Company Number: 07193500

Premier Lotteries Capital UK Limited

Group and Company Annual Report and financial statements for the year ended 31 March 2016

Contents

Strategic Report

The directors present the Strategic Report of Premier Lotteries Capital UK Limited (the 'Company') together with its subsidiaries (the 'Group') for the year ended 31 March 2016 The Company's sole objective is to provide financing to Group companies, which include the following subsidiaries Premier Lotteries UK Limited ('PLUK'), Camelot UK Lotteries Limited ('Camelot'), Camelot Global Services Limited ('CGSL'), Camelot Commercial Services Limited ('CCSL'), Camelot Business Solutions Limited ('CBSL'), Camelot Global Lottery Solutions Limited ('CGLSL') formerly Camelot Strategic Solutions Limited and Camelot Global Services (North America) Inc (an entity incorporated in the USA) ('CGSNA')

Strategy

The Group's principal objective is to continue to operate The UK National Lottery in a socially responsible manner for the benefit of the Good Causes With a flourishing UK National Lottery at the heart of the business, the Group is also focused on diversifying into other industries and markets The diversification plans include offering consultancy and operational expertise to other lotteries and offering additional services via lottery technology in the UK and abroad

Risks and opportunities

The third operating Licence provides Camelot with significant opportunities, as well as some significant risks and uncertainties, and these have been incorporated into the Group's risk mitigation plans Over the coming year, the particular challenges ahead are

- Developing and gaining regulatory approval for game ideas to ensure Camelot continues to offer a range of games which appeal to as many players as possible,
- Operating in a more competitive environment – with organisations from both the gaming and gambling sectors directly challenging and impinging on The National Lottery,
- Continued pressure on household disposable income means the Group's risk relating to sales remains higher,
- Implementing and operating new and more complex technology solutions, requiring new patterns of solution design, additional requirements for maintenance and operation, and new opportunities for directly supporting the business needs in IT

The development of new games and game enhancements follows a well-established process, from concept to execution The Group conducts rigorous research to ensure any game will generate strong incremental returns without targeting vulnerable players All draw-based games require regulatory approval and, during the development phase, the views of the Gambling Commission will be taken into account in producing the final game design

Key performance indicators (KPIs)

The Group's financial KPIs cover sales levels, prizes and returns to the Good Causes, as well as profit for the financial year Performance in these areas is discussed below Cash flow is also a KPI monitored on a regular basis In addition, the Group is required to maintain and report on specific standards of performance on player accessibility including terminal sales availability and the service provided to players Failure to meet specific targets can result in a breach of the operating Licence Figures for the current year were submitted to the Commission as required

Financial performance

The Group's profit before income tax was £50 7m (2015 £42 8m) for the financial year and profit after income tax was £43 5m (2015 £32 3m) This was driven primarily by an increase in sales, partially offset by a corresponding increase in commissions and gaming systems and data communication costs

Net income

Net income for the year was £719 7m (2015 £699 2m) This was mainly comprised of net income from Camelot, being sales disclosed net of lottery duty, prizes and contributions to Good Causes, as is consistent with the gaming industry

Strategic Report continued

Sales from Gamestore increased by 12 0% to £2,952 3m (2015 £2,628 8m) This was driven by the launch of over 70 innovative new games and the introduction of second chance draws to give players more chances to win prizes

Gaming systems and data communication costs

Gaming systems and data communication costs increased to £120 9m for the year (2015 £105 7m)

Gaming systems and data communication costs include the cost of maintaining software, terminals and the communications network, all expenditure associated with the purchase of National Lottery Scratchcard tickets, point-of-sale and other consumables, together with the depreciation of gaming systems, terminal and data communications equipment

Administrative expenses

Administrative expenses were £197 7m (2015 £196 3m) and consisted of advertising and marketing expenditure, depreciation, amortisation, staff, facilities, impairment and all other administrative costs

Finance income and expense

The Group has financing facilities consisting of the Group's term loan totalling £265 0m (2015 £265 0m) The Group also has Revolving Credit Facilities totalling £60 0m (2015 £60 0m) of which nil (2015 nil) was utilised at the end of the year

Net finance expense during the year amounted to £21 9m (2015 £23 3m), the average yield on investment being approximately 0 50% (2015 0 58%) Strict controls apply to treasury operations, which are reviewed regularly The investment policy adopted is aligned to that approved by Camelot's Audit, Risk and Security Committee and the Board Funds are only deposited with banks which hold a strong credit rating and which meet the Group's treasury policy criteria

The net finance expense includes loan interest charges of £6 8m (2015 £8 0m) and amortisation of loan fees of £0 7m (2015 £0 7m) incurred on term loans

Finance income of £0 3m (2015 £0 2m) arose from interest on bank deposits

Taxation

The net corporation tax charge for the year was £7 2m (2015 £10 5m) The tax charge for the year includes a £3 0m credit in respect of the re-measurement of the deferred tax balances from 20% to 18% in the year The total tax paid by the Group amounted to £15 1m (2015 £12 1m) Further detail is provided in note 7 to the financial statements

Dividends

Dividends of £59 4m were paid during the year (2015 £38 5m) as detailed in note 8

Financial position at the year end

The Balance Sheet reflects the continued financial stability of the Group The Group reports total assets of £800 3m (2015 £830 8m) and has adequate resource, including undrawn facilities, to cover its net liability position

Of intangible assets of £237 7m (2015 £252 8m) held on the balance sheet, £192 3m (2015 £215 2m) relate to goodwill and intangible assets acquired on the acquisition of Camelot and CGSL, which is stated net of £22 9m (2015 £22 8m) amortisation charged during the year

Non-current financial borrowings of £346 4m (2015 £362 0m) are due on the term loan, Eurobond and finance leases

Strategic Report continued

Trade and other payables consist mainly of the Prize liability, representing unclaimed prizes at 31 March 2016, as well as advance receipts for future draws, lottery duty and amounts payable to the National Lottery Distribution Fund (NLDF)

Our investment in technology

During the current year the Group has continued to invest in the infrastructure to run The National Lottery and at the end of the financial year 46,822 lottery terminals were in operation across the Retail estate (2015 47,150) During the year the vast majority of our Scratchcard Only retail estate was upgraded to include our draw based game offer, with 8,643 terminals trading by the close of the year

The Group is committed to deliver new games, develop existing games, including new ways to play, and increase one-to-one player communications To meet these commitments the Group continues to invest significant amounts in technology and in back office systems to support these initiatives and drive operational efficiencies

Terminal sales availability, a key performance indicator monitored monthly by the Group's regulator, was 99 94% (2015 100 0%) ahead of the operating Licence target of 99 50% In addition, system availability for playing games on the internet was 99 71% (2015 99 56%) ahead of the operating Licence target of 99 50%

Cash flows, cash and debt

The Group's cash flows, cash and debt are managed centrally Net cash generated from operations was £96 2m (2015 £117 7m) which was impacted by working capital cash flows, mainly comprised of lottery ticket sales less prize payments, payments to the NLDF, and operating expenditure

During the year, the Group's term loan was restructured and an additional £15 0m borrowed increasing the balance to £280 0m £15 0m capital repayments were made against the term loan bringing the outstanding balance on the loan back to £265 0m (2015 £265 0m) Other financing cash outflows include finance lease principal payments of £8 0m (2015 £8 1m)

In order to protect prize winners and players, the Group has set up certain trust accounts operated by The Law Debenture Trust Corporation plc, which acts as an independent trustee An amount equivalent to prizes is deposited into a trust account on a weekly basis, as well as monies taken in advance and money held by interactive players in their on-line wallets This money is held in trust until paid as a prize, or entered into a draw, and is under the control of the Trustees until this time Interest earned on these accounts is primarily for the benefit of the NLDF

At 31 March 2016, the Group had on deposit £6 9m (2015 £7 1m) of funds in a restricted cash trust accounts as a reserve for the protection of prize winners Although the Group cannot currently withdraw these amounts until the end of the third operating Licence extension period, the interest on these accounts accrues to the Group

The Group holds a Surety Bond with HCC International Insurance Company PLC to the value of £21 0m The provisions for the Group to be able to satisfy its security for players' funds obligations under the Licence, by way of a Surety Bond, are set out in Condition 19 3 of the Licence

The Group maintains a £55 0m committed Revolving Credit Facility which runs until 8 July 2016 The amount drawn down under this facility at 31 March 2016 was nil (2015 nil)

The Strategic Report was approved by the Board of Directors on 22 June 2016 and was signed on its behalf by

Lee Sienna
Director
Premier Lotteries Capital UK Limited
Company Number 07193500

Directors' Report

The Directors present their report with the audited consolidated financial statements of the Company, together with the Group for the year ended 31 March 2016

Principal activities

The principal activities of the Group are as follows

- Camelot's principal activity is the operation of The UK National Lottery in a socially responsible manner for the benefit of a number of good cause areas arts, education, environment, health, heritage, sport and voluntary/charity (the 'Good Causes') Camelot operates The National Lottery pursuant to an operating Licence granted by its regulator, the Gambling Commission (formerly the National Lottery Commission) The third operating Licence was granted on 1 February 2009 and will run to 2019, followed by a four year extension until 2023

- The Group's Global Services (CGSL and CGSNA) companies offer consultancy and lottery-operational expertise, and look to develop other business opportunities as part of the Group's international and diversification plans

- CBSL provides business services to other Group companies through various departments including Corporate Responsibility, Human Resources, Finance, Facilities, Legal, Procurement, Corporate Assurance and Treasury

- CGLSL is principally focused on managing a programme of projects to generate revenue for Group companies The company develops and delivers solutions, programmes and project-management support for the Group

- CCSL was principally focused on offering Commercial Services, concentrating on mobile top-up, international calling cards, bill payment, chip and pin debit/credit card payments and payments through contactless technology In the current year there were no such opportunities and the company did not trade

The Group expects to pursue these principal activities for the foreseeable future The Group's performance is discussed in the Strategic Report set out on pages 3 to 5

Shareholdings

The following share structure was in place at the beginning of, and throughout the year under review

	Number of 'A' shares	Number of 'B' shares	Percentage holding (%)
Premier Lotteries Investments UK Limited	990	3	99 3
Fourmoront Corporation	-	7	0 7
At 31 March 2015	**990**	**10**	**100 0**
Premier Lotteries Investments UK Limited	990	3	99 3
Fourmoront Corporation	-	7	0 7
At 31 March 2016	**990**	**10**	**100 0**

Further details of the rights and obligations of each class of share are given in note 22 to the financial statements

The Group's ultimate shareholder is Ontario Teachers' Pension Plan ('Teachers')

Directors' Report continued

Directors

The names of the directors of the Company who served during the year and up to the date of signing the financial statements are

Chairman
Lee Sienna – resigned 22 June 2016

Directors
John Dillon
Jo Taylor
Iain Kennedy – appointed 22 June 2016

Alternate directors
Ilya Kachko (alternate to Lee Sienna)

Company Secretary
John Dillon served as Company Secretary during the year

Insurance for directors and officers

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006 The indemnity was in force throughout the last financial year and is currently in force The Group also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors

Going concern

Management has prepared detailed budgets and cash flow forecasts which support the appropriateness of the going concern assumption

The wider economic climate increases the credit and financial liquidity risk of the Group However, management has assessed the controls in place to minimise the Group's exposure to this increased level of risk (see notes 15 and 16)

Therefore, after making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of this report For this reason, they continue to adopt the going concern basis in preparing the financial statements

Research

To secure the long-term success of The National Lottery and to ensure continued sales growth alongside increasing returns to the Good Causes, the Group has continued to spend resources on research during the year The Group's spend totalled £3 2m in 2016 (2015 £3 7m), primarily in the area of brand and market research

Employees

The Group continues to place a high priority on ensuring that its employment policies respect the individual and offer career and personal development opportunities regardless of racial or ethnic origin, gender, age, religion, nationality, disability, sexual orientation or marital status Full and fair consideration is given to the employment of all individuals and reasonable adjustments are made to accommodate the disabilities of the Group's employees, whether those disabilities arose before or during their employment with the Group Camelot is a member of the Employers' Forum on Disability

The Group's Staff Forum extends across all employees in the UK group of companies, and it continues to be consulted on all significant policy proposals and initiatives affecting staff and in turn gathers group-wide reactions to such proposals

Directors' Report continued

The Group believes that delivering consumer and player satisfaction is key to its success and strives to reward the contribution made by motivated and high performing staff Reward mechanisms including performance related pay and an annual bonus scheme continue to support this For the year under review, bonuses were paid on three key performance criteria sales, profitability, and returns to Good Causes with a fourth element awarded based on performance against objectives for senior management When reflecting on-target performance, these bonuses start from 5% of base salary, increasing for senior management

Employees pay contributions into the Group's Personal Pension Plan, a defined contribution scheme In line with new UK legislation the Group now auto-enrols employees into the pension scheme The first payroll deductions for automatically enrolled employees were made in January 2014

The Group has an extensive and well-established structure for communicating with employees through a variety of channels including internal publications, company-wide email, web casts, cascades and the Group's intranet site This is also the medium through which the Group communicates economic and financial factors which impact the Group's performance

Financial risk management

The Group has loans and associated interest rate swaps which are used to manage interest rate risk The Group also manages credit and foreign exchange risks that arise in the normal course of business (see note 15)

Related party transactions

Details of related party transactions are provided in note 28 to the financial statements

Suppliers

The Group's policy is to pay suppliers 30 days after the end of the month in which their invoice is received or within such other credit period as agreed between the parties, providing the obligations of those suppliers are met These terms are stated on all purchase orders issued by the Group

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office

Directors' Report continued

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Each of the directors in office at the date on which the financial statements were approved, whose names and functions are listed on page 7, confirm that, to the best of their knowledge

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces

On behalf of the Board
Lee Sienna
Director

22 June 2016

Independent auditors' report to the members of Premier Lotteries Capital UK Limited

Report on the financial statements

Our opinion

In our opinion, Premier Lotteries Capital UK Limited's Group and Company financial statements (the "financial statements")

- give a true and fair view of the state of the Group's and Company's affairs as at 31 March 2016 and of the Group's profit and the Group's cash flows for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, and
- have been properly prepared in accordance with the requirements of the Companies Act 2006

What we have audited

The financial statements, included within the Annual Report and the financial statements (the Annual Report), comprise

- the Balance Sheet (Group and Company) as at 31 March 2016,
- the Group Statement of Comprehensive Income for the year then ended,
- the Statement of Cash Flows (Group and Company) for the year then ended,
- the Statement of Changes in Equity (Group and Company) for the year then ended,
- the accounting policies, and
- the notes to the financial statements, which include other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates In making such estimates, they have made assumptions and considered future events

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made We have no exceptions to report arising from this responsibility

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Independent auditors' report to the members of Premier Lotteries Capital UK Limited

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland) An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Nicholas Campbell-Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 June 2016

Premier Lotteries Capital UK Limited

Group Statement of Comprehensive Income

for the year ended 31 March

	Notes	2016 £m	2015 £m
Net income	3	**719 7**	699 2
Retailers' and other commission	4	**(334 6)**	(333 4)
Gaming systems and data communication costs	4	**(120.9)**	(105 7)
Gross profit		**264 2**	260 1
Administrative expenses		**(197.7)**	(196 3)
Other operating income	4	**6.1**	2 3
Operating profit	4	**72.6**	66 1
Finance income	6	**0.3**	0 2
Finance expense	6	**(22 2)**	(23 5)
Profit before income tax		**50.7**	42 8
Income tax	7	**(7.2)**	(10 5)
Profit for the financial year attributable to shareholders		**43.5**	32 3
Other comprehensive losses.			
Foreign exchange losses		**(0 1)**	(0 2)
Fair value losses on cash flow hedges		**(0 1)**	(1 0)
Tax relating to components of other comprehensive income		**0 0**	0 2
Other comprehensive losses for the year		**(0.2)**	(1 0)
Total comprehensive income for the year		**43.3**	31 3

The notes on pages 16 to 46 are an integral part of these consolidated financial statements

As permitted by section 408 of the Companies Act 2006, the income statement of the Company has not been presented in the financial statements The profit for the financial year was £43 3m (2015 £46 8m)

Premier Lotteries Capital UK Limited

Balance Sheet (Group and Company)

as at 31 March

	Notes	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
ASSETS					
Non-current assets					
Investment in subsidiaries	21	-	-	154.0	154 0
Intangible assets	9	237 7	252 8	-	-
Property, plant and equipment	10	81 7	75 1	-	-
Trade and other receivables	12	12.2	12 9	-	-
		331 6	340 8	154.0	154 0
Current assets					
Inventories	11	1 0	0 9	-	-
Trade and other receivables	12	404 5	389 2	0.4	-
Current income tax asset		-	-	1 1	0 8
Cash and cash equivalents	13	63 2	99 9	3 0	3 0
		468 7	490 0	4.5	3 8
Total assets		800.3	830 8	158 5	157 8
LIABILITIES					
Current liabilities					
Financial liabilities - borrowings	17	55 9	38 8	16 1	-
Trade and other payables	18	537 1	550 4	3 1	3 1
Current income tax liability		7 8	7 2	-	-
Provisions for liabilities and other charges	20	5 3	4 4	-	-
		606 1	600 8	19 2	3 1
Non-current liabilities					
Financial liabilities - borrowings	17	346 4	362 0	100 0	100 0
Trade and other payables	18	2 3	2 5	-	-
Deferred income tax liabilities	19	27 0	35 7	-	-
Derivative financial instruments	16	0.2	0 1	-	-
Provisions for liabilities and other charges	20	20 4	15 7	-	-
		396.3	416 0	100.0	100 0
Total liabilities		1,002.4	1,016 8	119.2	103 1
EQUITY					
Capital and reserves					
Share capital	22	0 0	0 0	0 0	0 0
Foreign exchange reserve	23	(0 3)	(0 2)	-	-
Other reserves	23	(0 2)	(0 1)	-	-
Retained earnings	23	(201 6)	(185 7)	39 3	54 7
Total equity		(202 1)	(186 0)	39.3	54 7
Total equity and liabilities		800.3	830 8	158.5	157 8

The notes on pages 16 to 46 are an integral part of these consolidated financial statements The financial statements including the accompanying notes were approved by the Board of Directors on 22 June 2016 and were signed on its behalf by

Lee Sienna
Director
Premier Lotteries Capital UK Limited
Company Number 07193500

Premier Lotteries Capital UK Limited

Group and Company Statement of Changes in Equity

Group	Notes	Share capital £m	Foreign exchange reserve £m	Other reserves £m	Retained earnings £m	**Total equity £m**
Balance as at 1 April 2014		0 0	-	0 7	(179 5)	(178 8)
Comprehensive income/ (expense)						
Profit for the financial year		-	-	-	32 3	**32 3**
Foreign exchange losses (net of income tax)		-	(0 2)	-	-	**(0.2)**
Fair value losses on cash flow hedges (net of income tax)		-	-	(0 8)	-	**(0.8)**
Total comprehensive income		-	(0 2)	(0 8)	32 3	**31 3**
Dividends paid	8	-	-	-	(38 5)	**(38 5)**
Balance as at 31 March 2015		**0 0**	**(0.2)**	**(0.1)**	**(185 7)**	**(186.0)**
Comprehensive income/ (expense)						
Profit for the financial year		-	-	-	43 5	**43.5**
Foreign exchange losses (net of income tax)		-	(0 1)	-	-	**(0.1)**
Fair value losses on cash flow hedges (net of income tax)		-	-	(0 1)	-	**(0.1)**
Total comprehensive income		-	(0 1)	(0 1)	43 5	**43.3**
Dividends paid	8	-	-	-	(59 4)	**(59.4)**
Balance as at 31 March 2016		**0 0**	**(0.3)**	**(0.2)**	**(201 6)**	**(202.1)**

Company	Notes	Retained earnings £m	**Total equity £m**
Balance as at 1 April 2014		45 7	**45.7**
Profit for the financial year		46 8	**46 8**
-Dividends paid	8	(37 8)	**(37 8)**
At 31 March 2015		**54.7**	**54.7**
Profit for the financial year		43 3	**43.3**
-Dividends paid	8	(58 7)	**(58.7)**
Balance as at 31 March 2016		**39 3**	**39 3**

At 31 March 2016, the Company had share capital totalling £1,000 (2015 £1,000), as disclosed in note 22 to these consolidated financial statements

The notes on pages 16 to 46 are an integral part of these consolidated financial statements

Premier Lotteries Capital UK Limited

Statement of Cash Flows (Group and Company)

for the year ended 31 March

	Notes	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Cash flows from operating activities					
Cash generated from operations	24	**96 2**	117 7	**54.5**	57 7
Bank interest received		**0.3**	0 2	**-**	-
Interest paid		**(22.2)**	(23 6)	**(12 5)**	(12 7)
Income tax paid	7	**(15.0)**	(12 1)	**-**	-
Group relief receipts		**-**	-	**1 2**	2 1
Net cash from operating activities		**59 3**	82 2	**43 2**	47 1
Cash flows from investing activities					
Purchase of property, plant and equipment		**(21 4)**	(0 1)	**-**	-
Expenditure on intangible assets		**(7 2)**	(0 2)	**-**	-
Net cash used in investing activities		**(28.6)**	(0 3)	**-**	-
Cash flows from financing activities					
Dividends paid to shareholders		**(59 4)**	(38 5)	**(58 7)**	(37 8)
Capital repayments on other loans		**-**	(10 0)	**-**	-
Loans issued to Group Companies		**-**	-	**15.5**	-
Capital repayments on Eurobond loan			(6 3)	**-**	(6 3)
Finance lease principal payments		**(8.0)**	(8 1)	**-**	-
Net cash used in financing activities		**(67.4)**	(62 9)	**(43 2)**	(44 1)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(36.7)**	19 0	**(0.0)**	3 0
Cash, cash equivalents and bank overdrafts at the beginning of the year		**99.9**	80 9	**3 0**	0 0
Cash, cash equivalents and bank overdrafts at the end of the year	13	**63.2**	99 9	**3 0**	3 0

The notes on pages 16 to 46 are an integral part of these consolidated financial statements

Other significant transactions include the addition of £10 4m property, plant and equipment and intangible assets under finance lease arrangements (2015 £9 0m) By the year-end, £0 0m (2015 £8 9m) had been repaid against these borrowings

Notes to the Financial Statements

1. General Information

Premier Lotteries Capital UK Limited is a non-trading entity and its sole objective is to provide financing to Group companies, which include the following subsidiaries Camelot, CGSL, CCSL, CBSL, CGLSL, CGSNA and PLUK

Premier Lotteries Investments UK Limited (PLIUK) is the parent undertaking of the largest group to consolidate these financial statements reporting under IFRS as adopted by the EU

The Company is a private limited company incorporated and domiciled in the UK The address of its registered office is Premier Lotteries Capital UK Limited, Magdalen House, Tolpits Lane, Watford, Hertfordshire, WD18 9RN, United Kingdom

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements for the year ended 31 March 2016 are set out below These policies have been consistently applied to all years presented, unless otherwise stated

a) Basis of preparation

The financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRS IC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss After making enquiries, the directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future The Group and Company therefore continue to adopt the going concern basis in preparing its financial statements

The Group's accounting policies were selected by management considering all applicable IFRS issued by the International Accounting Standards Board (IASB) by 31 March 2016

i) New IFRS accounting standards and interpretations adopted in 2015/16
During the year ended 31 March 2016, the Group adopted the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) or amendments, and interpretations by the IFRS Interpretations Committee None of the pronouncements had a material impact on the Company's results or assets and liabilities

- Annual improvements 2010-2012
- Annual improvements 2011-2013

ii) New IFRS accounting standards and interpretations not yet adopted
The standards, amendments and interpretations listed below were not effective for the year ended 31 March 2016

With the exception of IFRS 15 Revenue of contracts with customers, and IFRS 16 Leases, none of the other standards and interpretations listed below are expected to have a material impact on the Group's consolidated results or assets and liabilities

- Annual improvements 2014
- Amendment to IAS 16 and 38 on depreciation and amortisation
- Amendments to IAS 1 and 7 on the disclosure initiative
- Amendments to IAS 12 on recognition of deferred tax for unrealised losses
- IFRS 9 Financial instruments
- IFRS 15 Revenue from contracts with customers
- IFRS 16 Leases

Notes to the Financial Statements continued

It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed The Group and Company has not yet completed a detailed review of the impact of these standards However, our preliminary assessment is that

- Adoption of IFRS 15 is likely to change the timing of recognition, but not the total recognised over time, of our revenues, and
- Adoption of IFRS 16 is likely to result in certain arrangements currently treated as operating leases being accounted for in the future in a manner similar to the current treatment for finance leases

Critical accounting assumptions, estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting assumptions, and it also requires management to exercise its judgement and to make estimates in the process of applying the Group's accounting policies The areas requiring a higher degree of judgement or areas where assumptions and estimates are significant to the financial statements are discussed below and in the provisions section in note 20

Intangible assets

The Group capitalises intangible assets in line with IAS 38 Forecast cash flow information and estimates of future earnings are used to assess whether intangible assets are impaired and to assess useful economic lives If the results of operations in future periods are less than those used in impairment testing, an impairment may be triggered, or the useful economic life of an asset may be reduced All impairment charges are recognised in the Statement of Comprehensive Income

Recognition and measurement of intangibles

Intangible assets acquired in a business combination are recognised at fair value, measured as the present value of future cash flows arising from the asset identified

Impairment of goodwill and other intangibles

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(g) The recoverable amounts of cash-generating units have been determined based on value-in-use calculations These calculations require the use of estimates (note 9)

The Group uses forecast cashflow information and estimates of future earnings to assess whether intangible assets are impaired and to assess useful economic lives An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use All impairment charges are recognised in the Statement of Comprehensive Income

Long term incentive plans

Provisions are made for the Group's long term incentive plan ('LTIP') (a bonus scheme for senior management), in line with the Group's performance criteria when the Group has a present legal or constructive obligation to incur this cost

b) Basis of consolidation

These financial statements comprise the consolidated and Company financial statements of PLCUK and its subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights Subsidiaries are fully consolidated from the date on which control is transferred to the Group

The Group uses the acquisition method of accounting to account for business combinations The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement Acquisition-related costs are expensed as incurred Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date

b) Basis of consolidation continued

The Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the fair value of the acquiree's net assets
Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation Unrealised losses are also eliminated

Certain Trust accounts established to provide protection to players have historically been consolidated After management reassessment in reference to IFRS 10, it has been deemed that the Trust Accounts do not meet the definition of control necessary to justify consolidation into the Group's financial statements The decision has therefore been taken to de-consolidate the Trust accounts The value of prizes not yet claimed will continue to be a liability to the Group, with an offsetting debtor representing a receivable due to the Group from the Trust (see note 2 l) The Trust Receivable balance is included within current trade and other receivables (see note 12b) The Euromillions deposit balance included within non-current trade and other receivables is restricted cash and continues to be under the Group's control (see note 12a)

Investments in subsidiary companies

Investments in subsidiaries are stated at cost less provision for impairment

The Group also owns the entire share capital of four dormant subsidiaries which have share capital equal to net assets of £6 in total These investments are not considered material for the purpose of giving a true and fair view of these financial statements and therefore have not been consolidated (see note 29)

c) Segmental reporting

The Group does not publicly trade its equity or debt securities and is not in the process of issuing equity or debt securities in public securities markets The Group is therefore outside the scope of IFRS 8 'Operating Segments' and as such has not presented operating segment disclosures

d) Net income

The Group earns income across a portfolio of games that includes draw-based games, Scratchcards and interactive Instant Win Games

Group income is predominately derived from and originates in the United Kingdom and the Isle of Man The presentation of net income is consistent with common practice within the gaming industry, ticket sales are accounted for under IAS 39 'Financial Instruments Recognition and Measurement' Net income is recorded and disclosed net of lottery duty, prize payouts and amounts due to the National Lottery Distribution Fund

Other operating income primarily comprises an operating fee receivable from retailers who lease terminals in the estate The operating fee income is recognised on a straight-line basis over the term of the operating lease Income is only recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured

The Group also earns income from consultancy services provided by CGSL which is presented in other net income Income from the BBC in relation to live draw-show broadcasts when the programmes are aired, and operating fee income from retailers who lease Scratchcard only terminals is presented within other operating income

e) Retailers' and other commission

Amounts charged to the Statement of Comprehensive Income represent commissions arising due to retailers based on sales and in-store prize payments to date, fees paid for the processing of debit card payments which arise when players load or unload money to and from their interactive wallet to enable them to participate in The UK National Lottery using the interactive channel, and other sales-related commissions

Notes to the Financial Statements continued

f) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition and in accordance with IFRS 3 is not amortised

Goodwill is tested for impairment annually, or at any other time that there is an indication of impairment, and is carried at cost less accumulated impairment losses Impairment losses would be charged to the Statement of Comprehensive Income

Goodwill is allocated to cash generating units for the purpose of impairment testing, and the allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose

g) Other intangible assets

All intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses Assets that have an indefinite useful life, for example goodwill or intangible assets not ready for use, are not subject to amortisation and are tested annually for impairment Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination (including brands and licences) are recognised at fair value at the acquisition date The assets acquired have a finite useful life and are carried at cost less accumulated amortisation and impairment Amortisation is calculated using the straight-line method to allocate the cost of assets acquired on business combinations over their useful lives

Internally generated intangibles

Costs relating to the development of software and The National Lottery website, including design and content development, are capitalised as intangible assets only when the future economic benefits expected to arise are deemed probable and the costs can be reliably measured Development costs not meeting these criteria are expensed in the Statement of Comprehensive Income as incurred Capitalised development costs are amortised on a straight line basis over the period gaining economic benefit from the expenditure once the related product is available for use Research costs are charged to the Statement of Comprehensive Income as incurred Interactive development costs that relate to channels other than the website are also capitalised on the same basis Assets under construction are not amortised until they are brought into use

Separately acquired intangibles

Intangible assets purchased separately, such as software licences that do not form an integral part of related hardware, are capitalised as intangible assets at cost and amortised over their useful economic life Costs associated with maintaining software are charged to the Statement of Comprehensive Income as incurred Amortisation is provided on all intangible assets at such rates as to write off the cost of these assets in equal instalments, either over their expected useful lives or the remaining Section 5 Licence Period throughout which benefit is anticipated to be derived from the asset The third operating Licence extension runs to 2023

The value of separately acquired and internally generated intangible assets is amortised in equal instalments as follows

- Central gaming software, Interactive software and Enterprise Resource Planning software	The period to the end of the third operating Licence extension or planned replacement date if earlier
- Other software	The shorter of four years and the period to the end of the third Licence extension
- Intangible assets acquired on acquisition	The period to the end of the third Licence extension

Notes to the Financial Statements continued

Impairment of intangible assets

The Group uses forecast cash flow information and estimates of future earnings to assess whether intangible assets are impaired with reference to their useful economic lives An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use All impairment charges are recognised in the Statement of Comprehensive Income

h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation The cost of property, plant and equipment includes the estimated cost of removing and disposing of the terminal assets held at retailer sites Assets under construction are not depreciated until they are brought into use

Depreciation is provided on all property, plant and equipment, at such rates as to write off the cost of these assets in equal instalments either over their expected useful lives or the third Licence extension period throughout which benefit is anticipated to be derived from the asset Assets under construction are not depreciated until they are brought into use

The depreciation basis for the principal asset categories are as follows

Short leasehold improvements

- Short leasehold improvements	The shorter of the lease period and the period to the end of the third operating Licence extension

Plant, equipment and motor vehicles

- Computer hardware (excluding central gaming)	The shorter of four years, or in the case of leased assets the lease period, and the period to the end of the third operating Licence extension
- Central gaming systems, Interactive hardware and Enterprise Resource Planning hardware	The period to the end of the third operating Licence extension or planned replacement date if earlier, or the lease term for leased assets and associated costs
- Fixtures and fittings	5 years
- Media screens	3 years
- Lottery terminals	The period to the end of the third operating Licence extension or the lease term planned replacement date if earlier
- Permanent point-of-sale equipment (PPOS)	The shorter of 2 – 5 years and the period to the end of the third operating Licence extension
- Other plant and equipment	Between 2 – 5 years, or planned replacement date
- Motor vehicles	The lease term

The residual values and useful economic lives of property, plant and equipment are reviewed annually If an asset's carrying amount is greater than its estimated recoverable amount, the carrying amount is immediately written-down

Notes to the Financial Statements continued

i) Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group All other leases are classified as operating leases

Separately acquired software and property, plant and equipment acquired under finance leases are included in the balance sheet at their equivalent capital value, which is defined as the lower of the fair value of the property and the present value of minimum lease payments, and are depreciated in accordance with the policy for the class of asset concerned The resulting lease obligations are recorded as a creditor and the interest element of the finance lease rentals is charged to the Statement of Comprehensive Income The liability is discounted where the difference between the values of minimum lease payments and the present value of those payments is material

j) Operating leases

Operating lease rentals are charged to the Statement of Comprehensive Income on a straight line basis over the lease term Operating lease incentives are recognised as a reduction in the rental expense over the lease term

k) Inventories

Inventories are valued at the lower of cost calculated on the first-in first-out basis, and net realisable value Provisions are made for obsolete or slow moving stock

Inventories consist of Scratchcards and consumables (i e terminal rolls, playslips and ribbons) Scratchcards are carried on a unit cost basis and are expensed when Camelot recognises the revenue for that stock Consumables are valued at the lower of cost, calculated on the first-in first-out basis, or net realisable value Provisions are made for obsolete or slow moving stock

l) Trade and other receivables

Trade and other 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 receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables A provision is raised if future cash flows are not estimated to match the asset's carrying value Significant financial difficulties of the debtor, probability that the debtor will enter 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 The carrying amount of the asset is reduced through the use of a doubtful debtor account, and the amount of the loss is recognised in the Statement of Comprehensive Income within 'administrative expenses' When a trade receivable subsequently becomes uncollectible, it is written off against the doubtful debt provision, in the period in which the bad debt is identified Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the Statement of Comprehensive Income If collection is expected within one year or less they are classified as current assets, or non-current assets if expected after more than one year

As referenced in note 2b, the Trust Accounts are no longer considered to be under the Group's control and as a result are no longer consolidated in the financial statements The amounts held in Trust represent unpaid prizes When a player claims a prize from the trust, the prize payment is made by the Group and then claimed back from the Trust As this is now deemed to be a third party transaction between the Group and the Trust such amounts reflect a receivable due from the Trust Prior year notes have been represented for comparative purposes (note 12)

m) Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method Trade payables are classified as current liabilities if payment is due within one year or less, or non-current liabilities if expected after more than one year

n) Financial instruments

The following policies for financial instruments have been applied in the preparation of the Group's financial statements

Cash and cash equivalents

For the purpose of preparation of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and in hand, short-term deposits with an original maturity period of three months or less and certain amounts classified as borrowings, as detailed below

Bank overdrafts that are an integral part of the Group's cash management are included in cash and cash equivalents where they have a legal right of set-off against positive cash balances If the cash position after the set-off of the overdrafts amounts to a net overdraft, these amounts are classified as borrowings, but are still classified as cash and cash equivalents for the purposes of the Statement of Cash Flows

Borrowings

Borrowings comprise amounts drawn down against the Group's bank facilities, amounts (other than trade payables) due to parent undertakings and any bank overdrafts as defined above They are recognised initially at fair value, net of transactions costs incurred Transaction costs are charged to operating profit in the period incurred Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date

Derivative financial instruments and hedging activities

Exposure to credit, interest rate, currency, liquidity and capital risks that arise in the normal course of the Group's business are minimised by the Group's policies and controls, as disclosed in note 15

The Group uses interest rate swap contracts to manage its exposures to fluctuations in interest rates These instruments are accounted for as hedges when designated as such at the inception of the contract The Group does not hold or issue derivative financial instruments for financial trading purposes

All derivative financial instruments are recognised at fair value in the balance sheet The fair values of interest rate swap contracts are calculated by reference to current forward interest rates for contracts with similar maturity profiles

The designation of derivative financial instruments as hedges is carried out according to the Group's risk management policies All of the Group's hedges are cash flow hedges, which mitigate against risks associated with a recognised asset or liability or a highly probable forecast transaction

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items The fair values of various derivative instruments used for hedging purposes are disclosed in note 16 Movements on the hedging reserve in other comprehensive income are shown in note 23 The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months Derivatives are classified as a current asset or liability

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income The gain or loss relating to the ineffective portion including any accumulated in equity is recognised immediately in the Statement of Comprehensive Income When hedging a non-financial asset, gains and losses are transferred from equity to be recognised against the cost of the asset When a hedging instrument expires, is sold, the forecast transaction is no longer expected to occur, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is immediately transferred to the Statement of Comprehensive Income

o) Provisions

Provisions are recognised where the Group has legal or constructive present obligations as a result of past events, that will probably require an outflow of resources to settle, and this outflow can be reliably measured, as detailed below
Provisions are discounted when the effect of the time value of money is material

Decommissioning

Provisions are made for the cost of decommissioning terminals and communications equipment held at retailer sites, and the disposal of these assets A further provision comprises amounts in respect of lost or destroyed terminals

Dilapidations

The dilapidation provision is the current best estimate of the cost of bringing certain premises, held under operating leases, back to their original state as required by the lease agreement

Restructuring

Provisions for restructuring costs are recognised when the Group has a present legal or constructive obligation as a result of a past event, where it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be readily estimated Provisions are not recognised for future operating losses

Long term incentive plans

Provisions are made for the Group's LTIP in line with the Group's performance criteria when the Group has a present legal or constructive obligation to incur this cost

p) Pensions

The Group operates a defined contribution scheme The cost of contributions is charged to the Statement of Comprehensive Income in the year to which it relates

q) Current and deferred income tax

Current income tax is recognised based on the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the reporting date

Deferred income tax is provided in full, using the liability method, on temporary differences that arise between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding tax base A temporary difference is a taxable temporary difference if it will give rise to taxable amounts in the future when the asset or liability is settled Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be offset Deferred income tax assets and liabilities recognised are not discounted Deferred income tax liabilities and assets are classified as non-current irrespective of the expected timing of the reversal of the underlying taxable temporary difference Current income tax assets and liabilities are shown separately on the face of the Balance Sheet

Income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Comprehensive Income

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets with current taxation liabilities

r) Value added tax

All costs include the attributable value added tax to the extent that it is not recoverable

Notes to the Financial Statements continued

s) Share capital and dividend recognition

Ordinary shares are shown within equity Final dividends to the Company's shareholders are recognised as a liability and deducted from shareholders' equity when the dividend is approved by the Company's shareholders, and for an interim dividend when the dividend is paid

t) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') The consolidated financial statements are presented in GBP Sterling (£m), which is the Company's functional and the Group's presentation currency

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured Foreign exchange gains and losses resulting from the trading are recognised in the Group Statement of Comprehensive Income All other foreign exchange gains and losses are presented in the Group Statement of Comprehensive Income within administrative expenses

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss Translation differences on non-monetary financial assets are included in the foreign exchange reserve in equity

Notes to the Financial Statements continued

3. Net income (Group)

The Group is operated and managed as separate businesses The Group predominantly operates in the United Kingdom and the Isle of Man with the exception of CGSNA which operates in the United States of America

	2016 £m	2015 £m
Gross ticket sales	**7,595.2**	7,277 8
Lottery duty	**(911 5)**	(873 4)
Prizes	**(4,198 9)**	(4,043 0)
National Lottery Distribution Fund	**(1,772 3)**	(1,669 1)
Net income arising from Lottery sales	**712 5**	692 3
Other revenue	**7 2**	6 9
	719 7	699 2

4. Operating profit (Group)

	2016 £m	2015 £m
Net income	**719.7**	699 2
Other operating income [1]	**6 1**	2 3
Retailers' and other commission	**(334.6)**	(333 4)
Gaming systems and data communication costs [2]	**(120.9)**	(105 7)
Employee expenses (note 5)	**(47.8)**	(57 2)
Marketing expenses	**(87.2)**	(76 0)
Research	**(3.2)**	(3 7)
Amortisation of intangible assets [2]	**(24 5)**	(24 5)
Depreciation on tangible assets [2]	**(0 3)**	(1 5)
Impairment of trade receivables (note 12)	**(0 6)**	(1 0)
Operating lease rentals - property	**(6 8)**	(4 6)
Auditors' remuneration - fees payable for the audit of the Group and Company financial statements	**(0.8)**	(0 7)
Other expenses	**(26 5)**	(27 1)
Total expenses	**(653.2)**	(635 4)
Operating profit	**72 6**	66 1

[1] Other operating income primarily comprises an operating fee receivable from retailers who lease Scratchcard-only terminals in the estate The operating fee income is recognised on a straight-line basis over the term of the operating lease Income is only recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured In addition £3 2m (2015 £nil) income from the NLDF has been received in respect of Lotto marketing investment Also included in other operating income are amounts receivable from the BBC in relation to the live draw-show broadcast agreement

[2] Gaming systems and data communication costs includes the cost of maintaining software, terminals and the communications network, costs associated with the purchase of Scratchcard tickets and consumables, together with the depreciation of gaming systems and terminal and data communications equipment Included within Gaming systems and data communication costs are £14 5m (2015 £11 8m) depreciation on owned assets, £6 6m (2015 £3 9m) amortisation of intangible assets and £9 1m (2015 £9 2m) operating lease rental costs on plant and equipment

Notes to the Financial Statements continued

5. Employee expenses and numbers (Group)

The followıng ınformatıon relates to the Group

Employee expenses	2016 £m	2015 £m
Wages and salarıes	**39.8**	49 0
Socıal securıty costs	**5 6**	5 6
Other pensıon costs	**2.4**	2 6
	47.8	57 2

Monthly average number of Group employees	2016 Number	2015 Number
Retaıler and consumer servıces	**205**	174
Sales and marketıng	**312**	312
Informatıon technology	**217**	180
Fınance, admınıstratıon and other	**109**	120
	843	786

Key management personnel compensatıon	2016 £m	2015 £m
Salarıes and other employee benefits	**6 1**	**4 2**
Other long term benefıts	**2 6**	**2 2**
Other pensıon costs	**0 6**	**0 5**
	9 3	**6 9**

Key management ıs consıdered to be the UK Executıve Board and those members of the Global Operatıng Board who make key operatıng decısıons ın the Group

The UK Executıve Board and Global Operatıng Boards consıst of department dırectors who meet regularly to dıscuss group performance and make key operatıng decısıons

The amounts above ınclude compensatıon for all members of the UK Executıve Board and key management ın the Global Operatıng Boards who were employed by Group companıes durıng the reportıng perıod

Notes to the Financial Statements continued

6. Finance income and expense (Group)

	2016 £m	2015 £m
Interest receivable from bank deposits	0 3	0 2
Finance income	0.3	0 2
Interest payable on Term and other loans	(6 8)	(8 0)
Interest payable on finance leases	(1 3)	(1 4)
Interest expense on Eurobonds	(12 5)	(12 5)
Amortisation of loan fees	(0.7)	(0 7)
Interest rate swaps cash flow hedges	(0.2)	(0 3)
Other interest expense	(0.7)	(0 6)
Finance expense	(22 2)	(23 5)
Net finance expense	**(21 9)**	(23 3)

7. Income tax (Group)

a) Corporation tax

	2016 £m	2015 £m
Current income tax charge [1]	15.7	14 6
Deferred income tax credit [2]	(8.5)	(4 1)
Income tax charge	**7.2**	10 5

[1] Includes a prior year adjustment of £0 4m credit (2015 £0 8m credit)
[2] Includes a prior year adjustment of £0 2m credit (2015 £0 8m charge)

The income tax charge is based on a corporation tax rate of 20% for the year ended 31 March 2016 All taxable temporary differences have been recognised and are reflected in the deferred taxation balance

b) Reconciliation of tax charge

	2016 £m	2015 £m
Profit before income tax	**50.7**	42 8
Charge on profit on ordinary activities at the standard rate of 20% (2015 21%)	10.2	9 0
Factors affecting charge:		
Expenses not deductible for tax purposes	0 6	1 3
Prior year adjustments	(0.6)	-
Effect of changes in rate of deferred tax	(3 0)	0 2
Income tax charge	**7 2**	10 5

The tax charge for the year ended 31 March 2016 represents a tax charge of £ 10 2m on ordinary activities and a £3 0m credit in respect of a deferred tax item previously recognised at 20% reversing in the current year

Notes to the Financial Statements continued

7. Income tax (Group) continued

The tax charge for the year ended 31 March 2015 represents a tax charge of £10 3m on ordinary activities and a tax credit of £0 2m in respect of a deferred tax item previously recognised and subsequently reversed in the current year

For the period ended 31 March 2016, the Group is expected to make a cash payment to the UK Tax Authorities of £16 4m which arises on the taxable profits made by the Group offset by the availability of losses within the Group Of the cash payment due to the UK Tax Authorities of £16 4m, £8 0m was paid by instalments during the year with the remainder of £8 4m due to be settled by instalments following the year

For the period ended 31 March 2015, the Group made a cash payment to the UK Tax Authorities of £15 3m which arose due to the taxable profits made by the group offset by the availability of losses Of the cash payment due to the UK Tax Authorities of £15 3m, £7 5m was paid by instalments during the year ended 31 March 2015, with the remainder of £7 8m settled by instalments in the year ended 31 March 2016

Therefore, in the period ended 31 March 2016, the Group made total cash corporation tax payments to the UK Tax Authorities of £15 0m which comprised of £8 0m payable in respect of the period ended 31 March 2016 and £7 8m payable in respect of the period ended 31 March 2015, with the balance of £0 8m relating to a refund of tax overpaid in respect of earlier years

8. Dividends (Group and Company)

The Group paid a dividend of £59 4m (2015 £38 5m) to its shareholders of which £0 7m was paid outside the Group (2015 £0 7m) Dividends per share in the year were £59,400 (2015 £38,500)

The Company paid a dividend of £58 7m (2015 £37 8m) to its shareholders Dividends per share were £58,700 (2015 £37,800)

9. Intangible assets (Group)

	Internally generated assets £m	Separately acquired assets £m	Acquired intangible assets £m	Goodwill £m	**Total £m**
Cost					
At 1 April 2014	12 3	35 7	308 9	37 0	**393 9**
Additions	2 4	5 8	-	-	**8 2**
Disposals	(0 3)	(2 1)	-	-	**(2 4)**
At 31 March 2015	14 4	39 4	308 9	37 0	**399 7**
Accumulated amortisation and impairment					
At 1 April 2014	1 6	11 4	107 2	0 7	**120 9**
Charge for the year	1 6	3 9	22 8	-	**28.3**
Disposals	(0 3)	(2 0)	-	-	**(2.3)**
At 31 March 2015	2 9	13 3	130 0	0 7	**146 9**
Net book value					
At 31 March 2015	**11.5**	**26.1**	**178 9**	**36.3**	**252 8**

9. Intangible assets (Group) continued

	Internally generated assets £m	Separately acquired assets £m	Acquired intangible assets £m	Goodwill £m	**Total £m**
Cost					
At 1 April 2015	14 4	39 4	308 9	37 0	**399.7**
Additions	2 1	13 9	-	-	**16.0**
At 31 March 2016	16 5	53 3	308 9	37 0	**415 7**
Accumulated amortisation and impairment					
At 1 April 2015	2 9	13 3	130 0	0 7	**146 9**
Charge for the year	1 4	6 8	22 9	-	**31 1**
At 31 March 2016	4 3	20 1	152 9	0 7	**178 0**
Net book value					
At 31 March 2016	**12.2**	**33.2**	**156.0**	**36 3**	**237.7**

The £0 7m balance of goodwill relating to the acquisition of CCSL was previously impaired as the value of this subsidiary's fixed assets was written down to a nil net book value due to a lack of existing business opportunities at the present time

Intangible assets include £5 5m (2015 £1 1m) of assets which are under construction and £nil of borrowing costs arising from finance lease interest (2015 £0 5m) on developing The National Lottery Website

Acquired intangible assets relate to the benefits arising from operating under the Third Licence for the National Lottery and the value inherent in the Camelot brand as acquired by PLUK on acquisition of Camelot and CGSL All intangible assets are held by subsidiaries of the Group or arise on acquisition, and no such assets are held directly by the Company

The goodwill arising on acquisition is primarily attributable to the knowledge and experience of the workforce built up over many years of operating under a lottery licence in the UK

Impairment tests for goodwill

Goodwill is tested for impairment by allocating its carrying amount to cash generating units (CGUs) If the recoverable amount of a CGU exceeds its carrying amount, the CGU and any goodwill allocated to it would be regarded as not impaired The £36 3m of goodwill as at 31 March 2016 is allocated between Camelot (£35 0m) and CGSL (£1 3m)

The goodwill of £0 7m relating to the acquisition of CCSL has previously been written down to a nil net book value due to a lack of existing business opportunities

Basis on which recoverable amount has been determined

The recoverable amounts of the CGUs are determined from value in use calculations

- For the Camelot CGU, this is based on the annual budget for the financial year ended 31 March 2016 and 5 year strategic plan, both approved by the Directors of Camelot Camelot will continue to generate returns beyond the assessment period through to the end of the current Licence These future returns are assumed to remain at the level achieved in the final year of the strategic plan, with no growth rate applied, and

9. Intangible assets (Group) continued

- For the CGSL CGU, the calculation is based on the proposed annual budget for the financial year ended 31 March 2016 and 5 year strategic plan approved by the Directors of CGSL No further returns are forecast beyond the strategic plan period

No impairment of goodwill was required as a result of the assessment performed

Key assumptions used in value in use calculations

When performing the value in use calculation, the level of sales and operating profit forecast are based upon historic experience, management's best estimate of future trends and performance taking account of industry comparable data

The post-tax discount rate applied to cash flow projections for the assessment is 4 50% (2015 4 91%)

The recoverable amount of the Camelot and CGSL CGUs is sensitive to changes in cash flows No change in key assumptions that could be reasonably expected would result in an impairment

10. Property, plant and equipment (Group)

	Assets under construction £m	Short leasehold improvements £m	Plant and equipment and motor vehicles £m	**Total £m**
Cost				
At 1 April 2014	2 5	2 5	128 2	**133.2**
Additions	0 6	-	-	**0.6**
Transfers	(0 9)	-	0 9	**-**
Disposals	-	-	(3 1)	**(3 1)**
At 31 March 2015	2 2	2 5	126 0	**130 7**
Accumulated depreciation and impairment				
At 1 April 2014	0 1	1 1	44 2	**45 4**
Charge for the year	-	0 3	13 0	**13 3**
Disposals	-	-	(3 1)	**(3 1)**
At 31 March 2015	0 1	1 4	54 1	**55 6**
Net book value				
At 31 March 2015	**2.1**	1 1	**71.9**	**75.1**

Notes to the Financial Statements continued

10. Property, plant and equipment (Group) continued

	Assets under construction £m	Short leasehold improvements £m	Plant and equipment and motor vehicles £m	**Total £m**
Cost				
At 1 April 2015	2 2	2 5	126 0	**130 7**
Additions	21 3	-	0 1	**21 4**
Transfers	(23 2)	-	23 2	-
Disposals				
At 31 March 2016	0 3	2 5	149 3	**152 1**
Accumulated depreciation and impairment				
At 1 April 2015	0 1	1 4	54 1	**55.6**
Charge for the year	0 0	0 3	14 5	**14 8**
Disposals				
At 31 March 2016	0 1	1 7	68 6	**70 4**
Net book value				
At 31 March 2016	**0.2**	**0 8**	**80.7**	**81 7**

The net book value of plant and equipment and motor vehicles held under finance leases is £29 8m (2015 £21 4m) Depreciation charged in the year in respect of these assets was £4 1m (2015 £4 1m)

Material amounts within the transfer figure for plant and equipment include an amount of £19 6m This related to the roll-out of point of sale equipment at all retailer sites

All property, plant and equipment assets are held by subsidiaries of the Company, and no such assets are held directly by the Company Plant and equipment of £10 4m was pledged as security by Camelot during the year

During the year the Group has made significant capital investment in the infrastructure needed to run The National Lottery This includes increasing the retailer terminal estate, communications network and media screens in line with the commitment made under the third Licence extension

11. Inventories (Group)

	Group 2016 £m	Group 201 £m
Scratchcard tickets	**0.5**	0 5
Playslips, terminal rolls and other consumables	**0 5**	0 4
At 31 March	**1.0**	0 9

Inventory consumed during the year amounted to £24 9m (2015 £23 1m) No provision has been raised against the inventory balance in the current year (2015 nil)

Notes to the Financial Statements continued

12. Trade and other receivables (Group and Company)

a) Non-current assets

	Group 2016 £m	Group 2015 restated £m	Company 2016 £m	Company 2015 £m
Euromillions deposit	6.9	7 1	-	-
Other receivables and prepayments	5 3	5 8	-	-
At 31 March	12.2	12 9	-	-

The Euromillions deposit provides security to other Euromillions participants for the Group's Euromillions prize payment obligations This amount (of the relevant part) will be repayable to the Group in accordance with the Trust Deed and will remain on deposit until the end of the third operating License term

At 31 March 2016, the Group had on deposit £6 9m (2015 £7 1m) of funds in a restricted cash trust accounts as a reserve for the protection of prize winners Although the Group cannot currently withdraw these amounts until the end of the third operating Licence extension period, the interest on these accounts accrues to the Group

Other receivables and prepayments for the Group primarily relate to amounts paid in advance with respect to maintenance contracts and operating leases for plant and machinery

Included in the Group's other receivables and prepayments is £0 0m (2015 £0 0m) in respect of amounts receivable from Services aux Loteries en Europe SCRL ('SLE') Further information on SLE is provided in note 28

b) Current assets

	Group 2016 £m	Group 2015 restated £m	Company 2016 £m	Company 2015 £m
Trust receivables	357.7	337 8	-	-
Trade receivables	27 8	33 6	-	-
Amounts receivable from related parties	-	-	0 4	
Accrued Income	8 3	7 8	-	-
Prepayments	10 7	10 0	-	-
At 31 March	404 5	389 2	0.4	-

Trust receivables comprise the amounts due from the Trusts to the Group for unpaid prizes of £291 4m (2015 £266 8m), together with amounts held in respect of future draws both in the form of advance sales and interactive wallet balances of £66 3m (2015 £71 0m) In the 2015 comparative £337 8m has been reclassified from financial assets to trust receivables

Trade receivables of the Group primarily represent amounts due from retailers As of 31 March 2016, the Group's trade receivables from retailers of £21 7m (2015 £31 2m) were not yet due for payment in accordance with the normal payment cycle

As of 31 March 2016 of the Group's retail trade receivables, £0 3m (2015 £1 2m) were impaired and provided for The recoverability of trade receivables held with multiple retailers is impaired when debt becomes more than 90 days past due Balances due from independent retailers are impaired 6 weeks after the retailer's agreement is terminated Outstanding balances on our active retailer estate are impaired after 30 days

Other trade receivables that are past due are considered impaired when it is deemed uneconomical to pursue recoverability of the debt At 31 March 2016, no other trade receivables were considered impaired or provided for

12. Trade and other receivables (Group and Company) continued

The ageing analysis of past due but not impaired or provided for trade receivables is as follows

	Group 2016 £m	Group 2015 £m	**Company 2016 £m**	Company 2015 £m
7 days to 3 months	**0.2**	0 2	**-**	-
3 to 6 months	**0.1**	0 0	**-**	-
More than 6 months	**0.0**	0 1	**-**	-
At 31 March	**0 3**	0 3	**-**	-

The credit risk policy that the Group operates means that the Group minimises its exposure to past due debt Details of the credit risk policy are provided in note 14 and note 15

Movements on the Group and Company provisions for impairment of trade receivables are as follows

	Group 2016 £m	Group 2015 £m	**Company 2016 £m**	Company 2015 £m
At 1 April	**1.2**	0 6	**-**	-
Provision for impairment of trade receivables	**0.3**	1 0	**-**	-
Utilised	**(0.6)**	-	**-**	-
Unused amounts reversed	**(0.6)**	(0 4)	**-**	-
At 31 March	**0 3**	1 2	**0.0**	0 0

All movements in the provision for impaired receivables have been included in administrative expenses in the Statement of Comprehensive Income The other classes within trade and other receivables do not contain impaired assets

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above With the exception of £5 7m (2015 £4 9m) in retailer bonds, the Group and Company do not hold any collateral as security

13. Cash and cash equivalents (Group and Company)

Cash at bank and in hand comprise Camelot bank accounts and short-term deposits Fixed and floating charges have been given in respect of certain Camelot assets to the trustee and to Camelot's syndicated lenders Camelot's cash balances can be analysed as follows

	Group 2016 £m	Group 2015 £m	**Company 2016 £m**	Company 2015 £m
Cash at bank and in hand	**19 9**	73 4	**3.0**	**3.0**
Short-term deposits	**43.3**	26 5	**-**	**-**
At 31 March	**63.2**	99 9	**3.0**	**3 0**

Amounts held in short-term bank deposits comprise amounts held in either deposit accounts or Money Market Funds with interest earned rates at 31 March 2016 of 0 40% to 0 80% (2015 0 40% to 0 82%) Both types of deposit are redeemable on demand

On 8 July 2010 the Company entered into a £55 0m committed Revolving Credit Facility which runs until 8 July 2016 with the option (at no cost) to extend maturity for a further three years The amount drawn under this facility at 31 March 2016 was nil (2015 nil)

Notes to the Financial Statements continued

13. Cash and cash equivalents (Group and Company) continued

The Group has a further £5 0m committed revolving credit facility which expires on 8 July 2018 available for utilisation by Group companies except Camelot and CGSL (2015 £5 0m) The amount drawn under this facility at 31 March 2016 was nil (2015 nil)

14. Credit quality of financial assets (Group and Company)

External credit ratings are obtained for each trade receivable counterparty at the point the Group starts to trade with that retailer to confirm the creditworthiness of the retailer See note 15 for details on the Group's credit control policy for trade receivables

External credit ratings are obtained for banks where the Group holds cash and short-term bank deposits At 31 March 2016, the credit ratings for the banks where financial assets totalling £41 2m (2015 £26 5m) are held in deposit accounts with banks which have Moody's short-term credit ratings of P1 and £2 1 (2015 £nil) was held in deposit accounts which have a Moody's short-term credit rating of P2 Money Market Funds used during this and the preceding year each have Moody's credit ratings of AAA Cash at bank and the trust accounts are held with Royal Bank of Scotland plc , which has a Moody's credit rating of Baa1

None of the financial assets that are not yet due have been renegotiated in the last year

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets mentioned above

15. Financial risk management (Group and Company)

Exposure to credit, interest rate, currency, liquidity and capital risks arise in the normal course of the Group's business The likely impact of these risks, which are further mitigated by the Company's use of hedging instruments on borrowings, is deemed to be immaterial and therefore no sensitivity analysis has been presented in these financial statements

a) Credit risk

Credit insurance is held for the vast majority of the Group's multiple store retailers and management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis Credit evaluations are performed on all customers at the point at which the Group starts to trade with that retailer If the uninsured credit risk exposure is significant, Camelot will request a bond as collateral to protect against any future payment default This is held for a minimum of two years, during which period payment patterns are monitored Amounts invoiced to retailers are collected within three working days If a retailer fails to make payment on the due date, the retailer's terminal is suspended until the debt is cleared Retailer agreements set out the Group's credit policy for late payments

Camelot has reviewed its established credit policy and debt collection processes to ensure they are appropriate and address the additional exposures to increased credit risk the current economic climate brings Management is confident that the current arrangements minimise the Group's exposure in this area, however this continues to be closely monitored

At the balance sheet date there were no significant concentrations of credit risk The maximum exposure to credit risk is represented by the carrying amount of each class of financial assets in the balance sheet

The Group investment policy restricts investment to short-term money market deposits or Money Market Fund deposits and only with counterparties that have strong credit quality and a strong capacity for timely payment of short-term deposit obligations

The carrying value of financial assets approximates to fair value

Notes to the Financial Statements continued

b) Interest rate risk

The Group's £55 0m and £5 0m Revolving Credit Facilities allow short term borrowings at floating rates of interest

The Group's Term Loan borrowings are also at floating rates of interest although some cash flow hedging has been undertaken using interest rate swaps under which the Group receives LIBOR and pays 0 775% on the hedged amount, thereby significantly reducing exposure to interest rate risk

Investments are predominately in fixed-rate deposit accounts which are redeemable on demand The average rate of return on Money Market Funds used by the Group during the year was 0 42% (2015 0 40%)

c) Foreign exchange risk

The Group is exposed to foreign exchange risk on purchases that are denominated in a currency other than GBP Sterling (£) The currencies giving rise to this risk are primarily U S Dollars ($) and Euros (€) During the year, the Group did not participate in any foreign exchange hedging contracts due to the minimal volume and value of foreign transactions Transactions denominated in foreign currencies are accounted for in line with our accounting policy detailed in note 2(t)

Included within Administrative expenses in the Group Statement of Comprehensive Income are net foreign exchange gains of £0 2m (2015 £0 3m)

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due This risk is managed to ensure that sufficient funding and liquidity is available to meet the expected needs of the Group together with a prudent level of headroom to allow for cash flow variations

In addition to its own free cash flow, the Group has access to revolving credit facilities outlined in note 13 These contain covenants including a maximum level of leverage and minimum levels of interest and debt service cover, all of which the Group has met The undrawn level of these facilities together with the Group's cash balances are the key measures of the Group's liquidity

The Group's cash is subject to regular daily, weekly and monthly cycles that are factored into long-range cash flow forecasts which are regularly updated and reviewed by management These forecasts determine adequacy of the Group's liquidity facilities and the timing of drawings and repayments under the above facilities

Liquidity is centralised through cash pooling arrangements and any surplus cash is deposited with well rated banks or Money Market Funds, typically for a term of between one day and three months depending on projected cash flow requirements

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date The amounts disclosed are contractual undiscounted cash flows Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

	Mature in less than 1 year £m	Mature between 1 and 2 years £m	Mature between 2 and 5 years £m	Mature in greater than 5 years £m
At 31 March 2015				
Finance lease obligations	9 5	8 9	20 4	0 0
Term loan	30 0	45 0	190 0	0 0
Eurobond	0 0	0 0	0 0	100 0
Trade and other payables	550 4	0 6	1 5	0 4
At 31 March 2016				
Finance lease obligations	**11 6**	**10.3**	**18.5**	**0 0**
Term loan	**45 0**	**45 0**	**175 0**	**0.0**
Eurobond	**0 0**	**0 0**	**0 0**	**100 0**
Trade and other payables	**537.1**	**0 8**	**1 2**	**0.3**

15. Financial risk management (Group and Company) continued

The Group's current credit facility comprises Eurobond loan notes of £100 0m (2015 £100 0m), which mature in greater than 5 years

e) Capital risk

The Group's financing arrangements include revolving credit facilities outlined in note 13, the Term Loan described in note 17 and finance lease agreements Under these arrangements the Group's surplus cash flow is predominantly utilised in the repayment of the Term Loans and payment of interest and capital on the Eurobond

The Company has secured adequate capital resources through its trading and banking facilities to continue in operational existence for the foreseeable future

f) Fair value estimation

The table below analyses financial instruments held at fair value, by valuation method The levels have been defined as follows

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data

The following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2015 and 2016

Liability	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 March 2015				
Derivative asset used for hedging	-	(0 1)	-	**(0.1)**
Total Liability	**-**	**(0 1)**	**-**	**(0.1)**
Liability				
At 31 March 2016				
Derivative liability used for hedging	-	(0 2)	-	**(0 2)**
Total liabilities	**-**	**(0.2)**	**-**	**(0.2)**

Specific valuation techniques applied to value financial instruments include the fair value of interest rate swaps, calculated as the present value of the estimated future cash flows based on observable yield curves

16. Derivative financial instruments (Group)

Interest rate swaps. Cash flow hedges	2016 £m	2015 £m
Liability	(0 2)	(0 1)
At 31 March	**(0.2)**	**(0.1)**

At 31 March 2016 the Company held interest rate swaps executed in 2012 with a notional principal of £64 0m (2015 £104 0m) fixing LIBOR at 0 775%

The hedging contracts are valued independently based on interest rate yield curves As at 31 March 2016 the value of the swap contracts was a £0 2m net liability (2015 £0 1m net liability) Fluctuations in the value of the hedging contract are recognised through Other Reserves in equity (refer to note 23)

17. Financial liabilities – borrowings (Group and Company)

a) Current liabilities: amounts falling due within one year

	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Finance lease obligations	11 6	9 5	-	-
Term loan	45 0	30 0	-	-
Fees incurred on arranging Term loans	(0.7)	(0 7)	-	-
Loan due to related party	-	-	16 1	-
At 31 March	**55.9**	38 8	**16.1**	0 0

The carrying value of current financial liabilities approximates to fair value

b) Non-current liabilities· amounts falling due after one year

	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Finance lease obligations	28 8	29 4	-	-
Term loan	220 0	235 0	-	-
Fees incurred on arranging Term loans	(2 4)	(2 4)	-	-
Eurobond loan notes	100 0	100 0	100 0	100 0
At 31 March	**346.4**	362 0	**100 0**	100 0

Financing arrangement fees are amortised over the term of the loans using the effective interest rate method

Non-current liabilities include the balances repayable on the term loan falling due after one year less the unamortised arrangement fees

Other non-current financial liabilities of the Group consist of Eurobond loan notes registered with the Channel Islands Stock Exchange All of the loan notes are held by 2247622 Ontario Limited, a subsidiary of the Company's ultimate parent, Teachers'

Finance leases primarily relate to National Lottery terminals and software

17. Financial liabilities – borrowings (Group and Company) continued

c) Interest rate profile of financial liabilities

The interest rate profile of the debt is as follows

Liabilities 2015	%	Restated Floating rate £m	%	Restated Fixed rate £m
Term loan	LIBOR + Margin%	265 0		-
Eurobond loan notes		-	12 5	100 0
Finance leases		-	Various	38 9
		265 0		138 9
Interest rate swaps '12 -'17	Receive LIBOR	(104 0)	0 7750	104 0
Net fixed/floating principal		**161.0**		**242.9**
Capitalised fees		-		(3 1)
Total borrowings		**161.0**		**239 8**

Liabilities 2016	%	Floating rate £m	%	Fixed rate £m
Term loan	LIBOR + Margin%	265 0		-
Eurobond loan notes		-	12 5	100 0
Finance leases		-	Various	40 4
		265 0		140 4
Interest rate swaps	Receive LIBOR	(64 0)	0 775	64 0
Net fixed/floating principal		**201.0**		**204 4**
Capitalised fees		-		(3 4)
Total borrowings		**201 0**		**201 0**

On 31 May 2016 the Company entered into further interest rate swaps with an initial notional principal of £130 0m fixing LIBOR at 0 753% from 30 June 2016 until 30 September 2019

18. Trade and other payables (Group and Company)

a) Current liabilities

	Group 2016 £m	Group 2015 £m	**Company 2016 £m**	Company 2015 £m
Prize liability	**297.1**	293 9	-	-
Advance receipts for future draws	**50 4**	49 6	-	-
Amounts payable to the NLDF	**27.3**	55 0	-	-
Lottery duty payable	**73.8**	71 4	-	-
Trade payables	**25.5**	14 2	-	-
Other payables	**27 0**	28 0	-	-
Accruals and deferred income	**36 0**	38 3	**3.1**	3 1
At 31 March	**537 1**	550 4	**3 1**	3 1

Other payables represent deposits received from, and prizes won by players which are held in their interactive wallets The Group holds an amount in the respect of this balance in the Interactive Trust account

18. Trade and other payables (Group and Company) continued

The Prize liability represents both unclaimed prizes and amounts planned for future prize payments and at 31 March 2016, the Group had transferred £289 8 (2015 £265 3m) into the relevant trust accounts to meet these liabilities Advance receipts for future draws represent the multi-draw and subscription payments relating to future draws

b) Non-current liabilities

	Group 2016 £m	Group 2015 £m
Accruals	**2 3**	2 5

19. Deferred taxation (Group)

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets with the current tax liabilities

Outstanding offset amounts are as follows

Deferred tax assets	**Group 2016 £m**	Group 2015 £m
Deferred tax asset to be recovered after more than 12 months	**4 8**	3 8
Deferred tax asset to be recovered within 12 months	**0 2**	0 3
At 31 March	**5 0**	4 1

Deferred tax liabilities	**Group 2016 £m**	Group 2015 £m
Deferred tax liability to be recovered after more than 12 months	**(27.1)**	(34 9)
Deferred tax liability to be recovered within 12 months	**(4.9)**	(4 9)
At 31 March	**(32.0)**	(39 8)
Deferred tax liabilities (net)	**(27.0)**	(35 7)

19. Deferred taxation (Group) continued

The gross movement on deferred income tax balances is as follows

	Accelerated capital allowances £m	Provisions £m	Cash flow hedges £m	Other temporary differences £m	**Total £m**
At 1 April 2014	(3 2)	3 9	(0 2)	(40 5)	(40 0)
(Charged)/credited in the Statement of Comprehensive Income	(0 6)	0 2	0 2	4 5	4 3
At 31 March 2015	(3 8)	4 1	0 0	(36 0)	(35 7)
At 1 April 2015	(3 8)	4 1	0 0	(36 0)	(35 7)
Credited in the Statement of Comprehensive Income	0 8	0 0	0 0	4 1	4 9
Change in tax rate	0 4	(0 4)	0 0	3 8	3 8
At 31 March 2016	**(2 6)**	**3 7**	**0 0**	**(28.1)**	**(27.0)**

20. Provisions for liabilities and other charges (Group)

	Terminal and data communication related £m	Property £m	Restructuring £m	Long term incentive plan £m	Total **£m**
At 1 April 2014	7 1	2 5	0 5	8 8	18 9
Charged to Statement of Comprehensive Income	0 4	0 3	1 7	3 5	5 9
Utilised in the year	(0 1)	-	(1 7)	(2 6)	(4 7)
At 31 March 2015	7 1	2 8	0 5	9 7	20 1
At 1 April 2015	7 1	2 8	0 5	9 7	20 1
Charged to Statement of Comprehensive Income	1 2	2 0	3 3	3 2	9 7
Utilised in the year	-	-	(0 4)	(3 7)	(4 1)
At 31 March 2016	**8.3**	**4 8**	**3.4**	**9.2**	**25 7**

Provisions have been analysed between current and non-current as follows

	2016 £m	2015 £m
Current	**5.3**	4 4
Non-current	**20 4**	15 7
At 31 March	**25.7**	20 1

20. Provisions for liabilities and other charges (Group) continued

Terminal and data communications related provisions include

- A provision for the cost of decommissioning existing terminals and communications equipment held at retailer sites, and disposing of these assets at the end of the third Licence extension period

- Amounts in respect of lost or destroyed terminals and associated contractual costs This provision will be fully utilised by the end of the third Licence extension period

Property provisions comprise the dilapidation provision which is the current best estimate of the cost of bringing certain premises, held under operating leases, back to their original state as required by the lease agreements The provision will be utilised as these lease agreements terminate

During the year it was identified that an element of two lease obligations had become onerous In accordance with IAS 37, Camelot has fully provided for the future onerous lease obligation within the 31 March 2016 financial statements The onerous lease contracts extend until 2018 and 2023

The restructuring provision relates to future severance costs resulting from the internal restructuring which are expected to be paid within 12 months of the balance sheet date

The long term incentive plan provision relates to future amounts payable to senior management in line with the Company's performance criteria when the Company has a present legal or constructive obligation to incur this cost

21. Investment in subsidiaries (Company)

The Company holds an investment of £154 0m in PLUK (2015 £154 0m)

22. Share capital (Group and Company)

The Group's immediate parent undertaking is PLIUK The ultimate parent undertaking is Teachers'

a) Authorised and allotted share capital·

Authorised	2016 £	2015 £
990 ordinary 'A' shares of £1 each (2015 990)	**990**	990
10 preference 'B' shares of £1 each (2015 10)	**10**	10
At 31 March	**1,000**	1,000

b) Analysis of shareholding

	Number of 'A' shares	Number of 'B' shares	Percentage holding %
Premier Lotteries Investments UK Limited	990	3	99 3
Fourmoront Corporation	-	7	0 7
At 31 March 2015	990	10	100
Premier Lotteries Investments UK Limited	990	3	99 3
Fourmoront Corporation	-	7	0 7
At 31 March 2016	**990**	**10**	**100**

Notes to the Financial Statements continued

c) Rights and obligations

Income and capital

Income and capital is distributed amongst the holders of all Ordinary Shares pari passu as if the same constitutes one class of share

Class consents

Except with the prior consent or approval in writing of the holders of all of the relevant class of shares, the Company shall not modify or vary the rights attaching to any class of its shares (unless the modification or variation affects all classes of shares similarly)

Voting and other rights

In respect of voting and all other rights (other than as provided for in article 5A of the Company's articles of association) the respective classes of all the 'A' and 'B' ordinary shares shall be pari passu as if the holders of all the 'A' and 'B' ordinary shares constituted one class of share

23. Reserves (Group and Company)

Group	Foreign exchange reserve £m	Other reserves £m	Retained earnings £m	**Total equity £m**
At 1 April 2014	-	0 7	(179 5)	**(178.8)**
Profit for the financial year	-	-	32 3	**32.3**
Foreign exchange losses	(0 2)	-	-	**(0.2)**
Cash flow hedges				
- Fair value gains	-	(1 0)	-	**(1.0)**
- Tax thereon	-	0 2	-	**0 2**
Dividends paid	-	-	(38 5)	**(38.5)**
At 31 March 2015	**(0.2)**	**(0 1)**	**(185 7)**	**(186 0)**

Group	Foreign exchange reserve £m	Other reserves £m	Retained earnings £m	**Total equity £m**
At 1 April 2015	(0 2)	(0 1)	(185 7)	(186 0)
Profit for the financial year	-	-	43 5	**43 5**
Foreign exchange losses	(0 1)	-	-	**(0 1)**
Cash flow hedges				
- Fair value gains	-	(0 1)	-	**(0 1)**
Dividends paid	-	-	(59 4)	**(59 4)**
At 31 March 2016	**(0.3)**	**(0 2)**	**(201.6)**	**(202.1)**

The Group holds cash flow hedging contracts with the providers of the bank loans to hedge exposure to interest rate fluctuations (see notes 16 and 17) The movement in other reserves represents unrealised gains or losses on fluctuations in the value of the hedging contracts, net of tax Realised costs of £0 2m (2015 £0 3m) have been recognised within finance costs

23. Reserves (Group and Company) continued

Company	Retained earnings £m	Total equity £m
At 1 April 2014	45 7	**45.7**
Profit for the financial year	46 8	**46 8**
- Dividends paid	(37 8)	**(37 8)**
At 31 March 2015	**54.7**	**54.7**

Company	Retained earnings £m	Total equity £m
At 1 April 2015	54 7	**54 7**
Profit for the financial year	43 3	**43 3**
- Dividends paid	(58 7)	**(58 7)**
At 31 March 2016	**39.3**	**39 3**

As permitted by section 408 of the Companies Act 2006, the income statement of the Company has not been presented in the financial statutory financial statements The profit for the financial year was £43 3m (2015 £46 8m)

24. Cash generated from operations

	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Profit for the financial year	**43.5**	32 3	**43.3**	46 8
Adjustments for				
- Income tax	**7.2**	10 5	**(1.6)**	(1 6)
- Depreciation and amortisation	**45.9**	41 5	**-**	-
- Profit on disposal of fixed assets			**-**	-
- Interest income	**(0 3)**	(0 2)	**-**	-
- Interest expense	**22 2**	23 5	**12.5**	12 5
	118.5	107 6	**54 2**	57 7
Changes in working capital				
- Inventories	**(0 1)**	0 1	**-**	-
- Trade and other receivables	**(14.5)**	(10 8)	**(0 3)**	-
- Trade and other payables	**(13.3)**	19 7	**0 6**	-
- Provisions	**5.6**	1 1	**-**	-
	(22.3)	10 1	**0.3**	-
Cash generated from operations	**96.2**	117 7	**54.5**	57 7

25. Financial commitments and contingent liabilities (Group and Company)

At the year end, capital expenditure relating to purchase of property, plant and equipment totalling £0 3m (inclusive of VAT) was contracted for in the year but not yet incurred (2015 £0 2m)

Fixed and floating charges have been given on certain assets to the Trustee and to the Group's lenders (see note 17)

Other than those noted above, there are no significant contingent liabilities pertaining to the Group or the Company

26. Operating leases (Group)

At the balance sheet date, the Group has commitments under non-cancellable operating leases that fall due as follows

	2016 Land and buildings £m	**2016 Plant and machinery £m**	2015 Land and buildings £m	2015 Plant and machinery £m
- Within one year	**4 4**	**9.8**	5 5	9 2
- Between two and five years	**13 7**	**35.5**	17 9	34 9
- After five years	**4 0**	**15 9**	9 9	24 6
	22 1	**61.2**	33 3	68 7

No operating leases are held by the Company Operating leases held by the Group primarily relate to building leases and use of third party satellite communications network contracts

27. Pension arrangements (Group)

Employees began making contributions to the Group Personal Pension Plan in August 2011, which is accounted for as a defined contribution scheme In line with new UK legislation the Group now auto-enrols employees into the pension scheme The first payroll deductions for automatically enrolled employees were made in January 2014 All amounts payable under these schemes are charged to the Statement of Comprehensive Income as they fall due, and totalled £2 4m in the current year (2015 £2 6m)

28. Related party transactions (Group and Company)

The Company transacted with its fellow group companies, CBSL, Camelot, PLIUK and PLUK, during the year

	2016 Sale of services £m	**2016 Amounts due from related party £m**	2015 Sale of services £m	2015 Amounts due from related party £m
Premier Lotteries UK Limited	**-**	**0 3**	-	-

28. Related party transactions (Group and Company) continued

	2016 Purchases of services £m	**2016 Amounts due to related party £m**	2015 Purchases of services £m	2015 Amounts due to related party £m
Premier Lotteries Investments UK Limited	**-**	**16.1**		-

In addition, £0 4m (2015 £0 6m) was received from Camelot Business Solutions Limited, and £0 7m (2015 £1 5m) was received from Camelot UK Lotteries Limited in respect of group taxation relief during the year

In addition to the Sale and Purchase of Services identified above further intercompany recharges have arisen in relation to the settlement of group-wide costs

	2016 Recharges to the Company £m	**2016 Recharges from the Company £m**	2015 Recharges to the Company £m	2015 Recharges from the Company £m
Premier Lotteries UK Limited	**0 3**	**-**	-	-

During the year under review, Camelot entered into the following transactions with SLE, a société coopérative à responsabilite limitée incorporated in Belgium The main purpose of SLE is to provide services to lotteries in Europe which participate in the EuroMillions game The head office is located in Belgium at the address Avenue de Terveuren 448, Bruxelles, Belgium, 1150

	2016 £m	2015 £m
Purchases	**0.9**	0 7
Amounts due to SLE	**0 2**	0 2
Net income	**0.1**	0 1
Amounts due from SLE	**0.0**	0 0

In addition, the Company received £0 8m (2015 £1 5) from Camelot UK Lotteries Ltd, £0 3m (2015 £0 6m) from CBSL, and £0 1m from CGLSL in respect of group taxation relief during the year

The Company is controlled by PLIUK PLIUK is the only company to consolidate the Company's financial statements The Company's ultimate owner is Teachers'

Loans due to related parties

The Company's Eurobond loan notes are held by 2247622 Ontario Limited, a subsidiary of the Company's ultimate parent Teachers' The Eurobond incurs a fixed rate of interest of 12 5% and there are no fixed repayment dates The Company has made repayments of nil (2015 £6 3m) resulting in the total Eurobond balance as at 31 March 2016 being £100 0m (2015 £100 0m) The Company has capitalised interest of nil (2015 nil) on the loan during the year ended 31 March 2016 with a total amount due for interest as at 31 March 2016 of £3 1m (2015 £3 1m)

Key management compensation

The Company has no employees and the directors are remunerated for their qualifying services by CBSL or the Company's ultimate parent, Teachers' Therefore there are no staff costs in the Company

Notes to the Financial Statements continued

29. Subsidiary undertakings

Name	Country of incorporation	Nature of the business	Type of shares held	Proportion of shares held by the immediate parent
Premier Lotteries UK Limited*	UK	Holding Company	Ordinary Preference	100% 0%
Camelot UK Lotteries Limited	UK	UK National Lottery operator	Ordinary Preference	100% 0%
Camelot Global Services Limited	UK	Holding company	Ordinary	100%
Camelot Global Services (North America) Inc	USA	Lottery consultancy	Ordinary	100%
Camelot Commercial Services Limited	UK	Commercial Services	Ordinary	100%
Camelot Business Solutions Limited	UK	Business Services	Ordinary	100%
Camelot Global Lottery Solutions Limited	UK	Project management	Ordinary Preference	100% 30%
Camelot Lotteries Limited	UK	Dormant	Ordinary	100%
National Lottery Enterprises Limited	UK	Dormant	Ordinary	100%
CISL Limited	UK	Dormant	Ordinary	100%
Wholesale Commercial Collections Limited	UK	Dormant	Ordinary	100%

* Directly held by Premier Lotteries Capital UK Limited

The subsidiaries shown above as 'dormant' have share capital, equal to net assets, of £6 in total This amount represents the Group's cost of investment in these subsidiaries They are not material for the purpose of giving a true and fair view for these financial statements and therefore have not been consolidated, in accordance with Companies Act 2006 s 393 The registered office for these companies is at Magdalen House, Tolpits Lane, Watford, Hertfordshire, WD18 9RN, United Kingdom

Premier Lotteries Capital UK Limited

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