lottotech

ANNUAL REPORT 2016

Change always provides opportunities–to try new things, to learn, move forward, open new doors, change ourselves, change our world.

RISING TO THE
CHALLENGE

CONTENTS

LOTTOTECH AT A GLANCE FOR 2016

JACKPOT WINNERS
27

AMOUNT PAID TO WINNERS
Rs 801 Million

CONSOLIDATED FUND
Rs 393 Million

NATIONAL SOLIDARITY FUND
Rs 27 Million

RETAILER COMMISSION
Rs 90.9 Million

CORPORATE SOCIAL RESPONSIBILITY
Rs 2.3 Million

TURNOVER

Rs 1.6 Billion

EARNINGS PER SHARE

Rs 0.26

NET PROFIT BEFORE TAX

Rs 112 Million

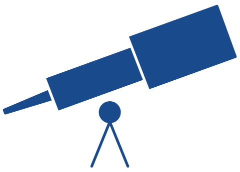
NET PROFIT AFTER TAX

Rs 88 Million

DIVIDEND PER SHARE

Rs 0.26

ABOUT LOTTOTECH



VISION

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

MISSION

To create and enhance shareholder value through regulated gaming operations offered in a socially responsible manner.

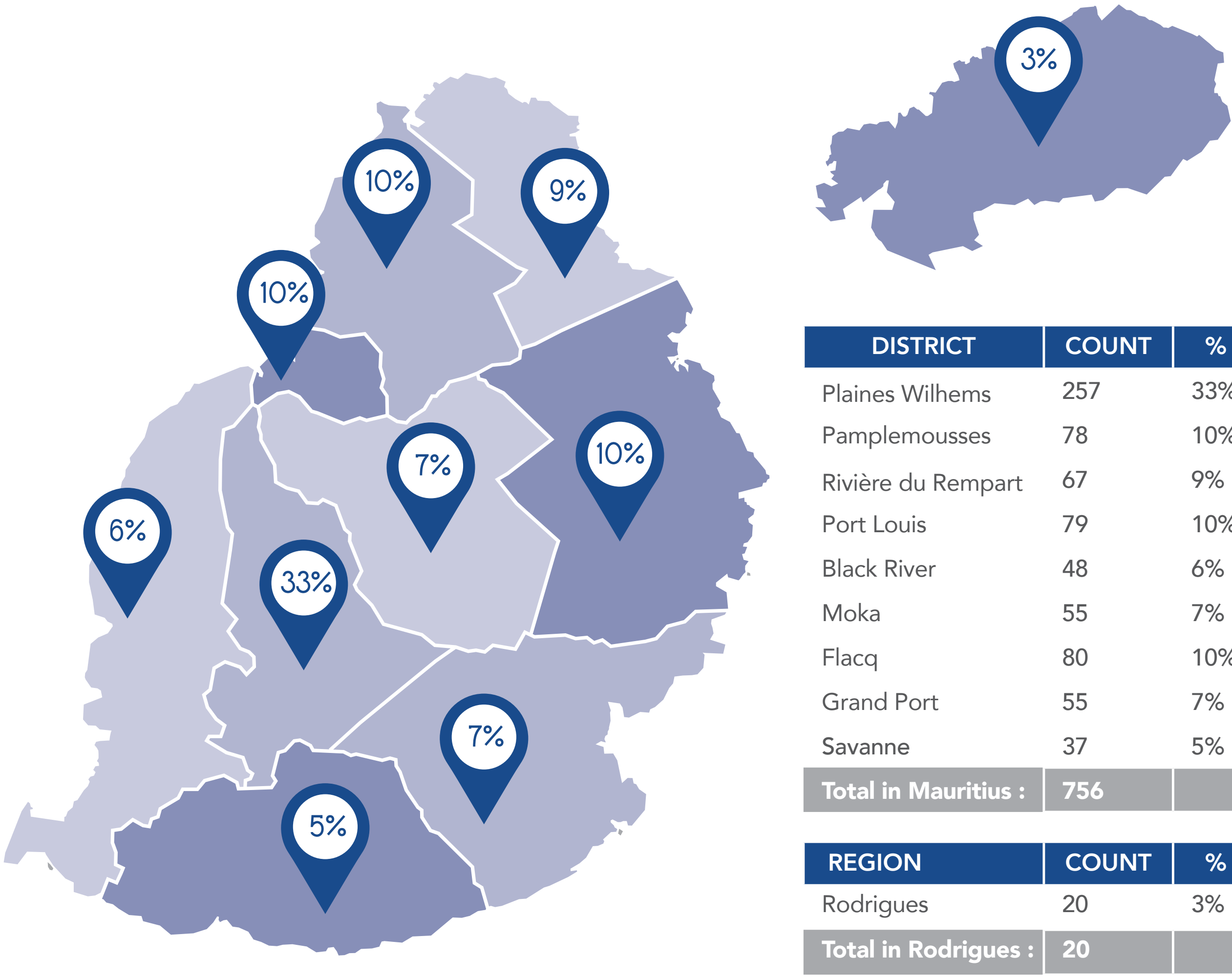
VALUES

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.

OUR PRESENCE



1 RETAILER PER 1,600 PEOPLE

DISTRICT	COUNT	%
Plaines Wilhems	257	33%
Pamplemousses	78	10%
Rivière du Rempart	67	9%
Port Louis	79	10%
Black River	48	6%
Moka	55	7%
Flacq	80	10%
Grand Port	55	7%
Savanne	37	5%
Total in Mauritius :	**756**	

REGION	COUNT	%
Rodrigues	20	3%
Total in Rodrigues :	**20**	

TOTAL	776

Lottotech's distribution network covering both Mauritius and Rodrigues comprises of 776 retailers, a ratio of one terminal per every 1,600 people (as at 31 december 2016), in keeping with the industry's best practices. Lottotech carefully selects its retailers in order to optimize its presence and visibility throughout Mauritius.

The retailers play a key role in the success of Lottotech, as they are a strategic source of information for Lottotech. The company continuously reviews the performance of retailers and provides training to them to ensure that the customer service delivered is of the required standard. Lottotech is proud to have long lasting relationships with its retailers and it seeks ways to reinforce these relationships through ongoing dialogue and training.

NEW ENERGY

"We're curious and curiosity continues to lead us down new paths."

STATEMENT FROM THE COMPANY'S CHAIRMAN AND CEO

CARL AH TECK
CHAIRMAN

THE COMPANY ALSO INVESTED OVER MUR45 MILLION TO UPGRADE ITS SYSTEMS AND SOFTWARE TO ENSURE THE HIGHEST LEVEL OF INTEGRITY

MICHELLE J. CARINCI
CHIEF EXECUTIVE OFFICER

LOTTOTECH IS COMMITTED TO BEST PRACTICES OF CORPORATE SOCIAL RESPONSIBILITY. LAST YEAR THE COMPANY SUPPORTED COMMUNITY PROJECTS IMPACTING OVER 1000 BENEFICIARIES

STATEMENT FROM THE COMPANY'S CHAIRMAN AND CEO

Dear Shareholder

On behalf of the Board of Directors, we are pleased to present the annual report of Lottotech Ltd ("the Company" or "Lottotech") for the year ended 31 December 2016.

OVERVIEW

Our Company started its lottery operations in 2009 and 4 years later the Board of Directors felt that the Company was ready for a listing on the Official List of the Stock Exchange of Mauritius ("SEM"), in line with the vision of the shareholders who wanted to give the opportunity to all Mauritians to be part of the National Lottery venture. The listing process of Lottotech began in May 2014 and you experienced with us the successful launch of our Company on the SEM. The Company delivered to its expectations until we faced the difficult decision of the 2015 budgetary measures, which was not within our control.

However, despite the prevailing situation, the Board and Management remain committed to the values of the Company namely our integrity, teamwork, innovation and a passion to make a difference in the lives of Mauritians. We also remain focused on building stronger relationships with our players, retail partners and communities throughout the country.

BUSINESS PERFORMANCE

During the year 2016, the Company has worked hard to reduce and minimize the effect of the ban on advertising and Quick Win games introduced in the 2015 budgetary measures. There was a clear and systematic focus on cost management, innovative communications and technological development, to stem the decline in sales. This resulted in Loto sales of MUR1.6 billion and a net profit of MUR88 million. We are proud of the targets achieved which represent a 117.9% increase in net profit compared to 2015, given the difficult environment in which our Company was operating. This commendable financial performance has been possible due to a commitment on cost management improving the Company's bottom line relative to last year. It however remains that despite this improvement, the Company has not been able to return to the profitability level it enjoyed prior to the ban on advertising and Quick Win games.

YOUR BOARD OF DIRECTORS

At the last Annual Meeting, you approved the appointment of new Board members, thereby reinforcing the diversity, mix of skills, experience, independence and knowledge of the Board. This allows the Board to better formulate and steer the Company's strategy and assist our professional management team in responding to the challenges of our business and operations. Out of the three new directors appointed, Mr Ben Padayachy has resigned as he has chosen to focus on his professional activities, while Mr Paul Halpin has been appointed Chairman of the Audit and Risk Committee and Mr Friedrich Stickler, a member of the Audit and Risk Committee.

At our forthcoming Annual Meeting, the Board will request your approval for the appointment of two new Board members, namely Messrs Geoffroy Dedieu, who holds an LLM and MBA, and Mr Allagappen Veeramootoo (commonly known as Moorghen), our current Chief Operating Officer, who holds a Master degree in Marketing, a BSc Eng in European Studies & Technology and a DUT in Techniques de Commercialisation.

STATEMENT FROM THE COMPANY'S CHAIRMAN AND CEO

AN ACTIVE SOCIAL PARTNER

Lottotech is committed to best practices of corporate social responsibility ("CSR"). Last year, the Company supported community projects impacting over 1000 beneficiaries demonstrating our strategy and passion for making a difference. In addition, we have contributed to the Consolidated Fund.

Through innovation, we have created opportunities for us to meet our environmental objectives by engaging in projects such as the transformation of old retail play stations into park benches and a discarded container into an extension of a local school. Over 700 kg of plastic and 2 tons of paper were recycled in our ecofriendly initiatives. We are happy that we are maintaining our engagement within the community, building public trust, increasing our employees' involvement and enhancing our efforts in protecting the environment and responsible gaming.

Furthermore, while Lottotech remains focused on ensuring the sustainability of our business, we also strive to strike the right balance between a healthy bottom line and responsible gaming by our players.

INNOVATION AND INTEGRITY

In 2016, to keep abreast of our customers' preferences and to improve our interaction with them as technology evolves, the Company has added a QR code to the Loto tickets allowing customers to validate their tickets using their mobile phones. MauLoto, a mobile application was introduced which provides players with pertinent game information in real time and the ability to validate their tickets.

In addition, the Company has also invested over MUR45 million to upgrade its systems and software to ensure that the highest level of integrity and uninterrupted operations is maintained. This will also enable the Company to diversify its distribution channels. This significant 6-months' project involved moving the location of the primary and back up data centres, updating the software, replacing our servers, moving from a duplex system to a triplex system and installing software that enables our digital strategy.

In 2016, Lottotech successfully renewed its ISO27001 certification, demonstrating our commitment to information security management system and upholding global best practices.

RELATIONSHIPS

In 2016, we continued our efforts to strengthen relationships with our 770+ retail partners. The Company hosted an all-day retailer event with record attendance of over 450 participants. We have also introduced 267 LED jackpot signs at retail points to enhance the business and communication to players.

We expanded our presence on social media through a variety of initiatives to strengthen our relationship with the public and players. Today Lottotech has over 100,000 Facebook fans.

STATEMENT FROM THE COMPANY'S CHAIRMAN AND CEO

SUSTAINING SHAREHOLDERS' VALUE

As a result of the efforts of the Company, we have been able to partly restore our shareholders' value by increasing the average share price from MUR3.52 in December 2015 to MUR5.90 in December 2016. However, your Board of Directors together with Management remain committed to fully restore shareholders' value and we are confident that the court case lodged against the Gambling Regulatory Authority will be positively resolved.

DIVIDEND

The Board of Directors, subject to the shareholders' approval, has proposed the declaration and payment of a final dividend of MUR0.11 per share. With the interim dividend of MUR0.15 paid in September 2016, the collective dividend of MUR0.26 per share represents a total dividend payout ratio of 100% of the Company's net profit for year 2016.

OUR DEDICATED PARTNERS

On behalf of the Board of Directors, we offer our appreciation for the Lottotech team, namely, our staff, our retailers and our service providers, for their participation in the operations of the Company, which has enabled us to achieve an acceptable performance for the year 2016.

To our shareholders, we offer a special thank you for it is with your continued confidence and encouragement that the Company continues to thrive.

We would also like to place on record our thanks to our fellow Directors for their contribution, steering, monitoring and overseeing the business of the Company in order to safeguard and enhance its total value and returns.

Carl Ah Teck
CHAIRMAN

Michelle J Carinci
CHIEF EXECUTIVE OFFICER

19 April 2017

COMPANY INFORMATION

DIRECTORS:

Chian Yew Ah Teck (Chairman)

Alex Burstein

Banoomatee Veerasamy

Chian Luck Ah Teck

Chian Tat Ah Teck

Cyril How Kin Sang

Friedrich Stickler
(appointed on 27 May 2016)

Late Ian Shepherd
(resigned 16 March 2016)

Kamben Padayachy
(appointed on 16 March 2016 and resigned 11 November 2016)

Kavita Achameesing

Michelle Carinci

Narghis Bundhun

Paul Halpin
(appointed on 27 May 2016)

Robert Ip Min Wan
(resigned 31 March 2016)

SECRETARY:

Gamma Corporate Services Ltd
Royal Road
Chapman Hill
Beau Bassin
Republic of Mauritius

REGISTERED OFFICE:

Royal Road
Chapman Hill
Beau Bassin
Republic of Mauritius

PRINCIPAL PLACE OF BUSINESS:

Ground Floor
HSBC Centre
18, CyberCity
Ebène
Republic of Mauritius

AUDITOR:

PricewaterhouseCoopers
18, CyberCity
Ebène
Réduit 72201
Republic of Mauritius

PRINCIPAL BANKER:

SBM Bank (Mauritius) Ltd
SBM Tower
1, Queen Elizabeth II Avenue
Port Louis
Republic of Mauritius

LEGAL ADVISOR:

Anwar Moollan, SC
6th Floor, PCL Building,
Sir William Newton Street
Port Louis
Republic of Mauritius

DIRECTORS' REPORT

The directors are pleased to present their annual report and the audited financial statements of Lottotech Ltd ("Company" or "Lottotech") for the year ended 31 December 2016.

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.

However, subsequently the GRA did not approve all the games as per the structured game plan. This has resulted in the Company instigating legal action in May 2012 against the GRA and the Ministry of Finance and Economic Development.

The litigation was resolved before the Mediation Division of the Supreme Court in October 2012, whereby Lottotech was awarded a one-off compensation and a reduction in the contribution rate to the Consolidated Fund from 58.01% to 46.16% as from 1 July 2012 for not being able to launch new games in the initial years in accordance with the structured game plan submitted at the time of its proposal.

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 a weekly Saturday drawing.

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 which included 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.

The Company took immediate action to right size the business to the new reality. The Board engaged PwC to evaluate the actual financial impact of the budgetary changes, and these independent reports were submitted to the GRA with a view to open discussions as to the one-time compensation for the severance and Quick Win inventory write off and to explore options that would restore value for all shareholders and stakeholders in the coming years.

RESULTS AND PERFORMANCE

Following the "Mise en Demeure" served on the GRA by the Company on 21 May 2016, a Plaint with Summons has been filed on 13 June 2016 before the Supreme Court of Mauritius (Commercial Division) against the GRA and the Ministry of Finance and Economic Empowerment.

The Company's turnover for the year ended 31 December 2016 was MUR1,652m compared to 2015

DIRECTORS' REPORT (CONTINUED)

results of MUR1,676m. The sales in 2015 include 6 months of sales of the Quick Win games.

The Company made a profit after tax of MUR88m compared to 2015 results of profit after tax of MUR40m.

Contribution to the Consolidated Fund in 2016 is MUR393m compared to the contribution in 2015 of MUR388m.

This very positive result in 2016 when compared with 2015 is directly related to the continuous improvement in cost savings of 15%, the aggregate jackpot offer being 11% higher in 2016 and the continued communications efforts over the year to replace advertising.

The Company continues to be profitable and sustain both top line and bottom line growth in spite of the 2015 budgetary measures. Loto maintained its strong brand with high approval ratings and high participation rates and a modest weekly spend at MUR63. This aligns with the Company's responsible gaming strategy. The total number of jackpot winners created since the start of operations is 176 while in 2016, 27 winners won or shared the jackpot.

RETAILER NETWORK

The retailer network of the Company is over 770 retailers, comprising mainly of small family-owned businesses. Total commissions earned in 2016 were MUR91m. On average, our retailers earn an annual commission of more than MUR117,000 and MUR739,000 was paid to 18 retailers for selling the big jackpot winning tickets. There is approximately one retailer for every 1,600 people.

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. Further, the ISO 27001 certification was renewed demonstrating the commitment to world class information security management.

For the year ended 31 December 2016, the CSR budget as per the legal requirements totalled MUR2.3m.

Several CSR projects were evaluated on the criteria of making a significant difference, aligning with the

DIRECTORS' REPORT (CONTINUED)

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 & NATIONAL SOLIDARITY FUND

The Company contributed MUR393m to the Consolidated Fund of the Government of Mauritius in 2016. 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 MUR27m representing unclaimed prizes during the period. The National Solidarity Fund is used to improve the lives of the most vulnerable Mauritian citizens.

FUTURE OUTLOOK

In spite of the current restrictions imposed by the GRA to withhold approval of new games and the 2015 budgetary measures, the Company continues to be profitable. The fundamentals of the Company's business remain strong. The Company could generate a substantially higher increase in sales once the restrictions are lifted whilst continuing to apply the responsible gaming principles adopted by the WLA. The Company continues to explore opportunities that will create value for its shareholders with its strategy of growing the core business while identifying other opportunities outside of its core business.

Throughout 2016, the Company replaced and upgraded its systems and software to ensure continuing uninterrupted operations, and at the same time provide capacity to diversify its distribution channels and improve services to its customers.

The Company continues to innovate to enhance its customer communication and service. In 2016, its first mobile application was introduced allowing players to access product information on a real time basis.

Lottotech will continue to operate within its responsible gaming strategy and 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 23 March 2017 and signed on its behalf by:

DIRECTORS

STATEMENT OF COMPLIANCE

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

NAME OF PIE: Lottotech Ltd

REPORTING PERIOD:

Financial Year ended 31 December 2016

We, the Directors of Lottotech Ltd, confirm that to the best of our knowledge that Lottotech Ltd has not complied with the hereunder section of the Code, and reason for the non- compliance is given below:

- Section 2.8- Remuneration of Directors- Due to the confidentiality of the information, no detailed breakdown of remuneration by director is given in the Corporate Governance Report.

SIGNED BY: Chairman and One Director

Narghis Bundhun
CHAIRMAN

Michelle Carinci
DIRECTOR

Date: 23 March 2017

CORPORATE GOVERNANCE REPORT

(INCLUDING STATUTORY DISCLOSURES PURSUANT TO SECTION 221 OF THE COMPANIES ACT 2001)

CORPORATE GOVERNANCE REPORT (CONTINUED)

1. INTRODUCTORY NOTE

Lottotech Ltd ("Lottotech" or "Company"), a public listed company and a member of the World Lottery Association ("WLA"), the global authority on lottery business, is the operator of the Mauritius National Lottery, on behalf of the Government of Mauritius since April 2009, pursuant to the Gambling Regulatory Authority Act 2007.

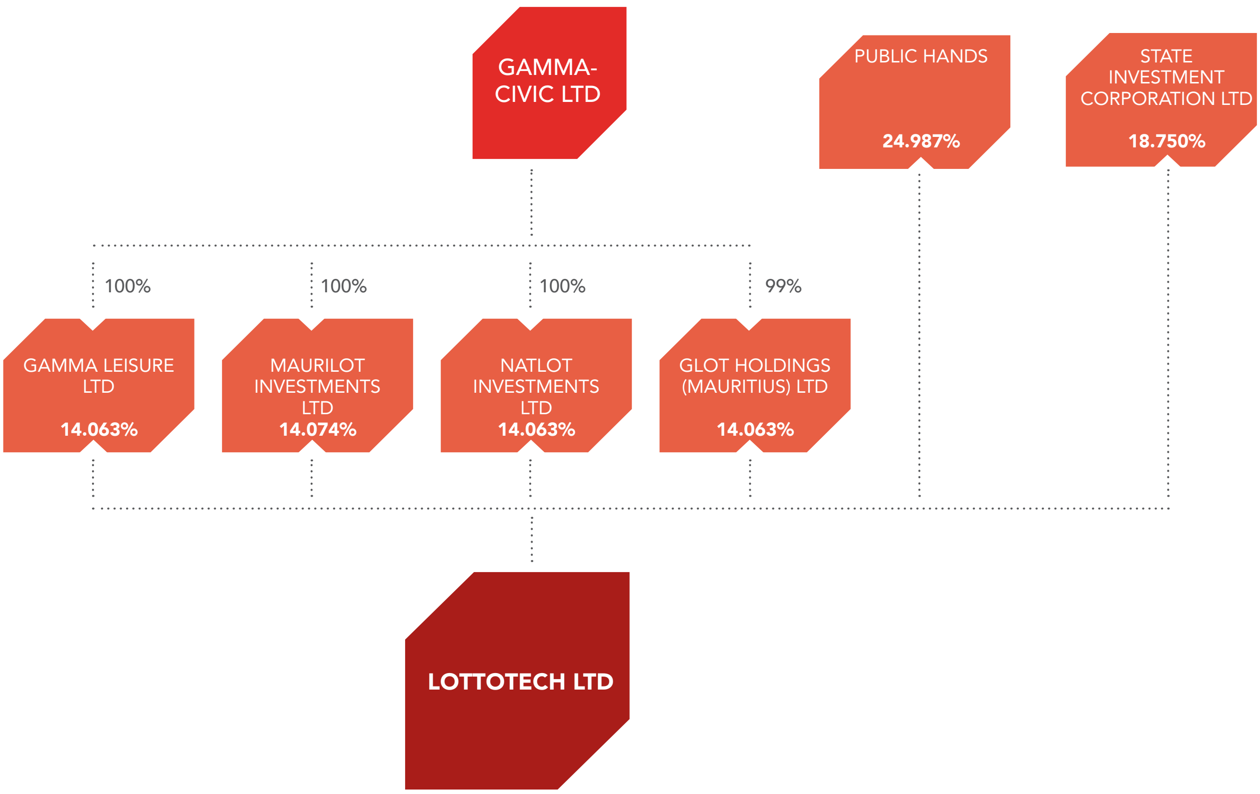
The Company has a charter ("Lottotech Charter"), which details the organizational rules and procedures of the Company, and it is in line with the provisions of the Companies Act 2001 and the National Code of Corporate Governance ("The Code").

Furthermore, the Company abides to other applicable legal requirements, such as the Listing Rules, The Securities Act 2005 and the Financial Reporting Act 2004, amongst others.

In this report, the Directors hereby state the extent to which Lottotech has complied with the Code and the areas not complied with and give the reasons for non-compliance.

2. SHAREHOLDING AND SHAREHOLDERS HOLDING MORE THAN 5%

The shareholding structure of Lottotech is as follows:



CORPORATE GOVERNANCE REPORT (CONTINUED)

The shareholders holding more than 5% of the ordinary shares of the Company at 31 December 2016 were:

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

3. 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 at the registered office of the Company.

4. BOARD STRUCTURE

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, which term of office is 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 Board is currently composed of eleven Directors, as follows:

- Non-Executive Directors: 7
- Executive Director: 1
- Independent Directors: 3

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

5. ROLE AND FUNCTION OF THE CHAIRMAN

The Chairman is elected by members of the Board and he presides over the meeting of Directors and Shareholders.

The Chairman is responsible for corporate governance in the Company, ensuring that the Board carries out its responsibilities efficiently and that it has a clear comprehension of its role, function and deliverables as well as those of the Management and Shareholders. He is also responsible for ensuring that resolutions of the Board are promptly executed and implemented by Management. The Chairman of the Board acts for and on behalf of the Board.

Furthermore, it is part of the Chairman's responsibility to ensure that new Directors are properly introduced to the businesses of the Company, with the assistance of the Company Secretary.

For the period under review, a Board appraisal has been carried out, under the aegis of the Chairman's office and the Corporate Governance Committee, in house. However, the exercise has not yet been completed as the analysis of the result of the appraisal, its outcome and actions required following this exercise, is still ongoing, and should be completed shortly.

CORPORATE GOVERNANCE REPORT (CONTINUED)

6. DIRECTORS' PROFILES

The profiles of the individual Directors are given below:

A. CHIAN YEW AH TECK,

(ALSO CALLED CARL AH TECK)

NON-EXECUTIVE DIRECTOR & 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 as Gamma-Civic Ltd).

From 1987 to 2011, he was the Chief Executive 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: Two (Gamma-Civic Ltd & Morning Light Co Ltd)

B. ALEX STEVEN BURSTEIN

(ALSO CALLED ALEX BURSTEIN)

NON-EXECUTIVE DIRECTOR

Alex holds a BSc Electrical Engineering from Carnegie-Mellon University in Pittsburgh, Pennsylvania. He worked at GTECH, the world leader in gaming technology including application software, firmware, communications processing, and central systems software, where he held top management posts. In 1998, he left GTECH and started his own company whereby he acted as a consultant and an advisor to a number of lottery companies around the world.

Directorship in listed companies: None

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

holds a 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. Since 2015, she is now the Acting Managing Director.

Directorship in listed companies: One (Air Mauritius Ltd)

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 also occupied the post of Deputy Managing Director.

Directorship in listed companies: Two (Gamma-Civic Ltd & Morning Light Co 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 as CEO of Gamma-Civic Ltd as from February 2011.

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

F. FRIEDRICH STICKLER

INDEPENDENT DIRECTOR

Friedrich holds a degree from the University of Vienna for Economics and Life Sciences. He started his career

CORPORATE GOVERNANCE REPORT (CONTINUED)

6. DIRECTORS' PROFILES (CONTINUED)

within Casinos Austria, setting up a national Lottery in 1986. Friedrich served as Board Member of Austrian Lotteries for 29 years (1986 – 2015). In the year 2000 he established the Austrian Sportsbetting Company, heading the company as CEO until 2008. From 2008 until 2015 he was CEO of the Austrian Internet Gaming company, win2day, the leading Austrian Internet gaming company. From 2009 until 2015, Friedrich served as president of the European Lotteries, the umbrella organization of lotteries in Europe. In 2015, Friedrich founded his own consultancy under the name, IMPROVE Lottery and Sports Consultant ltd.

Directorship in listed companies: None

G. KAVITA KUMARI ACHAMEESING
NON-EXECUTIVE DIRECTOR

Miss Kavita Kumari Achameesing (also known as Jyoti Achameesing) 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. Miss Achameesing is currently the Senior Administrative Finance Officer (SAFO) at the SIC.

Directorship in listed companies: None

H. KAMBEN PADAYACHY
(ALSO CALLED BEN PADAYACHY)
NON-EXECUTIVE DIRECTOR

Kamben Padayachy started his career in 1994, in the banking sector, and over the years until September 2015, he has acquired a rich experience and exposure to the dynamics of the Mauritian economy. Mr. Padayachy holds an MSc Economics with specialisation in Money and Banking from Universite de Paris Dauphine and a Post- Graduate Degree in Banking and Finance.

On 11 November 2016, Ben resigned as Director of the Company.

Directorship in listed companies: None

I. MICHELLE JANE CARINCI
(ALSO CALLED MICHELLE CARINCI)
EXECUTIVE DIRECTOR & CHIEF EXECUTIVE OFFICER

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 GTECH and a Corporate Vice President in charge of marketing and customer relations at GTECH.

CORPORATE GOVERNANCE REPORT (CONTINUED)

6. DIRECTORS' PROFILES (CONTINUED)

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 has been appointed as Board member. As the Company's CEO, 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

J. NARGHIS BUNDHUN

INDEPENDENT DIRECTOR

Narghis studied law at Universite de la Reunion, 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

K. 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 is involved in the business development of the Group. He has also occupied the post of Managing Director of Gamma-Civic Ltd. He is one of the Supervisory Directors of Lottotech and is involved in the business development of the Group.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

6. DIRECTORS' PROFILES (CONTINUED)

L. PAUL HALPIN
INDEPENDENT DIRECTOR

Paul Halpin is a Chartered Accountant. He is a business services entrepreneur and a former Partner at PwC Johannesburg, London and Dublin. He is widely experienced in matters of corporate governance, board effectiveness and prudential supervision of companies in regulated and non-regulated industries across international borders and in the following sectors: Financial Services, ICT, Healthcare, Real Estate, Construction, Renewables and Heavy Manufacturing. In his capacity as non-executive director, he has chaired Audit and Risk Board Committees. He is now building a portfolio of non-executive directorships.

Directorship in listed companies: One (Gamma-Civic Ltd)

M. ROBERT CHOWVEE IP MIN WAN
(ALSO CALLED ROBERT IP MIN WAN)
INDEPENDENT DIRECTOR

Robert is the Managing Director of Ip Min Wan Ltd and a Fellow of the Institute of Chartered Accountants in England and Wales. He holds a B.Com. (Hons) degree in Business Studies from the University of Edinburgh. He was a senior manager in Deloitte in London where he has accumulated more than 8 years of financial services audit and assurance experience.

In June 2008, he joined the Boards of Mauritian Eagle Insurance Company Ltd ("MEI"), a listed company, and he chairs its Audit and Risk Committee. He was also appointed as an Independent Director of Mauritian Eagle Leasing Company Ltd ("MEL"), and he retired from the company in September 2014 following rotation of the Directors. He also chaired its Audit and Risk Committee. He is also an independent director of COVIFRA and Holiday Village Management Services Ltd.

Robert Ip Min Wan resigned as Director of the Company on 11 March 2016.

Directorship in listed companies: One (Mauritian Eagle Insurance Company Ltd)

N. LATE IAN RONALD BRUCE SHEPHERD
(ALSO CALLED IAN SHEPHERD)
INDEPENDENT DIRECTOR

Ian is a graduate of the Royal Military Academy Sandhurst (UK) and has a Master of Business Administration and a certificate in coaching from Henley Business School. Ian is retired and sits on the boards of several private media companies, incorporated in South Africa, namely Striata.com, Fleishman Hillard SA, Trialogue Pty Ltd, The Performance Hub Pty Ltd and Community and Individual Development Trust.

Ian has held a number of senior management roles namely Chairman at Grey Advertising (South Africa), Chief Executive at Connectivity and CIDA Learning, CIDA Investment Trust and Grey Advertising (South Africa), Regional Director at Grey Africa Network, Managing Director at Shepherd Advertising, BBDO (South Africa), BBDO Research (South Africa) and Market Research Africa (Zimbabwe), and Sales and Marketing Director at Schweppes Central Africa.

Ian resigned as a Director of the Company on 16 March 2016.

Directorship in listed companies: None

CORPORATE GOVERNANCE REPORT (CONTINUED)

7. BOARD ATTENDANCE

For the period under review, the Board of Directors met 4 times and the attendance of the Directors at these meetings was as follows:

DIRECTORS	Attendance
Carl Ah Teck	4/4
Alex Burstein	4/4
Banoomatee Veerasamy	1/4
Cyril How Kin Sang	4/4
Friedrich Stickler[1]	2/2
Ian Shepherd[2]	1/1
Kamben Padayachy[3]	2/3
Kavita Achameesing	3/4
Michelle Carinci	4/4
Narghis Bundhun	3/4
Patrice Ah Teck	4/4
Paul Halpin[4]	2/2
Robert Ip Min Wan[5]	1/1
Tommy Ah Teck	4/4

Note:

1. *Friedrich Stickler was appointed on 25 May 2016*
2. *Ian Sheperd resigned on 16 March 2016*
3. *Kamben Padayachy was appointed on 25 March 2016 and resigned on 11 November 2016*
4. *Paul Halpin was appointed on 27 May 2016*
5. *Robert Ip Min Wan resigned on 31 March 2016*

8. ROLE OF THE 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 defined in the Companies Act 2001, as well as for the corporate governance processes.

For the period under review, Gamma Corporate Services Ltd is the Company Secretary for the Company. Gamma Corporate Services Ltd is fully qualified as per the requirements of the Companies Act 2001. In addition to its duties and responsibilities as provided under the law, the Company Secretary assists the Chairman in ensuring that sound governance practices permeate throughout the Company. Further the Company Secretary acts as the Compliance Officer for corporate governance principles, regulatory and statutory requirements.

9. COMMON DIRECTORS

The names of the common Directors within the holding structure at 31 December 2016 are as follows:

	Carl Ah Teck	Patrice Ah Teck	Tommy Ah Teck	Cyril How Kin Sang
Gamma-Civic Ltd	*	*	*	*
Lottotech Ltd	*	*	*	*
Gamma Leisure Ltd	*	*	*	*
Maurilot Investments Ltd	*	*	*	*
Natlot Investments Ltd	*	*	*	*
Glot Holdings (Mauritius) Ltd	*	*	*	*

CORPORATE GOVERNANCE REPORT (CONTINUED)

10. SENIOR MANAGEMENT TEAM

The Company is led by a Chief Executive Officer ("CEO"), appointed by the Board of Lottotech Ltd as the Key Employee of the Company. The CEO is assisted by a Chief Operating Officer ("COO"), who acts as a deputy to the CEO.

Hereunder is the profile of the Senior Management Team, which is composed of the CEO, the COO, the Financial Controller, the Chief Technology Officer, the Security Manager and the Compliance and Risk Manager.

Profile of the Senior Managers:

MICHELLE CARINCI

CHIEF EXECUTIVE OFFICER

Please refer to Michelle's profile under the 'Directors' Profiles' section 6(i) of this report.

MOORGHEN VEERAMOOTOO

CHIEF OPERATING OFFICER

Moorghen holds a BSc European Studies & Technology and a Master degree in Marketing from Coventry University in the UK. He is also a holder of a Diplôme Universitaire en Technologie from the Institut Universitaire de Technologie of Avignon in France. 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.

ANSUYA SEEWOORUTHUN

FINANCIAL CONTROLLER

Ansuya has a Bachelor of Commerce in Accounting and Finance from the University of Mauritius. She also

CORPORATE GOVERNANCE REPORT (CONTINUED)

completed the ACCA qualification. 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 is presently the Company's Financial Controller.

HARIKRISHNA RAMSAMY
CHIEF TECHNOLOGY OFFICER

Harikrishna has a Master in Business Administration from Heriot Watt University. He has over 20 years' experience in the IT profession and was appointed as Chief Technology Officer at Lottotech in 2011. He is responsible for the planning and execution of IT initiatives 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.

RICHARD PAPIE
SECURITY MANAGER

Richard joined Lottotech in 2009 and has over 24 years of experience within the security profession. He worked as a police officer for 7 years, and held the position of security manager across a number of industries. Richard joined Lottotech in 2009 and he oversees, investigates and liaises with the relevant legal and enforcement authorities to authenticate any winning tickets that may be in dispute.

SIVALINGUM CANDASSAMY
COMPLIANCE AND RISK MANAGER

Sivalingum holds an MSc in Computer Security and Forensics and a Master in Business Administration from the University of Technology 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.

11. BOARD COMMITTEES

The Board has two 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 and the Corporate Governance Committee.

The Audit and Risk Committee also fulfills the functions of a Risk Committee, while the Corporate Governance Committee fulfills the functions of Remuneration Committee and Nomination Committee.

The Board has appointed an additional Committee, namely the Supervisory Committee of the Board.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Audit and Risk Committee

The Audit and Risk 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.

The Audit and Risk Committee holds quarterly meetings to examine the quarterly financial statements and the audited financial statements, as well as reports from the auditors.

On 28 July 2016, the Board appointed new members to the Audit and Risk Committee, which is composed as follows:

Committee Members	Role
Paul Halpin	**Chairman- Independent Director**
Friedrich Stickler	**Independent Director**
Kavita Achameesing	**Non-Executive Director**

For the period under review, the Audit and Risk Committee met twice and the attendance of the members at these meetings was as follows:

Committee Members	Attendance
Friedrich Stickler[1]	**1/1**
Ian Shepherd[2]	**1/1**
Kavita Achameesing	**2/2**
Paul Halpin[3]	**1/1**
Robert Ip Min Wan[4]	**1/1**

Note:

1. *Friedrich Stickler was appointed on 25 May 2016*
2. *Ian Sheperd resigned on 16 March 2016*
3. *Paul Halpin was appointed on 27 May 2016*
4. *Robert Ip Min Wan resigned on 31 March 2016*

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.

The Corporate Governance Committee is composed of the hereunder Directors:

Committee Members	Role
Narghis Bundhun	**Chairperson- Independent Director**
Banoomatee Veerasamy	**Non-Executive Director**
Cyril How Kin Sang	**Non-Executive Director**
Tommy Ah Teck	**Non-Executive Director**

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Corporate Governance Committee met twice during the financial year under review, and the attendance of the Committee members are as follows:

Committee Members	Attendance
Banoomatee Veerasamy	**1/2**
Cyril How Kin Sang	**2/2**
Narghis Bundhun	**1/2**
Tommy Ah Teck	**2/2**

Supervisory Committee of the Board

The Board has assigned the Supervisory Committee the responsibility of assisting, monitoring and supervising the CEO and Management in the day to day management and operations of the Company, on behalf of the Board, and its performance. In the discharge of its responsibility, members of Supervisory Committee interacts with the CEO and Management.

The Supervisory Committee of the Board is composed as follows:

Committee Members	Role
Cyril How Kin Sang	**Chairman- Non-Executive Director**
Alex Burstein	**Non-Executive Director**
Patrice Ah Teck	**Non-Executive Director**

For the year under review, the Committee met twice and the attendance was as follows:

Committee Members	Attendance
Chian Luck Ah Teck	**2/2**
Paul Cyril How Kin Sang	**2/2**
Alex Burstein	**2/2**

12. CODE OF CONDUCT

The Company's Code of Professional and Ethical Conduct ("Code of Conduct") provides guidance to all Directors and employees of Lottotech Ltd, of their duty and obligation to conduct themselves and their business affairs in accordance with the highest standards of business ethics.

13. SAFETY, HEALTH AND ENVIRONMENT

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 minimize their impact on the environment and on society at large.

14. DIRECTORS' REMUNERATION AND BENEFITS

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

Remuneration and benefits received and receivable by the Directors from the Company are as follows:	MUR
Directors	13,160,387

Note: The Directors' remuneration is disclosed in aggregate in view of the confidentiality of the information.

15. DIRECTORS' SHARE INTERESTS

As at 31 December 2016, 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
Cyril How Kin Sang	147,840	35,151,059
Ian Shepherd	-	-
Robert Ip Min Wan	-	-
Alex Burstein	-	-
Michelle Carinci	38,796	14,434
Banoomatee Veerasamy	1,500	-
Kavita Achameesing	-	-
Narghis Bundhun	-	-

16. 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 was no share dealings by any of the Directors holding shares in the Company, as per above table.

17. DIRECTORS' SERVICE CONTRACTS

The Directors have no service contracts with the Company.

18. 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

19. SHAREHOLDERS' AGREEMENT

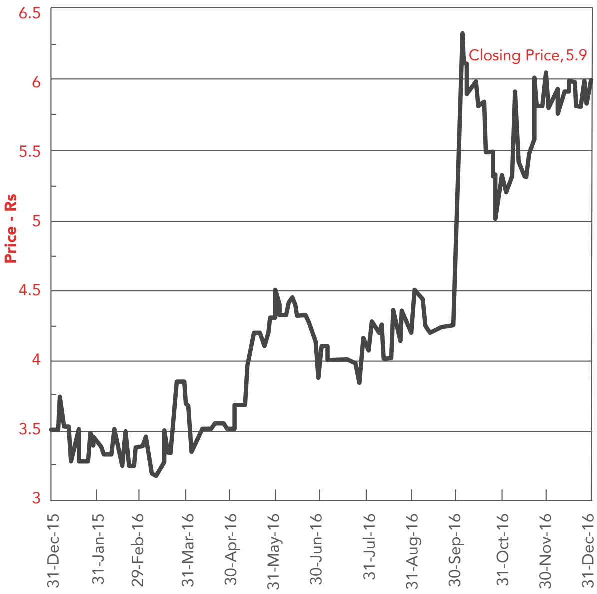
Gamma-Civic Ltd through its intermediate holding companies entered into a shareholders' agreement with the State Investment Corporation for Lottotech to implement and operate the Mauritius National Lottery and SIC became a shareholder of Lottotech for obtention of the licence to operate the Mauritius National Lottery and to operate same.

20. SHARE OPTION SCHEME

There is no share option scheme within the Company.

21. SHARE PRICE GRAPH

Lottotech Ltd Closing Price



22. MANAGEMENT AGREEMENTS

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.

23. AUDITORS' REMUNERATION

For the period under review, the auditors' fees paid by the Company are as per table below:

	MUR
Audit fees	**712,425**
Tax fees	**94,300**

24. RELATED PARTY TRANSACTIONS

Please refer to Note 15 of the Financial Statements.

25. CONTRACT OF SIGNIFICANCE

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

26. RISK MANAGEMENT, INTERNAL CONTROLS AND INTERNAL AUDIT

For the year under review, following its business risk management exercise, potential risks which the Company may encounter and its mitigating measures, have been laid out. The potential risks are:

- Financial;
- Business interruption;
- Reputational;
- Legal & regulatory;
- Human resource; and
- Strategic.

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

- There is a clearly defined approach for risk

CORPORATE GOVERNANCE REPORT (CONTINUED)

management setting out its strategy and objectives and the approaches and processes that the Company adopts to achieve them;

- There is a clearly 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 Risk Management report is reviewed by the Audit and Risk Committee and subsequently a report is presented to the Board.

Further details on financial risks in relation to financial instruments for the Company are outlined in Note 3 of the Financial Statements.

Consultant Ernst and Young is the Company's internal auditor, and its function covers the examination and evaluation of the adequacy and effectiveness of the Company's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities.

The internal audit plan for the year, which is prepared in collaboration by Management and the internal auditor, is reviewed by the Audit and Risk Committee and presented to the Board for approval, ensuring that all significant areas of the Company's activities are duly covered.

27. INTEREST REGISTER

The Company has an Interest Register and for the period under review there is an entry recorded in the Register.

28. STATEMENT OF REMUNERATION PHILOSOPHY

The Company has no written statement of remuneration philosophy but it nevertheless aims to offer fair and competitive compensation packages.

29. CORPORATE SOCIAL RESPONSIBILITY

Lottotech contributes significantly to the Consolidated Fund of the Government of Mauritius. As the Gambling Regulatory Act 2007, 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 Government. This contribution is a contractual obligation forming part of the Operator's licence.

Furthermore as a social player, the Company remains committed to its CSR program, having focus on projects which would help in alleviating poverty, such as through sports, the youth and education, both in Mauritius and Rodrigues.

For the year 2016, the Company contributed MUR393m to the Consolidated Fund and MUR2.3m as CSR.

30. DONATIONS

The Company did not make any donation for the period under review.

31. ENVIRONMENTAL POLICY

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.

The Company Charter has provided for an Environment Policy.

CORPORATE GOVERNANCE REPORT (CONTINUED)

32. CALENDAR OF EVENTS

For the financial year ending 31 December 2017, the Board will hold the following statutory Board meetings:

MEETING	DATE	EVENTS
Statutory Reporting	**March 2017**	Publication of audited results for the year ended 31 December 2016
	May 2017	Publication of quarter results ended 31 March 2017 & Annual Meeting
	August 2017	Publication of half year's results ended 30 June 2017
	November 2017	Publication of nine months' results ended 30 September 2017

33. STATEMENT OF DIRECTORS' RESPONSIBILITIES

As per the requirement of The Companies Act 2001, the Directors ensure that the financial statements for each financial year, are prepared and presented in a fair manner the financial position and financial performance of the Company.

In preparing those financial statements, the Directors ensure that:

a. A suitable selection of accounting policies is carried out and that the selection is applied consistently;

b. Judgments and estimates made are reasonable and prudent;

c. It is clearly stated as to whether the International Financial Reporting Standards (IFRS) have been followed and complied with, subject to any material departures disclosed and explained in the financial statements;

d. Proper accounting records which disclose with reasonable internal accuracy at any time the financial position of the Company, are kept;

e. The assets of the Company is safeguarded by maintaining internal accounting and administrative control systems and procedures, and risk management;

f. Reasonable steps are taken for the prevention of fraud and other irregularities; and

g. The financial statements are prepared on the going concern basis, unless it is not appropriate to presume that the Company will continue in business.

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

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritius Companies Act 2001 and International Financial Reporting Standards. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board acknowledges that the responsibility of the external auditors is to report on these financial statements.

On behalf of the Board:

Director

Director

23 March 2017

MAKING A DIFFERENCE

Every time you play Loto, Mauritius Wins!

FINANCIAL CAPITAL

PROFITABLE

Despite the challenging economic environment, the company made a profit MUR88.2M for the year ended 31 December 2016. The increase in profit of MUR47.7M compared to last financial year was mainly due to a better performance in sales of Loto and the results of the cost management initiatives undertaken by the company to improve profitability.

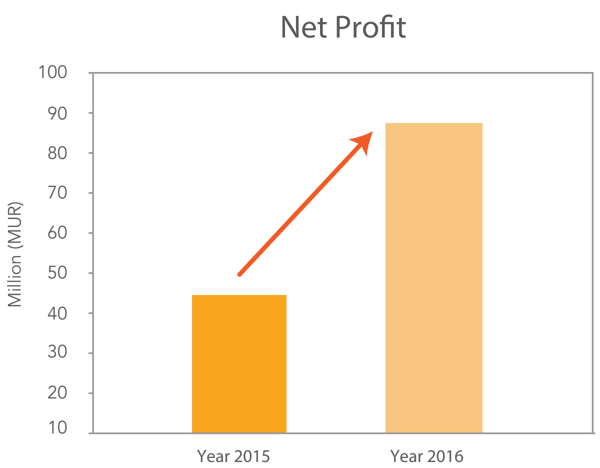
OPERATING EXPENSES

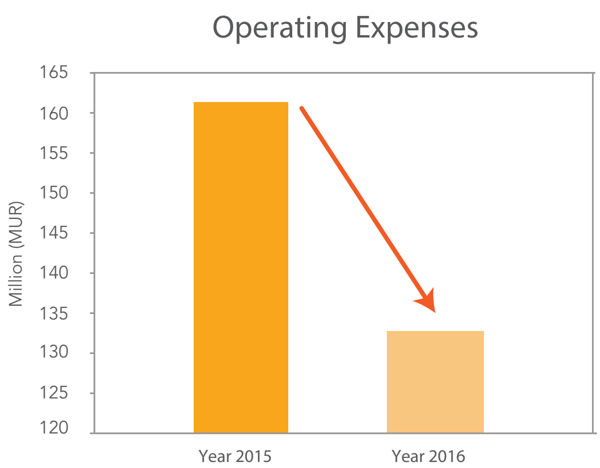
Operating expenses decreased by 16.5% to reach MUR134.6M as a result of savings made mainly in staff costs, management fees and rent and utilities.

REVENUE GROWTH

Revenue achieved in 2016 was lower by 1.4% compared to 2015 as a result of the negative impact of the Government's budgetary measures on the Company's business in 2015. Revenue for FY2015 included Quick Win sales of MUR140.1M.

Loto sales have increased by 7.6% as a result of higher jackpot rollovers, higher aggregate jackpot amounts and new communication channels.





FINANCIAL CAPITAL

NET MARGIN

The company's net margin improved from 2% for FY2015 to 5% in FY2016 mainly due to savings made on expenditures and the increase in Loto sales which mitigated the loss of revenue from the Quick Win games.

CAPITAL BASE

The company's policy is to distribute at least 80% of its profits to its shareholders. Dividend payable per share for FY2016 was MUR0.26 (FY2015:MUR0.12), representing a total dividend payout ratio of almost 100% of the Company's net profit for FY2016. Shareholders' fund decreased by 2.5% to reach MUR 138.6M as at 31 December 2016.

GEARING

The gearing percentage is zero as we do not have any long-term loans. Moreover, the company maintains sufficient cash reserves to fund its operations.

HUMAN CAPITAL

We believe that "Putting People First" is crucial for Lottotech's success. In this rapidly changing business environment, our people initiatives aim at achieving growth and team success. Our unique talent and potential help us to build a shared culture. Our working environment enables our people to develop their potential, adapt to the changing needs of the organisation and the market. Hence, everyone works together to achieve the company's goals and make Lottotech an employer of choice.

EMPLOYEE ENGAGEMENT

At Lottotech, we firmly believe that an engaged and empowered workforce is crucial to achieving growth and team success. The results of the employee engagement survey conducted in October 2016 have been very motivating with an engagement score of 82%. Several activities and interactive sessions branded as "Express Yourself" were held with different units to identify what's working well and to brainstorm action ideas to enhance employee effectiveness. The 82% score confirms that our People feel proud to work for Lottotech.

In 2016, we lived "Putting People First" fully with various enriching activities including team get-togethers, a team building "Bush Warrior Adventure" and indoor competitions.

These activities were held to foster collective engagement.

CELEBRATING DIVERSITY

Celebrating Diversity is a living principle for the employees of Lottotech. We spend time together; we understand and appreciate each other's culture. It reinforces our values, respect and team spirit and encourages our people to have fun together.

OUR FIRST HEALTH WEEK

Our Wellness Program was an enriching opportunity to gather information from various wellness organisations that promote healthy balance of mind, body and spirit. We encourage our employees to adopt a healthier lifestyle.

Nutritionists, therapists, doctors and consultants provided presentations on improving our wellness and lifestyle.

Healthy Tips Nutrition

Breast Cancer Awareness
Cervical & Prostate Cancer Awareness

Complementary Therapy Osteopathy
Relaxation & Healing
Mindfulness & Feng Shui

Zumba | Self Defence
Taebo | Aerobic

HUMAN CAPITAL

LEARNING AND DEVELOPMENT

We are committed to giving our people opportunities to learn and grow. A number of employee development opportunities such as on the job training, project assignments, awareness programs and training in technical & soft skills are being deployed in order to build a high performing team.

Our first-line and seasoned managers have been initiated to the management development program in partnership with FRCI. This program's aim is to equip our leaders with skills required, enhancing their professional learning and development and growing the organisation's talent.

SAFETY

The Company provides a safe and healthy environment. We are dedicated to maintaining a productive workplace by minimizing the risk of accidents, injury and exposure to health risks.

TARGET 2017

- Implementation of Succession planning to address key position at risk
- Continue to invest in people development and empowering talent with skills, tools, systems and support needed to work more effectively and be more adaptable
- Enabling Working environment and shaping leadership at all levels
- Encourage our people to be innovative, solution driven, collaborative and team players
- Continue to build on Employee engagement

INTELLECTUAL CAPITAL

BRAND

As per research conducted by Cognito in 2016, Loto has the greatest share of top of mind awareness (TOM) of games of chance. As an operator, Lottotech has a positive image and is believed to be financially sound, responsible, responsive and well managed.

67% of the adult population are playing Loto

Rs 63 weekly expenditure

99% aided top of mind awareness

Launch of MauLoto App has enabled better communication with our players and it is now more convenient for them to check the results.

20,000 downloaders

INNOVATION

Since its inception, Lottotech has partnered with IGT (formerly GTECH), a leading worldwide lottery provider of technology solutions and systems to build an extensive integrated state of the art IT infrastructure to support its gaming operations. In 2016, we worked together with IGT to review and replace our Lottery IT equipment and infrastructure.

The new Lottery equipment, system and infrastructure provide more redundancy in terms of business continuity and gaming capabilities. In addition, there are now three systems running in parallel instead of two. We have invested more than MUR45M in this project which was successfully completed in September 2016.

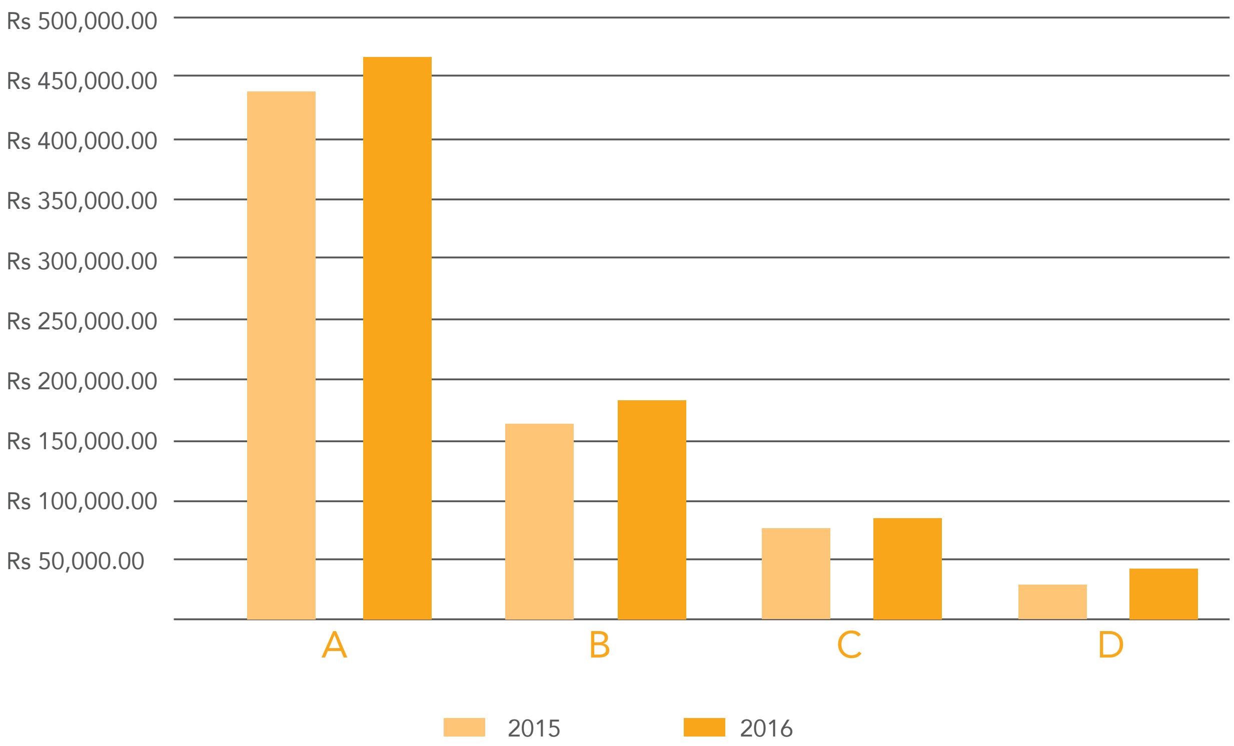
The new Lottery system and infrastructure give Lottotech a robust technology platform and offer additional possibilities to develop its gaming capabilities in the future.

RELATIONSHIP CAPITAL

RETAILERS

At the end of 2016, our retailer network comprised 776 retailers throughout Mauritius and Rodrigues. Most of them are family owned business representing local economic agents in their region. Having a better performance in 2016 has impacted directly on their commissions earned for the year.

COMMISSION AVERAGE PER RETAILER 2015 - 2016



CATEGORY	SALES RANGE (MUR)
A	**100 K +**
B	**50 K - 99.9 K**
C	**25 K - 49.9 K**
D	**0 - 24.9 K**

RELATIONSHIP CAPITAL

RETAILER INCENTIVE

We take pride in motivating our retailers through our initiatives such as first time Retailer Incentive program which had a direct impact on the commission earned, if sales increased. This was done during a 6-week period from May to July.

RETAILER EVENT

Our retailers enjoyed a Fun Day organized at Ecole du Nord. The event's objective was to communicate key messages to our retailers, have fun together and strengthen our relationship.

SOCIAL CAPITAL

CORPORATE SOCIAL RESPONSIBILITY

Lottotech is committed to finding new ways to positively impact communities across Mauritius and Rodrigues. Since its inception, Lottotech has adopted several initiatives that strive to positively impact on its consumers, employees, stakeholders and community at large. CSR is and will remain a priority that governs our daily operations.

The main focus for 2016 was projects that encourage development and education of children and the family at large.

Confirmed			
NGO	**Details of Project**	**No. of Beneficiaries**	**Amount Considered**
Collège Père Laval	Sportswear for underprivileged children - adolescents	96	80,660
Mauritius Wildlife Foundation	Participative program for employees on Ile aux Aigrettes		12,000
Moz'ar Espace Artistic	Music lessons to underpriviledged children - funds for Instruments/ Kids from 8-18years	65	480,000
Association des Amis de Don Bosco (AADB)	« Lacaz Mama Marguerite (LMM) & Maison Don Bosco (MDB): Feeding programme for 30 needy - 6 months / infants from 2-18 years old	30	500,000
Faith	Baby Drive Project (150 families - Vallijee Pailles) 0-3 years	300	60,000
Abused Victims Support	Distribution of school materials to families in Vacoas	200	100,000
Club Maurice	Athletes		100,000
Link to Life	Beauty Program for women suffering from cancer	20	50,000
Centre d'Amitié	Education program for underprivileged children	90	360,000
Joie de Vivre	Literacy courses	50	182,000
Association Ensam	Education program for underprivileged children	25	150,000
Women in Networking	30 women followed a 9-week leadership program and were awarded certificates	30	180,000
Radio One	Dinner for homeless people	400	50,000
Special contribution to Centre d'Amitié		84	20,605
Special contribution to Shelter Don Bosco		30	6,295
		1420	

TESTIMONIALS

CENTRE D'AMITIÉ

"Lottotech's support is vital"

It is hard not to hear the relief in the voice of Océane Ravina, manager of Centre d'Amitié in Bambous. In 2016, she has seen, with much concern, other sponsors reducing their donations to her NGO catering for the education needs of needy children (kindergarten and pre-primary levels). This year, Lottotech decided to be more generous towards the Centre d'Amitié. *"This is a great motivation for our team. With Lottotech's generosity, we will be able to do so much more for the children. This is very encouraging. We feel that Lottotech recognizes our efforts."* The Centre d'Amitié started in 1985 and offers support services to needy families: food, administrative assistance to obtain legal aid or other aids, school materials etc. This year, the NGO will welcome 15 new children, bringing to 100 the total number of children attending the school. The Centre d'Amitié has other ambitions for 2017. *"This year, we would like to open a class for children with special needs."*

TESTIMONIALS

ATELIER MO'ZAR

"We are proud that Lottotech trusts us"

Lottotech is supporting Atelier Mo'Zar, renowned music school in Roche-Bois, founded by late José Thérèse. Valérie Lemaire, manager of Atelier Mo'Zar, states: "We are now able to welcome new students at the school. Moreover, we can now lend instruments to those currently studying with us and who did not have their instruments." This is a crucial aspect of Atelier Mo'Zar's work. Students with their own instruments progress faster and do not drop out of the school. There are currently 85 students at the school preparing the United Kingdom's Royal School of Music exams. They are supported by 7 teachers. It is interesting to note that nearly 175 children, not only from Roche-Bois but from various regions of the island, are waiting to enroll in the school. *"Our reputation goes today beyond Roche-Bois. At Mo'Zar, children learn to build their self-confidence, discipline and sense of responsibility. And this starts with the school entrusting them with a beautiful musical instrument,"* the manager explains. *"Our work is based on trust and we are proud that Lottotech trusts us."*

SOCIAL CAPITAL

MAIN HIGHLIGHTS:

Successful call for projects: **50 projects** received this year

Recycling Program: **700+ kg** of plastic recycled/ Scratcher and broken signage in transformation process/ **2 tons of paper recycled** and disposed in ecofriendly technique

Reuse of materials: **20ft container** given to NGO (Atelier Mo'zar) for extension of school

Communication support: Provided communication space on **digital screen** to NGO (TiDiams) for 3 campaigns

Participation of team: **38 volunteers** from Lottotech during the year – **58% participation rate**

Rs 2.3 million for 15 projects – **1000+ beneficiaries**

SOCIAL CAPITAL

Lottotech Team at Iles aux Aigrettes

Dinner with the homeless - Radio One

Atelier Joie de Vivre

Kolektif Rivière Nwar - Grande Rivière Football Club

Recycling of Playstation

Women in Networking

RESPONSIBLE GAMING

Being a member of the World Lottery Association, Lottotech has a commitment to be a responsible operator. In 2016, we took various initiatives to educate players on responsible gaming. Our main objective in 2017 is to obtain the certification of level 3 and 4 for the WLA Responsible gaming framework. This will demonstrate our engagement towards promoting responsible gaming in Mauritius and Rodrigues. As leader in responsible gaming in the gaming industry of Mauritius, we are open for any collaboration with the different stakeholders who wants to bring a change so as to better educate and protect players and the community at large.

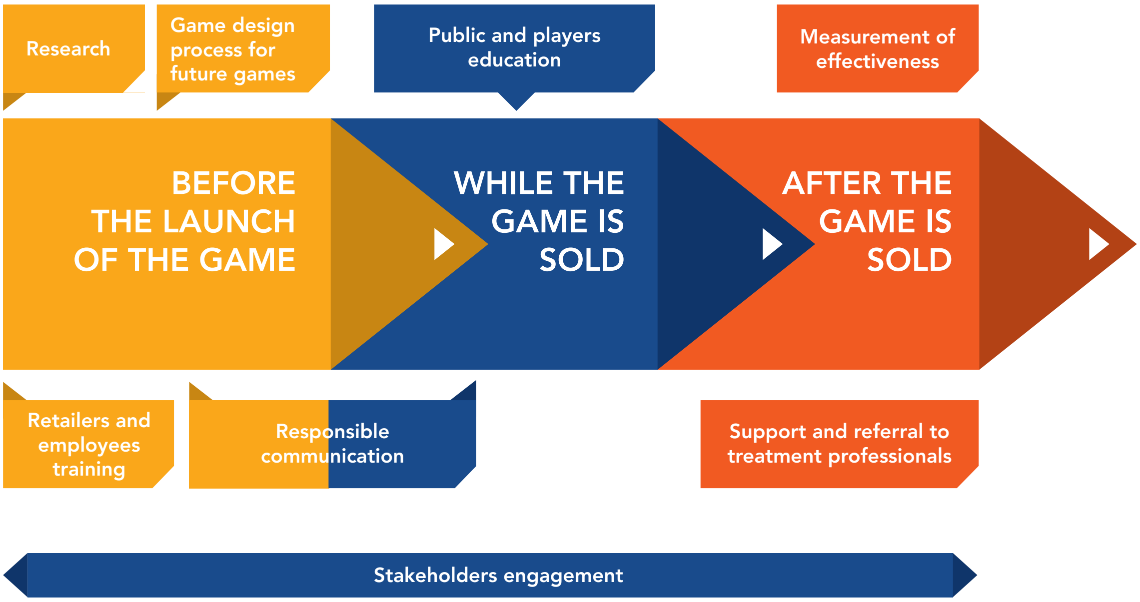
RESPONSIBLE GAMING

IMPORTANCE OF RESPONSIBLE GAMING

At Lottotech, we understand that no-one benefits when players experience problems with their gambling and that is why we champion responsible gaming. We have reached Level 2 of the WLA RG certification in 2014 and have since implemented a number of measures to improve our responsible gaming program.

Since then, 3 employees have been assigned as main responsibility to manage the development and implementation of an effective responsible gaming and CSR strategy. A budget of approximately MUR 1.5 M has been assigned to various responsible gaming and CSR related work in 2016.

The focus for 2017 is to increase our work on **prevention** through, in part, additional education and awareness work. We are also seeking to **measure** our performance to ensure the effectiveness of our program through continuous improvement. Our responsible gaming framework, inspired by WLA guidelines, is described in the chart below:



We embed responsible gaming principles at every stage of our operations and seek to implement best practices that fit the local context and culture.

We believe that Corporate Social Responsibility and Responsible Gaming are not just about giving money to charities that help prevent problem gambling. We believe it is also about our culture, behaviours and approach to the way we:

- Act as an operator and business
- Deliver products focused on adult entertainment
- Have a positive impact on society
- Prevent the misuse of our products
- Minimise the potential for negative impacts on vulnerable individuals and society

GIVING FORWARD

With Lottotech, Mauritius becomes a better place to live!

SECRETARY'S REPORT

LOTTOTECH LTD

UNDER SECTION 166(D) OF THE COMPANIES ACT 2001

We confirm that, based on records and information made available to us by the directors and shareholders of the Company, the Company has filed with the Registrar of Companies, for the year ended 31 December 2016, all such returns as are required of the Company under the Mauritian Companies Act 2001.

Gamma Corporate Services Ltd
SECRETARY

23 March 2017

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LOTTOTECH LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OUR OPINION

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

What we have audited

The financial statements of Lottotech Ltd set out on pages 61 to 87 comprise:

- the statement of financial position as at 31 December 2016;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes comprising significant accounting policies and other explanatory information.

BASIS FOR OPINION

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

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

INDEPENDENCE

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

KEY AUDIT MATTERS

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

Key audit matter

IT systems and controls over financial reporting

We identified IT systems and controls over financial reporting as an area of focus as the Company's financial accounting and reporting systems are heavily dependent on complex systems and there is a risk that automated accounting procedures and related IT dependent manual controls are not designed and operating effectively.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of the controls over the continued integrity of the IT systems that are relevant to financial reporting. We examined the framework of governance over the Company's IT organisation and the controls over program development and changes, access to programs and data and IT operations, including compensating controls where required. Where necessary we also carried out direct tests of certain aspects of the security of the Company's IT systems including access management and segregation of duties. The combination of the tests of the controls and the direct tests that we carried out gave us sufficient evidence to enable us to rely on the continued and proper operation of the Company's IT systems for the purposes of our audit.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LOTTOTECH LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the company information, the directors' report, the statement of compliance, the corporate governance report, and the secretary's report but 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. Our reporting responsibilities regarding the corporate governance report is dealt with in the "Report on Other Legal and Regulatory Requirements" section of this report.

In connection with our audit of the 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the financial reporting process.

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LOTTOTECH LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LOTTOTECH LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Mauritian Companies Act 2001

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

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

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

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

Financial Reporting Act 2004

The directors are responsible for preparing the corporate governance report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the "Code") as disclosed in the annual report on pages 21 to 37 and on whether the disclosure is consistent with the requirements of the Code. In our opinion, the disclosure in the annual report on pages 21 to 37 is consistent with the requirements of the Code.

OTHER MATTER

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

PricewaterhouseCoopers	Michael Ho Wan Kau, licensed by FRC

23 March 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 MUR	2015 MUR
Gross ticket sales	4	**1,651,579,840**	1,675,592,800
Prizes	4	**(801,016,222)**	(834,306,114)
Consolidated Fund	4	**(392,620,166)**	(388,337,934)
Net income	4	**457,943,452**	452,948,752
Retailers' and other commissions		**(90,907,974)**	(92,506,409)
Gaming systems and data communication costs	5(a)	**(120,312,893)**	(149,633,827)
Other operating expenses	5(b)	**(134,611,555)**	(161,106,119)
Operating profit	5	**112,111,030**	49,702,397
Finance income	6	**58,116**	1,426,182
Finance costs	6	**(8,929)**	(41,566)
Net finance income	6	**49,187**	1,384,616
Profit before income tax		**112,160,217**	51,087,013
Income tax expense	8	**(23,964,213)**	(10,607,310)
Profit for the year[1]		**88,196,004**	40,479,703
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations	17	**35,000**	1,565,000
Deferred tax on remeasurement of post-retirement benefit obligations	16	**(5,950)**	(266,050)
Other comprehensive income – net of tax		**29,050**	1,298,950
Total comprehensive income for the year		**88,225,054**	41,778,653
Basic and diluted earnings per share	9	**0.26**	0.12

	2016	2015
[1]Profit for the year before one-off expenses	**88,196,004**	66,075,617
Inventory write-off, net of incentive fees and tax	**-**	(19,496,348)
Severance allowance, net of incentive fees and tax	**-**	(6,099,566)
Profit for the year	**88,196,004**	40,479,703

The notes on pages 65 to 87 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	2016 MUR	2015 MUR
Assets			
Non-current assets			
Property and equipment	10	**150,828,200**	145,977,517
Current assets			
Inventories	11	**706,812**	1,853,250
Trade and other receivables	12	**78,403,928**	24,839,971
Cash and cash equivalents		**156,806,786**	123,142,408
		235,917,526	149,835,629
Total assets		**386,745,726**	295,813,146
Equity and liabilities			
Capital and reserves			
Stated capital	13	**100,000,000**	100,000,000
Retained earnings		**38,630,430**	42,205,376
Total equity		**138,630,430**	142,205,376
Non-current liabilities			
Deferred income tax liabilities	16	**5,101,749**	4,757,756
Post-employment benefits	17	**2,059,000**	1,606,000
		7,160,749	6,363,756
Current liabilities			
Trade and other payables	14	**238,664,843**	144,744,699
Current income tax liabilities	8	**2,289,704**	2,499,315
		240,954,547	147,244,014
Total liabilities		**248,115,296**	153,607,770
Total equity and liabilities		**386,745,726**	295,813,146

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

DIRECTORS

23 March 2017

DIRECTORS

23 March 2017

The notes on pages 65 to 87 form an integral part of these financial statements.

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

	Note	Stated capital MUR	Retained earnings MUR	Total equity MUR
At 01 January 2015		100,000,000	54,826,723	154,826,723
Profit for the year		-	40,479,703	40,479,703
Other comprehensive income for the year		-	1,298,950	1,298,950
Total comprehensive income for the year		-	41,778,653	41,778,653
Transactions with owners				
Dividends	18	-	(54,400,000)	(54,400,000)
At 31 December 2015		100,000,000	42,205,376	142,205,376
At 01 January 2016		**100,000,000**	**42,205,376**	**142,205,376**
Profit for the year		**-**	**88,196,004**	**88,196,004**
Other comprehensive income for the year		**-**	**29,050**	**29,050**
Total comprehensive income for the year		**-**	**88,225,054**	**88,225,054**
Transactions with owners				
Dividends	18	**-**	**(91,800,000)**	**(91,800,000)**
At 31 December 2016		**100,000,000**	**38,630,430**	**138,630,430**

The notes on pages 65 to 87 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 MUR	2015 MUR
Cash flows from operating activities			
Profit before income tax		**112,160,217**	51,087,013
Adjustments for:			
Depreciation on property and equipment	10	**46,357,745**	58,480,945
Provision for impairment of receivables	12	**821,183**	1,500,000
Gain on disposal of property and equipment		**(3,388)**	(464,681)
Provision for post-employment benefits	17	**488,000**	651,000
Inventory write-down	11	**-**	26,099,529
Interest expense	6	**8,929**	41,566
Interest income	6	**(58,116)**	(1,426,182)
Operating profit before working capital changes		**159,774,570**	135,969,190
Decrease/(increase) in inventories	11	**1,146,438**	(9,944,490)
(Increase)/decrease in trade and other receivables	12	**(54,385,140)**	5,852,485
Increase/(decrease) in trade and other payables	14	**93,920,144**	(134,576,285)
Cash generated from/(used in) operations		**200,456,012**	(2,699,100)
Interest paid	6	**(8,929)**	(41,566)
Interest received	6	**58,116**	1,426,182
Income tax paid		**(23,835,781)**	(17,848,020)
Net cash generated from/(used in) operating activities		**176,669,418**	(19,162,504)
Cash flows from investing activities			
Purchase of property and equipment	10	**(51,241,040)**	(2,289,310)
Proceeds from sale of property and equipment		**36,000**	675,000
Net cash used in investing activities		**(51,205,040)**	(1,614,310)
Cash flows from financing activities			
Finance lease principal payments		**-**	(874,948)
Dividends paid	18	**(91,800,000)**	(54,400,000)
Net cash used in financing activities		**(91,800,000)**	(55,274,948)
Net increase/(decrease) in cash and cash equivalents		**33,664,378**	(76,051,762)
Cash and cash equivalents at beginning of year		**123,142,408**	199,194,170
Cash and cash equivalents at end of year		**156,806,786**	123,142,408

The notes on pages 65 to 87 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016

1 GENERAL INFORMATION

The Company is incorporated and domiciled in the Republic of Mauritius as a public company. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, and are presented in Mauritian Rupees ('MUR').

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.

Significant accounting judgements and estimates

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 addressed below.

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 are based in part on current market conditions. Additional information is disclosed in Note 17.

2.1 BASIS OF PREPARATION (CONTINUED)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company 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.

(b) 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 statement of comprehensive income within "gaming systems and data communication costs".

Changes in accounting policies and disclosures

(i) Standards, amendments to published standards and interpretations effective in the reporting period

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 01 January 2016 that had a material impact on the Company's financial statements.

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

There are no new standards, amendments and interpretations to existing standards that are not yet effective which have been early adopted by the Company.

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

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income with no recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 01 January 2018, with early adoption permitted.

The directors have yet to assess IFRS 9's full impact.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

Changes in accounting policies and disclosures (continued)

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

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 01 January 2018 and earlier application is permitted. The directors have yet to assess the impact of IFRS 15.

In January 2016, the International Accounting Standards Board (IASB) issued IFRS 16, 'Leases'. IFRS 16 will replace the current IAS 17 standard on leases. The effective date is 01 January 2019. The new standard requires that for lessees all leases, regardless of whether they are operating or financial in nature, will be on the statement of financial position and accounted for as "financial leases". There are some exemptions which could be applied and these relate to leases of 12 months or less (short-term leases), and leases of low-value assets. For such leases, the lease costs will be accounted for in the same way as operating leases are accounted for today. IFRS 16 will significantly change the way lessees account for leases, however lessor accounting remains largely the same and the classification as a finance lease or operating lease is still a consideration. This means that straight-lining of operating leases will remain for lessors. The directors have yet to assess the impact of IFRS16.

2.2 GROSS TICKET SALES

Gross ticket sales comprise the wagers placed on lottery tickets and scratch cards.

Revenue arises across a portfolio of games that includes a draw-based game and scratch cards. For the draw-based game, income is recognised on a draw-by-draw basis, at the point at which the draw takes place. Where players wager in advance, the income is deferred and only recognised in the statement of profit or loss and other comprehensive income once the draw has taken place.

2.3 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 liability for prizes is recognised at the time of the draw in line with the predetermined percentage for that game.

Scratch cards prizes are recognised as a percentage of ticket sales in line with the theoretical prize payout for that game.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 CONSOLIDATED FUND

The Consolidated Fund is a fund managed by the Government of Mauritius.

The amount charged to the income statement represents a percentage arising from gross ticket and scratch card sales net of prize monies.

2.5 RETAILERS' AND OTHER COMMISSIONS

The Company pays commissions to third party retailers who act as agents of the Company 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.

2.6 EXCEPTIONAL ITEMS

Exceptional items are items that are significant in amount and are not expected to recur.

2.7 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 net selling price and 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 asset's residual values and useful lives are reviewed and adjusted if necessary, at end of each reporting period.

Property and equipment held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

2.8 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 instant cards, ticket rolls, bet slips, insurance, freight, customs duty and any other direct costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. If a Quick Win game does not perform to expectations, the stock of cards is written off as and when deemed appropriate.

2.9 TRADE 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.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the retailer, probability that the retailer will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

2.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and cash in hand.

2.11 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.

2.12 TRADE PAYABLES

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).

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

2.13 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.

It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax 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. Currently enacted tax rates are used to determine deferred income tax.

2.13 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

The principal temporary differences arise from accelerated capital allowances, provision for post-employment benefits and provision for bad debts.

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 judgment to determine whether sufficient future taxable profit will be available after considering, amongst others, factors such as cash flows and budgets.

Deferred income tax assets and liabilities are offset when the deferred income tax assets and liabilities relate to the income taxes levied by the same taxation authority on either the same taxable entity or different entities where there is no intention to settle the balances on a net basis.

2.14 PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

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

2.15 EMPLOYEE BENEFITS

(a) Post-employment benefits

Employees are entitled to a gratuity payment on retirement under the terms of the Employment Rights Act 2008.

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 of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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.

(b) Short-term employee benefits

Other employee benefits include wages, salaries, social security contributions and travelling. These costs are charged to the statement of profit or loss and other comprehensive income when incurred.

Employee entitlement to annual leave and other benefits are recognised when they accrue to the employees. Provisions are made for the estimated liability for annual leave and other benefits as a result of services rendered by employees up to the end of the reporting period.

(c) Defined contribution

The company 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.

(d) Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(e) Profit-sharing and bonus plans

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

2.16 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.

2.17 FINANCIAL INSTRUMENTS

Classification

The Company classifies its financial assets as 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. The directors determine the classification of its financial assets at initial recognition.

(a) Loans and receivables

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

(b) Recognition and measurement

Loans and receivables are carried at amortised cost using the effective interest method.

(c) Offsetting financial instruments

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

2.18 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.

3 FINANCIAL RISK MANAGEMENT

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

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

	2016 MUR	2015 MUR
Financial instrument by category		
	Loans and receivables	Loans and receivables
Financial assets		
Trade and other receivables	**72,809,832**	22,029,107
Cash and cash equivalents	**156,806,786**	123,142,408
	229,616,618	145,171,515
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
Financial liabilities		
Trade and other payables	**238,664,843**	144,744,699

3 FINANCIAL RISK MANAGEMENT CONTINUED

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 Company's functional currency.

The Company 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 Company is exposed to the exchange rate movement of the Mauritian rupee against the United States dollar.

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

	2016 Financial assets MUR	**2016 Financial liabilities MUR**	2015 Financial assets MUR	2015 Financial liabilities MUR
Mauritian rupee	**221,771,866**	**238,664,843**	115,017,117	144,744,699
United States dollar	**5,526,816**	**-**	27,767,792	-
Euro	**2,317,936**	**-**	2,386,606	-
	229,616,618	**238,664,843**	145,171,515	144,744,699

Inventories amounting to **MUR706,812** (2015: MUR1,853,250), prepayments amounting to **MUR5,594,096** (2015 – MUR2,810,864) and current income tax liabilities amounting to **MUR2,289,704** (2015 – MUR2,499,315) have not been included in the financial assets and liabilities.

At 31 December 2016, 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 would have decreased/increased by **MUR276,341** (2015 – MUR1,388,390), mainly as a result of currency differences on translation of USD denominated bank balances.

At 31 December 2016, 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 would have decreased/ increased by **MUR115,897** (2015 – MUR119,330), mainly as a result of currency differences on translation of EUR denominated bank balances.

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

The directors believe that a 5% shift in foreign exchange rate is an appropriate basis for the sensitivity analysis.

3 FINANCIAL RISK MANAGEMENT CONTINUED

MARKET RISK (CONTINUED)

(ii) Interest rate risk

The Company's income and operating cash flows may be affected by changes in market interest rates. The Company's policy is to maximise returns on interest-bearing assets.

The cash and cash equivalents carry interest at variable rates and therefore expose the Company to interest rate risk.

At 31 December 2016, if interest rate on cash and cash equivalents had been 50 basis points higher/lower with all other variables held constant, the pre-tax profit for the year and equity would be MUR784,034 higher/lower (2015 – MUR615,712) mainly as a result of higher/lower interest income earned on bank balances.

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.

For cash and cash equivalents, the Company manages its credit risk by banking with reputable financial institutions. The directors assess 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 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 Company's financial assets.

The directors believe that the Company 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 12.

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 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.

As at 31 December 2016	**At call**	**Less than one year**	**Between 1 to 5 years**	**Total**
	MUR	MUR	MUR	MUR
LIABILITIES				
Trade and other payables	-	**238,664,843**	-	**238,664,843**

As at 31 December 2015	At call	Less than one year	Between 1 to 5 years	Total
	MUR	MUR	MUR	MUR
LIABILITIES				
Trade and other payables	-	144,744,699	-	144,744,699

3 FINANCIAL RISK MANAGEMENT CONTINUED

Fair values

The carrying amounts of trade and other receivables, cash in hand and at bank, borrowings and trade and other payables approximate their fair values.

Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going-concern in order to provide returns for shareholders and benefits for other shareholders. Capital is represented by the total equity.

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

4 NET INCOME

	2016 MUR	2015 MUR
Gross ticket sales	**1,651,579,840**	1,675,592,800
Draw-based game	**1,651,579,840**	1,535,457,520
Scratch cards	**-**	140,135,280
Prizes	**(801,016,222)**	(834,306,114)
Consolidated Fund	**(392,620,166)**	(388,337,934)
	457,943,452	452,948,752

5 OPERATING PROFIT

The following items have been charged in arriving at the operating profit:

(a) Gaming systems and data communication costs

	2016 MUR	2015 MUR
Depreciation	**46,357,745**	58,480,945
Communication costs	**27,983,728**	36,032,173
Lottery technological support	**21,954,740**	22,689,671
Consumables	**11,571,117**	4,680,132
Inventory write off	**-**	26,099,529
Other expenses	**12,445,563**	1,651,377
	120,312,893	149,633,827

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONTINUED)

5 OPERATING PROFIT CONTINUED

(b) Other operating expenses

	2016 MUR	2015 MUR
Staff costs (Note 7)	**63,751,511**	80,132,255
Management fee (Note 15 (i))	**13,406,732**	23,671,649
Rent and utilities	**13,120,341**	16,102,173
Legal and professional fees	**7,039,588**	10,714,573
Software licence and other information technology cost	**9,768,238**	8,084,195
Motor vehicle expenses	**3,755,953**	4,900,440
Municipal fees and licences	**6,067,076**	4,275,292
Insurance costs	**1,615,720**	1,128,663
Provision for impairment of receivables (Note 12)	**821,183**	1,500,000
Medical expenses	**1,086,486**	1,319,683
Maintenance contract	**3,507,689**	2,084,335
Printing, postages and stationery	**1,318,135**	1,374,928
Repairs and maintenance	**1,301,763**	2,116,797
Other expenses	**7,338,715**	1,886,136
Fees payable to auditor for:		
Audit services	**712,425**	590,000
Other services	**-**	1,225,000
	134,611,555	161,106,119

6 NET FINANCE INCOME

	2016 MUR	2015 MUR
Interest expense on:		
Bank Overdraft	**(8,929)**	(26,386)
Leases	-	(15,180)
	(8,929)	(41,566)
Interest income on:		
Bank balances	**58,116**	1,426,182
	49,187	1,384,616

7 STAFF COSTS

	2016 MUR	2015 MUR
Wages and salaries	**59,360,177**	68,088,223
Staff welfare benefits	**1,229,008**	158,653
Defined contribution costs	**2,674,326**	3,212,145
Post-employment benefits (Note 17)	**488,000**	651,000
Severance allowance	**-**	8,022,234
	63,751,511	80,132,255

8 INCOME TAX

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

8 INCOME TAX (continued)

(a) Charge for the year

	2016 MUR	2015 MUR
Based on profit for the year, as adjusted for tax purposes	**20,450,358**	13,142,010
Under provision of current income tax expense in previous period	**3,175,812**	-
Deferred income tax charge/(credit) (Note 16)	**338,043**	(4,101,801)
CSR	**-**	1,567,101
Income tax expense	**23,964,213**	10,607,310

(b) Current income tax liabilities

Income tax liabilities are **MUR2,289,704** at 31 December 2016 (2015 – MUR2,499,315).

A reconciliation between the actual rate of income tax charge of **MUR23,964,213** (2015 – MUR10,607,310) and the tax calculated at the applicable income tax rate of **17**% (2015 – 17%) is as follows:

	2016 MUR	2015 MUR
Profit before income tax	**112,160,217**	51,087,013
Tax on the profit at 17% (2015 – 17%)	**19,067,237**	8,684,792
Non-tax deductible expense	**1,721,164**	227,651
Under provision of current income tax expense in previous period	**3,175,812**	-
Over provision of deferred tax asset in prior year (Note 17)	**-**	127,766
CSR	**-**	1,567,101
Effective income tax charge	**23,964,213**	10,607,310

9 EARNINGS PER SHARE

(a) Basic

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

(b) Diluted

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 2016 and 2015, there were no instruments with potential dilutive effect.

	2016	2015
Profit attributable to shareholders (MUR)	**88,196,004**	40,479,703
Number of shares entitled to dividends	**340,000,000**	340,000,000
Basic and diluted earnings per share (MUR)	**0.26**	0.12

There are no dilutive instruments.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONTINUED)

10 PROPERTY AND EQUIPMENT

	Leasehold improvement MUR	Equipment MUR	Furniture and fittings MUR	Motor vehicles MUR	Total MUR
Cost:					
At 01 January 2015	77,350,845	353,829,716	16,248,425	16,960,764	464,389,750
Additions	-	2,221,910	67,400	-	2,289,310
Disposals	-	-	-	(2,683,000)	(2,683,000)
At 31 December 2015	77,350,845	356,051,626	16,315,825	14,277,764	463,996,060
Additions	**698,905**	**50,350,660**	**-**	**191,475**	**51,241,040**
Disposals	**-**	**-**	**-**	**(336,414)**	**(336,414)**
Reclassification	**940,121**	**357,712**	**(1,297,833)**	**-**	**-**
Write-off & adjustment	**(120,747)**	**(13,099,013)**	**(4,247,973)**	**2,202,681**	**(15,265,052)**
At 31 December 2016	**78,869,124**	**393,660,985**	**10,770,019**	**16,335,506**	**499,635,634**
Accumulated depreciation:					
At 01 January 2015	64,094,341	178,093,410	10,833,940	8,988,588	262,010,279
Charge for the year	6,805,611	45,417,567	1,674,647	4,583,120	58,480,945
Disposals	-	-	-	(2,472,681)	(2,472,681)
At 31 December 2015	70,899,952	223,510,977	12,508,587	11,099,027	318,018,543
Charge for the year	**3,760,299**	**39,367,142**	**1,299,450**	**1,930,854**	**46,357,745**
Disposals	-	-	-	**(303,802)**	**(303,802)**
Reclassification	**929,263**	**333,538**	**(1,262,801)**	-	-
Write-off & adjustment	**-**	**(12,603,287)**	**(2,661,765)**	-	**(15,265,052)**
At 31 December 2016	**75,589,514**	**250,608,370**	**9,883,471**	**12,726,029**	**348,807,434**
Net carrying amount					
At 31 December 2016	**3,279,610**	**143,052,615**	**886,548**	**3,609,427**	**150,828,200**
At 31 December 2015	6,450,893	132,540,649	3,807,238	3,178,737	145,977,517

Depreciation expense of **MUR46,357,745** (2015 – MUR58,480,945) has been charged in Gaming systems and data communication costs.

11 INVENTORIES

	2016 MUR	2015 MUR
Cost:		
Ticket rolls, bet slips and others	**706,812**	1,853,250

Inventory consumed during the year amounted to **MUR11,571,117** (2015 – MUR30,779,661, which included an exceptional inventory write-off of MUR26,099,529 due to the ban on instant cards effective 30 June 2015).

12 TRADE AND OTHER RECEIVABLES

	2016 MUR	2015 MUR
Trade receivables	**60,520,688**	8,273,991
Provision for impairment of receivables	**(2,983,657)**	(2,162,474)
	57,537,031	6,111,517
Receivable from shareholders (Note 15(ii))	**2,894,334**	3,366,457
Receivables from related parties (Note 15(ii))	**11,430,412**	11,430,412
Prepayments and deposits	**6,542,151**	3,931,585
	78,403,928	24,839,971

The fair value of trade and other receivables approximates its carrying amounts as the effect of discounting is not significant. All trade and other receivables are due within one year of the end of the reporting period.

Trade and other receivables are summarised as follows:

	2016 MUR	2015 MUR
Neither past due nor impaired	**51,934,731**	8,182
Past due but not impaired	**5,602,300**	6,103,335
Individually impaired	**2,983,657**	2,162,474
	60,520,688	8,273,991
Impairment	**(2,983,657)**	(2,162,474)
	57,537,031	6,111,517

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2016, trade receivables of **MUR5,602,300** (2015 – MUR6,103,335) were past due but not impaired. These relate to a number of retailers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 MUR	2015 MUR
Up to 3 months	**5,316,566**	6,103,335
Over 3 months	**285,734**	-
	5,602,300	6,103,335

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

At 31 December 2016, trade receivables of **MUR2,983,657** (2015 – MUR2,162,474) were impaired. The ageing analysis of these trade receivables is as follows:

The movement in provision for impairment of trade and other receivables are as follows:

	2016 MUR	2015 MUR
At 01 January	**2,162,474**	662,474
Increase in provision	**821,183**	1,500,000
At 31 December	**2,983,657**	2,162,474

The provision for impaired receivables has been included in profit or loss.

All items within trade and other receivables are denominated in Mauritian Rupee and no collaterals are held against trade and other receivables at the end of the reporting period.

13 STATED CAPITAL

	2016 Number	**2016 MUR**	2015 Number	2015 MUR
Issued and fully paid:				
Ordinary shares of no par value each	**340,000,000**	**100,000,000**	340,000,000	100,000,000

14 TRADE AND OTHER PAYABLES

	2016 MUR	2015 MUR
Trade payables and accruals	**29,809,188**	21,912,796
Amounts due to related parties (Note 15(ii))	**6,783,868**	7,783,393
Prize liability and reserve fund	**117,335,944**	49,119,964
Unclaimed prize	**4,463,614**	3,648,669
Consolidated Fund	**80,272,229**	62,279,877
	238,664,843	144,744,699

15 RELATED PARTY TRANSACTIONS

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

(i) Transactions carried out with related parties:

	2016 MUR	2015 MUR
Management fee charged by a fellow subsidiary of Gamma-Civic Ltd (Note 5)	**13,406,732**	23,671,649
Rent and utilities charged by fellow subsidiaries of Gamma-Civic Ltd	**8,210,098**	12,036,814
Rent charged by ultimate parent	**542,561**	154,100
Purchase of services from fellow subsidiaries of Gamma-Civic Ltd	**120,134**	296,215
	22,279,525	36,158,778

(ii) Year-end balances arising from transactions with related parties:

	2016 MUR	2015 MUR
Amounts receivable from related parties (Note 12):		
Fellow subsidiary	**236,951**	236,951
Ultimate parent	**11,193,461**	11,193,461
	11,430,412	11,430,412
Shareholders	**2,894,334**	3,366,457
	14,324,746	14,796,869

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 the related parties for the purchase of lottery equipment, software and professional services.

	2016 MUR	2015 MUR
Amounts due to related parties (Note 14):		
Fellow subsidiaries	**6,713,067**	7,758,093
Ultimate parent	**70,801**	25,300
	6,783,868	7,783,393

15 RELATED PARTY TRANSACTIONS (CONTINUED)

The amounts payable to related parties are unsecured, interest free and repayable on demand.

An amount of **MUR13,978,544** 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 2016 (2015 : MUR13,981,417).

(iii) Key management compensation

Key management personnel include directors. The compensation paid or payable to key management personnel for employee services is shown below:

	2016	2015
	MUR	MUR
Salaries and other short-term employee benefits	**23,338,094**	24,132,584
Termination benefits	**-**	1,633,166
	23,338,094	25,765,750

16 DEFERRED INCOME TAX LIABILITIES

The gross movement on the deferred income tax account is as follows:

	2016	2015
	MUR	MUR
At 01 January	**4,757,756**	8,593,507
Charge/(credit) to profit or loss (Note 8)	**338,043**	(4,101,801)
Credit to other comprehensive income	**5,950**	266,050
At 31 December	**5,101,749**	4,757,756

	2016	2015
	MUR	MUR
Movement in deferred income tax:		
Over provision of deferred income tax assets in prior year	**-**	127,766
Deferred income tax charge/(credit)	**343,993**	(3,963,517)
	343,993	(3,835,751)

16 DEFERRED INCOME TAX LIABILITIES (CONTINUED)

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

31 December 2016	Accelerated capital allowances MUR	Post-employment benefits MUR	Provision for impaired debts MUR	Provision for inventory obsolescence MUR	Total MUR
At 01 January 2016	**5,398,398**	**(273,021)**	**(367,621)**	-	**4,757,756**
Charge/(Credit) to income statement (Note 8)	**461,473**	**(82,960)**	**(40,470)**	-	**338,043**
Charge to other comprehensive income	-	**5,950**	-	-	**5,950**
At 31 December 2016	**5,859,871**	**(350,031)**	**(408,091)**	-	**5,101,749**

31 December 2015	Accelerated capital allowances MUR	Post-employment benefits MUR	Provision for doubtful debts MUR	Provision for inventory obsolescence MUR	Total MUR
At 01 January 2015	9,585,424	(264,351)	(112,621)	(614,945)	8,593,507
(Credit)/Charge to income statement (Note 8)	(4,187,026)	(274,720)	(255,000)	614,945	(4,101,801)
Charge to other comprehensive income	-	266,050	-	-	266,050
At 31 December 2015	5,398,398	(273,021)	(367,621)	-	4,757,756

17 POST-EMPLOYMENT BENEFITS

The Company 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 **MUR2,674,326** for the year ended 31 December 2016 (2015 – MUR3,212,145).

In addition, the Company has recognised a net defined benefit liability of **MUR2,059,000** as at 31 December 2016 (2015: MUR1,606,000) in respect of any additional retirement gratuities that are expected to be paid out of the Company's cashflow to its employees under the Employment Rights Act (ERA) 2008.

The Company is subject to an unfunded defined benefit plan for the employees. The plan exposes the Company 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 Company had a residual obligation imposed by ERA 2008 on top of its defined contribution (DC) 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.

The amount recognised in the statement of financial position is as follows:

	2016 MUR	2015 MUR
Amounts recognised in profit or loss		
Current service cost	**376,000**	435,000
Past service cost	**-**	26,000
Interest cost	**112,000**	190,000
	488,000	651,000
Amounts recognised in other comprehensive income		
Liability experience gain	**(11,000)**	(1,546,000)
Liability gain due to change in financial assumptions	**(24,000)**	(19,000)
	(35,000)	(1,565,000)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONTINUED)

17 POST-EMPLOYMENT BENEFITS (CONTINUED)

	2016 MUR	2015 MUR
Movements in liability recognised in statement of financial position		
At start of year	**1,606,000**	2,520,000
Amounts recognised in profit or loss	**488,000**	651,000
Amounts recognised in other comprehensive income	**(35,000)**	(1,565,000)
At end of year	**2,059,000**	1,606,000
Principal actuarial assumptions at end of year		
Discount rate	**6.50%**	7.00%
Rate of salary increases	**5.50%**	6.00%
Rate of pension increases	**1.50%**	2.00%
Average retirement age (ARA)	**60 years**	60 years
Sensitivity Analysis on Defined Benefit Obligation at End of Period		
- Increase due to 1% decrease in discount rate	**1,586,000**	1,218,000
- Decrease due to 1% increase in discount rate	**1,221,000**	854,000

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.

Future cashflows

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

- Expected employer contribution for the next year	Nil	Nil
- Weighted average duration of the defined benefit obligation	21 years	22 years

	2016 MUR	2015 MUR
Reconciliation of the present value of defined benefit obligation		
Present value of obligation at start of year	**1,606,000**	2,520,000
Current service cost	**376,000**	435,000
Interest cost	**112,000**	190,000
Past service cost	**-**	26,000
Liability experience gain	**(11,000)**	(1,546,000)
Liability gain due to change in financial assumptions	**(24,000)**	(19,000)
Present value of obligation at end of year	**2,059,000**	1,606,000

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2016 (CONTINUED)

18 DIVIDENDS

The Company declared and paid dividends of **MUR91,800,000** in the year ended 31 December 2016 (2015 –MUR54,400,000).

19 COMMITMENTS

The company leases its offices under non-cancellable operating lease agreements. The lease terms are for 5 years.

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

	2016	2015
	MUR	MUR
Not later than one year	**4,733,688**	5,075,580
Later than 1 year and no later than 5 years	**9,467,376**	14,201,064
Total	**14,201,064**	19,276,644

20 EVENTS AFTER REPORTING PERIOD

There is no event subsequent to the date of reporting period which may have a material effect on the financial statement as at 31 December 2016.

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