



SUPREME VENTURES LIMITED

Annual Report **2014**



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Corporate **Statement**

Mission

To Be The Best Provider of Online Lotteries,
Sports Betting, Gaming and Other Electronically
Distributed Products and Services

Core Values

Ethical Business Practices At All Times

Fairness In All Efforts

Excellence In Our Performance

Keep All Promises

Respect And Consideration For All



Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of Supreme Ventures Limited will be held at The Knutsford Court Hotel (Grand Caribbean Suite), 11 Ruthven Road, Kingston 10, Jamaica, West Indies, on Thursday, 28th May 2015 at 10:00 a.m. to consider and if thought fit pass the following Resolutions:-

Ordinary Resolutions

1. Audited Accounts

"That the Audited Accounts for the year ended 31st December 2014 and the Reports of the Directors and Auditors, circulated with the NOTICE convening the Meeting be and are hereby adopted."

2. Interim Dividends

To approve and ratify interim dividends:

To consider and (if thought fit), pass the following Resolution:-

- a) "That the interim dividends paid of nine (9) cents on 29th May 2014, three (3) cents on 5th September 2014, five (5) cents on 9th December 2014, and eight (8) cents paid on 20th March 2015, totalling twenty-five (25) cents be and they are hereby declared as final."
- b) "That the special dividend distribution of twenty-three (23) cents per stock unit out of retained earnings as at December 31, 2014, nineteen (19) cents paid on 20th March 2015, and four (4) cents paid on 27th May 2015 be and are hereby declared as final."
- c) "That both the interim and special dividends be and are hereby declared as final and that no further dividend be paid for the year under review."

3. Election of Directors

- a) In accordance with Articles 105 and 106 of the Company's Articles of Incorporation, the following Directors retire by rotation and, being eligible, offer themselves for re-election:
 - Paul Hoo
 - Nikolaos Nikolakopoulos
 - Nicholas Mouttet
- (i) "That Director Paul Hoo, retiring pursuant to Articles 105 and 106 of the Articles of Incorporation, be and is hereby re-elected."



Notice of Annual General Meeting

- (ii) "That Director Nikolaos Nikolakopoulos, retiring pursuant to Articles 105 and 106 of the Articles of Incorporation, be and is hereby re-elected."
- (iii) "That Director Nicholas Mouttet, retiring pursuant to Articles 105 and 106 of the Articles of Incorporation, be and is hereby re-elected."

4. Directors' Remuneration

- (a) "That pursuant to Article 84 of the Company's Articles of Incorporation, the remuneration of the Directors shall be such an amount as the Board of Directors, or any appropriate Committee of the Board of Directors, may determine."
- (b) "That the Directors be and are hereby empowered to fix the remuneration of the Executive Director(s)."
- (c) "That the amount shown in the Accounts of the Company for the year ended 31st December 2014, as remuneration of the Directors for their services, be and is hereby approved."

5. Appointment of Auditors and their Remuneration

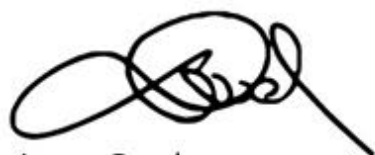
"That KPMG, having signified their willingness to serve, be and are hereby appointed as Auditors of the Company until the conclusion of the next Annual General Meeting, at a remuneration to be agreed with the Directors."

A member of the Company, entitled to attend and vote, is entitled to appoint a Proxy to attend and vote in his stead, and a Proxy need not be a member.

If you are unable to attend the Meeting, a Form of Proxy is enclosed for your convenience. When completed, this Form should be deposited with the Secretary at 9A Retirement Crescent, Kingston 5, Jamaica, W.I., not less than 48 hours before the time appointed for the meeting. The Proxy Form should bear stamp duty of J\$100.00 or its equivalent, before being signed. The stamp duty may be paid by adhesive stamps, which are to be cancelled by the person signing the Proxy.

DATED this 13th day of March 2015

BY ORDER OF THE BOARD



Lorna Gooden
CORPORATE SECRETARY



Business **Highlights**





Chairman Statement

Dear Shareholders,

Despite the challenging economic environment, the Supreme Ventures Group is pleased to report another successful year of growth. We have delivered strong operating results, a stronger financial position, improved cash flows and increased returns to shareholders.

When compared to 2013, the Group's 2014 gross revenues grew by 21%. Our gross profit, which represents profit after the payment of prizes, levies to the Betting, Gaming and Lotteries Commission (BGLC) and Lottery & Gaming taxes, grew by 11.8%. This was achieved despite the adverse impact of higher than projected Cash Pot game liabilities and direct expenses due mainly to increased prize payments, agents' commission and Pin Codes. We also reduced operating expenses by 4.3%. The increased profits after tax for 2014 resulted in a 92.70% improvement in earnings per share for the reporting period.

The Group continues to focus on participating aggressively in every segment of the Lottery and Gaming market, with the introduction of new and innovative products, examples being the successful Top Draw and Money Time games. The year also saw continued expansion into the Sports Betting market, rationalization of the Gaming Lounges and diversification of the VLT segment, with the recent signing of an operating agreement with ICE Jamaica (ICE-J). The ICE-J Agreement provides for the establishment of a VLT network in bars and other social spaces, also referred to as the VLT Route System.



Paul Hoo
Chairman

Supreme Ventures continues to play an increasing and critical role in the payment of taxes and fees to the Government of Jamaica, with a total of \$4.13B paid in Lottery and Gaming Taxes, levies to the BGLC and fees to the CHASE 'Good Cause' Fund.

We maintain a proud tradition of Corporate Social Responsibility, with our strong support for development of the nation's athletes through sponsorship of the Jamaica Athletics



Chairman Statement

Administrative Association (JAAA), Netball Jamaica's programme with the Sunshine Girls and the community leagues and ongoing support for projects such as the Courtney Walsh Cricket Clinics for kids up to 15 years of age. We are also a main sponsor of Rise Life Management Services programme for Responsible Gaming.

As we look to the future of our business, we are optimistic about the opportunities for strong and continued growth and diversification. We will focus on leveraging existing and emerging technologies, exploiting new areas of the market that will enable the use of the Internet for the introduction of new and interactive gaming content, all geared towards the emerging demographic of new players.

I wish to express my profound appreciation to the members of the Board of Directors, our strong and dynamic executive team, motivated and committed staff, dedicated agent network and most importantly, our loyal base of players who support our games. They all continue to contribute in making our vision for Supreme Ventures Limited a reality.

Paul Hoo
Chairman



Corporate Governance

The Board of Directors of Supreme Ventures Limited (SVL) is collectively responsible for the performance of the Company and its subsidiaries. One of the primary responsibilities of the Board of Directors is to ensure that, the Company and its subsidiaries have a robust and effective corporate governance framework, which is vital to the preservation of shareholder value and confidence in the Group. A copy of the Group's Corporate Governance Policy is available on our website at <http://www.supremeventures.com>.

The Board adopts an enterprise-wide approach to corporate governance by ensuring adherence to a uniform set of corporate governance policies and procedures throughout the Group. The Corporate Governance Code will be reviewed annually by the Board to ensure that it remains relevant and is in keeping with best practices.

SVL's Corporate Governance Code documents the corporate governance framework of the group. This ensures that the Company and all subsidiaries adhere to a standard corporate governance policy that represents best practices inclusive of recommendations taken from the Private Sector Organization of Jamaica (PSOJ) Corporate Governance Code and the Jamaica Stock Exchange (JSE) rules.

The Code:

- a) Adopts best corporate governance practices implemented by a public company under the guidance of the Board of Directors;
- b) It defines the procedures and processes to which the group of companies is directed and controlled;
- c) It specifies the distribution of rights and

responsibilities among the different participants in the organization such as the Board of Directors, the management, shareholders and other stakeholders.

Board Responsibility

The Board's primary responsibility is to provide strategic direction for the Company and approve management's business plans to effect the strategic and operational goals. The Board sets the strategic direction of the Company and ensures that it gives management direction, where needed, to ensure that the goals are met. The Board also ensures the fair and equitable treatment of all stakeholders, including minority shareholders.

While executing its duties, the Board takes into account all parties whose interests are associated with those of the Company, as well as creditors and employees who are directly affected by the operation of the Company.

At all times, Directors are expected to exercise sound independent business judgement in what they reasonably believe to be in the best interest of the Company. In discharging that obligation, the Directors rely on the honesty, integrity and competencies of the Company's senior management, and expert advisors, including auditors.

SVL's Board met eight (8) times during 2014 to ensure that the Board's mandates were effectively addressed. The responsibility of the Board is outlined in an approved Board Charter which includes the following duties and functions:

- Provide strategic direction for the Company and approves management's business plans to effect the strategic and operational goals;



Corporate Governance

- Articulate the organization's values, vision, mission and strategies;
- Discuss and approve annual budgets, capital expenditures, acquisitions and divestitures;
- Monitor and evaluate the performance of senior management and align executive remuneration with their qualification and experience;
- Install effective and robust internal control systems and risk management procedures;
- Ensure the integrity of the company's accounts and financial reporting systems and public disclosures, as well as the effectiveness of the systems of internal control and risk management;
- Monitor the performance of the Board against the strategic goals determined;
- Review management performance;
- Ensure that the company's obligations to stockholders are understood and met;
- Ensure that Board Members behave ethically and promote throughout the company behaviour that is consistent with the culture and values of a high-performing organization;
- Create the right framework that will enable directors to meet their statutory duties.

Size and Composition of the Board of Directors

As at 31st December 2014, the Board was comprised of 11 Directors and chaired by Mr. Paul Hoo. The size and composition of the Board permit the Board to be effective in exercising its powers and duties. The number of

directors as guided by the Articles of Incorporation should not exceed twelve.

The Board's composition reflects Directors drawn from diverse backgrounds, thereby creating a balance of independence, knowledge, experience, leadership skills and perspectives, to allow the Board to work effectively. SVL's Directors are recognized as strong leaders in their respective fields of work. Our Directors take care in ensuring that decisions are made after careful deliberation of relevant information. The appointment and retirement of Directors shall be governed first by the Articles of Incorporation of the Company and thereafter by standards/criteria imposed by the Board or the Company's Regulators.

Designations include Chairman, Deputy Chairman, President & CEO, Executive Director(s), Non-Executive Directors and Independent Non-Executive Directors.

Independence

In determining whether a proposed candidate or current member is to be classified as "independent" or "non-independent", the Board of Directors considers whether he or she:

- Is or has been an employee, senior executive or Chairman of the Board of Directors of the Company or its subsidiaries within the last three (3) years;
- Receives or has received during the 12 months prior to his appointment any compensation from the Company other than board membership fees approved by the General Meeting of Shareholders of the Company;



Corporate Governance

- Has or had within the past year a material business relationship with the Company or its subsidiaries, particularly as a significant client, supplier or consultant of the Company or as a partner, shareholder or Board member, or senior executive of an entity that has such a relationship with the Company or its subsidiaries;
- Has been the External Auditor of the Company or its subsidiaries or has been a partner or employee of a firm that provides external auditing services to the Company or its subsidiaries within the last three (3) years;
- Has a second degree kinship with or is the spouse of a non-independent Board member, senior executive, adviser or significant shareholder of the Company or its subsidiaries;
- Controls directly or indirectly through related parties, more than 5% of the voting rights of the Company or represents a significant shareholder of the Company or its subsidiaries.

Whether classified as “independent” or “non-independent”, all Directors of the Company shall act independently and bring an independent mind to bear on matters coming before the Board.

Directors shall notify the Board of any change in status that may affect their Independence. When notified, the Board will evaluate the Directors’ independence.

Audit & Compliance Committee

The Audit and Compliance Committee was established by the Board to assist the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process, and the company’s process for monitoring compliance with laws and regulations and the code of conduct. The Terms of Reference of the Committee is governed by an approved charter. The quorum for the Committee meetings is three and this must include two independent members.

The functions of the Audit and Compliance Committee are as follows:

- To monitor the integrity of the financial statements of the Group;
- To review annual and interim reports, preliminary results, announcements and any other formal announcement relating to financial performance;
- To review arrangements for employees;
- To review significant financial reporting issues and judgements, summary financial statements, financial returns to regulators and any financial information to be reported in other documents which may impact share price;
- To keep under review the effectiveness of internal controls and risk management systems by examining steps taken by the Board and Management of SVL to control exposure to significant risks;



Corporate Governance

- To monitor and review the effectiveness of internal audit functions in the context of the overall risk management systems;
- To consider and make recommendations to the Board with respect to matters for approval at General Meetings, including the appointment, re-appointment and removal of the external auditors. In addition, the Audit Committee will oversee the selection process for new auditors and shall investigate issues leading to the resignation of auditors where applicable;
- To oversee the relationship with the external auditors;
- To review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- To review findings of the external auditors and in particular initiate discussions on issues which may have arisen during the audit, including accounting and auditing judgements and levels of errors identified;
- To review the effectiveness of the services provided by the external auditors.

The committee members as at 31st December 2014 were:

- Mr. Peter Chin (Chairman)
– Independent Director
- Mr. Ian K. Levy
- Mr. Georgios Sampson
- Mr. Barrington Chisholm
– Independent Director
- Mr. Ian Moore
– Independent Director

Finance Committee

The Finance Committee is the sub-committee of the Board of Directors which is responsible for the financial management of the Company. The Chairman of the Board is the Chairman of this committee and may select up to five Directors to serve on this committee.

The Finance Committee provides assistance to the Board of Directors of the Company, in fulfilling its responsibility to the shareholders, in respect of the policies and practices that relate to the management of the financial affairs of the Company.

The Finance Committee's primary purpose is to:

- Review management's plans to manage the Company's exposure to financial risk;
- Review the Company's business plan, cash plan, balance sheet, and capital structure;
- Recommend dividend actions to the Board of Directors;
- Review the Company's capital allocation strategy, including the cost of capital;
- Review the Company's capital appropriation matters, including recommending approval of those programs requiring Board approval and providing periodic oversight of board-approved programs;
- Review the Company's pension strategy and performance and health care costs and funding.

Messrs Paul Hoo, Brian George, John Graham, Nikolaos Nikolakopoulos, Barrington Chisholm and Steven Hudson were elected to serve and remain members as at 31st December 2014.



Corporate Governance

Compensation Committee

The Compensation Committee was organized to assist the Board of Directors of the Company, in approving and monitoring guidelines and practices, with respect to the compensation and benefits of officers as well as administering the Company's equity based compensation plan. The Compensation Committee assists the Board in fulfilling its fiduciary responsibilities relating to:

- The fair and competitive compensation of the non-employee directors;
- The compensation, bonuses, and incentives of the Chief Executive Officer, executive and other key employees of the Company;
- The administration of the general employee welfare plans of the company.

The Compensation Committee is authorized to obtain outside legal or independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Compensation Committee comprises four members. The Committee members as at 31st December 2014 were Mr. Nikolaos Nikolakopoulos, Mr. John Graham, Mr. Steven Hudson and Mr. Barrington Chisholm.

Governance and Nomination Committee

The Governance and Nomination Committee's role is to determine the slate of director nominees for election to the Company's Board of Directors, to review, evaluate and recommend changes to the Company's

Corporate Governance Guidelines, and to establish the process and guidelines for conducting the review of the Chief Executive Officer's performance.

The Governance and Nomination Committee assists the Board in the following:

- In ensuring that there is a formal, rigorous and transparent procedure for the appointment of new directors to the Board;
- To identify and recommend qualified candidates to fill vacancies occurring between annual shareholder meetings;
- To assist the Board of Directors in organizing itself to discharge its duties and responsibilities properly and effectively;
- To review, evaluate and recommend changes to the Company's Corporate Governance and Nomination Guidelines;
- To perform such other duties and responsibilities enumerated in and consistent with this Charter.

The following Directors were elected to serve and remain members as at 31st December 2014:

- Mr. Paul Hoo
- Mr. John Graham
- Mr. Barrington Chisholm
- Mr. Nikolaos Nikolakopoulos
- Mr. Ian Levy

External Auditors

During the Financial Year under review, Messrs KPMG served as auditors of the Company.



Corporate Governance

Attendance at Board and Committee Meetings

The attendance of the Directors of SVL at the Board and Committee meetings for the period ended 31st December 2014 is reflected in the table below:

Directors	Board	Audit Committee	Finance Committee	Governance Committee	Annual General Meeting
Paul Hoo	8	-	2	1	1
Brian George	8	-	2	-	1
Ian Levy	8	8	-	1	1
John Graham	8	-	2	1	1
Barrington Chisholm	8	8	2	1	1
Steven Hudson	8	-	2	-	1
Georgios Sampson	8	8	-	-	1
Nikolaos Nikolakopoulos	8	-	2	1	-
Nicholas Mouttet	7	-	-	-	1
Peter Chin	8	8	-	-	1
Ian Moore	8	8	-	-	1
Mark Ammon – Alternate *	1				

* Mr Mark Ammon was appointed on November 15, 2014, as an Alternate for Director Nicholas Mouttet

Board of Directors



Paul Hoo
Chairman

Mr. Hoo is a founding shareholder of the company and brings a wealth of experience in business development and operations.

He was nominated for the Jamaica Business Observer Leader of the Year Award in 2001.

Paul is also Chairman of SVL's Finance and the Governance & Nomination Committees of the Board.

He is also a Trustee of the Company's Pension Fund.



Ian Levy, OD
Deputy Chairman

Mr. Levy is also a founding shareholder of the company and an accomplished businessman. He is Chairman and Managing Director of Ian K. (Agencies) Limited. Ian's business skills have greatly influenced the success of Supreme Ventures Limited. Ian is a member of SVL's Audit & Compliance and the Governance & Nomination Committees of the Board.

He was awarded the National Order of Merit (Chevalier de l'Ordre National du Merite) from the Government of France in 2005. In 2012, Ian received the honour of Order of Distinction from the Jamaican Government. He was also nominated for the Jamaica Observer Business Leader Award in 2006.

Mr. Levy also sits on the Board of the Jamaica Civil Aviation Authority, Aeronautical Telecommunications Limited and LHCC Perfect Homes Limited.



Brian George
President & CEO

Mr. George joined the company in 2003 and brings a wealth of experience in lottery and gaming operations.

Under Brian's stewardship, the company has adopted an innovative and aggressive approach to marketing its products and services. He is a member of SVL's Finance Committee of the Board.

Brian was appointed Chairman of the Board of Directors of the Ports Security Corps in 2012. He is also a Board member of the CHASE Fund in Jamaica.



Board of Directors



John Graham
Director

Mr. Graham is an Attorney-at-Law and brings his knowledge and experience in civil litigation, advocacy, commercial law and conveyancing to the Board.

John is a member of SVL's Finance, Compensation and Governance & Nomination Committees of the Board. He has also served as a Director on a number of Boards in the private and public sector.



Peter Chin
Director

Mr. Chin has over 30 years' experience in the fields of investment and financial management, commercial lending and project finance and has provided such services to major local and international institutions. He is the President of Alliance Investment Management Limited.

Peter was appointed Chairman of SVL's Audit & Compliance Committee of the Board effective 4th June 2013. He is also a Trustee of the Company's Pension Fund.

Peter is also a director of the RJR Communications Group and AMG Packaging & Paper Company Limited; both companies are also listed on the Jamaica Stock Exchange.



Nikolaos Nikolakopoulos
Director

Mr. Nikolakopoulos is the Chief Operating Officer for the INTRALOT Group, a leading provider of state-of-the-art integrated gaming solutions to lottery and gaming organizations worldwide. He previously held a number of senior positions in INTRALOT and other multinational Information Technology companies, including Microsoft, INTRACOM Group.

Nikos was appointed Chairman of SVL's Compensation Committee of the Board effective 4th June 2013. He is also a member of the Board's Finance and Governance & Nomination Committees.



Board of Directors



Barrington Chisholm
Director

Mr. Chisholm is a retired Banker with a distinguished and successful career at the Scotiabank Group. Barry is a member of SVL's Audit & Compliance, Finance, Compensation and Governance & Nomination Committees of SVL's Board.

He is a Director on the Board of AMG Packaging & Paper Company Limited and a Trustee of the Elsie Bemand Home for Girls. Barry is also a Justice of the Peace.



Steven Hudson
Director

Mr. Hudson brings to the Board over 18 years of knowledge and experience in business and the hospitality industry. His work experience includes the hotel and restaurant industry.

He is currently the Managing Director of Bearings and Seals Limited, one of Jamaica's major distributors of automotive and industrial parts. Steven is a member of SVL's Finance and Compensation Committees of the Board.



Georgios Sampson
Director

Mr. Sampson has extensive international business experience and brings a wealth of knowledge in contract negotiation in the gaming industry.

He has been an executive with INTRALOT S.A. since 2003. Georgios is currently the Director of Finance and Business Development for INTRALOT Latin America Inc. Georgios is a member of SVL's Audit & Compliance Committee of the Board.



Board of Directors



Ian Moore
Director

Ian Moore has over 25 years of consulting experience, specializing in Telecommunications and Information Technology strategy and Project Leadership. He is the Chairman of Adjoined Business Solutions. He is a member of SVL's Audit & Compliance Committee of the Board.

Ian previously Chaired the Petroleum Corporation of Jamaica and was also a Director of the Port Authority of Jamaica and the Central Information Technology Office (CITO).



Nicholas Mouttet
Director

Mr. Mouttet brings a wealth of experience in international marketing and business negotiations, to the strategic planning process for SVL's Board.

He is also Chairman of Agri-Link Limited in Trinidad and a Director of INTRALOT Caribbean Ventures.



Senior Managers



Tashia Hutton
Asst. Vice President,
Regulatory & Contract
Compliance



Andrew Bromley
Vice President,
Group Security & Surveillance



Janette Conie
Asst. Vice President,
Group Human Resources



Mark Archer
Group Information
Technology Manager



James Morrison
Vice President,
Group Finance & CFO



Brian George
President & CEO

SUPREME VENTURES

Games people love to play...and more



Wayne Boodasingh

Vice President,
Group Properties and
Facilities



Sonia Davidson

Vice President,
Group Corporate
Communications



Lancelot Thomas

Asst. Vice President,
Strategic Planning &
Risk Management



Vassilis Hadjidiakos

Asst. Vice President, Group
Budget & Management
Reporting



Jomo Cato

Vice President,
Commercial Operations
& Business Development



Adam Harris

Group Manager,
Research & Innovation



Directors' Report

The Directors present their Annual Report with the Group Statement of Profit or Loss and Other Comprehensive Income of Supreme Ventures Limited and its subsidiaries for the year ended 31st December 2014, together with the Consolidated Statement of Financial Position.

Report 31st December 2014

Operating Results	\$'000
Gross Profit	<u>3,722,847</u>
Profit before taxation	1,215,741
Taxation	(285,824)
Profit for the year, being total comprehensive income for the year	<u>929,917</u>
Earnings per stock unit	<u>35.26 cents</u>

Dividends

The Directors recommend:

- That the interim dividends of: nine cents on 29th May 2014, three (3) cents on 5th September 2014, five (5) cents on 9th December 2014, and eight (8) cents paid on 20th March 2015, totalling twenty-five (25) cents be confirmed as a final dividend for the financial year ended 31st December 2014.
- The special dividend distribution of twenty-three (23) cents per stock unit out of retained earnings as at December 31, 2014, comprising nineteen (19) cents paid on 20th March 2015, and four (4) cents to be paid on 27th May 2015.
- That both the interim and special dividend be and they are hereby declared as final and that no further dividend be paid for the year under review.



Directors' Report

Directors

The members of the Board of Directors as at 31st December 2014 were as follows:

Mr. Paul Hoo	- Chairman
Mr. Ian Levy	- Deputy Chairman
Mr. Brian George	- President/CEO
Mr. John Graham	
Mr. Nikolaos Nikolakopoulos	
Mr. Barrington Chisholm	
Mr. Steven Hudson	
Mr. Georgios Sampson	
Mr. Nicholas Mouttet	
Mr. Peter Chin	
Mr. Ian Moore	

Pursuant to Articles 105 and 106 of the Articles of Incorporation, one-third of the Directors (or the number nearest to one-third) will retire at the Annual General Meeting.

Corporate Secretary

Miss Lorna Gooden

External Auditors

The Auditors, KPMG, have indicated their willingness to continue in office, and offer themselves for re-appointment.

ON BEHALF OF THE BOARD

Lorna Gooden
CORPORATE SECRETARY



Management Discussion And Analysis

This Management Discussion and Analysis (MD&A) reviews the consolidated financial results of the Supreme Ventures Group for the year ended 31st December 2014. This report should be read in conjunction with the Group's financial statements and accompanying notes, which have been audited by KPMG Chartered Accountants. Except where otherwise indicated, all amounts in the financial statements, its accompanying notes and this MD&A are stated in Jamaican dollars.

WHAT WE DO

The Supreme Ventures Group is a premier lottery and gaming provider in the Caribbean. Our strategic objective is to be the leading provider of innovative and compelling gaming and lottery content through all current and emerging mediums, while providing the highest returns to all stakeholders. Additionally, as a leading provider of online electronic PIN codes (E-PINs), we recognize the opportunity to utilize our robust technology platform and extensive retailer network to provide non-lottery commercial services to the market.



Brian George
President & CEO

Economic OVERVIEW

Economic Indicator	2014	2013
Inflation Rate	6.4%	9.5%
Unemployment Rate (@ Oct. 31)	14.2%	14.9%
JMD/USD selling rate – end of year	\$114.66	\$106.38
JMD devaluation rate	7.78%	14.30%
Net International Reserves	US\$2B	US\$1B
Remittances (Jan. – Nov.)	US\$1.74B	US\$1.65B

Figure 1: Macro-Economic Indicators



Management Discussion And Analysis *cont'd.*

The Jamaican economy was relatively stable in 2014 with key macro-economic variables moving in a positive direction. The country passed all the International Monetary Fund (IMF) tests conducted during the course of 2014, meeting all required quantitative and structural benchmarks. There was also a marked improvement in the Net International Reserves (NIR), which closed the year at just over US\$2 billion or the equivalent of 18 weeks of imports, and well above the target set by the Central Bank. This improvement in the NIR gives an indication that the government now sits in a better position to intervene in the foreign exchange market should the Jamaican dollar face pressure.

The country also experienced a reduction in the rate of inflation, which declined from 9.5% for the 2013 calendar year to 6.4% for 2014. With respect to the local currency, the Jamaican dollar (JMD) devalued at a slower rate of 7.78% in 2014 compared to 14.30% in 2013. Notwithstanding the improvements in the rates of inflation and local currency devaluation, the disposable income of consumers was negatively affected due to increased prices for goods and services, including public transportation fares, electricity bills and basic goods and services. In particular, for the third (3rd) quarter of 2014, the economy experienced an increase in the rate of inflation with the country being affected by drought conditions resulting in higher prices for some food items. Also during this period, much of the country was affected by the Chikungunya virus which is estimated to have cost the country approximately 1 – 1.5% of GDP for 2014.

The country, however, benefited from improvements in the US economy with cumulative net remittance inflows to Jamaica up to the end of November 2014 growing by

5.6% or US\$92.3M relative to the corresponding period in 2013.

Industry OVERVIEW

The Jamaican gaming market (inclusive of illegal gaming) is estimated to have a potential value of between J\$75 – J\$100 million. The estimated size of the country's legal gaming market for the fiscal year 2013/2014 was J\$43 billion. The gaming market in Jamaica consists of all persons over the age of 18 years, which represents approximately 1.82 million people. This figure has remained virtually unchanged when compared to the prior year.

The Group currently operates in a:

- Non-competitive legal lottery market (current lottery licence remains in effect to the year 2033)
 - aggressive and expanding illegal market
- Competitive sports betting market
- Competitive VLT market

In 2014 there were three (3) significant legislative/regulatory changes which directly impacted the operations of the Group and the industry overall.

The first was the introduction of new regulations governing telephone betting which has provided for operators to establish accounts for players/customers who can now transact business via a mobile or landline telephone. These accounts are held by the operator and are subject to review by the regulator, the Betting Gaming and Lotteries Commission.



Management Discussion And Analysis *cont'd.*

The second was the implementation of an amendment to the Proceeds of Crime Act (POCA) which now applies to operators of VLT gaming lounges. Under this amendment operators now have strict guidelines for reporting cases of suspected money laundering based on activities within their gaming lounges. The amendment also requires implementing procedures to detect and report suspicious activities as well as to verify the identity of customers.

The third was the amendment to the Betting Gaming and Lotteries Act which allowed for the expansion of our sports betting terminal network into existing lottery outlets and the classification of Sport Betting agents as being separate from bookmaking operators. This change in legislation facilitated the expansion of our sports betting distribution network and resulted in the successful installation of over 150 new sports betting terminals.

These legislative and regulatory changes were positive for the industry and serve to facilitate the development of a vibrant gaming landscape going forward. We anticipate that the government and the respective regulatory agencies will continue to make changes that will facilitate the growth and development of the industry.

Business REVIEW

Our strategic objectives for 2014 were: expansion of our portfolio of lottery games; expansion of our sports betting distribution network, and elimination of non-profitable operations. During the period we made significant strides

in achieving these targets, resulting in improved value to our stakeholders. A summary of the initiatives undertaken for 2014 follows.

Lottery

Several changes were successfully made to our lottery portfolio in 2014 as we continue to refresh and expand our product offerings to meet the demands of our players. A fifth draw, the "Early Bird Draw", was introduced on May 25, 2014 with a draw time of 8:30 a.m. to cater for early morning gamers. With the introduction of the 5th draw, our daily draw times are now as follows: 8:30 a.m., 10:30 a.m., 1 p.m., 5 p.m. and 8:25 p.m.

Top Draw, a 5 of 22 numbers game with a maximum daily payout of \$1million, was introduced on June 25, 2014. The game has quickly developed a loyal following and now ranks 5th in revenue-generation amongst all lottery games.

The now hugely popular Money Time game was introduced on October 12, 2014. Money Time is a 1 of 38 roulette-type game with draws at 5-minute intervals from 6 a.m. to 2 a.m. each day. Money Time represents our strategic intent to open up a new market segment for social space gaming whereby we offer games strategically positioned in social settings, providing a convenient entertainment option for gamers.

We also made changes to our jackpot games, Lotto and Super Lotto. To improve its relevance and value to our players, the Lotto game was re-configured in August 2014. This re-configuration saw a change in the price of Lotto tickets and the starting jackpot, with the ticket price moving from \$50 to \$100 and the starting jackpot now



Management Discussion And Analysis *cont'd.*

set at \$25 million up from the previous amount of \$15 million. Effective April 22, 2014, the participants in the multi-jurisdictional Super Lotto game welcomed the addition of Paraguay. Super Lotto draws are now conducted in Jamaica (formerly conducted in the Dominican Republic) and are aired across the participating territories.

Sports Betting

On the verge of the kick-off of the 2014 FIFA World Cup, the anticipated regulatory changes were made which expanded the locations from which betting wagers could be sold. The Group capitalized on this opportunity by expanding its sports betting terminal network, making it easier for bettors to place wagers on their favourite events and predicted outcomes.

VLT Gaming

As the Group continues to reduce its losses from non-performing operations, the VLT gaming lounges, Odyssey Gaming and The Castle, Portmore were closed on December 1, 2014. With these closures, the Group now operates one full-scale VLT gaming lounge at the Acropolis, Barbican. Customers of the Acropolis, Barbican will now benefit significantly with the amalgamation of resources and services (previously dispersed across three locations) now being concentrated in one location.

Administration

In addition to the changes made in the core business, the Group also realized gains in administrative efficiency from restructuring the location of its corporate administrative functions. Prior to August 2014, the Group's administrative functions were carried out from two locations: leasehold premises at 4th Floor, R. Danny Williams Building and 8th Floor, Sagikor Sigma Building [formerly CitiGroup Building]. As of August 1, 2014, the Group's corporate offices are now located at the 4th Floor R. Danny Williams Building and our company owned location at 9A Retirement Crescent.

The foregoing strategic initiatives were instrumental in the Group's improved performance for 2014. An analysis of the Group's 2014 financial performance follows.

Management Discussion And Analysis *cont'd.*

FIVE YEAR STATISTICAL REVIEW

	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
Operating Results					
Total Revenue	41,309,545	34,140,265	29,726,146	27,961,628	25,267,080
Gross Profit	3,722,847	3,331,398	4,057,966	3,301,945	2,782,282
Operating Expenses	2,648,936	2,768,146	2,653,452	2,439,217	2,059,226
EBITDA	1,414,415	944,843	1,689,990	1,294,159	904,014
Profit After Taxation	929,917	482,569	1,073,089	606,326	421,267
Balance Sheet Information					
Total Assets	5,900,514	5,323,844	5,656,846	5,005,187	4,639,366
Long Term Liabilities	7,951	90,309	254,431	274,675	190,486
Working Capital	1,146,514	477,467	727,852	590,754	458,794
Stockholders' Equity	4,045,385	3,642,919	3,793,292	3,326,772	3,324,028
Cash Flow Analysis					
Cash provided by Operating Activities	1,495,188	779,667	1,137,703	998,055	340,679
Capital Expenditure	105,865	226,259	310,090	224,440	190,486
Loans Repaid	141,408	139,555	106,222	111,004	247,507
Dividends*	659,313	448,334	738,432	580,249	369,216
Financial Ratios					
Return on Equity	22.99%	13.25%	28.29%	18.23%	12.67%
Return on Assets	15.76%	9.06%	18.97%	12.11%	9.08%
Working Capital Ratio	1.62	1.30	1.45	1.42	1.42
Effective Tax Rate	23.51%	32.14%	25.92%	41.68%	39.97%
OPEX Ratio	6.41%	8.11%	8.93%	8.72%	8.15%
Returns to Stockholders					
Earnings per stock	\$0.35	\$0.18	\$0.41	\$0.23	\$0.16
Dividends per stock	\$0.25	\$0.17	\$0.28	\$0.22	\$0.14
Dividend Yield	12.50%	6.12%	9.82%	7.33%	6.45%
Dividend Payout Ratio	70.90%	92.90%	68.81%	95.66%	87.50%
Price Earnings Ratio	5.67	15.19	7.00	13.04	13.56
Book Value Per Stock (\$)	\$1.53	\$1.38	\$1.44	\$1.26	\$1.26
Stock Prices					
Closing Stock Price (JSE)	\$2.00	\$2.78	\$2.85	\$3.00	\$2.17
Other Data					
Annual Inflation	6.4%	9.5%	8.0%	6.0%	11.7%
Exchange Rate US\$1 = JMD	\$114.66	\$106.38	\$92.98	\$86.60	\$85.86
Cash Pot Liability	74.38%	74.54%	70.94%	73.81%	72.49%

*Dividends represented here reflect the amounts declared and paid from each year's profits



Management Discussion And Analysis *cont'd.*

Review of **FINANCIAL PERFORMANCE**

For 2014, the Group recorded \$929.917M in net profit, an increase of approximately 93% above the \$482.569M reported for 2013. This represents 35.26 cents in earnings per share for 2014 (2013: 18.30 cents). This improved profit performance was achieved through strong revenue growth and effective cost management.

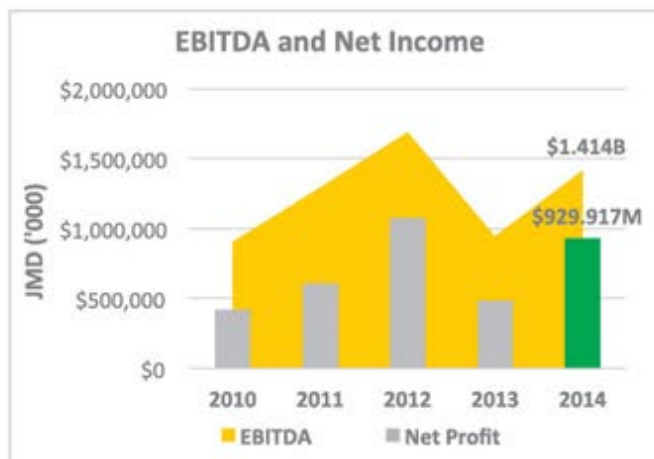


Figure 2: EBITDA and Net Income

The Group's 2014 revenues of \$41.3B represented an increase of 21% over the \$34.1B generated in 2013. This growth was due primarily to the positive performance of the lottery, sports betting and PIN codes segments. Particularly, the introduction of new lottery games and strong betting sales from the 2014 FIFA World Cup were major contributors to the improved revenue performance.

The increase in gross revenue was even more important as the Group was challenged by a reduction in its gross profit margin from 9.76% in 2013 to 9.01% in 2014. This reduction was

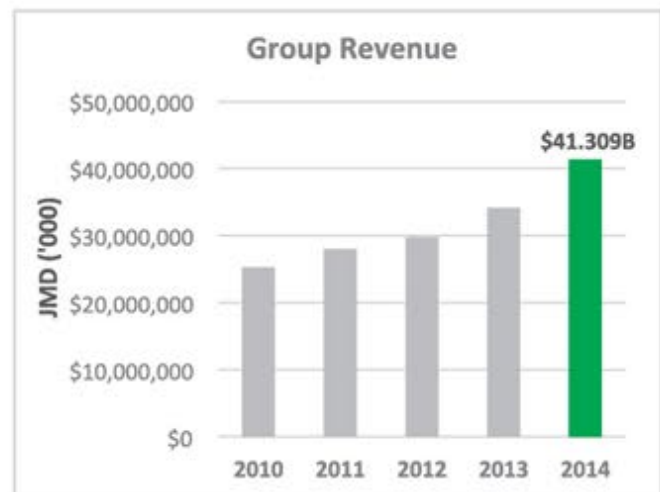
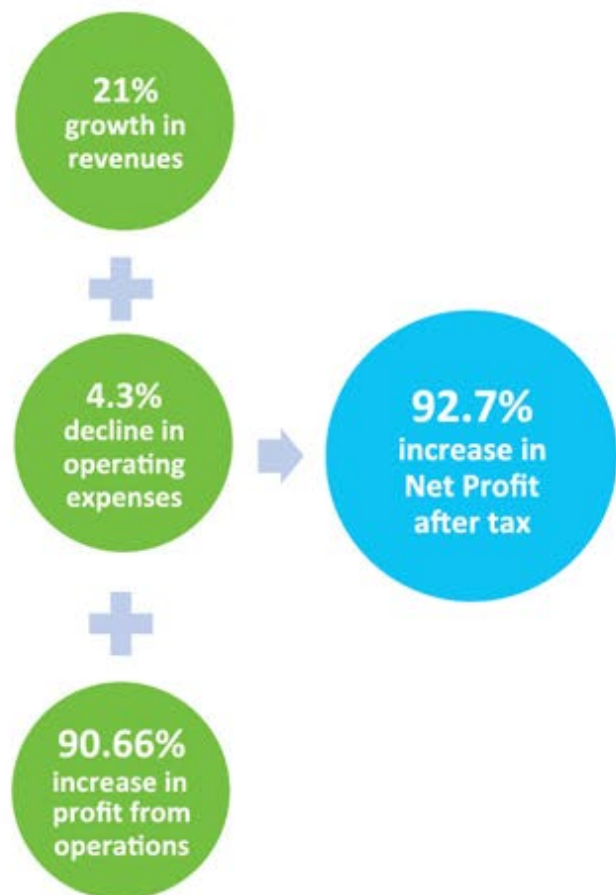


Figure 3: Group Revenue



Management Discussion And Analysis *cont'd.*

due mainly to an overall increase in lottery prize payouts and some direct cost components which are denominated in foreign currency, as well as shrinking margins on PIN codes due to a reduction in discount rates provided by our PIN code suppliers.

Despite the reduced gross profit margin, the substantial growth in revenues enabled the Group to achieve increased gross profits, moving by 12% from \$3.3B in 2013 to \$3.7B in 2014. The increase in direct expenses (22% over prior year) resulted in increased outflows to the following stakeholders:

- Customers: prize payouts for 2014 totaled \$24.8B or approximately 20% above prior year
- Sales Agents: total commissions for 2014 amounted to \$1.9B, representing an increase of 21% over prior year
- Government of Jamaica: In 2014, SVL paid over \$4.4B in taxes, licences and other fees (excluding corporate income tax) to statutory and regulatory bodies. This represents approximately 10.8% of 2014's gross revenues.

Taxes Paid	2014	2013	2012	2011	2010
Lottery and Gaming Taxes	\$2,205,007	\$1,818,424	\$1,556,356	\$1,381,176	\$1,284,078
Good Cause Fees	\$1,285,199	\$1,128,388	\$1,198,713	\$1,060,607	\$1,011,098
BGLC Contributions and Levies	\$643,258	\$511,565	\$278,249	\$264,099	\$243,389
GCT irrecoverable	\$250,182	\$234,775	\$211,071	\$100,404	\$87,063
Licences and other fees	\$39,884	\$41,739	\$26,168	\$26,381	\$18,258
Payroll Taxes - Employer's portion	\$53,058	\$55,059	\$58,030	\$49,555	\$44,921
Total	\$4,476,588	\$3,789,950	\$3,328,587	\$2,882,222	\$2,688,807

Figure 4: Taxes Paid (2010 - 2014)

The Group improved its operating efficiency in 2014, converting its gross profit gains into increased profits from operations by reducing its operating expenses. Profit from operations grew by approximately 91% from \$563.3M in 2013 to exceed the \$1B mark in 2014. This was enabled by a reduction in operating expenses, which declined by \$119M or 4% to \$2.6B in 2014. This reduction in operating expenses was achieved despite an inflation rate of 6.4% and was due largely to the following actions:

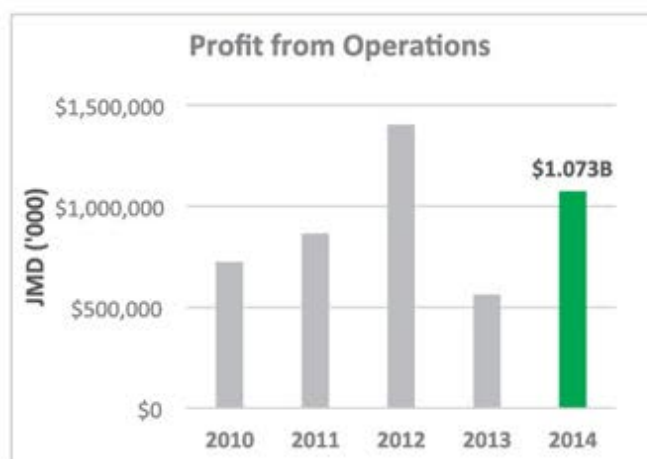


Figure 5: Profit from Operations



Management Discussion And Analysis *cont'd.*

- Rationalisation of the VLT gaming operations, reducing the number of full-scale gaming lounges from three (3) to one (1).
- Relocating some corporate head office functions from being housed in leasehold (8th Floor, Sagicor Sigma Building [formerly CitiGroup Building]) to company-owned property at 9a Retirement Crescent.
- Streamlining our administrative systems to realize savings in the following areas: treasury operations, security systems, receivables and collections, corporate services and risk management.
- Interest Income: with 2014's increased profits from operations, the Group put its increased cash flow to work which resulted in the \$29M or 63% increase in interest income.
- Net foreign exchange gains: the \$25M reduction from prior year was due to a reduction in the rate of devaluation of the JMD as well as a reduction in the stock of assets denominated in foreign currency.
- Finance Costs: the 42% reduction in finance costs is reflective of decreasing interest charges as bank loans are being repaid. Interest on bank loans is charged on a reducing balance basis.
- Other Gains comprise debts recovered from our lottery agents and reimbursements from our lottery service provider.

Movements in gains/losses from non-core operations are explained as follows:

FIVE YEAR FINANCIAL PERFORMANCE SUMMARY

	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
Revenue	41,309,545	34,140,265	29,726,146	27,961,628	25,267,080
Direct Expenses	(37,586,698)	(30,808,867)	(25,668,180)	(24,659,683)	(22,484,798)
Gross Profit	3,722,847	3,331,398	4,057,966	3,301,945	2,782,282
Operating Expenses*	(2,390,951)	(2,516,473)	(2,403,921)	(2,210,843)	(1,856,054)
Operating Profit	1,331,896	814,925	1,654,045	1,091,102	926,228
Net Foreign Exchange Loss and Gain	6,016	30,707	35,945	7,666	(7,158)
Other Gains and Losses	76,503	99,211	-	195,391	(15,056)
EBITDA	1,414,415	944,843	1,689,990	1,294,159	904,014
Interest Income	75,655	46,408	53,098	46,376	71,631
Finance Cost	(16,344)	(28,486)	(39,791)	(48,600)	(41,608)
Depreciation, Amortization and Disposal	(257,985)	(251,673)	(249,531)	(228,374)	(203,172)
Profit Before Taxation	1,215,741	711,092	1,453,766	1,063,561	730,865
Taxation	(285,824)	(228,523)	(376,880)	(443,294)	(292,138)
Profit for the year from continuing operations	929,917	482,569	1,076,886	620,267	438,727
Discontinued Operations	-	-	(3,797)	(13,941)	(17,460)
Other Comprehensive Income	-	-	-	1,289	159,061
Net Profit after taxation	929,917	482,569	1,073,089	607,615	580,328
Earnings per stock	\$0.35	\$0.18	\$0.41	\$0.24	\$0.16

*For purposes of this presentation, operating expenses excludes the following items: depreciation, amortization, write-offs and disposal.



Management Discussion And Analysis *cont'd.*

Due to legislative changes, the average nominal tax rates for the entities within the Group reduced from 28.75% in 2013 to 25% in 2014. This heavily influenced the Group's effective tax rate which reduced from 32.14% in 2013 to 23.51% in 2014. The effective tax rate for 2014 was further helped by the Group's utilization of the newly introduced employment tax credit.

Review of **FINANCIAL POSITION**

The Group's consolidated financial position as at 31st December 2014 reflects the strength of the improved profit performance for the reporting period. Growing by 11% over prior year, stockholder's equity as at December 31, 2014 stood at just over \$4B. This was as a result of a 25% increase in retained earnings (undistributed profits) which amounted to just over \$2B at the end of the reporting period. The stronger equity position was achieved through assets outgrowing liabilities during 2014.

Total assets increased by 11% or approximately \$577M over prior year. This growth was reflected in net movement of four primary areas: cash and cash equivalents, trade and other receivables, property and equipment and deferred taxation. Cash and cash equivalents grew by 51%, totaling \$2.2B as at December 31, 2014. This growth was attributable to the increase in profit from operations for the year. Approximately 72% of these funds were held in interest-bearing accounts. The majority of the remaining 28% were held in accordance with regulatory reserve requirements.

Trade and other receivables grew by 42% or \$196M largely due to the significant growth in revenues as well as the number of sales days



Figure 6: Stockholders' Equity

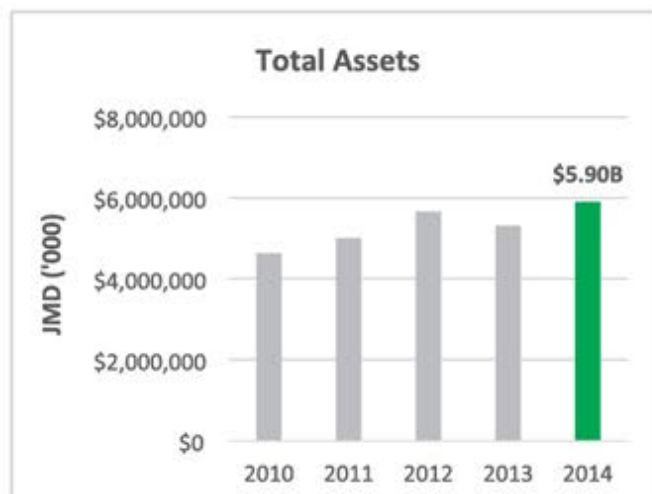


Figure 7: Total Assets



Management Discussion And Analysis *cont'd.*

outstanding at the end of the reporting period. At the end of 2014, there were four (4) days of sales outstanding, relative to three (3) days of sales outstanding at December 31, 2013. The carrying value of property and equipment declined by 8%, representing the net effect of annual depreciation (which averages 11% per year) and capital expenditure for 2014.

Deferred tax assets continued to reduce as the Group's entities utilized their available tax losses. The Group's unutilized tax losses at December 31, 2014 stood at \$426.8M (2013: \$1.125B). Total tax losses can be carried forward indefinitely and are used to offset up to 50% of each year's taxable profits.

The Group's total liabilities grew by 10%, reaching \$1.85B at the end of the reporting period. This was due primarily to an increase in prize liabilities and continued reduction in the Group's debt stock. Prize liabilities increased by 87%, moving from \$321M at the end of 2013 to \$599M at the end of 2014. This was attributable to large outstanding jackpots at the end of 2014 (Lotto - \$175M; Super Lotto - \$300M). The Group's debt stock continues to decline as it repays its bank loans. No new loans were obtained during the period as the Group continues to grow its operations organically through reinvestment of retained profits.

As a result of the foregoing, the Group improved its short-term liquidity, with working capital growing by 140% to settle at just over \$1.1B at the end of the reporting period. This represented a working capital ratio of 1.6 at the end of 2014 (2013: 1.3).

Returns to Stockholders

The Company declared total dividends of 25 cents per share or \$659.313M with the final payment being made on the 20th of March 2015. With the 28.06% reduction in its stock price, the company is committed to rewarding its shareholders through healthy quarterly dividend payments which totaled 71% of earnings for 2014. Dividends paid on 2014 earnings gave our stockholders a 12.5% return on their equity investment.

Additionally, as further rewards to stockholders, the Board of Directors approved a special dividend of \$606.569M or 23 cents, payable in two tranches: \$0.19 per share on March 20, 2015 and \$0.04 per share on May 27, 2015.

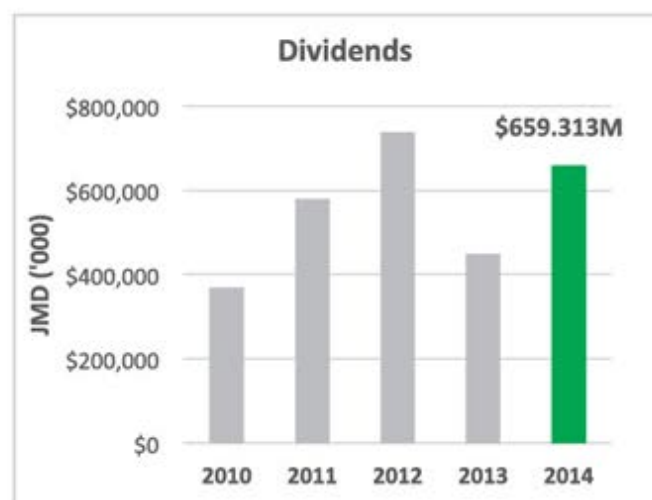


Figure 8: Dividends Paid on Profits for the year



Management Discussion And Analysis *cont'd.*

Review of BUSINESS SEGMENTS

Lottery

The lottery segment remains the largest contributor to Group revenue accounting for 85% of total revenues for 2014 (2013: 86.58%). Revenues for the lottery segment grew by 18.5% to a total of \$35B. The lottery segment had a net operating result of \$1.57B representing an increase of 40% over 2013.

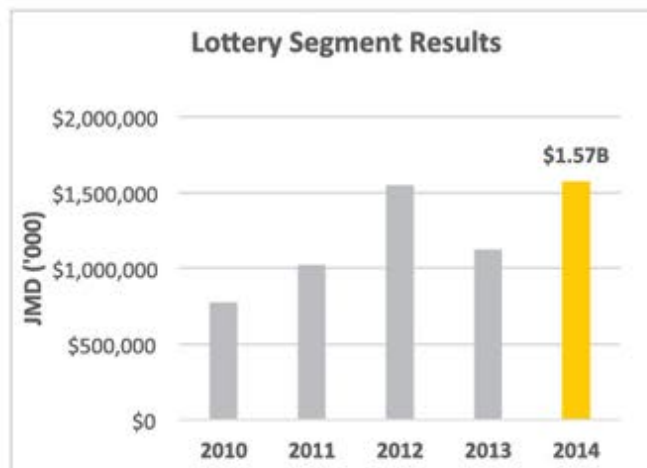


Figure 9: Lottery Segment Results

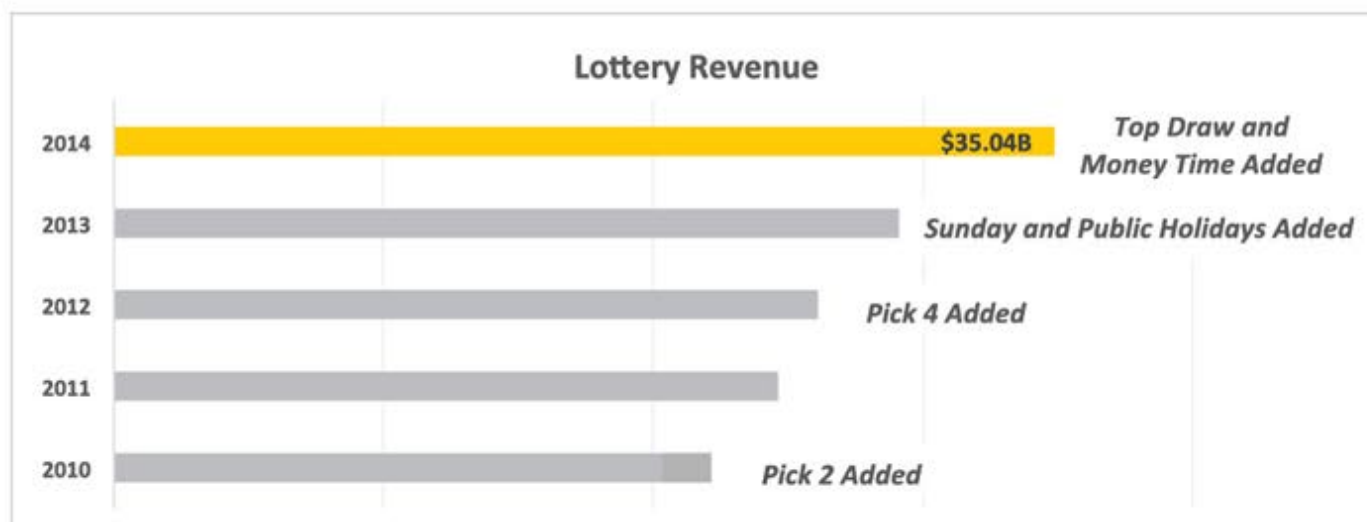


Figure 10: Lottery Revenue



Management Discussion And Analysis *cont'd.*

Cash Pot

Cash Pot remained the top revenue-generating lottery product recording revenues of \$26.3B, representing a 14.4% increase over the prior year. Revenue from Cash Pot also accounted for 75.1% of total sales from lottery games. Cash Pot performance however continues to be negatively impacted by high liabilities with the game performing outside its 72.22% game design in nine (9) of twelve (12) calendar months in 2014. Cash Pot ended the year with a liability of 74.38%, compared to 74.54% in 2013 representing a marginal decline of 0.16 percentage points.



Figure 11: Cash Pot Revenue

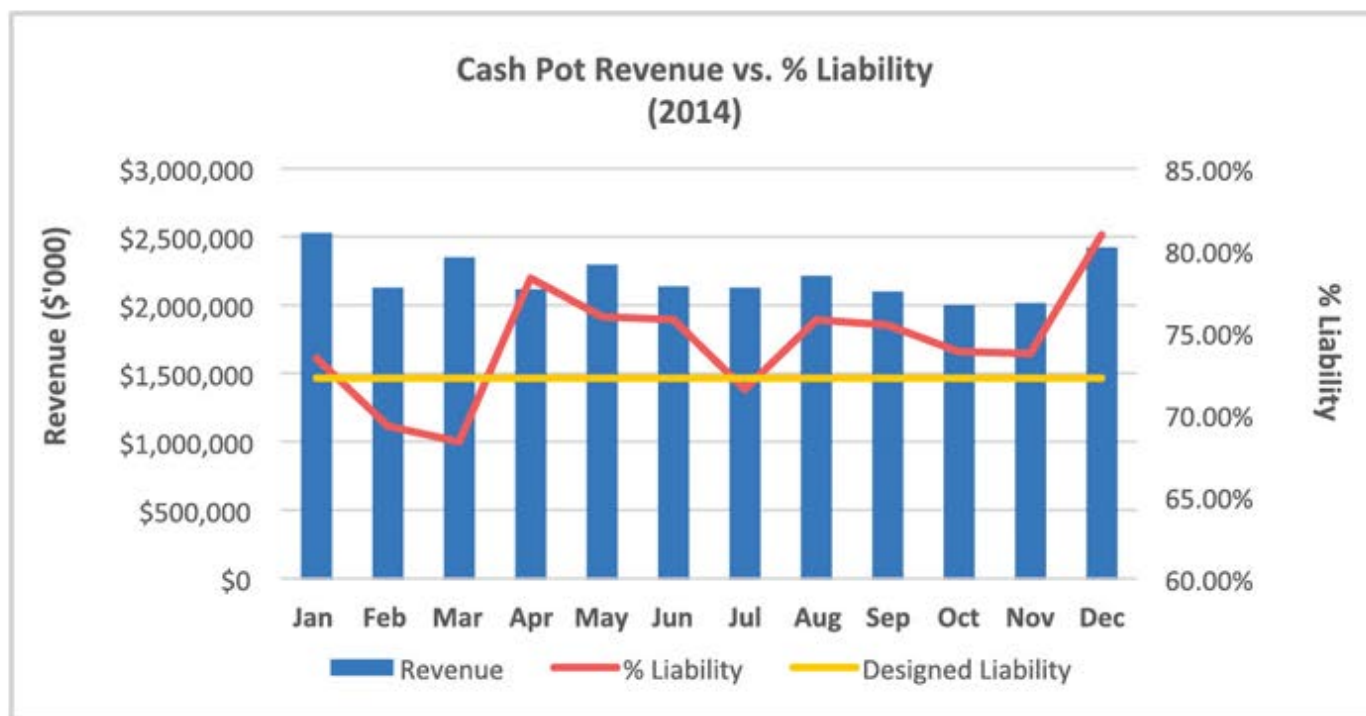


Figure 12: Cash Pot Revenue vs. % Liability

Management Discussion And Analysis *cont'd.*

Pick Family

Total sales from the PICK family of games which includes Pick 2, Pick 3, Pick 4 amounted to \$4.23B. Sales from the family of games increased by 2.2% with Pick 3 achieving the largest percentage increase of the three (3) games.

Pick 2

Pick 2 revenue decreased by 8.9% or \$31.21 million over the previous year.

Pick 3

Pick 3 revenue grew by 6.2% to a total of \$1.97B compared to \$1.86B recorded in 2013.

Pick 4

Pick 4 revenue totaled \$1.94B, representing a marginal increase of 0.3% when compared to the corresponding period in 2013.



Figure 13: Pick Family Revenue

Lucky 5

Lucky 5 recorded a 14.6% decline in revenues moving from \$334.26M in 2013 to \$285.43M in 2014.

Dollaz

Dollaz revenue increased by 52.3% to total \$370.4M for 2014. This represented the largest year over year percentage increase of any lottery game for the period.

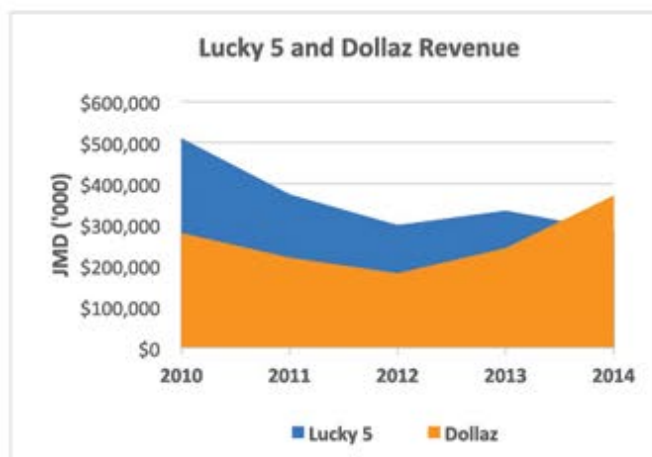


Figure 14: Lucky 5 and Dollaz Revenue

Management Discussion And Analysis *cont'd.*

Lotto

2014 saw changes being made to the Lotto game with two (2) additional numbers being added, resulting in a new matrix of 1 - 39. The price of tickets as well as the starting Jackpot increased to \$100 and \$25 million respectively. Players also now benefit from increased payouts from lower tiered prizes.

Lotto revenue increased marginally by 2.2% to total \$1.14B. This marginal increase was due in part to the price change of Lotto tickets which came into effect on August 24, 2014. An assessment of 4th quarter revenue intake from the Lotto game indicated a 42.2% increase when compared to the corresponding period in 2013, giving a positive outlook for revenue performance of this game.

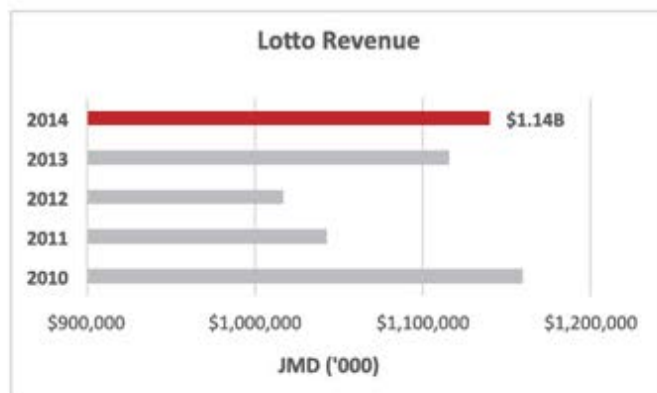


Figure 15: Lotto Revenue

Draw Date	Lotto Jackpots Won
March 5, 2014	\$110 Million
May 21, 2014	\$85 Million
June 18, 2014	\$29 Million
July 30, 2014	\$41 Million
Aug 9, 2014	\$19 Million

Figure 16: Lotto Jackpots won in 2014

Super Lotto

Total Super Lotto revenue amounted to \$686.12M, representing a 6.1% increase when compared to the previous year. Super Lotto is a multi-jurisdictional game which is played in the following Caribbean and Latin American countries: Anguilla, Antigua & Barbuda, Barbados, Bermuda, Dominican Republic, Jamaica, St. Kitts & Nevis, St. Maarten, the United States Virgin Islands and Paraguay which joined the consortium in April 2014.



Become a Super Millionaire!

Management Discussion And Analysis *cont'd.*

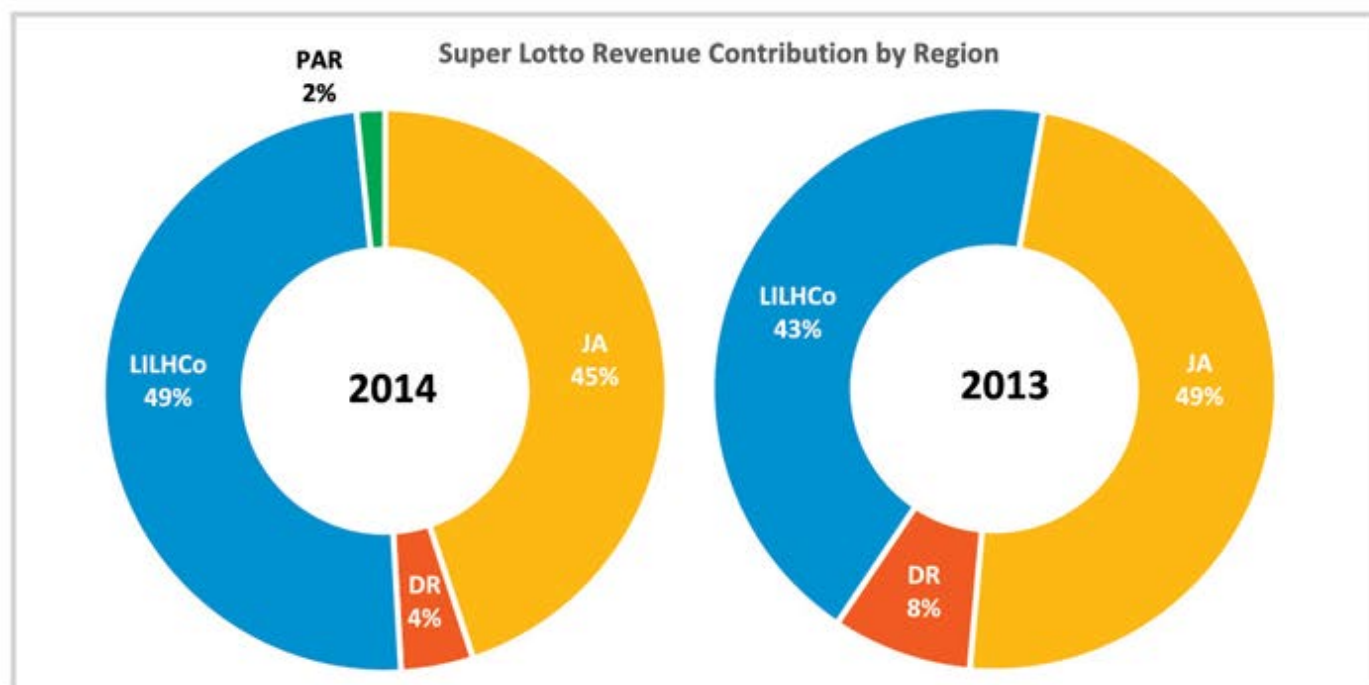


Figure 17: Super Lotto Revenue by Region (2013- 2014)

- JA** – Jamaica
- DR** – Dominican Republic
- PAR** – Paraguay
- LILHCo** – (Leeward Islands Lottery Holding Company (Antigua, Barbuda, Anguilla, St. Kitts & Nevis, St. Maarten, Barbados, US Virgin Islands))

The figure above shows the percentage contribution to Super Lotto revenue by each participating territory, for 2014 and 2013. In 2014, Jamaica contributed 45% of total revenue compared to 49% in the prior year. LILHCo's contribution increased by 6% whereas DR's contribution declined by 4%. Paraguay, which joined the consortium during 2014, contributed the remaining 2%.

New Games – Top Draw and Money Time

The Group launched two (2) additional lottery games in 2014 which resulted in revenues of \$1.94B for 2014 representing a contribution of \$759M and \$1.184B respectively. These games serve to increase incremental revenue intake and diversify the lottery portfolio away from its dependence on the Cash Pot game which experiences great levels of volatility in its liability.



Management Discussion And Analysis *cont'd.*

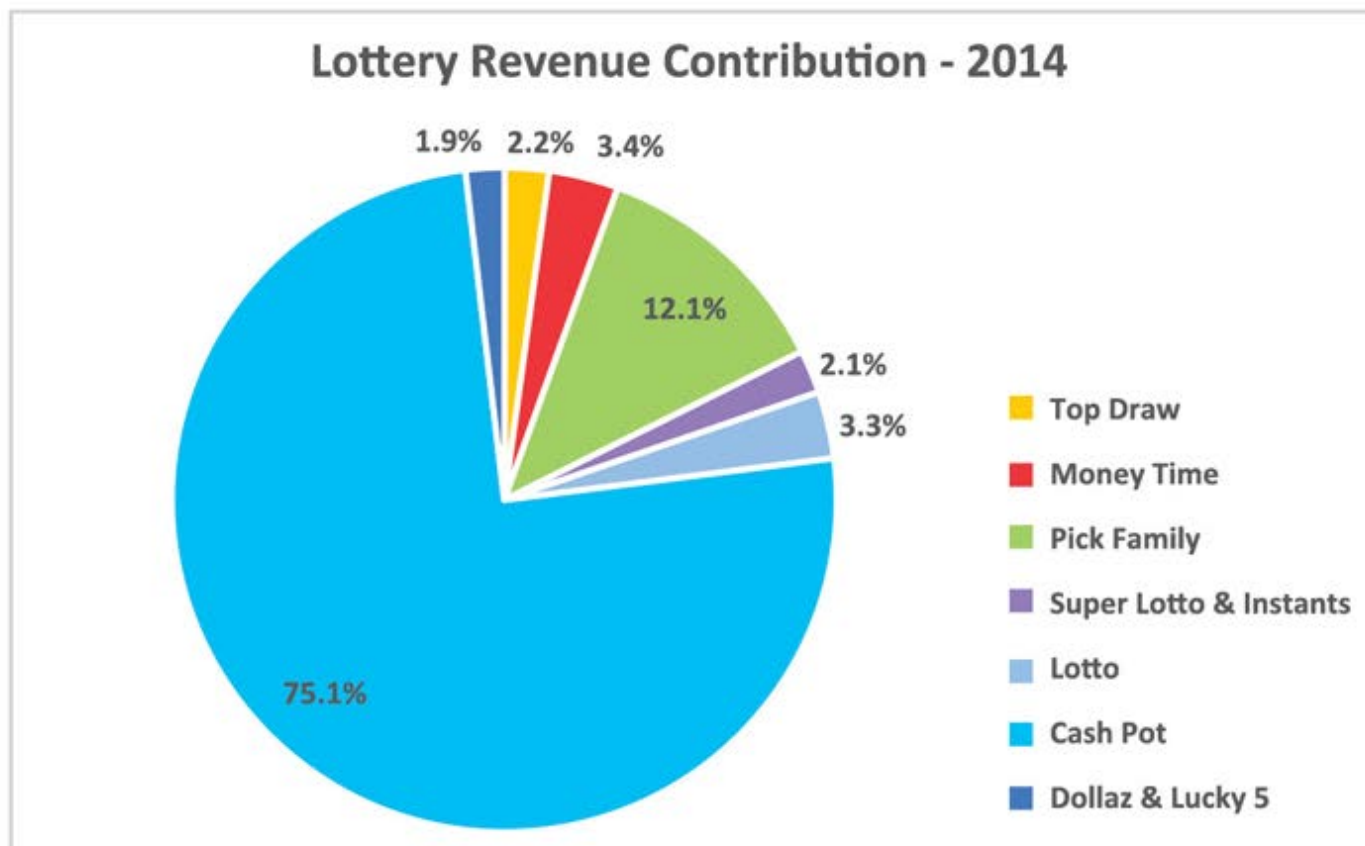


Figure 18: Revenue Contribution by Lottery Game

Top Draw

Top Draw was launched on June 25, 2014 and had cumulative sales totaling \$759.11M for 2014. The game recorded average weekly sales of approximately \$27.11M over the course of 28 weeks. There was a Top Draw “12 Days of Christmas” double up promotion held during the period December 13 – 24, 2014.



Money Time

Money Time was launched on October 12, 2014 and recorded sales of \$1.18B with average weekly sales of \$98.7M over the course of 12 weeks.



Management Discussion And Analysis *cont'd.*

SPORTS BETTING

Still in its growth phase, 2014 was a significant year for our sports betting business, as we achieved our highest revenue intake since entering this market space. Revenues for the segment grew to \$587.135M, representing a 120% increase over the previous year. This growth was primarily influenced by sales from the 2014 FIFA World Cup as well as the expansion in our terminal network. The segment benefited greatly from the legislative amendment to the Betting Gaming and Lotteries Act which reclassified sports betting locations such that those retailers would be removed from the bookmakers' classification and are now classified as sports betting outlets. This change in legislation removed the range of restrictions which had previously hindered the expansion of our terminal distribution network.

The segment however recorded a net loss of \$194.159M representing an increase of 49.5% relative to the previous year. This was a result of costs related to the operations of company-owned-company-operated (COCO) locations. These locations were operated with the objective of building our Just Bet brand and for the development of the sports betting market and as such were operated as loss-leaders. COCO shop operations were discontinued towards the end of 2014.

World Cup Performance

We were able to install over 150 additional terminals through third party agents just in time to capitalize on betting on the 2014 FIFA World Cup, held during the period June 12 – July 13. Total sports betting revenue for this period amounted to \$173.01M and represented 29.5% of sports betting



Figure 19: Sports Betting Revenue



sales for the year. Average sales during the World Cup amounted to \$5.4M per day, which was approximately four and half times the sales generated on the average day outside the World Cup period.



Management Discussion And Analysis *cont'd.*

VLT GAMING

The VLT gaming segment continued to face challenges throughout 2014 with the segment posting a net loss of \$460.97M (2013: \$555.80M). This reduction in losses for the segment was achieved despite a contraction of revenues, due to the closure of the Acropolis Montego Bay location.

The Group operated three (3) full-scale VLT gaming lounges in 2014 and posted total VLT gaming revenue of \$410.586M for the period. This represented a 22.7% or \$120.577M decline when compared to the previous year. Due to increased market competition as well as the substantial cost associated with operations within this segment the decision was taken to consolidate VLT operations resulting in the closure of The Castle, Portmore and Odyssey gaming lounges.

With the closure of these lounges, we anticipate that the reduction in net losses will continue moving forward.

Commercial Services - Pin Codes

Total revenue from Pin Codes amounted to \$5.18B an increase of 40.1% when compared to the previous year. Gross margins for Pin Code sales were negatively affected by a reduction in the discount rates received from our suppliers.

Other Revenue

Other revenue increased by 30.3% to total \$90.18M for 2014 and includes fees charged for agent registration, late collections and reconnection services.



Figure 20: VLT Gaming Revenue

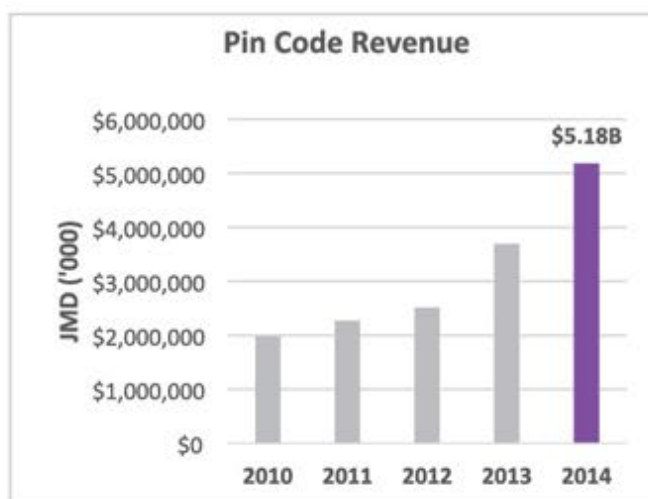


Figure 21: Pin Code Revenue

Management Discussion And Analysis *cont'd.*

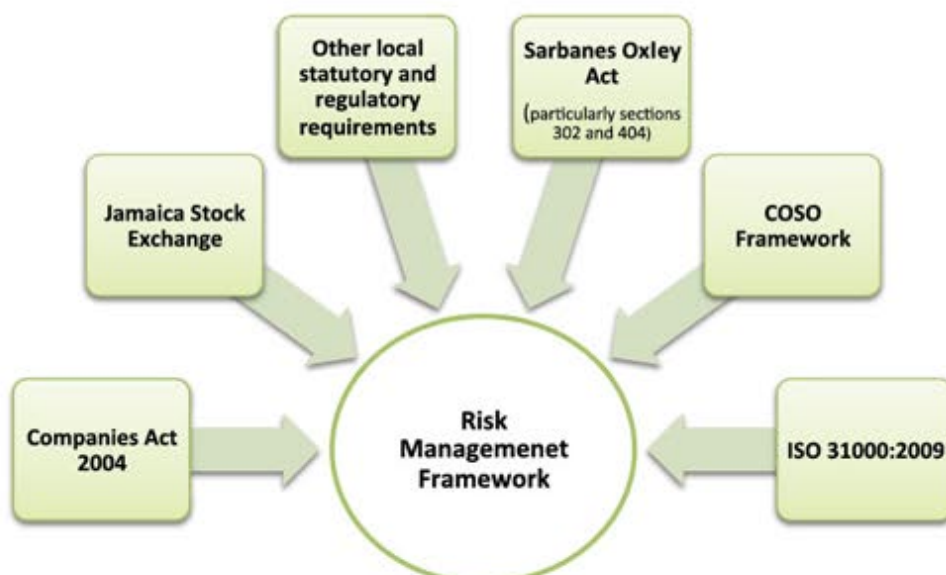
Risk MANAGEMENT

Our Approach

We consider risk as anything that could significantly affect the achievement of our business objectives. Therefore, the Group is exposed to many different types of risks through the various activities performed in fulfillment of its objectives. We classify our business objectives into four main areas:



Our risk management framework is geared towards effective management of the risks related to the above objectives. The Group takes an enterprise-wide approach to the identification, assessment, treatment and communication of risks. The framework is developed based on the nature and extent of the Group's activities and takes authoritative reference and/or guidance from the following sources:





Management Discussion And Analysis *cont'd.*

Our Risk Management Structure

One of the main objectives of our risk management framework is to enhance our confidence and risk intelligence in seeking to maximize stakeholder returns while safeguarding existing assets. The framework is administered through its different components, which are:

- Board of Directors including its Audit Committee
- Senior Management & Business Units
- Strategic Planning & Risk Management Unit

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. One of the Board's critical responsibilities is to set the Group's risk appetite, which includes managing the risks affecting the Group's strategic objectives. The Board's risk management mandate is carried out primarily through its Audit Committee.

The Audit Committee has oversight for the management of risks relating to the Group's financial reporting and internal control objectives. This includes monitoring the systems for ensuring the integrity of the financial statements, reviewing the effectiveness of the systems of internal control, overseeing the risk management program as well as setting and monitoring risk limits and controls. Risk limits and controls are integral to the risk management process, as they characterize the Board's risk tolerance as well as that of the regulators.

Senior management and business units support the entity's risk management approach, promote compliance with its risk appetite, and manage risks within their spheres of responsibility

based on risk limits set by the Board's Audit Committee. The business units are responsible for the day-to-day identification and response to risk exposures within their limits and the prompt communication of issues to senior management.

Our management approach, business policies and processes allow us to place the ownership and accountability for risks with our business units, since they are intimate with the changing nature of risks and are best able to act on our behalf in managing and mitigating those risks. . The Regulatory & Contract Compliance unit also provides specific oversight and management of the Group's adherence to statutory and regulatory requirements as well as the Group's commitments to third-parties.

Ongoing risk management support and oversight is provided by the Strategic Planning & Risk Management unit. One of the critical responsibilities of the Strategic Planning & Risk Management unit is to establish and monitor effective systems for promoting risk intelligence and proper risk communication across the Group.

The Strategic Planning & Risk Management unit also works closely with the Group's Internal Audit function. The scope and direction of all internal audit work is set and reviewed by the Board's Audit Committee. A key responsibility of our Internal Audit function is to provide objective assurance to the Board (through the Audit Committee) on the effectiveness of the Group's risk management activities, to verify that key business risks are being managed appropriately and that the system of internal control is operating effectively.

Therefore, the internal audit role plays a key role in evaluating the Group's risk management



Management Discussion And Analysis *cont'd.*

processes and advocating their continued improvement. However, to preserve its organizational independence and objectivity, the internal audit function does not take any direct responsibility for making risk management decisions or executing the risk management processes.

The Role of Policies & Procedures

Policies define and express the Group's overall risk appetite and are developed based on the risk culture of our business units, and subject to the relevant regulatory requirements. Policies set the boundaries on the types of risks the Group is prepared to assume and specify the manner in which the Group assumes these risks. Appropriate policies and procedures are established throughout the organization and are approved by the Audit Committee.

Our Business Risks

The main risks faced by the Supreme Ventures Group are identified as: credit risk, market risk, operational risk, liquidity risk, regulatory and legal risk, and reputational risk. These are described below.

Credit Risk

Credit risk is the potential for loss resulting from the failure of a customer or counterparty to honour its financial or contractual obligations to the Group. Credit exposure for the Group arises mainly in receivables from lottery agents arising from their sales and from cash and bank balances. The Group's credit risk exposure is summarized in Note 35 (a) of the audited financial statements.

Market Risk

Market risk arises from changes in market prices and rates (including interest rates and foreign exchange rates), the correlations among them and their levels of volatility. The Group's market risk exposure is summarized in Note 35 (c) of the audited financial statements.

Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include prize liabilities, other trade payables, long-term loans and leases. Effective liquidity risk management is essential in order to maintain the confidence of our customers and counterparties, and improves our ability to continue to generate revenue, even under adverse conditions. The Group's liquidity risk exposure is summarized in Note 35 (b) of the audited financial statements.

Operational Risk

Operational risk is the risk of loss from inadequate or failed internal processes, people and systems or from external events. Operational risk is embedded in all our activities and failure to manage it can result in direct or indirect financial loss, business disruption, regulatory censure, theft and fraud, workplace injury, penalties and corporate image impact. In managing this risk, we maintain a formal enterprise wide operational risk management framework that emphasizes a strong risk management and internal control culture throughout the Group.



Management Discussion And Analysis *cont'd.*

Regulatory and Legal Risk

Regulatory risk is the risk of not complying with the regulatory and comparable requirements. Legal risk is the risk of non-compliance with legal requirements, including the effectiveness of preventing and handling litigations. The Betting, Gaming and Lotteries industries are among the most closely regulated industries, locally and internationally, and the management of our business is expected to meet high standards in all business dealings and transactions. Failure to meet regulatory and legal requirements not only poses a risk of censure and penalty but is a serious reputational risk. Business units are responsible for managing day-to-day regulatory and legal risk, while

the Compliance Unit along with our external advisory teams assist them by providing advice and oversight.

Reputational Risk

Reputational risk is the potential that negative publicity, whether true or false regarding the institution's business practices, action or inaction will or may cause a decline in the institution's value, liquidity or customer base. All risk can have an impact on the company's reputation, which in turn can impact the brands, earnings and capital. The management of reputational risk is overseen by the Board of Directors and the senior management team.

OUTLOOK 2015

Supreme Ventures expects 2015 to be another year of growth and improvement in all our business segments. This will be driven by the following initiatives:

- Further installation of monitors for the successful Money Time game and the introduction of additional compelling gaming themes and content.
- Aggressive promotion of Lottery Products.
- Expansion of the Sports Betting agent network and improvement of the odds and side-bet options for players.
- Introduction of mobile betting initially for Sports Betting.
- Major investments and significant upgrades to our technology platforms for Lottery (GTECH) and Sports Betting (Intralot).
- Completion of the planned upgrades to the Acropolis Gaming Lounge and the introduction of new slot and multiplayer machines. Additionally we will be more aggressive in providing an improved customer experience through increased payouts to players.
- Rollout of approximately 500 additional VLTs via the route system with our business partner ICE-J. This will form a network of linked VLT machines to be installed in social spaces such as bars, pubs and other appropriately licensed entertainment venues across the island. This represents part of our overall development of the Social Space gaming market.
- Continued focus on cost management.
- We will continue to work with the BGLC to push for the introduction of appropriate legislation necessary for the introduction and regulation of age-controlled internet-based online gaming.

Corporate Outreach

Supreme Ventures Limited (SVL) is proud of its track record in corporate social responsibility at the national level and in our interaction with community events.

The Company has always been a first responder in times of national crises, ranging from hurricanes to earthquakes and the topical health issues that affected Jamaica in 2014. The Chikungunya epidemic and threat of Ebola, placed health concerns at the forefront of the mind for all Jamaicans. SVL was amongst the first responders to the Ministry of Health with a significant donation of Seven Million dollars (\$7M) towards the country's preparedness for Ebola at the various ports of entry.



Brian George (left) – President & CEO of SVL presents the company's contribution of \$7M to Dr. Fenton Ferguson (centre) – Minister of Health. Sharing in the presentation ceremony are The Hon. Peter Bunting – Minister of National Security and Dr. Wykeham McNeil (right) – Minister of Tourism

The donation covered the procurement of one thermal sensing unit for the Falmouth Cruise Shipping complex, inclusive of installation and training; ten PAHO recommended Ebola Kits containing operating theatre gowns, shoes, bags for biohazardous materials and disposable

needles; two WHO recommended Type B Complimentary Kits containing heavy duty Surgical Aprons, Body Bags, Safety Goggles, Anti-Fog Liquid for the Lenses, one Litre Chemically Resistant Insecticide Sprayer Tanks, twelve Litre Polypropylene Backpack Model Sprayer Insecticide Tanks and twenty-five Rechargeable Non-Contact Infra-Red Forehead Thermometer Units.

The Company maintained its annual donations to deserving entities such as the Heart Foundation of Jamaica, the Diabetes Association of Jamaica, the Jamaica Cancer Society, Rise Life Management Services, Special Olympics Jamaica and Missionaries of the Poor.

Community interaction included our annual Christmas treat for kids, which was held at Candy Craze in Manor Park Plaza, Kingston and the donation of a well needed freezer to the Best Care Home.



SVL employees and children who were treated at Candy Craze located in Manor Park

Corporate Outreach



SVL employees Kaylia Davis (left), Jhanelle Davis (2nd right) and Mellisa Miller (right) display the features of the new freezer to Orville Johnson – Chairman of the Best Care Foundation

Our staff members continue to be active participants in the Sigma Fun Run and volunteered to make Easter a special time for over one hundred and fifty children, during a Bun and Cheese & Easter Egg Hunt hosted by the Company on Easter Monday, at Hope Gardens. The children were invited from Jamaica Christian Boys' Home, Mary's Child, Best Care Children's Home the Elsie Beamand Home for Girls and The Nest.

Major corporate sponsorships included the JAAA Supreme Ventures National Championships held at the National Stadium in June; the Supreme Ventures/JNA Major and Minor Netball Leagues; the National Premier Football League; Race Days at Caymanas Track and the Courtney Walsh Cricket Clinics for children under 15 years of age. Other sponsored initiatives included a major fundraiser by the Buccaneers Club.



Diahann Guy Shepherd (left) – Senior Corporate Communications Officer of SVL presents our contribution to executive members of the Buccaneers Club.

The Supreme Ventures Foundation was very active in the area of educational needs during 2014.

The Foundation continued its partnership with the Nathan Ebanks Foundation, which focusses on training and developmental needs for persons in the disabled community.



SV Foundation Directors Dr. David McBean (left), May Lawrence Evans (2nd left) and Barrington Chisholm present a sponsorship cheque of \$750,000 to Christine Staple-Ebanks (right) Founder and President of the Nathan Ebanks Foundation

Corporate Outreach

The Foundation also made a significant donation to the St. Jago High School, to assist with its development programme and rewarded Wolmer's Boys' School student Jaheel Hyde with a tablet computer for his outstanding academic performance and sporting achievements.



SV Foundation Chairman - Dr. David McBean (left), hands over a cheque for \$250,000 to Sandra Swyer-Watson (right) principal of St. Jago High School. Sharing in the presentation are Ovril Ebanks (2nd left) – Administrator of the SV Foundation and an outstanding student of the school



SV Foundation's Administrator- Ovril Ebanks (2nd left), hands over a computer tablet to Jaheel Hyde. Sharing in the presentation are Dr. Walton Small (left) – Principal of Wolmers' Boys' School and Dr. David McBean (right) – Chairman of the SV Foundation



Audited Financial Statements

