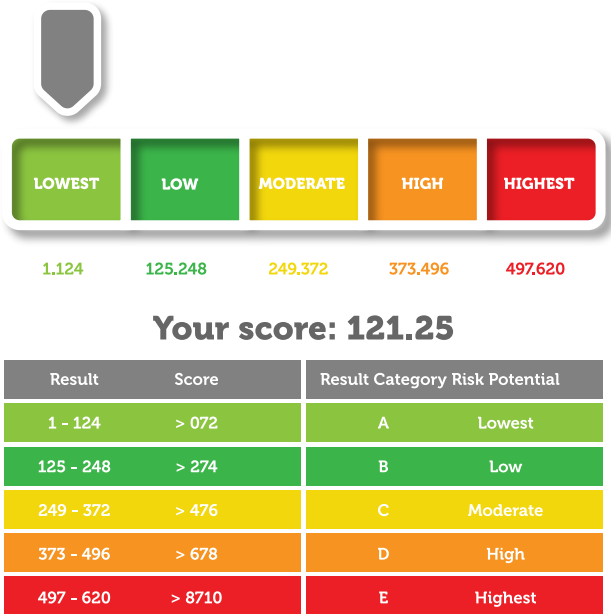
### Our game design process

Lottotech is committed to minimizing potential harm associated with our products from the initial idea phase right through game design and official approval. Beyond this, we are committed to product development learning by monitoring product performance with post-implementation reviews and market feedback. Below is a flowchart describing our thinking process around game design, should we be allowed to look into the development of new games in the future:



In order to ensure that for any product offering Lottotech has the right Responsible Gaming initiatives put in place, a risk analysis of the product should be done prior to launch. Therefore, prior to the launch of the Loto twice weekly game, we have run a risk analysis by using the ASTERIG© tool. ASTERIG© measures the dimensions of a gambling product that may have a risk potential (such as frequency of play and accessibility) on the basis of numeric scores. It allows a comparison to be drawn between the addiction potentials of different gambling products. Furthermore, the tool highlights where the specific risk potential of each specific gambling product lies.

The results indicated that though the draw is done twice a week, the risk is at its lowest level:



**5. Remote Gaming**

As Lottotech does not sell its products online, we use online communications channels to provide information to players and the public to enable players to make informed decisions when buying a ticket.

Players self-test are posted regularly on social media so that they assess themselves.

**6. Advertising and Marketing Communication**

Responsible gaming messages are included in all our communications channels.

Lottotech communicates and seeks to engage the public and our players on responsible gaming, using all our online channels, social media, corporate site (Lottotech) and Loterie Nationale site. Additionally, all other channels of communications also include responsible gaming messages to educate and engage the population on the fact that playing Loto remains an entertainment and is reserved for adults

In addition, we have developed a marketing code which is signed by all agencies working on our communications. We have even extended it to our hosts.

# Responsible Gaming (cont'd)

The code consists of:

- Adherence to the legal requirements of the GRA Act or any other regulations as stipulated by the authority,
- Not targeting, or primarily appealing to minors,
- Not encouraging consumers to participate excessively or beyond their means,
- Not promoting lottery games as an alternate to work or means of escape from a bad financial situation,
- Not include text or images that positions the ticket as a financial strategy/or investment,
- Not promising a win,
- Not exaggerating the chances of winning or the size of the prize,
- Not including text that overstates the odds or likelihood of winning,
- Not portraying unrealistic outcomes,
- Not implying a player's skill can influence the outcome of our games,
- Not associating with other products such as alcohol and cigarettes, etc.

In 2018, radio messages have intensified with Responsible gaming advice each time the Jackpot is communicated. The Holiday campaign has run on traditional media as well as on social media. This was an opportunity to give visibility to Responsible Gambling and create awareness around underage play.



## 7. Player Education

As part of our Communication program, we focus on awareness campaigns to positively educate the public on the risks related to gambling, what “positive play” means and the importance of preventing underage play. A national campaign is planned for year 2019.

## 8. Treatment Referral

To date, Mauritius has little to offer for treating problem gambling. However, Lottotech does provide a hotline from 6am to 10pm, 7-day-a-week service which can be a first contact point for people who seek further information related to problem gambling. Our team is trained to refer anyone calling and enquiring about treatment support to a professional. All calls received are related to other forms of gambling which is understandable given that the Loto game does not have the inherent characteristics of problematic games which is primarily the perception of being able to control the outcome of a game and high frequency of winning and playing.

The hotline number can be found on the back of our tickets as well as in store. We have also included information about referral in our training to retailers and employees. All our employees and retailers know where to find the hotline.

As mentioned, there is no specific treatment center dedicated for gambling addiction, yet, Lottotech has started to visit other institutions helping people facing addiction problems in general and is looking for opportunities where they can collaborate on listening sessions for those who are seeking advice.

## 9. Stakeholder Engagement

Stakeholder engagement is key to the development of Lottotech's business strategy. Lottotech is committed to creating long lasting and trusting relationships with all of its stakeholders.

Through our overall stakeholder engagement, we have committed to rallying support for an overall corporate social responsibility strategy that includes a responsible gaming strategy for Mauritius and Rodrigues. To develop strong and effective CSR and responsible gaming strategies, we continually encourage stakeholders to provide feedback, input and direction to ensure that we are implementing best-in-class effective programs.

Other initiatives for engaging our key stakeholders have been put in place such as collaborating with media so as to engage the business community and community at large on Responsible gaming topic.

# Intellectual and Manufacturing Capital

## Intellectual Capital

Intellectual capital is a key value for Lottotech, it comprises of the company brand, innovation initiatives, employee engagement, Lottery enhanced core processes and building strong stakeholders' relationships which are enablers to achieve our strategic objectives. These dimensions are measured to evaluate the success of strategic objectives set.

Lottotech relies heavily on its IT infrastructure and Lottery systems to deliver an uninterrupted quality service to its customers. Since 2009, Lottotech has partnered with IGT, one of worldwide leading Lottery technology service provider, to implement and support the Lottery systems providing related technologies.

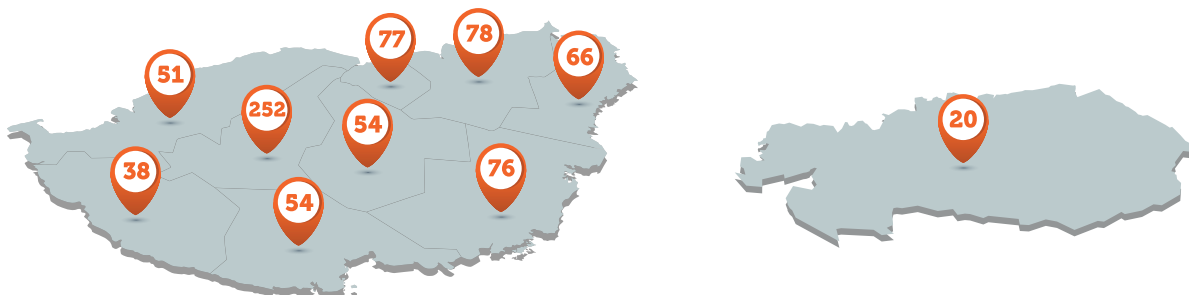
Lottotech employees are encouraged to engage in innovation alongside their day to day operations. Innovation is one of Lottotech's key pillars which continuously strengthen the relationship with our players by delivering greater winning experiences

## Manufacturing Capital

### Our Network:

Retailers are important for Lottotech's operations, not just as commercial partners but as brand ambassadors. With more than 750 retailers scattered over Mauritius and Rodrigues, customer proximity is a commitment to being highly connected to the customers and their experience. Hence, Lottotech ensures that retailers have the right tools and information to deliver high service quality and be proud ambassadors of the brand.

Incentives, such as the Retailer World Cup Competition, allow leveraging on existing partnerships by maximizing channel profitability and improve relationship with the retailers' network.



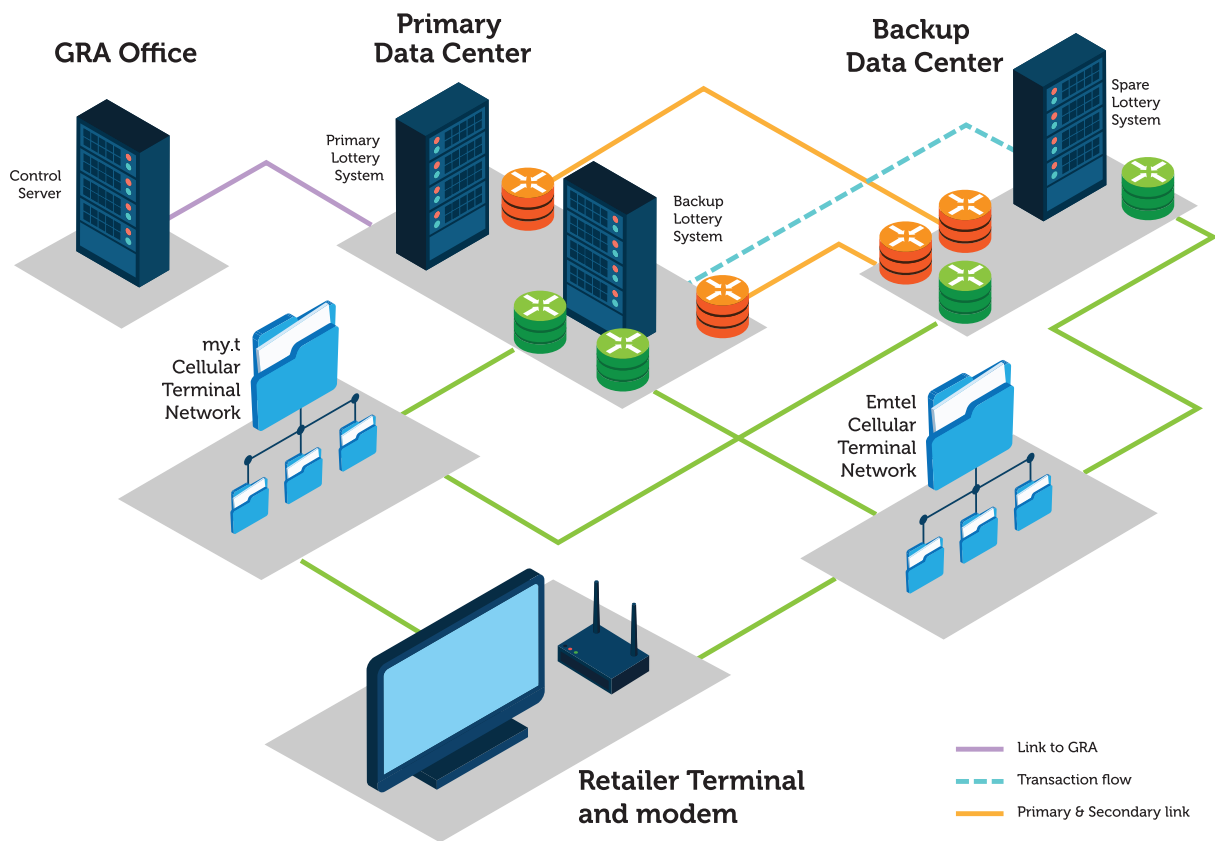


## Our system

Lottotech Lottery and back office systems are hosted in 2 different datacenter locations, thus ensuring business continuity in case of failure of one system. The data centers' infrastructure meets the industry standards.

Our partners are equipped with point of sales from IGT, digital signage and other equipment.

The equipment and terminals are connected to our central Lottery system and the technology infrastructure has been set up to minimize any disruption in operations.





# Climate Action

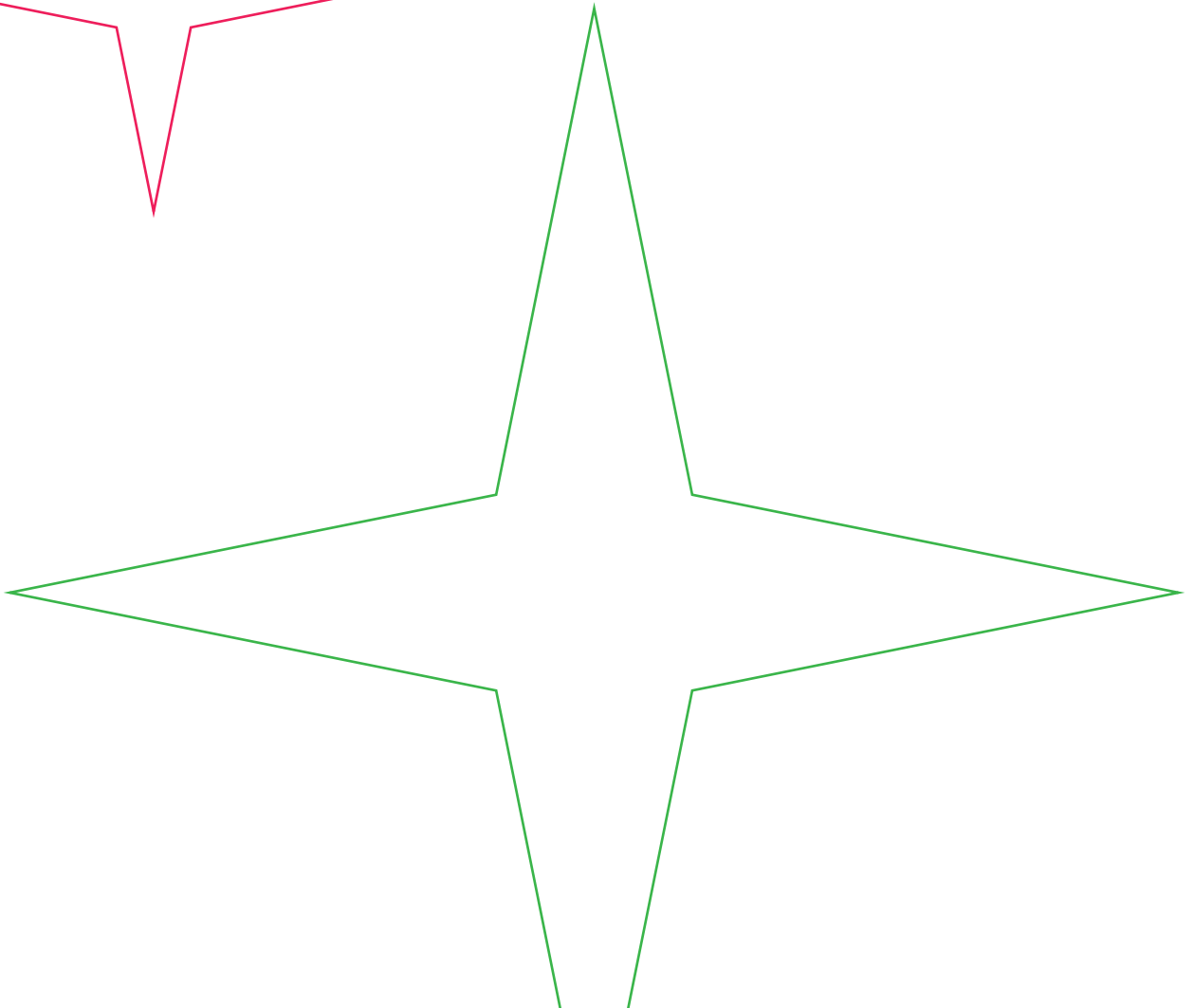
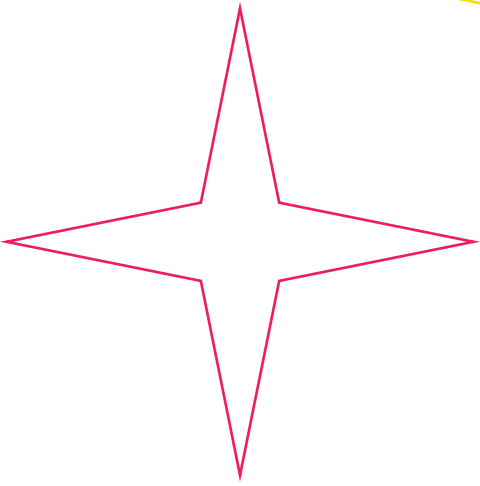
## **Winner ever after.**

What is a winner in a world shortly coming to an end? Lottotech's concern about the planet is not a choice but an urge. The environment is everyone's business because Climate Change is a truth. Therefore, we act eco-responsible wherever we can. When one is hopeful for a greener future, no action is trivial. Whether we give our papers for recycling, ban plastic cups, or create awareness sessions, such gestures are constituents of the winning philosophy.











# Independent auditor's report to the members of Lottotech Ltd

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of Lottotech Ltd (the "Company") and its subsidiary (the "Group") set out on pages 92 to 131 which comprise the statements of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001 and the Financial Reporting Act 2004.

### *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 Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



# Independent auditor's report to the members of Lottotech Ltd (cont'd)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

### Key audit matters (cont'd)

Key Audit Matter	How the matter was addressed in the audit
<p><i>Revenue recognition in accordance with IFRS 15</i></p> <p>The Group adopted IFRS 15 <i>Revenue from Contracts with Customers</i> as from 1 January 2018 which was significant to our audit. IFRS 15 requires entities to adopt a five steps approach to revenue recognition as follows:</p> <p>Identify the contract(s) with a customer;</p> <p>Determine the performance obligations in the contract;</p> <p>Determine the transaction price;</p> <p>Allocate the transaction price to the performance obligations in the contract; and</p> <p>Recognise revenue when (or as) the entity satisfies a performance obligation.</p> <p>The application of the five steps model to determine the Group's revenue from its lottery operation involves significant judgement and assumptions.</p> <p>The impact on adoption of IFRS 15 has been provided in note 2.5.</p> <p>Given the financial importance of the revenue amount and significance of the judgements and assumptions involved, we determined revenue recognition to be a key audit matter.</p>	<p>The procedures applied over the application of IFRS 15 included the following:</p> <p>We obtained an understanding, and assessed the design and operating effectiveness of the key controls over the revenue and prize recognition process;</p> <p>We reviewed the financial statements to ensure the completeness of the disclosures on revenue recognition under IFRS 15;</p> <p>We made use of our Information Technology (IT) specialists for the testing of the IT general controls and automated controls over the IT environments and applications relevant to the revenue process;</p> <p>We obtained the IFRS 15 impact assessment from management and verified that the accounting considerations adopted by management in their application of the five-steps model are in accordance with IFRS 15.</p> <p><b>1. Identify the contract(s) with a customer;</b></p> <p>We assessed whether management has properly identified the contracts with customers considering the governing documents including the Gambling Regulatory Authority Act 2007, the Rules and Regulations for Loto 6/40 Game, the Conditions of Licence and the laws of Mauritius, as relevant.</p> <p><b>2. Determine the performance obligations in the contract;</b></p> <p>We reviewed management's assessment of the performance obligation in light of the governing documents in order to corroborate their assessment.</p> <p><b>3. Determine the transaction price;</b></p> <p>We verified the basis used by management to determine the transaction price and its allocation to the performance obligation identified.</p> <p><b>4. Allocate the transaction price to the performance obligations in the contract; and</b></p> <p>We reviewed the allocation of the transaction price to the performance obligation identified.</p> <p><b>5. Recognise revenue when (or as) the entity satisfies a performance obligation.</b></p> <p>We reviewed management's assessment of whether revenue should be recognised over time or at a point in time;</p> <p>We assessed the proper recording of the revenue in accordance with the revenue recognition policies.</p>



### ***Other Information***

The directors are responsible for the other information. The other information comprises the Directors' Report, the Corporate Governance Report, the Company Secretary's Report as required by the Companies Act 2001, and the Financial Summary which we obtained prior to the date of this auditor's report. The Annual Report is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the 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 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 obtained prior to the date of this auditor's report, 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### ***Corporate governance report***

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

### ***Responsibilities of the directors for the financial statements***

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001 and the Financial Reporting Act 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and 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 intends to liquidate the Group and or the Company or to cease operations, or have no realistic alternative but to do so.



# Independent auditor's report to the members of Lottotech Ltd (cont'd)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the 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 director's 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 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 or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 and the Company to express an opinion on the Group and Company 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 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.

### *Use of our report*

This report is made solely to the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### *Companies Act 2001*

We have no relationship with or interests in the Company other than in our capacity as auditors, tax advisors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.



**ERNST & YOUNG**

Ebène, Mauritius



**ROGER DE CHAZAL, A.C.A**

Licensed by FRC

Date: 28 March 2019



# Statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

	Notes	GROUP	COMPANY	
		2018	2018	2017
		MUR	MUR	MUR
				Re-presented*
Turnover from lottery tickets		<b>2,019,570,160</b>	<b>2,019,570,160</b>	1,852,490,380
Prizes		<b>(979,491,528)</b>	<b>(979,491,528)</b>	(898,457,834)
Revenue	4	<b>1,040,078,632</b>	<b>1,040,078,632</b>	954,032,546
Consolidated fund cost		<b>(484,986,817)</b>	<b>(484,986,817)</b>	(440,381,423)
Retailers' and other commissions		<b>(111,928,559)</b>	<b>(111,928,559)</b>	(102,345,811)
Gaming systems and data communication costs	5	<b>(134,617,857)</b>	<b>(134,617,857)</b>	(124,989,737)
Other operating expenses	6	<b>(170,474,894)</b>	<b>(169,077,579)</b>	(149,764,937)
Net impairment loss on receivables	14	<b>(4,994,574)</b>	<b>(4,994,574)</b>	(878,353)
Operating profit		<b>133,075,931</b>	<b>134,473,246</b>	135,672,285
Finance income	7(a)	<b>405,246</b>	<b>405,246</b>	3,590
Finance costs	7(b)	<b>(107)</b>	<b>(107)</b>	(46,673)
Profit before income tax		<b>133,481,070</b>	<b>134,878,385</b>	135,629,202
Income tax expense	9	<b>(23,601,602)</b>	<b>(23,601,602)</b>	(24,783,883)
Profit for the year		<b>109,879,468</b>	<b>111,276,783</b>	110,845,319
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Remeasurement of post-employment benefit obligations	17	<b>435,000</b>	<b>435,000</b>	333,000
Deferred tax on remeasurement of post-employment benefit obligations	16	<b>(73,950)</b>	<b>(73,950)</b>	(56,610)
Other comprehensive income – net of tax		<b>361,050</b>	<b>361,050</b>	276,390
Total comprehensive income for the year		<b>110,240,518</b>	<b>111,637,833</b>	111,121,709
Basic and diluted earnings per share	10	<b>0.32</b>	<b>0.33</b>	0.33

\* The 2017 revenue has been re-presented, refer to note 2.5.

The notes on pages 96 to 131 form an integral part of these financial statements.



# Statement of financial position

As at 31 December 2018

	Notes	GROUP		COMPANY	
		2018	2018	2017	
		MUR	MUR	MUR	
<b>Assets</b>					
<b>Non-current assets</b>					
Property and equipment	11	65,345,046	65,345,046	103,373,494	
Investment in subsidiary	12	-	2,535,967	-	
Deferred income tax assets	16	1,225	1,225	-	
		<b>65,346,271</b>	<b>67,882,238</b>	103,373,494	
<b>Current assets</b>					
Inventories	13	885,216	885,216	732,339	
Trade and other receivables	14	74,327,024	72,865,008	59,561,671	
Cash at bank and in hand		346,016,782	346,016,782	291,605,363	
		<b>421,229,022</b>	<b>419,767,006</b>	351,899,373	
<b>Total assets</b>		<b>486,575,293</b>	<b>487,649,244</b>	455,272,867	
<b>Equity and liabilities</b>					
<b>Equity and reserves</b>					
Stated capital	15	100,000,000	100,000,000	100,000,000	
Retained earnings		79,792,657	81,189,972	71,552,139	
<b>Total equity</b>		<b>179,792,657</b>	<b>181,189,972</b>	171,552,139	
<b>Non-current liabilities</b>					
Deferred income tax liabilities	16	-	-	4,331,768	
Post-employment benefits	17	2,368,000	2,368,000	2,228,000	
		<b>2,368,000</b>	<b>2,368,000</b>	6,559,768	
<b>Current liabilities</b>					
Trade and other payables	18	294,153,871	293,830,507	269,724,832	
Current income tax liabilities	9	10,260,765	10,260,765	7,436,128	
		<b>304,414,636</b>	<b>304,091,272</b>	277,160,960	
<b>Total liabilities</b>		<b>306,782,636</b>	<b>306,459,272</b>	283,720,728	
<b>Total equity and liabilities</b>		<b>486,575,293</b>	<b>487,649,244</b>	455,272,867	

Authorised for issue by the Board of directors on 27 March 2019 and signed on its behalf by:

  
 .....  
 Director

  
 .....  
 Director

The notes on pages 96 to 131 form an integral part of these financial statements.



# Statement of changes in equity

For the year ended 31 December 2018

	Note	Stated capital	Retained earnings	Total equity
		MUR	MUR	MUR
<b>GROUP</b>				
<b>At 01 January 2018</b>		<b>100,000,000</b>	<b>71,552,139</b>	<b>171,552,139</b>
Profit for the year		-	109,879,468	109,879,468
Other comprehensive income for the year		-	361,050	361,050
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>110,240,518</b>	<b>110,240,518</b>
<b>Transactions with owners</b>				
Dividends	20	-	(102,000,000)	(102,000,000)
<b>At 31 December 2018</b>		<b>100,000,000</b>	<b>79,792,657</b>	<b>179,792,657</b>
<b>COMPANY</b>				
<b>At 01 January 2017</b>		100,000,000	38,630,430	138,630,430
Profit for the year		-	110,845,319	110,845,319
Other comprehensive income for the year		-	276,390	276,390
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>111,121,709</b>	<b>111,121,709</b>
<b>Transactions with owners</b>				
Dividends	20	-	(78,200,000)	(78,200,000)
<b>At 31 December 2017</b>		<b>100,000,000</b>	<b>71,552,139</b>	<b>171,552,139</b>
<b>At 01 January 2018</b>		<b>100,000,000</b>	<b>71,552,139</b>	<b>171,552,139</b>
Profit for the year		-	111,276,783	111,276,783
Other comprehensive income for the year		-	361,050	361,050
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>111,637,833</b>	<b>111,637,833</b>
<b>Transactions with owners</b>				
Dividends	20	-	(102,000,000)	(102,000,000)
<b>At 31 December 2018</b>		<b>100,000,000</b>	<b>81,189,972</b>	<b>181,189,972</b>

The notes on pages 96 to 131 form an integral part of these financial statements.





# Statement of cash flows

For the year ended 31 December 2018

	Notes	GROUP		COMPANY	
		2018	2018	2017	
		MUR	MUR	MUR	
<b>Cash flows from operating activities</b>					
Profit before income tax		133,481,070	134,878,385	135,629,202	
Adjustments for:					
Depreciation on property and equipment	11	43,233,193	43,233,193	49,680,349	
Adjustment on property and equipment	11	-	-	(1,298,738)	
Net foreign exchange differences		(769,284)	(769,284)	(569,678)	
Provision for impairment of receivables	14	4,994,574	4,994,574	878,353	
Loss on disposal of property and equipment		-	-	23,687	
Movement in post-employment benefits	17	575,000	575,000	502,000	
Interest expense	7	107	107	46,673	
Interest income	7	(405,246)	(405,246)	(3,590)	
<b>Operating profit before working capital changes</b>		<b>181,109,414</b>	<b>182,506,729</b>	184,888,258	
Increase in inventories		(152,877)	(152,877)	(25,527)	
(Increase)/decrease in trade and other receivables		(19,759,927)	(18,297,911)	17,963,904	
Increase in trade and other payables		24,429,039	24,105,675	31,059,989	
<b>Cash generated from operations</b>		<b>185,625,649</b>	<b>188,161,616</b>	233,886,624	
Interest paid		(107)	(107)	(46,673)	
Interest received		405,246	405,246	3,590	
Income tax paid	9	(25,183,908)	(25,183,908)	(20,464,050)	
<b>Net cash generated from operating activities</b>		<b>160,846,880</b>	<b>163,382,847</b>	213,379,491	
<b>Cash flows from investing activities</b>					
Purchase of property and equipment	11	(5,204,745)	(5,204,745)	(959,592)	
Proceeds from sale of property and equipment		-	-	9,000	
Investment in subsidiary	12	-	(2,535,967)	-	
<b>Net cash used in investing activities</b>		<b>(5,204,745)</b>	<b>(7,740,712)</b>	(950,592)	
<b>Cash flows from financing activities</b>					
Dividends paid	20	(102,000,000)	(102,000,000)	(78,200,000)	
<b>Net cash used in financing activities</b>		<b>(102,000,000)</b>	<b>(102,000,000)</b>	(78,200,000)	
Net increase in cash and cash equivalents		53,642,135	53,642,135	134,228,899	
Net foreign exchange difference		769,284	769,284	569,678	
Cash and cash equivalents at 01 January		291,605,363	291,605,363	156,806,786	
<b>Cash and cash equivalents at 31 December</b>		<b>346,016,782</b>	<b>346,016,782</b>	291,605,363	

The notes on pages 96 to 131 form an integral part of these financial statements.



# Notes to the financial statements

## 1. General information

Lottotech Ltd (the "Company") is incorporated and domiciled in the Republic of Mauritius as a public company, and its shares are publicly traded on the Stock Exchange of Mauritius. Its registered office is situated at Royal Road, Chapman Hill, Beau Bassin, Republic of Mauritius.

The Company is the Operator of the Mauritius National Lottery. The activity of the subsidiary, Loterie Vert Ltd, which was incorporated on 2 October 2018, is to hold and eventually to operate the brand of Loterie Vert.

The financial statements of Lottotech Ltd include the separate financial statements of the parent company, Lottotech Ltd, (the "Company") and the consolidated financial statements of the Company and its subsidiary (the "Group").

## 2. Accounting policies

### 2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, and are presented in Mauritian Rupees ('MUR'). All values are rounded to the nearest rupee, except as otherwise indicated.

### 2.2 Statement of compliance

The financial statements of Lottotech Ltd comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

### 2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of Lottotech Ltd and its subsidiary as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.

- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

## 2.4 Significant accounting judgements and estimates

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

### Revenue

The Group assessed its revenue arrangement on the operation of the lottery and determined that it is the principal as it controls the service before it is transferred to the customer. The primary responsibility for fulfilling the promise to provide the service toward the customers resides with the Group. The Group underwrites the jackpots and other prize money for the game and bears the risk associated with guaranteed jackpots. The Group is liable under the Civil Code should it default in making payment to the winners of the draw. The Group also bears the risk associated with prize pool, and has no recourse to any other party in the event that it suffers losses in fulfilling its responsibilities under its licence.

### Post-employment 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 post-employment benefits include the discount rate. Any changes in these assumptions will impact the carrying amount of post-employment benefits.

The 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 post-employment benefits. In determining the appropriate discount rate, the actuary 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 post-employment benefits.

Other key assumptions for pension obligations include rate of salary based in part on current market conditions and include rate of salary increase and rate of pension increase. Additional information is disclosed in Note 17.



# Notes to the financial statements (cont'd)

## 2. Accounting policies (cont'd)

### 2.4 Significant accounting judgements and estimates (cont'd)

#### Assets' lives and residual value

Plant and equipment are depreciated over their useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually, and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

#### Going concern

The Company's management made an assessment of the Company's ability to continue as a going concern. Following the conclusion of the mediation with the authorities, the Company was granted two consecutive five year periods licence to operate up to April 2029. The Company's management is also satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

### 2.5 Standards, amendments to published standards and interpretations effective in the reporting period

The Company applied IFRS 15 and IFRS 9 for the first time during the year ended 31 December 2018; the nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations were applicable for the first time in 2018, but did not have an impact on the financial statements of the Company. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

#### Effective for accounting period beginning on or after

IFRS 9 Financial Instruments	01 January 2018
IFRS 15 Revenue from Contracts with Customers	01 January 2018

#### IFRS 9 Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 01 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has adopted the standard on the required effective date and has not restated comparative information. The Company has performed an impact assessment of all three aspects of IFRS 9, and there is no impact on its financial position or performance. The Company's financial assets include trade and other receivables, and cash at bank, which are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. These financial assets classified as loans and receivable under IAS 39 are classified as financial assets at amortised cost under IFRS 9 and continue to be carried at amortised cost.

IFRS 9 requires the Company to record expected credit losses on all of its trade and other receivables either on a 12 month or lifetime basis. The Company has applied the simplified approach and recorded lifetime expected losses on all trade and other receivables. The impact on the loss allowances as a result of the adoption of IFRS 9 is negligible and no adjustments were recorded at 01 January 2018.

**IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company applied IFRS 15 using the modified retrospective method of adoption with any adjustment recorded in retained earnings at date of initial application of 01 January 2018. The adoption of IFRS 15 had no impact on the Company’s reserves. However, under IFRS 15, the transaction price, that is revenue, is reduced for consideration payable to a customer as this does not represent consideration in exchange for a distinct good or service. The Company therefore presents its revenue as the proceeds from lottery tickets, net of prizes. Prior to the adoption of IFRS 15, revenue was presented as the gross ticket proceeds. To achieve consistency in the presentation of the revenue, the comparative figures have been re-presented to be comparable to the presentation under IFRS 15.

The revenue continues to be recognised at the point when the draw has been held and the results have been certified by the Gambling Regulatory Authority. No practical expedient as permitted under the standard have been applied by the Company. Additional required disclosures have been provided in the financial statements.

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

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Company has not early adopted them:

**New or revised standards and interpretations:**

	<b>Effective for accounting period beginning on or after</b>
<i>New or revised standards</i>	
IFRS 16 Leases	01 January 2019
IFRS 17 Insurance Contracts	01 January 2021



# Notes to the financial statements (cont'd)

## 2. Accounting policies (cont'd)

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

**New or revised standards and interpretations (cont'd):**

	<b>Effective for accounting period beginning on or after</b>
<i>Amendments</i>	
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	01 January 2019
Prepayment Features with Negative Compensation - Amendments to IFRS 9	01 January 2019
Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28	01 January 2019
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	01 January 2019
AIP IFRS 3 Business Combinations - Previously held Interests in a joint operation	01 January 2019
AIP IFRS 11 Joint Arrangements - Previously held Interests in a joint operation	01 January 2019
AIP IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity	01 January 2019
AIP IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation	01 January 2019
The Conceptual Framework for Financial Reporting	01 January 2020

The Company does not expect that the adoption of these standards will have an impact on its financial statement except for IFRS 16 for which the impact is described below.



## IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 01 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group plans to adopt IFRS 16 retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

During 2018, the Company has performed an impact assessment of IFRS 16 which may be subject to further changes. In summary the impact of IFRS 16 adoption is expected to be, as follows:

Impact on the statement of financial position (increase/(decrease)) as at 31 December 2018:

	<u>GROUP</u>	<u>COMPANY</u>
	<u>MUR</u>	<u>MUR</u>
<b>Assets</b>		
Property and equipment (right-of-use assets)	<b>62,775,041</b>	<b>48,153,352</b>
<b>Liabilities</b>		
Lease liabilities	<b>(62,775,041)</b>	<b>(48,153,352)</b>
Net impact on equity	<b>-</b>	<b>-</b>



# Notes to the financial statements (cont'd)

## 2. Accounting policies (cont'd)

### 2.7 Summary of significant accounting policies

#### (a) Turnover

The Group's turnover consists of proceeds from lottery tickets, which are the wagers placed on lottery tickets on the Group's draw-based game.

#### (b) Revenue from contracts with customers

Revenue from contracts with customers consist of turnover, net of prizes. Prizes are considered as consideration payable to the winning customers, and thus reduce the transaction price.

The Group's revenue recognition occurs at the point in time when the draw has been held and the results have been certified by the Gambling Regulatory Authority. Where players wager in advance, the income is deferred and recorded as contract liabilities, until the draw has taken place when it is then recognised as revenue in the statement of profit or loss and other comprehensive income.

#### Contract balances

##### *Trade receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section (o) Financial instruments – initial recognition and subsequent measurement.

##### *Contract liabilities*

Contract liabilities are proceeds from tickets for which the draw has not been held. The contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are subsequently recognised as revenue, prizes and consolidated fund when the Group performs under the contract, which is at the point when the draw has been held and the results have been certified by the Gambling Regulatory Authority.

#### (c) Interest income

Interest income is recorded using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss and other comprehensive income.

#### (d) Prizes

The draw-based game is operated under a prize pool mechanism under which a predetermined percentage of the ticket sales is allocated to prizes. To the extent that the actual prizes won on the draw vary from the predetermined percentage, the relevant prize is carried forward under a rollover to subsequent draws. The Group may also set guaranteed jackpots for any particular draw. The liability for prizes is recognised at the time of the draw in line with the predetermined percentage for that game and for any shortfall that Lottotech may

be required to settle. Lottery prizes are consideration payable to the customers and are deducted from the proceeds from lottery tickets to reach the revenue from a particular draw.

If prizes remain unclaimed for 184 days from the date of the draw-based game, the unclaimed prizes are remitted to the National Solidarity Fund.

#### **(e) Consolidated fund cost**

The Group has a legal requirement to contribute a set proportion of net proceeds from lottery games to the Consolidated Fund managed by the Government of Mauritius.

The amount of Consolidated Fund represents the predetermined percentage of gross ticket sales net of prizes.

#### **(f) Retailers' and other commissions**

The Group pays commissions to third party retailers who act as agents of the Group under a standard commission structure, fixed at a percentage of total sales. In addition, validation commission is paid on prizes. A similar commission structure is applicable for the Field Sales and Technical Representatives in Rodrigues.

#### **(g) Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on the straight-line method to allocate their costs to their residual values over their estimated useful lives as follows:

Leasehold improvements	3 – 10 years
Equipment	3 – 10 years
Furniture and fittings	8 years
Motor vehicles	6 – 7 years

Depreciation is provided in full in the month of addition and in respect of assets written off and disposed, up to the month of write off and disposal. Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in profit or loss.

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

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

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



# Notes to the financial statements (cont'd)

## 2. Accounting policies (cont'd)

### 2.7 Summary of significant accounting policies (cont'd)

#### (h) Investment in subsidiary

The subsidiary is fully consolidated in the Group's financial statements from the date control is obtained by the Group until the date that control ceases.

*Separate financial statements of the investor*

In the separate financial statements of the Company, the investment in subsidiary is carried at cost, net of any impairment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is recognised in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

#### (i) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

An operating lease is a lease that does not transfer substantially all the risks and rewards of ownership to the lessee. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

#### (j) Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined using the first-in, first-out ("FIFO") method. The cost includes cost of ticket rolls, bet slips and any other direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### (k) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank, cash in hand, net of any outstanding overdrafts.

#### (l) Stated capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

#### (m) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax and Corporate Social Responsibility ("CSR") tax. 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Current income tax assets and liabilities are measured at the amount expected to be received or paid to the taxation authorities.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The principal temporary differences arise from accelerated capital allowances, provision for post-employment benefits and provision for impairment on receivables.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The directors apply judgement to determine whether sufficient future taxable profit will be available after considering, amongst others, factors such as cash flows and budgets. The carrying amount of deferred tax asset is reviewed at each reporting date.

The Group offsets deferred income tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

## **(n) Employee benefits**

### ***(i) Short-term employee benefits***

Short-term employee benefits are employee benefits that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related services and include wages, salaries, social security contributions, travelling expenses, profit sharing and bonuses. These costs are charged to profit or loss when incurred.

### ***(ii) Defined contribution***

The Group operates a defined contribution pension plan for certain qualifying employees. The assets of the plan are held separately from those of the company in funds under the control of an independent management committee. Where employees leave the plan prior to full vesting of the contributions, the contributions payable by the company are reduced by the amount of forfeited contributions. Any residual gratuities under the Employment Rights Act 2008 for the qualifying employees after allowing for permitted deductions in respect of the pension plan are included in the post-employment benefits in respect of the Employment Rights Act 2008.



# Notes to the financial statements (cont'd)

## 2. Accounting policies (cont'd)

### 2.7 Summary of significant accounting policies (cont'd)

#### (n) Employee benefits (cont'd)

##### *(iii) Post-employment benefits*

Employees are entitled to a gratuity payment on retirement under the terms of the Employment Rights Act 2008. The Group recognises a liability for employees whose benefits under the defined contribution plan are not expected to fully offset the retirement gratuity.

The net present value of post-employment benefits payable under the Employment Rights Act 2008 is calculated by a qualified actuary and is provided for. The obligations arising from this item is not funded.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the 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.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

#### (o) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements and deducted from equity in the period in which the dividend is declared.

#### (p) Financial instruments

##### *(i) Financial assets*

##### Initial recognition and measurement

##### *Prior to 1 January 2018*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, Available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.



### ***Subsequent to 1 January 2018***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

### **Subsequent measurement**

#### ***Prior to 1 January 2018***

##### *Loans and receivables*

The Group's financial assets consist of trade and other receivables, and cash and cash equivalents, which are classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in other operating expenses for receivables.

Trade receivables are amounts due from retailers for tickets sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets.

#### ***Subsequent to 1 January 2018***

##### *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



# Notes to the financial statements (cont'd)

## 2. Accounting policies (cont'd)

### 2.7 Summary of significant accounting policies (cont'd)

#### (p) Financial instruments (cont'd)

##### *(i) Financial assets (cont'd)*

##### Subsequent measurement (cont'd)

##### Subsequent to 1 January 2018 (cont'd)

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, receivables from related parties and cash at bank. These financial assets are held to collect cash flows which represent solely payment of principal and interest.

##### **Impairment**

##### ***Prior to 1 January 2018***

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

#### **Subsequent to 1 January 2018**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### **Derecognition**

Financial assets are primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### ***(ii) Financial liabilities***

##### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.



# Notes to the financial statements (cont'd)

## 2. Accounting policies (cont'd)

### 2.7 Summary of significant accounting policies (cont'd)

#### (p) Financial instruments (cont'd)

##### *(ii) Financial liabilities (cont'd)*

###### **Subsequent measurement**

###### *Loans and borrowings/Financial liabilities at amortised cost*

The Group's financial liabilities consist of trade and other payables which are classified as loans and borrowings.

After initial recognition, these financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer).

###### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

##### *(iii) Offsetting financial instruments*

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

#### (q) Foreign currency translation

##### *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Mauritian rupee ("MUR"), which is the presentation currency of the Company.

##### *Transactions and balances*

Foreign currency transactions are translated into Mauritian rupees using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss consistent with the nature of the underlying items.

#### **(r) Segment information**

Segmental reporting is based on the internal reports regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess their performance. There is only one operating segment which is the gaming segment.

#### **(s) Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

#### **(t) Current versus non-current classification**

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.



# Notes to the financial statements (cont'd)

## 2. Accounting policies (cont'd)

### 2.7 Summary of significant accounting policies (cont'd)

#### (t) Current versus non-current classification (cont'd)

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## 3. Financial Risk Management

The Group's activities expose it to a variety of financial risks, including market risk (foreign exchange risk and interest rate risk); credit risk and liquidity risk. A description of the significant risk factors is given below together with the risk management policies applicable.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance.

Risk management is carried out by management under policies approved by the Board of Directors.

### (a) Market risk

#### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

The Group carries its operations locally and therefore is not exposed to foreign exchange risk except for transactions with suppliers and bank accounts denominated in foreign currency, which are mainly United States dollars ("USD"). As such, the Group is exposed to the exchange rate movement of the Mauritian rupee against the United States dollar.



The currency profile of the Group's and the Company's financial assets and liabilities is summarised as follows:

	<b>2018 Financial assets</b>	<b>2018 Financial liabilities</b>		
<b>GROUP</b>	<b>MUR</b>	<b>MUR</b>		
Mauritian rupee	<b>410,676,994</b>	<b>278,168,139</b>		
United States dollar	<b>2,683,974</b>	<b>5,966,172</b>		
Euro	<b>1,135,527</b>	<b>-</b>		
	<b><u>414,496,495</u></b>	<b><u>284,134,311</u></b>		

	<b>2018 Financial assets</b>	<b>2018 Financial liabilities</b>	2017 Financial assets	2017 Financial liabilities
<b>COMPANY</b>	<b>MUR</b>	<b>MUR</b>	MUR	MUR
Mauritian rupee	<b>410,676,994</b>	<b>277,844,775</b>	343,838,300	266,664,315
United States dollar	<b>2,683,974</b>	<b>5,966,172</b>	2,505,161	3,060,517
Euro	<b>1,135,527</b>	<b>-</b>	1,247,072	-
	<b><u>414,496,495</u></b>	<b><u>283,810,947</u></b>	<u>347,590,533</u>	<u>269,724,832</u>

At 31 December 2018, if the Mauritian rupee ("MUR") had weakened/strengthened by 5% against the United States dollar ("USD") with all other variables held constant, pre-tax profit and equity for the year for both the Group and the Company would have decreased/increased by MUR164,110 (2017 – MUR27,768).

At 31 December 2018, if the Mauritian rupee ("MUR") had weakened/strengthened by 5% against the EURO ("EUR") with all other variables held constant, pre-tax profit for the year and equity for both the Group and the Company would have increased/decreased by MUR56,776 (2017 – MUR62,354), mainly as a result of currency differences on translation of EUR denominated bank balances.

The directors believe that a 5% fluctuation in foreign exchange rate is an appropriate basis for the sensitivity analysis. The sensitivity analysis has been based on the financial assets and liabilities at the reporting date.

The Group has not engaged in any hedging transactions to mitigate its risks relating to exchange rate fluctuations.

**(ii) Interest rate risk**

The Group's income and operating cash flows may be affected by changes in market interest rates. The Company did not have significant floating interest rate bearing financial assets and liabilities at the reporting date.



# Notes to the financial statements (cont'd)

## 3. Financial Risk Management (cont'd)

### (b) Credit risk

Credit risk is managed on company-wide basis. Credit risk arises from cash and cash equivalents as well as credit exposures to retailers, including outstanding receivables and receivable from related parties.

For cash and cash equivalents, the Group manages its credit risk by banking with reputable financial institutions. Management assesses the credit quality of the retailer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. The Group engages with retailers having the appropriate credit rating only.

The Group fully provides for balances in default which are balances due from retailers for more than 90 days; these balances are considered to be credit impaired. The Group has a general short credit period of less than one week to collect its trade receivables. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows, such as the bankruptcy of the debtor. The Group makes use of a provision matrix and determines the expected credit loss on its trade receivables on a collective basis with the customers grouped according to days past due. The provision matrix takes into consideration the historical data on default rate. The Group determined that forward looking information is insignificant due to the short-term nature of the trade receivables. At the reporting date, the Group determined that its expected credit loss on trade receivables not in default is insignificant.

The credit risk on the balances receivable from related parties increased significantly during the year and were considered to be in default and credit impaired. They were individually assessed for impairment using a lifetime expected credit loss. The balances considered not to be recoverable were impaired.

The maximum exposure with respect to credit risk arise from default of the counter party with a maximum exposure equal to the carrying amount of the Group's financial assets.

The directors believe that the Group has no significant concentration of credit risk and services are rendered to retailers with an appropriate credit history.

The aged analysis of trade receivables is disclosed in Note 14.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close our market positions.

The table below analyses the Group's and the Company's financial liabilities into relevant maturing groupings based on the remaining period at the end of the reporting period to maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

## GROUP

As at 31 December 2018	At call	Within six months	Between six months to 1 year	Total
	MUR	MUR	MUR	MUR
<b>Liabilities</b>				
Trade and other payables	-	284,134,311	-	284,134,311

## COMPANY

As at 31 December 2018	At call	Within six months	Between six months to 1 year	Total
	MUR	MUR	MUR	MUR
<b>Liabilities</b>				
Trade and other payables	-	283,810,947	-	283,810,947

As at 31 December 2017	At call	Within six months	Between six months to 1 year	Total
	MUR	MUR	MUR	MUR
<b>Liabilities</b>				
Trade and other payables	-	269,724,832	-	269,724,832

### (d) Fair values

The carrying amounts of trade and other receivables, cash in hand and at bank, trade and other payables approximate their fair values due to their short-term nature.

### (e) Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going-concern in order to provide returns to shareholders. Capital is represented by the total equity comprising of stated capital and retained earnings. The Group does not have any debt financing.

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

There were no changes in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.



# Notes to the financial statements (cont'd)

## 3. Financial Risk Management (cont'd)

### (f) Financial instruments by category

	GROUP	COMPANY	
	2018	2018	2017
	MUR	MUR	MUR
<b>Financial assets</b>			
Trade and other receivables	68,479,713	68,479,713	55,985,170
Cash and cash equivalents	346,016,782	346,016,782	291,605,363
	<u>414,496,495</u>	<u>414,496,495</u>	<u>347,590,533</u>
			Loans and receivables
<b>Financial liabilities</b>			
Trade and other payables	284,134,310	283,810,947	269,724,832
	<u>284,134,310</u>	<u>283,810,947</u>	<u>269,724,832</u>

## 4. Revenue

### 4.1 Revenue information

	GROUP	COMPANY	
	2018	2018	2017
	MUR	MUR	MUR
<b>Type of good or service</b>			
Revenue on ticket sales	1,040,078,632	1,040,078,632	954,032,546
	<u>1,040,078,632</u>	<u>1,040,078,632</u>	<u>954,032,546</u>
<b>Geographical market</b>			
Mauritius	1,040,078,632	1,040,078,632	954,032,546
	<u>1,040,078,632</u>	<u>1,040,078,632</u>	<u>954,032,546</u>
<b>Timing of revenue recognition</b>			
Revenue recognised at a point in time	1,040,078,632	1,040,078,632	954,032,546
	<u>1,040,078,632</u>	<u>1,040,078,632</u>	<u>954,032,546</u>

The comparative figures have been re-presented following the adoption of IFRS 15. Refer to note 2.5 for further details.

#### 4.2 Contract balances

	GROUP	COMPANY	
	2018	2018	2017
	MUR	MUR	MUR
Trade receivables	59,988,265	59,988,265	42,290,941
<b>Contract liabilities</b>			
At 01 January	-	-	-
Ticket sales for which the draw has not yet been held	10,019,560	10,019,560	-
At 31 December	10,019,560	10,019,560	-

Trade receivables are amounts due from retailers for tickets sold in the ordinary course of business. Refer to note 14 for expected credit losses recognised on trade receivables.

Contract liabilities consist of proceeds from lottery tickets for which the draw has not yet been held. The revenue is recognised when the draw is held and the results are certified by the Gambling Regulatory Authority.

#### 5. Gaming systems and data communication costs

	GROUP	COMPANY	
	2018	2018	2017
	MUR	MUR	MUR
Depreciation	43,233,193	43,233,193	49,680,349
Communication costs	46,592,851	46,592,851	36,414,870
Lottery technological support	24,213,106	24,213,106	22,206,898
Consumables	14,558,583	14,558,583	13,273,917
Other expenses	6,020,124	6,020,124	3,413,703
	134,617,857	134,617,857	124,989,737



# Notes to the financial statements (cont'd)

## 6. Other operating expenses

	GROUP	COMPANY	
	2018	2018	2017
	MUR	MUR	MUR
Staff costs (Note 8)	80,258,239	79,079,568	66,945,096
Management fees	33,014,775	33,014,775	15,232,714
Rent and utilities	13,927,374	13,709,180	12,696,453
Legal and professional fees	4,288,314	4,288,314	19,073,329
Software licence and other information technology cost	8,828,880	8,828,880	9,311,832
Motor vehicle expenses	5,280,676	5,280,676	3,375,596
Municipal fees and licences	7,346,351	7,346,351	7,116,296
Insurance costs	1,415,833	1,415,833	1,662,991
Medical expenses	1,373,665	1,373,665	1,420,577
Maintenance contracts	3,606,196	3,606,196	2,309,552
Printing, postages and stationery	2,447,610	2,447,160	1,446,057
Repairs and maintenance	934,685	934,685	1,415,261
Other expenses	6,372,664	6,372,664	5,144,370
Fees payable to auditor for:			
Audit services	862,500	862,500	1,495,000
Other services	517,132	517,132	1,119,813
	<b>170,474,894</b>	<b>169,077,579</b>	149,764,937

## 7. Finance income/(costs)

	GROUP	COMPANY	
	2018	2018	2017
	MUR	MUR	MUR
<b>(a) Finance income</b>			
Interest income on:			
Bank balances and short-term deposits	405,246	405,246	3,590
<b>(b) Finance cost</b>			
Interest expense on:			
Bank overdraft	(107)	(107)	(46,673)



## 8. Staff costs

	GROUP		COMPANY	
	2018	2018	2017	
	MUR	MUR	MUR	
Wages and salaries	75,036,083	73,925,935	61,803,476	
Staff welfare benefits	1,133,879	1,065,356	1,432,676	
Defined contribution costs	3,513,277	3,513,277	3,206,944	
Post-employment benefits (Note 17)	575,000	575,000	502,000	
	<b>80,258,239</b>	<b>79,079,568</b>	66,945,096	

## 9. Income Tax

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

### (a) Charge for the year

	GROUP		COMPANY	
	2018	2018	2017	
	MUR	MUR	MUR	
Current income tax	26,739,198	26,739,198	23,917,836	
Under provision of current income tax expense in previous period	1,269,347	1,269,347	1,692,638	
Deferred income tax credit (Note 16)	(4,406,943)	(4,406,943)	(826,591)	
Income tax expense	<b>23,601,602</b>	<b>23,601,602</b>	24,783,883	



# Notes to the financial statements (cont'd)

## 9. Income Tax (cont'd)

### (a) Charge for the year (cont'd)

A reconciliation between the actual rate of income tax charge of MUR23,601,602 (2017 – MUR24,783,883) and the tax calculated at the applicable income tax rate of 17% (2017 – 17%) is as follows:

	GROUP	COMPANY	
	2018	2018	2017
	MUR	MUR	MUR
Profit before income tax	<b>133,481,071</b>	<b>134,878,385</b>	135,629,202
Tax on the profit at 17% (2017 – 17%)	<b>22,691,782</b>	<b>22,929,325</b>	23,056,964
Non-tax deductible expenses	<b>935,324</b>	<b>935,324</b>	412,799
Temporary difference reversal	-	-	(378,518)
Income not subject to tax	<b>(172,692)</b>	<b>(172,692)</b>	-
Deferred tax not provided	<b>237,543</b>	-	-
Over provision of deferred tax in previous year	<b>(1,359,702)</b>	<b>(1,359,702)</b>	-
Under provision of current income tax in previous year	<b>1,269,347</b>	<b>1,269,347</b>	1,692,638
Effective income tax charge	<b>23,601,602</b>	<b>23,601,602</b>	24,783,883

Non-tax deductible expenses include legal and professional fees, and impairment of receivables from related parties.

### (b) Current income tax liabilities

Income tax liabilities amounted to MUR10,260,765 at 31 December 2018 (2017 – MUR7,436,128).

	GROUP	COMPANY	
	2018	2018	2017
	MUR	MUR	MUR
At 01 January	<b>7,436,128</b>	<b>7,436,128</b>	2,289,704
Income tax charge for the year	<b>26,739,198</b>	<b>26,739,198</b>	23,917,836
Under provision of current income tax expense in previous period	<b>1,269,347</b>	<b>1,269,347</b>	1,692,638
Income tax paid	<b>(25,183,908)</b>	<b>(25,183,908)</b>	(20,464,050)
At 31 December	<b>10,260,765</b>	<b>10,260,765</b>	7,436,128

## 10. Earnings per share

### Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year of the Group and the Company by the weighted average number of ordinary shares in issue during the year.

### Diluted earnings per share

Diluted earnings per share is calculated by adjusting the result for the year and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. In 2018 and 2017, there were no instruments with potential dilutive effect.

	GROUP	COMPANY	
	2018	2018	2017
	MUR	MUR	MUR
Profit attributable to shareholders (MUR)	<b>109,879,468</b>	<b>111,276,783</b>	110,845,319
Number of shares entitled to dividends	<b>340,000,000</b>	<b>340,000,000</b>	340,000,000
Basic and diluted earnings per share (MUR)	<b>0.32</b>	<b>0.33</b>	0.33



# Notes to the financial statements (cont'd)

## 11. Property and equipment

### GROUP AND COMPANY

	Leasehold improvement	Equipment	Furniture and fittings	Motor vehicles	Total
	MUR	MUR	MUR	MUR	MUR
<b>Cost:</b>					
At 01 January 2017	78,869,124	393,660,985	10,770,019	16,335,506	499,635,634
Additions	-	959,592	-	-	959,592
Disposals	-	(126,529)	-	(84,671)	(211,200)
Reclassifications	(209,523)	(689,497)	925,744	(26,724)	-
Write-off	(8,642,307)	-	-	-	(8,642,307)
Adjustment	-	-	1,298,738	-	1,298,738
At 31 December 2017	70,017,294	393,804,551	12,994,501	16,224,111	493,040,457
Additions	<b>377,258</b>	<b>4,827,487</b>	-	-	<b>5,204,745</b>
Disposals	-	-	-	-	-
Write-off	-	<b>(1,105,825)</b>	-	-	<b>(1,105,825)</b>
<b>At 31 December 2018</b>	<b>70,394,552</b>	<b>397,526,213</b>	<b>12,994,501</b>	<b>16,224,111</b>	<b>497,139,377</b>
<b>Accumulated depreciation:</b>					
At 01 January 2017	75,589,514	250,608,370	9,883,471	12,726,079	348,807,434
Charge for the year	3,734,581	42,743,457	1,299,450	1,902,861	49,680,349
Disposals	-	(93,842)	-	(84,671)	(178,513)
Reclassifications	(7,927,506)	7,077,239	945,281	(95,014)	-
Write-off	(8,642,307)	-	-	-	(8,642,307)
At 31 December 2017	<b>62,754,282</b>	<b>300,335,224</b>	<b>12,128,202</b>	<b>14,449,255</b>	<b>389,666,963</b>
Charge for the year	<b>3,335,275</b>	<b>37,841,706</b>	<b>866,299</b>	<b>1,189,913</b>	<b>43,233,193</b>
Write-off	-	<b>(1,105,825)</b>	-	-	<b>(1,105,825)</b>
At 31 December 2018	<b>66,089,557</b>	<b>337,071,105</b>	<b>12,994,501</b>	<b>15,639,168</b>	<b>431,794,331</b>
<b>Net carrying amount</b>					
<b>At 31 December 2018</b>	<b>4,304,995</b>	<b>60,455,108</b>	<b>-</b>	<b>584,943</b>	<b>65,345,046</b>
At 31 December 2017	7,263,012	93,469,327	866,299	1,774,856	103,373,494

During the year ended 31 December 2017, the Company made reclassifications within the different classes of property and equipment for assets having the same characteristics and bearing the same depreciation rates, following the completion of the fixed asset review project that it undertook starting in 2016.

Write-offs of property and equipment are made when assets are no longer in use by the Group.

Depreciation expense of MUR43,233,193 (2017 – MUR49,680,349) has been charged in gaming systems and data communication costs.

## 12. Investment in subsidiary

	2018 MUR	2017 MUR
At 01 January	-	-
Additions	<u>2,535,967</u>	<u>-</u>
At 31 December	<u>2,535,967</u>	<u>-</u>

Details pertaining to the subsidiary:

	Country of incorporation	Principal activity	Proportion of ownership
Loterie Vert Ltd	Mauritius	Gaming	100%

Loterie Vert Ltd was incorporated on 02 October 2018 to hold and eventually to operate the brand of Loterie Vert. The investment in subsidiary included an amount of MUR2,510,967 representing contribution made by the Company towards equity shares which had not yet been issued at the reporting date.

## 13. Inventories

	GROUP	COMPANY	
	2018 MUR	2018 MUR	2017 MUR
<i>At cost:</i>			
Ticket rolls, bet slips and others	<u>885,216</u>	<u>885,216</u>	<u>732,339</u>

Inventories consumed during the year amounted to MUR14,558,583 (2017 – MUR13,273,917).

## 14. Trade and other receivables

	GROUP	COMPANY	
	2018 MUR	2018 MUR	2017 MUR
Trade receivables	59,988,265	59,988,265	42,290,941
Allowance for expected credit losses/ impairment	<u>(1,608,032)</u>	<u>(1,608,032)</u>	<u>(2,199,818)</u>
	58,380,233	58,380,233	40,091,123
Receivable from shareholders (Note 19(ii))	3,518,209	3,518,209	3,518,209
Receivables from related parties (Note 19(ii))	10,815,176	10,815,176	11,430,412
Allowance for expected credit losses/ impairment (Note 19(ii))	<u>(5,444,238)</u>	<u>(5,444,238)</u>	<u>-</u>
Prepayments and deposits	7,057,644	5,595,628	4,521,927
	<u>74,327,024</u>	<u>72,865,008</u>	<u>59,561,671</u>



# Notes to the financial statements (cont'd)

## 14. Trade and other receivables (cont'd)

Trade and other receivables are unsecured, bear no interest and are due within one year.

Trade receivables are summarised as follows:

	GROUP	COMPANY	
	2018 MUR	2018 MUR	2017 MUR
Not yet due	57,365,265	57,365,265	33,871,351
Past due	1,014,968	1,014,968	6,219,772
In default	1,608,032	1,608,032	2,199,818
	59,988,265	59,988,265	42,290,941
Allowance for expected credit losses/ impairment	(1,608,032)	(1,608,032)	(2,199,818)
	<b>58,380,233</b>	<b>58,380,233</b>	40,091,123

Trade receivables that are less than three months past due are not considered in default. As of 31 December 2018, trade receivables of MUR1,014,968 (2017 – MUR6,219,772) were past due but not in default. These relate to a number of retailers for whom there is no recent history of default. The ageing analysis of the past due trade receivables is as follows:

	GROUP	COMPANY	
	2018 MUR	2018 MUR	2017 MUR
<b>Past due</b>			
Up to 3 months	1,014,968	1,014,968	6,219,772
Over 3 months	-	-	-
	<b>1,014,968</b>	<b>1,014,968</b>	6,219,772

At 31 December 2018, trade receivables of MUR1,608,032 (2017 – MUR2,199,818) were past due for more than 90 days and were impaired. No expected credit losses were recognised on the balances of trade receivables which are neither past due nor impaired and past due but not impaired as the Group determined that the relative expected credit loss is insignificant.

The movement in the allowance of expected credit losses/impairment for trade receivables are as follows:

	GROUP	COMPANY	
	2018 MUR	2018 MUR	2017 MUR
At 01 January	2,199,818	2,199,818	2,983,657
Expected credit loss/impairment recognised	400,783	400,783	1,177,471
Reversal of expected credit losses/ impairment	(850,447)	(850,447)	(299,118)
Write-off against provision	(142,122)	(142,122)	(1,662,192)
<b>At 31 December</b>	<b>1,608,032</b>	<b>1,608,032</b>	2,199,818

The provision for impaired receivables has been included in profit or loss. The information about the credit exposures are disclosed in Note 3(b). All items within trade and other receivables are denominated in Mauritian Rupee and no collaterals are held against trade and other receivables at the reporting date.

The net movement in the allowance of expected credit losses/impairment for trade and other receivables is as follows:

	<b>GROUP</b>	<b>COMPANY</b>	
	<b>2018</b> <b>MUR</b>	<b>2018</b> <b>MUR</b>	2017 MUR
<b>Trade receivables:</b>			
Expected credit loss/impairment recognised	(400,783)	(400,783)	(1,177,471)
Reversal of expected credit losses/ impairment	850,447	850,447	299,118
	<b>449,664</b>	<b>449,664</b>	(878,353)
<b>Receivables from related parties:</b>			
Allowance for expected credit losses/ impairment	(5,444,238)	(5,444,238)	-
	<b>(4,994,574)</b>	<b>(4,994,574)</b>	(878,353)

## 15. Stated Capital

### GROUP AND COMPANY

	<b>2018</b>	<b>2018</b>	2017	2017
	Number	MUR	Number	MUR
<b>Issued and fully paid:</b>				
Ordinary shares of no par value each	<b>340,000,000</b>	<b>100,000,000</b>	340,000,000	100,000,000

## 16. Deferred Income Tax (Assets)/Liabilities

The movement on the deferred income tax (assets)/liabilities is as follows:

	<b>GROUP</b>	<b>COMPANY</b>	
	<b>2018</b> <b>MUR</b>	<b>2018</b> <b>MUR</b>	2017 MUR
At 01 January	4,331,768	4,331,768	5,101,749
Credit to profit or loss (Note 9)	(4,406,943)	(4,406,943)	(826,591)
Charge to other comprehensive income	73,950	73,950	56,610
At 31 December	<b>(1,225)</b>	<b>(1,225)</b>	4,331,768





# Notes to the financial statements (cont'd)

## 16. Deferred Income Tax (Assets)/Liabilities (cont'd)

The movement in deferred income tax liabilities/(assets) is as follows:

### GROUP AND COMPANY

	Accelerated capital allowance	Post- employment benefits	Provision for impaired receivables	Total
	MUR	MUR	MUR	MUR
At 01 January 2017	5,859,871	(350,031)	(408,091)	5,101,749
(Credit)/charge to profit or loss (Note 9)	(775,373)	(85,340)	34,122	(826,591)
Charge to other comprehensive income	-	56,610	-	56,610
	<b>5,084,498</b>	<b>(378,761)</b>	<b>(373,969)</b>	<b>4,331,768</b>
At 31 December 2017	<b>(4,409,796)</b>	<b>(97,750)</b>	<b>100,603</b>	<b>(4,406,943)</b>
(Credit)/charge to profit or loss (Note 9)	-	<b>73,950</b>	-	<b>73,950</b>
Charge to other comprehensive income	-	<b>73,950</b>	-	<b>73,950</b>
	<b>674,702</b>	<b>(402,561)</b>	<b>(273,366)</b>	<b>(1,225)</b>
At 31 December 2018	<b>674,702</b>	<b>(402,561)</b>	<b>(273,366)</b>	<b>(1,225)</b>

The Group has tax losses that arose in its subsidiary of MUR1.3 million that are available for the next five years for offsetting against future taxable profit of the subsidiary. No deferred tax asset has been recognised due to unpredictability of future taxable profits to utilise these losses.

## 17. Post-employment benefits

The Group participates in a multi-employer defined contribution (DC) pension plan to which it contributes 6%, 8% or 10% of its eligible employees' salaries depending on age. These contributions amounted to MUR3,513,277 for the year ended 31 December 2018 (2017 – MUR3,206,944).

In addition, the Group has recognised a net defined benefit liability of MUR2,368,000 as at 31 December 2018 (2017: MUR2,228,000) in respect of any additional retirement gratuities that are expected to be paid out of the Group's cashflow to its employees under the Employment Rights Act (ERA) 2008.

The Group is subject to an unfunded defined benefit plan for the employees. The plan exposes the Group to normal risks described below:

**Interest risk:** A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

**Salary risk:** The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

The Group had a residual obligation imposed by ERA 2008 on top of its defined contribution plan. It is therefore particularly exposed to investment under-performance of the DC plan.

There has been no plan amendment, curtailment or settlement during the year.

## 17. Post-employment benefits (cont'd)

### GROUP AND COMPANY

	2018 MUR	2017 MUR
<b>Liability recognised in statement of financial position</b>		
Post-employment benefits obligation	<u>2,368,000</u>	<u>2,228,000</u>
<b>Amounts recognised in profit or loss</b>		
Current service cost	452,000	368,000
Interest cost	<u>123,000</u>	<u>134,000</u>
	<u>575,000</u>	<u>502,000</u>
<b>Amounts recognised in other comprehensive income</b>		
Liability experience loss/(gain)	849,000	(275,000)
Liability gain due to change in financial assumptions	<u>(1,284,000)</u>	<u>(58,000)</u>
	<u>(435,000)</u>	<u>(333,000)</u>

### GROUP AND COMPANY

	2018 MUR	2017 MUR
<b>Movements in liability recognised in statement of financial position</b>		
At 01 January	2,228,000	2,059,000
Amounts recognised in profit or loss	575,000	502,000
Amounts recognised in other comprehensive income	<u>(435,000)</u>	<u>(333,000)</u>
At 31 December	<u>2,368,000</u>	<u>2,228,000</u>
<b>Principal actuarial assumptions at end of year</b>		
Discount rate	6.2%	5.5%
Rate of salary increases	3.8%	4.5%
Rate of pension increases	2.2%	0.5%
Average retirement age (ARA)	65/60 years	65/60 years
<b>Sensitivity analysis on defined benefit obligation at end of period</b>		
- Increase due to 1% decrease in discount rate	1,245,000	1,764,000
- Decrease due to 1% increase in discount rate	911,000	1,424,000

The above sensitivity analysis has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the discount rate while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.



# Notes to the financial statements (cont'd)

## 17. Post-employment benefits (cont'd)

### Future cashflows

- The funding policy is to pay benefits out of the reporting entity's cashflow as and when due.

	<b>2018</b>	2017
	<b>MUR</b>	MUR
- Expected employer contribution for the next year	<b>71,000</b>	86,000
- Weighted average duration of the defined benefit obligation	<b>16 years</b>	19 years

### Reconciliation of the present value of defined benefit obligation

Present value of obligation at 01 January	<b>2,228,000</b>	2,059,000
Current service cost	<b>452,000</b>	368,000
Interest cost	<b>123,000</b>	134,000
Liability experience gain	<b>849,000</b>	(275,000)
Liability gain due to change in financial assumptions	<b>(1,284,000)</b>	(58,000)
Present value of obligation at 31 December	<b>2,368,000</b>	2,228,000

## 18. Trade and other payables

	<u>GROUP</u>	<u>COMPANY</u>	
	<b>2018</b>	<b>2018</b>	2017
	<b>MUR</b>	<b>MUR</b>	MUR
Trade payables and accruals	<b>41,093,151</b>	<b>40,987,981</b>	36,947,847
Contract liabilities	<b>10,019,560</b>	<b>10,019,560</b>	-
Amounts due to related parties (Note 19(ii))	<b>17,122,025</b>	<b>16,903,831</b>	7,286,994
Prize liability and reserve fund	<b>85,865,850</b>	<b>85,865,850</b>	142,598,719
Unclaimed prize	<b>4,247,115</b>	<b>4,247,115</b>	4,610,057
Consolidated fund	<b>135,806,170</b>	<b>135,806,170</b>	78,281,215
	<b>294,153,871</b>	<b>293,830,507</b>	269,724,832

Trade and other payables are unsecured, bear no interest and are due within one year.

## 19. Related party transactions

The directors consider Gamma-Civic Ltd, a company incorporated and domiciled in the Republic of Mauritius, as the ultimate parent and controlling party.

### (i) Transactions carried out with related parties

	<b>GROUP</b>	<b>COMPANY</b>	
	<b>2018</b>	<b>2018</b>	2017
	<b>MUR</b>	<b>MUR</b>	MUR
Rent and utilities charged by entities under common control of Gamma-Civic Ltd	<b>890,369</b>	<b>672,175</b>	5,708,882
Rent charged by ultimate parent	<b>308,430</b>	<b>308,430</b>	697,010
Purchase of services from entities under common control of Gamma-Civic Ltd	<b>35,381,902</b>	<b>35,381,902</b>	17,758,381
	<b>36,580,701</b>	<b>36,362,507</b>	24,164,273

### (ii) Balances with related parties at the reporting date

	<b>GROUP</b>	<b>COMPANY</b>	
	<b>2018</b>	<b>2018</b>	2017
	<b>MUR</b>	<b>MUR</b>	MUR
Amounts receivable from related parties (Note 14):			
Entities under common control	<b>236,951</b>	<b>236,951</b>	236,951
Ultimate parent	<b>10,578,225</b>	<b>10,578,225</b>	11,193,461
Shareholders	<b>3,518,209</b>	<b>3,518,209</b>	3,518,209
Expected credit loss	<b>(5,444,238)</b>	<b>(5,444,238)</b>	-
	<b>8,889,147</b>	<b>8,889,147</b>	14,948,621



# Notes to the financial statements (cont'd)

## 19. Related party transactions (cont'd)

### (ii) Balances with related parties at the reporting date (cont'd)

The amounts receivable from related parties are unsecured, interest free and repayable on demand.

The receivables from related parties pertain to amounts paid by the Company on behalf of Gamlot Technologies Ltd, a wholly owned subsidiary of the Company, for the purchase of lottery equipment, software and professional services in order to pursue lottery operations in Madagascar before 31 December 2013. Gamlot Technologies Ltd was transferred to the parent company on 31 December 2013 and the receivable balances were also transferred to the parent company. The impairment of MUR5,444,238 (2017 – MUR nil) recognised during the year represented the expected credit loss in accordance with IFRS 9.

	GROUP	COMPANY	
	2018	2018	2017
	MUR	MUR	MUR
Amounts due to related parties (Note 18):			
Entities under common control	17,122,025	16,903,831	7,286,994

The amounts payable to related parties are unsecured, interest free and repayable within one year.

An amount of MUR4,773,158 was held by the Company on trust for Gamma Leisure Ltd, Maurilot Investments Ltd, Natlot Investments, Glot Holdings (Mauritius) Ltd and State Investment Corporation at 31 December 2018 (2017 – MUR4,775,797).

### (iii) Key management personnel compensation

The compensation to key management personnel is shown below:

	GROUP	COMPANY	
	2018	2018	2017
	MUR	MUR	MUR
Salaries and other short-term employee benefits	34,184,541	34,184,541	27,101,332
Post-employment benefits	1,217,474	1,217,474	1,128,410
Termination benefits	2,316,693	2,316,693	-
	37,718,708	37,718,708	28,229,742

## 20. Dividends

The Company declared and paid dividends of MUR102,000,000, representing MUR0.30 per share, in the year ended 31 December 2018 (2017 – MUR78,200,000, representing MUR0.23 per share).

## 21. Commitments

The Group leases its offices under non-cancellable operating lease agreements. The lease terms are for 10 years.

The future aggregate minimum lease payments under the non-cancellable operating leases are as follows:

	<b>GROUP</b>	<b>COMPANY</b>	
	<b>2018</b>	<b>2018</b>	2017
	<b>MUR</b>	<b>MUR</b>	MUR
Not later than one year	<b>8,429,761</b>	<b>6,134,021</b>	4,733,688
Later than 1 year and no later than 5 years	<b>36,315,771</b>	<b>24,837,069</b>	4,733,688
Later than 5 years	<b>38,091,751</b>	<b>33,500,270</b>	-
	<b>82,837,283</b>	<b>64,471,360</b>	9,467,376

Operating lease expense of MUR 5,658,497 (2017 – MUR 4,733,688) were recognised in other operating expenses.

## 22. Events after reporting period

There were no events subsequent to the reporting date until the financial statements were authorised for issue that require amendments to or disclosures in these financial statements.



# Financial Summary

## (a) Statement of profit or loss and other comprehensive income

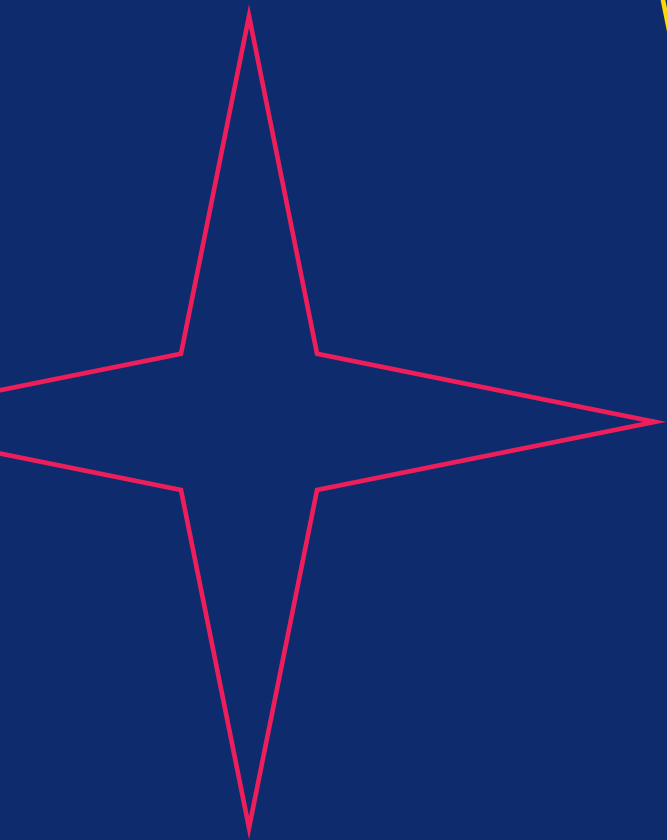
	<b>2018</b>	2017	2016
	<b>MUR</b>	MUR	MUR
		Re-presented	Re-presented
Turnover from lottery tickets	<b>2,019,570,160</b>	1,852,490,380	1,651,579,840
Prizes	<b>(979,491,528)</b>	(898,457,834)	(801,016,222)
Revenue	<b>1,040,078,632</b>	954,032,546	850,563,618
Consolidated fund cost	<b>(484,986,817)</b>	(440,381,423)	(392,620,166)
Retailers' and other commissions	<b>(111,928,559)</b>	(102,345,811)	(90,907,974)
Gaming systems and data communication costs	<b>(134,617,857)</b>	(124,989,737)	(120,312,893)
Other operating expenses	<b>(170,474,894)</b>	(149,764,937)	(133,790,372)
Net impairment loss on receivables	<b>(4,994,574)</b>	(878,353)	(821,183)
Operating profit	<b>133,075,931</b>	135,672,285	112,111,030
Finance income	<b>405,246</b>	3,590	58,116
Finance costs	<b>(107)</b>	(46,673)	(8,929)
Profit before income tax	<b>133,481,070</b>	135,629,202	112,160,217
Income tax expense	<b>(23,601,602)</b>	(24,783,883)	(23,964,213)
Profit for the year	<b>109,879,468</b>	110,845,319	88,196,004
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations	<b>435,000</b>	333,000	35,000
Deferred tax on remeasurement of post-retirement benefit obligations	<b>(73,950)</b>	(56,610)	(5,950)
Other comprehensive income – net of tax	<b>361,050</b>	276,390	29,050
Total comprehensive income for the year	<b>110,240,518</b>	111,121,709	88,225,054
Basic and diluted earnings per share	<b>0.32</b>	0.33	0.26



## (b) Statement of financial position

	<b>2018</b>	2017	2016
	<b>MUR</b>	MUR	MUR
<b>Assets</b>			
Non-current assets	<b>65,346,271</b>	103,373,494	150,828,200
Current assets	<b>421,229,022</b>	351,899,373	235,917,526
<b>Total assets</b>	<b>486,575,293</b>	455,272,867	386,745,726
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>179,792,657</b>	171,552,139	138,630,430
<b>Liabilities</b>			
Non-current liabilities	<b>2,368,000</b>	6,559,768	7,160,749
Current liabilities	<b>304,414,636</b>	277,160,960	240,954,547
<b>Total liabilities</b>	<b>306,782,636</b>	283,720,728	248,115,296
<b>Total equity and liabilities</b>	<b>486,575,293</b>	455,272,867	386,745,726







**Lottotech Ltd**  
HSBC Centre 18, Cybercity  
Ebene, 72201 Mauritius