Company Number: 07193500

Premier Lotteries Capital UK Limited

Group and Company financial statements for the year ended 31 March 2015

Contents

Strategic Report

The directors present their Strategic Report of Premier Lotteries Capital UK Limited (the 'Company') together with its subsidiaries (the 'Group') for the year ended 31 March 2015. 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 Strategic Solutions Limited ('CSSL') 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 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;
- Successfully launch changes to flagship Lotto game;
- 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 than under normal circumstances;
- 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.

Key performance indicators (KPIs)

The Group's financial KPIs cover net income, profit and cash levels. Performance in these areas is discussed on the following pages.

Financial performance

The Group's profit before income tax was £42.8m (2014: £13.5m) for the financial year and profit after income tax was £32.3m (2014: £14.6m). 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 £699.2m (2014: £649.4m). 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. The increase was largely driven by draw-based games sales in Camelot with a full year impact of the changes made to reinvigorate Lotto launched in October 2013 – which has succeeded in turning around the game's long-term sales decline. Sales from Scratchcards and instant win games increased by 22.8% to £2,628.8m (2014: £2,141.1m). This was driven by the increased scratchcard-only estate with more than 6,000 additional retailers at 31 March 2015 compared to the prior year as well as the availability of mobile instant win games which commenced in September 2014.

Strategic Report continued

Gaming systems and data communication costs

Gaming systems and data communication costs increased to £105.7m for the year (2014: £95.4m).

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. An increase of £10.3m compared to the prior year resulted primarily from a higher sales level leading to an increase in software transaction costs and gaming consumables.

Administrative expenses

Administrative expenses were £196.3m (2014: £193.8m) and consisted of advertising and marketing expenditure, depreciation, amortisation, staff, facilities, impairment and all other administrative costs which increased as a result of higher staff and building related costs, partially offset by decreased marketing and depreciation charges within the Group.

Finance income and expense

The Group has financing facilities consisting of the Group's term loan totalling £265.0m (2014: £275.0m). The Group also has Revolving Credit Facilities totalling £60.0m (2014: £60.0m) of which nil (2014: nil) was utilised at the end of the year.

Net finance expense during the year amounted to £23.3m (2014: £37.0m), the average yield on investment being approximately 0.58% (2014: 0.73%). 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. 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 £8.0m (2014: £11.0m) and amortisation of loan fees of £0.7m (2014: £10.6m) incurred on term loans. The decrease in amortisation of loan fees primarily relates to the write off of fees in respect of the three term loans repaid as part of the refinancing activity in August 2013 which has not been repeated. Also included is £1.4m (2014: £1.3m) of finance lease interest and £12.5m (2014: £12.8m) payable on the Eurobond debt.

Finance income of £0.2m (2014: £0.3m) arose from interest on bank deposits.

Taxation

The net corporation tax charge for the year was £10.5m (2014: £1.1m credit). The increase in the tax charge in the period arises primarily due to the increased level of profits earned by the Group. Additionally, the tax credit for the year ended 31 March 2014 included a £6.4m credit in respect of the re-measurement of the deferred tax balances. The total tax paid by the Group amounted to £12.1m (2014: £9.3m). Further detail is provided in note 7 to the financial statements.

Dividends

Dividends of £38.5m were paid during the year (2014: £46.8m) 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 £830.8m (2014: £834.8m) and has adequate resource, including undrawn facilities, to cover its net liability position.

Strategic Report continued

Of intangible assets of £252.8m (2014: £273.0m) held on the balance sheet, £215.2m (2014: £238.0m) relate to goodwill and intangible assets acquired on the acquisition of Camelot and CGSL, which is stated net of £22.8m (2014: £22.8m) amortisation charged during the year.

Non-current financial borrowings of £362.0m (2014: £389.3m) are due on the term loan, Eurobond and finance leases.

Trade and other payables consist mainly of the Prize liability, representing unclaimed prizes at 31 March 2015, 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 Camelot has continued to invest in the infrastructure to run The National Lottery and at the end of the financial year more than 36,890 next generation 'Altura' lottery terminals were in operation (2014: 36,850), as well as completing the installation of 10,260 Scratchcard-only terminals (2014: 4,051).

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 by the Group's regulator, was 100.0% (2014: 99.97%) ahead of the operating Licence target of 99.50%. In addition, system availability for playing games on the internet was 99.56% (2014: 99.84%) 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 £117.7m (2014: £120.0m) which was impacted by working capital cash flows, mainly comprised of lottery ticket sales less prize payments, payments to the NLDF, and operating expenditure. Non-financing cash outflows include £0.3m (2014: £7.4m) investment in property, plant and equipment and intangible assets, and net interest payments of £23.4m (2014: £23.7m).

During the year, £10.0m capital repayments were made against the term loan bringing the outstanding balance on the loan to £265.0m. Other financing cash outflows include the Company's Eurobond capital repayments of £6.3m (2014: £5.0m) and finance lease principal payments of £8.1m (2014: £6.1m).

Specific processes and controls are in place for Camelot to protect prize winners and players of the UK National Lottery. Camelot has set up certain trust accounts operated by The Law Debenture Trust Corporation plc, which acts as an independent trustee (the 'Trustee').

As at 31 March 2015, Camelot had on deposit £7.1m (2014: £7.1m) of funds in trust accounts as an additional reserve for the protection of prize winners.

As at 31 March 2015 the Group had Revolving Credit Facilities totalling £60.0m (2014: £60.0m) of which £60.0m (2014: £60.0m) was undrawn.

The Strategic Report was approved by the Board of Directors on 24 June 2015 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 together with the audited consolidated financial statements of Premier Lotteries Capital UK Limited (the 'Company') together with its subsidiaries (the 'Group') for the year ended 31 March 2015.

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 CEO Office, Corporate Affairs, Corporate Responsibility, Human Resources, Finance, Facilities, Legal, Procurement, Corporate Assurance and Treasury.
- CSSL 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 period 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 2014	**990**	**10**	**100.0**
Premier Lotteries Investments UK Limited	990	3	99.3
Fourmoront Corporation	-	7	0.7
At 31 March 2015	**990**	**10**	**100.0**

Further details of the rights and obligations of each class of share are given in note 23 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

Directors
John Dillon
Jo Taylor

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 Company 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 Camelot'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, and have continued to adopt the going concern basis in preparing these 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 £3.7m in 2015 (2014: £2.2m), 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 Camelot 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.

In July 2011, the Group's historical pension scheme closed to new joiners. Since then, employees have paid contributions into the Group 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.

Camelot 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 Company communicates economic and financial factors which impact the Company'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 16).

Related party transactions

Details of related party transactions are provided in note 29 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 Strategic Report, Directors' 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 and Company 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 Group and the Company 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 Group and the Company 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 Group and the Company 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 6, 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/she 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.

By order of the Board
Lee Sienna
Director

24 June 2015

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 of the Company's affairs as at 31 March 2015 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

Premier Lotteries Capital UK Limited's financial statements comprise:

- the Balance Sheet (Group and Company) as at 31 March 2015;
- 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; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 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.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the Company. 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.

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 financial statements for the year ended 31 March 2015 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.

N A Campbell Lambert

Nicholas Campbell-Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 June 2015

Premier Lotteries Capital UK Limited

Group Statement of Comprehensive Income

for the year ended 31 March

	Notes	2015 £m	2014 £m
Net income	3	**699.2**	649.4
Retailers' and other commission	4	**(333.4)**	(309.8)
Gaming systems and data communication costs	4	**(105.7)**	(95.4)
Gross profit		**260.1**	244.2
Administrative expenses		**(196.3)**	(193.8)
Other operating income	4	**2.3**	0.1
Operating profit	4	**66.1**	50.5
Finance income	6	**0.2**	0.3
Finance expense	6	**(23.5)**	(37.3)
Profit before income tax		**42.8**	13.5
Income tax	7	**(10.5)**	1.1
Profit for the financial year attributable to shareholders		**32.3**	14.6
Other comprehensive (losses)/income:			
Foreign exchange losses		**(0.2)**	-
Fair value (losses)/gains on cash flow hedges		**(1.0)**	2.2
Tax relating to components of other comprehensive income		**0.2**	(0.5)
Other comprehensive (losses)/income for the year		**(1.0)**	1.7
Total comprehensive income for the year		**31.3**	16.3

The notes on pages 16 to 45 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 £46.8m (2014: £44.8m).

Premier Lotteries Capital UK Limited

Balance Sheet (Group and Company)

as at 31 March

	Notes	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
ASSETS					
Non-current assets					
Investment in subsidiaries	22	**0.0**	0.0	**154.0**	154.0
Intangible assets	9	**252.8**	273.0	**-**	-
Property, plant and equipment	10	**75.1**	87.8	**-**	-
Trade and other receivables	12	**5.8**	2.7	**-**	-
Derivative financial instruments	17	**-**	0.9	**-**	-
Financial assets	13	**7.1**	7.1	**-**	-
		340.8	371.5	**154.0**	154.0
Current assets					
Inventories	11	**0.9**	1.0	**-**	-
Trade and other receivables	12	**51.4**	45.4	**0.0**	0.0
Current income tax asset		**-**	-	**0.8**	1.3
Financial assets	13	**337.8**	336.0	**-**	-
Cash and cash equivalents	14	**99.9**	80.9	**3.0**	0.0
		490.0	463.3	**3.8**	1.3
Total assets		**830.8**	834.8	**157.8**	155.3
LIABILITIES					
Current liabilities					
Financial liabilities - borrowings	18	**38.8**	27.1	**-**	-
Trade and other payables	19	**550.4**	530.6	**3.1**	3.3
Current income tax liability		**7.2**	4.7	**-**	-
Provisions for liabilities and other charges	21	**4.4**	0.5	**-**	-
		600.8	562.9	**3.1**	3.3
Non-current liabilities					
Financial liabilities - borrowings	18	**362.0**	389.3	**100.0**	106.3
Trade and other payables	19	**2.5**	3.0	**-**	-
Deferred income tax liabilities	20	**35.7**	40.0	**-**	-
Derivative financial instruments	17	**0.1**	-	**-**	-
Provisions for liabilities and other charges	21	**15.7**	18.4	**-**	-
		416.0	450.7	**100.0**	106.3
Total liabilities		**1,016.8**	1,013.6	**103.1**	109.6
EQUITY					
Capital and reserves					
Share capital	23	**0.0**	0.0	**0.0**	0.0
Foreign exchange reserve	24	**(0.2)**	-	**-**	-
Other reserves	24	**(0.1)**	0.7	**-**	-
Retained earnings	24	**(185.7)**	(179.5)	**54.7**	45.7
Total equity		**(186.0)**	(178.8)	**54.7**	45.7
Total equity and liabilities		**830.8**	834.8	**157.8**	155.3

The notes on pages 16 to 45 are an integral part of these consolidated financial statements. The financial statements including the accompanying notes were approved by the Board of Directors on 24 June 2015 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 31 March 2013		**0.0**	**-**	**(1.0)**	**(147.3)**	**(148.3)**
Comprehensive income						
Profit for the financial year		-	-	-	14.6	**14.6**
Fair value losses on cash flow hedges (net of income tax)		-	-	1.7	-	**1.7**
Total comprehensive income		-	-	**1.7**	**14.6**	**16.3**
Dividends paid	8	-	-	-	(46.8)	**(46.8)**
Balance as at 31 March 2014		**0.0**	**-**	**0.7**	**(179.5)**	**(178.8)**
Comprehensive income						
Profit for the financial year		-	-	-	32.3	**32.3**
Foreign exchange losses (net of income tax)		-	(0.2)	-	-	**(0.2)**
Fair value gains 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)**

Company	Retained earnings £m	Total £m
At 1 April 2013	**47.0**	**47.0**
Profit for the financial year	44.8	**44.8**
Dividends paid	(46.1)	**(46.1)**
At 31 March 2014	**45.7**	**45.7**
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**

At 31 March 2015, the Company had share capital totalling £1,000 (2014: £1,000), as disclosed in note 23 to these consolidated financial statements.

The notes on pages 16 to 45 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 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Cash flows from operating activities					
Cash generated from operations	25	**117.7**	120.0	**57.7**	56.0
Bank interest received		**0.2**	0.2	**(0.0)**	-
Interest paid		**(23.6)**	(23.9)	**(12.7)**	(6.5)
Income tax paid	7	**(12.1)**	(9.3)	**-**	-
Group relief receipts		**-**	-	**2.1**	1.6
Net cash from operating activities		**82.2**	87.0	**47.1**	51.1
Cash flows from investing activities					
Release of funds held as non-current financial assets		**(0.0)**	2.2	**-**	-
Proceeds from sales of property, plant and equipment		**0.0**	0.0	**-**	-
Purchase of property, plant and equipment		**(0.1)**	(3.4)	**-**	-
Expenditure on intangible assets		**(0.2)**	(4.0)	**-**	-
Loan repayment from subsidiary undertakings		**-**	-	**0.0**	0.0
Net cash (used in)/generated from investing activities		**(0.3)**	(5.2)	**0.0**	0.0
Cash flows from financing activities					
Dividends paid to shareholders		**(38.5)**	(46.8)	**(37.8)**	(46.1)
Proceeds from borrowings		**-**	285.0	**-**	-
Capital repayments on other loans		**(10.0)**	(283.7)	**-**	-
Capital repayments on Eurobond loan		**(6.3)**	(5.0)	**(6.3)**	(5.0)
Finance lease principal payments		**(8.1)**	(6.1)	**-**	-
Net cash used in financing activities		**(62.9)**	(56.6)	**(44.1)**	(51.1)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**19.0**	25.2	**3.0**	(0.0)
Cash, cash equivalents and bank overdrafts at the beginning of the year		**80.9**	55.7	**0.0**	0.0
Cash, cash equivalents and bank overdrafts at the end of the year	14	**99.9**	80.9	**3.0**	0.0

The notes on pages 16 to 45 are an integral part of these consolidated financial statements.

Other significant transactions include the addition of £9.0m property, plant and equipment and intangible assets under finance lease arrangements (2014: £8.7m). By the year-end, £8.9m (2014: £3.2m) 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, CSSL, 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 2015 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.

The Company's and Group's accounting policies were selected by management considering all applicable IFRS issued by the International Accounting Standards Board (IASB) by 31 March 2015.

i) New IFRS accounting standards and interpretations adopted in 2014/15:
During the year ended 31 March 2015, the Company 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 consolidated results or assets and liabilities.

- Amendments to IAS 32 on asset and liability offsetting
- Amendments to IAS 36 on recoverable amount disclosures
- IFRS 10 on consolidated financial statements
- IFRS 11 on joint arrangements
- IFRS 12 on disclosures of interests in other entities
- Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities
- Amendments to IAS 39 financial instruments
- IFRS IC 21 on levies

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 2015.

None of the other standards and interpretations listed below are expected to have a material impact on the Company's consolidated results or assets and liabilities.

- Improvements to IFRS 2012
- Improvements to IFRS 2014
- IFRS 9 on financial instruments
- IFRS 15

- IFRS 14 on regulatory deferral accounts
- Amendments to IFRS 1 employee benefits on DB plans
- Amendments to IAS 19
- Amendment to IFRS 9 on financial instruments on general hedge accounting
- Amendments to IAS 27 'separate financial statements' on equity accounting
- Amendments to IFRS 10 and IAS 28 on sale or contribution of assets
- Amendments to IFRE 10 and IAS 28 on applying the consolidation exemption
- Annual improvements 2014
- Amendments to IAS 1 presentation of financial statements disclosure initiative
- Amendments to IFRS 11 Joint arrangements on acquisition of an interest in a joint operation
- Amendments to IAS 16 and IAS 38 on depreciation and amortisation

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 21.

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. Estimates are involved in this this calculation due to their long term nature.

b) Basis of consolidation

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

Subsidiaries are all entities (including special purpose 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. 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.

Certain trust accounts established to provide protection to players of the UK National Lottery are consolidated. Under IFRS the trusts are considered to be special purpose entities (SPEs) under the control of the Group and are consolidated on this basis. Details of the trust accounts are provided in note 2(k) and note 13.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated. Accounting policies of subsidiaries have changed where necessary to ensure consistency with the policies adopted by the Group.

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 30).

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 out of scope of IFRS 8 'Operating Segments' and as such has not presented operating segments.

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 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 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.

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

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.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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) Financial assets: Trust Accounts

In order to protect the interests of prize winners and players, Camelot has established trust accounts operated by an independent trustee, The Law Debenture Trust Corporation plc. There are a number of trust accounts operated in order to separate funds of an equivalent amount to the amounts to be paid for prizes, amounts received from players in respect of future draws and amounts held in players' interactive accounts.

l) 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 the Group recognises the revenue for that stock.

m) 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. 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.

n) 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.

o) 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 and any bank overdrafts as defined above. They are recognised at fair value, net of transactions costs incurred. Borrowings are subsequently stated at amortised cost, and 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 16.

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 17. Movements on the hedging reserve in other comprehensive income are shown in note 24. 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.

p) 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.

q) 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.

r) 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.

s) Value added tax

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

t) 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.

u) 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.

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.

	2015	2014
	£m	£m
Gross ticket sales	**7,277.8**	6,730.9
Lottery duty	**(873.4)**	(807.7)
Prizes	**(4,043.0)**	(3,636.6)
National Lottery Distribution Fund	**(1,669.1)**	(1,638.9)
Net income arising from Lottery sales	**692.3**	647.7
Other revenue	**6.9**	1.7
	699.2	649.4

Notes to the Financial Statements continued

4. Operating profit (Group)

	2015	2014
	£m	£m
Net income	**699.2**	649.4
Other operating income [1]	**2.3**	0.1
Retailers' and other commission	**(333.4)**	(309.8)
Gaming systems and data communication costs [2]	**(105.7)**	(95.4)
Employee expenses (note 5)	**(57.2)**	(53.8)
Marketing expenses	**(76.0)**	(81.3)
Research	**(3.7)**	(2.2)
Amortisation on intangible assets [2]	**(24.5)**	(23.7)
Depreciation on tangible assets [2]	**(1.5)**	(3.8)
Loss on disposal of property, plant and equipment	**(0.0)**	(0.0)
Impairment of trade receivables (note 12)	**(1.0)**	(0.0)
Operating lease rentals - property	**(4.6)**	(3.9)
Auditors' remuneration - fees payable for the audit of the Group and Company financial statements	**(0.7)**	(0.7)
Other expenses	**(27.1)**	(24.3)
Total expenses	**(635.4)**	(599.0)
Operating profit	**66.1**	50.5

[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 Group and the revenue can be reliably measured. 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 £11.8m (2014: £11.5m) depreciation on owned assets, £3.9m (2014: £4.2m) amortisation on intangible assets and £9.2m (2014: £9.7m) operating lease rental costs on plant and equipment.

5. Employee expenses and numbers (Group and Company)

The Company has no employees. One of the directors is remunerated by CBSL and details of their emoluments and pension payments are disclosed in the financial statements of that company. The remaining directors are remunerated for their services by the Company's ultimate parent, Teachers'. Therefore no directors' emoluments or highest paid director disclosure is provided.

The Long Term Incentive Plan scheme has been in place since 2009 and runs through to 2019. One director who served during the year received their third payment under this scheme in the year ended 31 March 2015, but were remunerated through CBSL. Both short term and long term incentive plans follow industry best practice with stretching targets and measurable performance.

There are no staff costs in the Company and therefore the following information relates to the Group.

Employee expenses	2015 £m	2014 £m
Wages and salaries	**46.7**	44.9
Social security costs	**5.6**	5.4
Restructuring costs	**2.3**	0.9
Other pension costs	**2.6**	2.6
	57.2	53.8

Monthly average number of Group employees	2015 Number	2014 Number
Retailer and consumer services	**174**	197
Sales and marketing	**312**	250
Information technology	**180**	180
Finance, administration and other	**120**	214
	786	841

Key management personnel compensation	2015 £m	2014 £m
Salaries and other employee benefits	**4.2**	5.9
Other long term benefits	**2.2**	3.4
Compensation for loss of office	**-**	0.5
Other pension costs	**0.5**	0.5
	6.9	10.3

Key management is considered to be the UK Executive Board and those members of the Global Operating Board who make key operating decisions in the Group.

The UK Executive Board and Global Operating Boards consist of department directors who meet regularly to discuss group performance and make key operating decisions.

The amounts above include compensation for all members of the UK Executive Board and key management in the Global Operating Boards who were employed by Group companies during the reporting period.

6. Finance income and expense (Group)

	2015 £m	2014 £m
Interest receivable from bank deposits	**0.2**	0.3
Finance income	**0.2**	0.3
Interest payable on Term and other loans	**(8.0)**	(11.0)
Interest payable on finance leases	**(1.4)**	(1.3)
Interest expense on Eurobonds	**(12.5)**	(12.8)
Amortisation of loan fees	**(0.7)**	(10.6)
Interest rate swaps: cash flow hedges	**(0.3)**	(0.7)
Other interest expense	**(0.6)**	(0.9)
Finance expense	**(23.5)**	(37.3)
Net finance expense	**(23.3)**	(37.0)

7. Income tax (Group)

a) Corporation tax

	2015 £m	2014 £m
Current income tax charge [1]	**14.6**	9.3
Deferred income tax credit [2]	**(4.1)**	(10.4)
Income tax charge/(credit)	**10.5**	(1.1)

[1] Includes a prior year adjustment of £0.8m credit (2014: £0.2m credit)
[2] Includes a prior year adjustment of £0.8m charge (2014: £0.6m charge)

The income tax charge is based on a corporation tax rate of 21% for the year ended 31 March 2015. All taxable temporary differences have been recognised and are reflected in the deferred taxation balance.

b) Reconciliation of tax charge

	2015 £m	2014 £m
Profit before income tax	**42.8**	13.5
Charge on profit on ordinary activities at the standard rate of 21% (2014: 23%)	**9.0**	3.1
Factors affecting charge:		
Expenses not deductible for tax purposes	**1.3**	1.8
Prior year adjustments	**-**	0.4
Effect of changes In rate of deferred tax	**0.2**	(6.4)
Income tax charge/(credit)	**10.5**	(1.1)

The tax charge for the year ended 31 March 2015 represents a tax charge of £ 10.3m on ordinary activities and £0.2m charge in respect of a deferred tax item previously recognised at 20% reversing in the current year.

Notes to the Financial Statements continued

The tax credit for the year ended 31 March 2014 represents a tax charge of £5.3m on ordinary activities and a tax credit of £6.4m due to the reductions in the rate of corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015. These reductions were enacted in the Finance Act 2013 and as a result the Group's deferred tax balances were re-measured to a rate of 20% during the year ended 31 March 2014.

For the period ended 31 March 2015, the Group is expected to make a cash payment to the UK Tax Authorities of £15.4m 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 £15.4m, £7.5m was paid by instalments during the year with the remainder of £7.9m due to be settled by instalments following the year.

For the period ended 31 March 2014, the Group made a cash payment to the UK Tax Authorities of £9.5m 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 £9.5m, £4.8m was paid by instalments during the year ended 31 March 2014, with the remainder of £4.7m settled by instalments in the year ended 31 March 2015.

Therefore, in the period ended 31 March 2015, the Group made total cash corporation tax payments to the UK Tax Authorities of £12.1m which comprised of £7.5m payable in respect of the period ended 31 March 2015 and £4.7m payable in respect of the period ended 31 March 2014, with the balance of £0.1m relating to a refund of tax overpaid in respect of earlier years.

8. Dividends (Group and Company)

The Group paid a dividend of £38.5m (2014: £46.8m) to its shareholders of which £0.7m was paid outside the Group (2014: £0.7m). Dividends per share in the year were £38,500 (2014: £46,800).

The Company paid a dividend of £37.8m (2013: £46.1m) to its shareholders. Dividends per share were £37,800 (2013: £46,100).

9. Intangible assets (Group)

	Internally generated assets £m	Separately acquired assets £m	Acquired intangible assets £m	Goodwill £m	**Total £m**
Cost					
At 1 April 2013	9.6	35.3	308.9	37.0	**390.8**
Additions	2.8	7.9	-	-	**10.7**
Disposals	(0.1)	(7.5)	-	-	**(7.6)**
At 31 March 2014	12.3	35.7	308.9	37.0	**393.9**
Accumulated amortisation and impairment					
At 1 April 2013	1.1	14.4	84.4	0.7	**100.6**
Charge for the year	0.6	4.5	22.8	-	**27.9**
Disposals	(0.1)	(7.5)	-	-	**(7.6)**
At 31 March 2014	1.6	11.4	107.2	0.7	**120.9**
Net book value					
At 31 March 2013	8.5	20.9	224.5	36.3	290.2
At 31 March 2014	**10.7**	**24.3**	**201.7**	**36.3**	**273.0**

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.

Notes to the Financial Statements continued

	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**

Intangible assets include £1.1m (2014: £14.4m) of assets which are under construction and £0.5m of borrowing costs arising from finance lease interest (2014: £0.3m) 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 2015 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 2015 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
- For the CGSL CGU, the calculation is based on the proposed annual budget for the financial year ended 31 March 2015 and 5 year strategic plan approved 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.

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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 4.70% (2014: 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 2013	3.3	2.5	139.4	**145.2**
Additions	4.6	-	-	**4.6**
Transfers	(5.4)	-	5.4	**-**
Disposals	-	-	(16.6)	**(16.6)**
At 31 March 2014	2.5	2.5	128.2	**133.2**
Accumulated depreciation and impairment				
At 1 April 2012	0.1	0.8	45.7	**46.6**
Charge for the year	-	0.3	15.0	**15.3**
Disposals	-	-	(16.5)	**(16.5)**
At 31 March 2014	0.1	1.1	44.2	**45.4**
Net book value				
At 31 March 2013	3.2	1.7	93.7	98.6
At 31 March 2014	2.4	1.4	84.0	**87.8**

	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**

The net book value of plant and equipment and motor vehicles held under finance leases is £21.4m (2014: £25.5m). Depreciation charged in the year in respect of these assets was £4.1m (2014: £3.8m).

All property, plant and equipment assets are held by subsidiaries of the Company, and no such assets are held directly by the Company. No property, plant or equipment was pledged as security 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 2015 £m	Group 2014 £m
Scratchcard tickets	**0.5**	0.5
Playslips, terminal rolls and other consumables	**0.4**	0.5
At 31 March	**0.9**	1.0

Inventory consumed during the year amounted to £23.1m (2014: £19.3m). No provision has been raised against the inventory balance in the current year (2014: nil).

12. Trade and other receivables (Group and Company)

a) Non-current assets

	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Other receivables and prepayments	**5.8**	2.7	**-**	-

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 £0.1m (2014: £0.1m) in respect of amounts receivable from Services aux Lotteries en Europe SCRL ('SLE'). Further information on SLE is provided in note 29.

b) Current assets

	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Trade receivables	**33.6**	27.2	**0.0**	0.0
Recoverable VAT	**0.0**	0.0	**-**	-
Prepayments and accrued income	**17.8**	18.2	**-**	-
At 31 March	**51.4**	45.4	**0.0**	0.0

Trade receivables of the Group primarily represent amounts due from retailers. As of 31 March 2015, the Group's trade receivables from retailers of £31.2m (2014: £19.0m) were not yet due for payment in accordance with the normal payment cycle.

As of 31 March 2015 of the Group's retail trade receivables, £1.2m (2014: £0.6m) were impaired and provided for. The recoverability of trade receivables held with multiple retailers is assessed on the retailers' level of credit risk and impaired accordingly. Independent retailers are impaired when the debt becomes more than one month past due.

Notes to the Financial Statements continued

Other trade receivables that are past due are considered impaired when it is deemed uneconomical to pursue recoverability of the debt. At 31 March 2015, no other trade receivables were considered impaired or provided for.

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

	Group 2015 £m	Group 2014 £m	**Company 2015 £m**	Company 2014 £m
1 to 3 months	**0.2**	4.0	-	-
3 to 6 months	**0.0**	0.0	-	-
More than 6 months	**0.1**	0.0	-	-
At 31 March	**0.3**	4.0	-	-

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 15 and note 16.

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

	Group 2015 £m	Group 2014 £m	**Company 2015 £m**	Company 2014 £m
At 1 April	**0.6**	1.5	-	-
Provision for impairment of trade receivables	**1.0**	0.0	-	-
Unused amounts reversed	**(0.4)**	(0.9)	-	-
At 31 March	**1.2**	0.6	-	-

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 £4.9m (2014: £6.0m) in retailer bonds, the Group and Company do not hold any collateral as security.

13. Financial assets: Trust accounts (Group)

In order to protect the interests of prize winners and players, Camelot has established trust accounts operated by an independent trustee, The Law Debenture Trust Corporation plc. There are a number of trust accounts operated in order to separate funds of an equivalent amount to the amounts to be paid for prizes, amounts received from players in respect of future draws and amounts held in players' interactive accounts.

The Trust accounts and interest received thereon are subject to first fixed and floating charges in favour of the Trustee. The monies held in the Trust accounts are managed by the Trustee in line with the investment guidelines issued by the Gambling Commission. Full details of the nature of the Trust Accounts can be found in the financial statements of Camelot.

a) Non-current: Financial assets

	Group 2015 £m	Group 2014 £m
EuroMillions deposit	**7.1**	7.1

Non-current financial assets represent cash held in trust, stated at fair value.

b) Current: Financial assets

	Group 2015 £m	Group 2014 £m
Amounts held in respect of prizes		
- Operational Trust	**123.3**	138.6
- EuroMillions Trust	**41.1**	29.3
- EuroMillions Raffle Trust	**83.7**	73.0
- Lotto Raffle Trust	**11.4**	23.6
- Prize Reserve Trust	**7.3**	4.4
Amounts held in respect of future draws		
- Advance Sales Trust	**39.8**	37.9
Amounts held in Interactive Trust account	**31.2**	29.2
At 31 March	**337.8**	336.0

14. 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 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Cash at bank and in hand	**73.4**	57.0	**3.0**	0.0
Short-term deposits	**26.5**	23.9	**-**	-
At 31 March	**99.9**	80.9	**3.0**	0.0

Amounts held in short-term deposits comprise amounts held in either deposit accounts or Money Market Funds with interest earned rates at 31 March 2015 of 0.40% to 0.82% (2014: 0.37% to 0.90%). Both types of deposit are redeemable on demand.

On 8 July 2010 Camelot 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 2015 was nil (2014: nil). 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 (2014: £5.0m). The amount drawn under this facility at 31 March 2014 was nil (2014: nil).

15. 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 16 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 2015, the credit ratings for the banks where financial assets totalling £26.5m (2014: £23.9m) are held in deposit accounts with banks which have Moody's short-term credit ratings of P1. 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.

16. 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 Groups 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.

b) Interest rate risk

The Group's £55.0m and £5.0m Revolving Credit Facilities allows short term borrowings at floating rates of interest.

The Group's Term Loan borrowings are also at floating rates of interest although the terms of the Group's borrowings require no less than 70% of interest exposure on these loans to be hedged until July 2015. This hedging has been achieved by cash flow hedging 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 0.40% (2014: 0.37%).

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 derivative or 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(u).

Included within Administrative expenses in the Group Statement of Comprehensive Income are net foreign exchange losses of £0.3m (2014: gains of £0.0m).

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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 14. 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 2014				
Finance lease obligations	7.9	7.3	19.6	3.5
Term loan	20.0	15.0	240.0	-
Eurobond	-	-	-	106.3
Trade and other payables	530.4	0.5	2.0	0.5
At 31 March 2015				
Finance lease obligations	**9.5**	**8.9**	**20.4**	**-**
Term loan	**30.0**	**45.0**	**190.0**	**-**
Eurobond	**-**	**-**	**-**	**100.0**
Trade and other payables	**550.4**	**0.6**	**1.5**	**0.4**

The Group's current credit facility comprises Eurobond loan notes of £100.0m (2014: £106.3m), which mature in greater than 5 years.

e) Capital risk

The Group's financing arrangements include revolving credit facilities outlined in note 14, the Term Loan described in note 18 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 2014 and 2015.

Asset	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 March 2014				
Derivative asset used for hedging	-	0.9	-	**0.9**
Total asset	**-**	**0.9**	**-**	**0.9**
Liability				
At 31 March 2015				
Derivative liability used for hedging	-	(0.1)	-	**(0.1)**
Total liabilities	**-**	**(0.1)**	**-**	**(0.1)**

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.

17. Derivative financial instruments (Group)

Interest rate swaps: Cash flow hedges	2015 £m	2014 £m
Asset	-	0.9
Liability	(0.1)	-
At 31 March	**(0.1)**	0.9

Prior to refinancing on 8 August 2014, PLUK was required to hedge at least 70% of the floating interest rate risk on its term loan debt for at least three years from inception. At 31 March 2015 the interest rate swaps executed in 2010 had expired (2014: notional principal of £16.9m) fixing LIBOR at 1.1975%. PLUK held further interest rate swaps executed in 2012 with a notional principal of £104.0m (2014: £122.4m) fixing LIBOR at 0.775%.

The hedging contracts are valued independently based on interest rate yield curves. As at 31 March 2015 the value of the swap contracts was a £0.1m net liability (2014: £0.9m net asset). Fluctuations in the value of the hedging contract are recognised through Other Reserves in equity (refer to note 24).

18. Financial liabilities – borrowings (Group and Company)

a) Current liabilities: amounts falling due within one year

	Group 2015 £m	Group 2014 £m	**Company 2015 £m**	Company 2014 £m
Finance lease obligations	**9.5**	7.9	-	-
Term loan	**30.0**	20.0	-	-
Fees incurred on arranging Term loans	**(0.7)**	(0.8)	-	-
At 31 March	**38.8**	27.1	-	-

The carrying value of current financial liabilities approximates to fair value.

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

	Group 2015 £m	Group 2014 £m	**Company 2015 £m**	Company 2014 £m
Finance lease obligations	**29.4**	30.4	-	-
Term loan	**235.0**	255.0	-	-
Fees incurred on arranging Term loans	**(2.4)**	(2.4)	-	-
Eurobond loan notes	**100.0**	106.3	**100.0**	106.3
At 31 March	**362.0**	389.3	**100.0**	106.3

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.

c) Interest rate profile of financial liabilities

The interest rate profile of the debt is as follows:

Liabilities 2014	%	Floating rate £m	%	Fixed rate £m
Term loan	LIBOR + Margin%	275.0		-
Eurobond loan notes		-	12.5	106.3
Finance leases		-	Various	38.3
		275.0		144.6
Interest rate swaps '10 -'14	Receive LIBOR	(27.0)	1.1975	27.0
Interest rate swaps '12 -'17	Receive LIBOR	(153.0)	0.7750	153.0
Net fixed/floating principal		**95.0**		**324.6**
Capitalised fees		-		(3.2)
Total borrowings		**95.0**		**321.4**

Liabilities 2015	%	Floating rate £m	%	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	(130.0)	0.7750	130.0
Net fixed/floating principal		**135.0**		**268.9**
Capitalised fees		-		(3.1)
Total borrowings		**135.0**		**265.8**

19. Trade and other payables (Group and Company)

a) Current liabilities

	Group 2015 £m	Group 2014 £m	**Company 2015 £m**	Company 2014 £m
Prize liability	**293.9**	287.9	-	-
Advance receipts for future draws	**49.6**	47.0	-	-
Amounts payable to the NLDF	**55.0**	46.5	-	-
Lottery duty payable	**71.4**	80.7	-	-
Trade payables	**14.2**	12.2	-	0.0
Other payables	**28.0**	27.4	-	-
Amounts due to related parties	-	-	-	-
Accruals and deferred income	**38.3**	28.9	**3.1**	3.3
At 31 March	**550.4**	530.6	**3.1**	3.3

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

Notes to the Financial Statements continued

The Prize liability represents both unclaimed prizes and amounts planned for future prize payments and at 31 March 2015, the Group had transferred £265.3m (2014: £267.3m) 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 2015 £m	Group 2014 £m
Accruals	**2.5**	3.0

20. 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 2015 £m**	Group 2014 £m
Deferred tax asset to be recovered after more than 12 months	**3.8**	3.9
Deferred tax asset to be recovered within 12 months	**0.3**	0.0
At 31 March	**4.1**	3.9

Deferred tax liabilities	**Group 2015 £m**	Group 2014 £m
Deferred tax liability to be recovered after more than 12 months	**(34.9)**	(38.9)
Deferred tax liability to be recovered within 12 months	**(4.9)**	(5.0)
At 31 March	**(39.8)**	(43.9)
Deferred tax liabilities (net)	**(35.7)**	(40.0)

Notes to the Financial Statements 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 2013	(2.8)	4.5	0.3	(51.9)	(49.9)
(Charged)/credited in the Statement of Comprehensive Income	(0.4)	(0.6)	(0.5)	11.4	9.9
At 31 March 2014	(3.2)	3.9	(0.2)	(40.5)	(40.0)
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)**

21. 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 2013	7.3	2.4	0.8	9.1	19.6
Charged to Statement of Comprehensive Income	0.3	0.1	0.5	3.1	4.0
Utilised in the year	(0.5)	-	(0.8)	(3.4)	**(4.7)**
At 31 March 2014	**7.1**	**2.5**	**0.5**	**8.8**	**18.9**
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	(0.4)	-	(1.7)	(2.6)	(4.7)
At 31 March 2015	**7.1**	**2.8**	**0.5**	**9.7**	**20.1**

Notes to the Financial Statements continued

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

	2015 £m	2014 £m
Current	**4.4**	0.5
Non-current	**15.7**	18.4
At 31 March 2015	**20.1**	18.9

No provisions for other liabilities or charges were accounted for in the Company at 31 March 2015.

22. Investment in subsidiaries (Company)

The Company holds an investment of £154.0m in PLUK (2014: £154.0m).

23.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	**2015 £**	2014 £
990 ordinary 'A' shares of £1 each (2013: 990)	**990**	990
10 preference 'B' shares of £1 each (2013: 10)	**10**	10
At 31 March	**1,000**	1,000

Authorised and allotted share capital

Allotted, issued and fully paid	**2015 £**	2014 £
990 ordinary 'A' shares of £1 each	**990**	990
10 preference 'B' shares of £1 each	**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 2014	**990**	**10**	**100**
Premier Lotteries Investments UK Limited	990	3	99.3
Fourmoront Corporation	-	7	0.7
At 31 March 2015	**990**	**10**	**100**

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.

24. Reserves (Group and Company)

Group	Foreign exchange reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2013	-	**(1.0)**	**(147.3)**	**(148.3)**
Profit for the financial year	-	-	14.6	**14.6**
Cash flow hedges				
- Fair value gains	-	2.2	-	**2.2**
- Tax thereon	-	(0.5)	-	**(0.5)**
Dividends paid	-	-	(46.8)	**(46.8)**
At 31 March 2014	-	**0.7**	**(179.5)**	**(178.8)**
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 losses	-	(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)**

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 £0.3m (2014: £0.7m) have been recognised within finance costs.

Company	Retained earnings £m	Total £m
At 1 April 2013	**47.0**	**47.0**
Profit for the financial year	44.8	**44.8**
Dividends paid	(46.1)	**(46.1)**
At 31 March 2014	**45.7**	**45.7**
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**

As permitted by section 408 of the Companies Act 2006, the income statement of the Company has not been presented in the financial statutory accounts. The profit for the financial year was £46.8m (2014: £44.8m).

25. Cash generated from operations

	Group 2015 £m	Group 2014 £m	**Company 2015 £m**	Company 2014 £m
Profit for the financial year	**32.3**	14.6	**46.8**	44.8
Adjustments for:				
- Income tax	**10.5**	(1.1)	**(1.6)**	(1.6)
- Depreciation and amortisation	**41.5**	43.2	**-**	-
- Profit on disposal of fixed assets	**0.0**	0.1	**-**	-
- Interest income	**(0.2)**	(0.3)	**-**	-
- Interest expense	**23.5**	37.3	**12.5**	12.8
	107.6	93.8	**57.7**	56.0
Changes in working capital:				
- Inventories	**0.1**	0.3	**-**	-
- Trade and other receivables	**(9.0)**	36.9	**-**	(0.0)
- Financial short term assets	**(1.8)**	38.3	**-**	-
- Trade and other payables	**19.7**	(48.6)	**(0.0)**	(0.0)
- Provisions	**1.1**	(0.7)	**-**	-
	10.1	26.2	**(0.0)**	(0.0)
Cash generated from operations	**117.7**	120.0	**57.7**	56.0

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

At the year end, capital expenditure relating to purchase of property, plant and equipment totalling £0.2m (inclusive of VAT) was contracted for in the year but not yet incurred (2014: £1.2m).

Fixed and floating charges have been given on certain assets to the Trustee and to the Group's lenders (see notes 13 and 14).

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

27. Operating leases (Group)

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

	2015 Property £m	**2015 Plant and equipment £m**	2014 Property £m	2014 Plant and equipment £m
Within one year	**5.5**	**9.2**	5.2	10.1
Between two and five years	**17.9**	**34.9**	15.5	36.1
After five years	**9.9**	**24.6**	2.8	33.3
At 31 March	**33.3**	**68.7**	23.5	79.5

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.

28. 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 £2.6m in the current year (2014: £2.6m).

29. Related party transactions (Group and Company)

During the year under review, Camelot entered into the following transactions with SLE, a société coopérative à responsabilité 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.

	2015 £m	2014 £m
Purchases	**0.7**	0.8
Amounts due to SLE	**0.2**	0.1
Net income	**0.1**	0.1
Amounts due from SLE	**0.0**	0.0

Notes to the Financial Statements continued

In addition, the Company received £1.5m (2014: £1.1) from Camelot UK Lotteries Ltd and £0.6m (2014: £0.5m) from CBSL 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 £6.3m (2014: £5.0m) resulting in the total Eurobond balance as at 31 March 2015 being £100.0m (2014: £106.3m). The Company has capitalised interest of nil (2014: £6.3m) on the loan during the year ended 31 March 2015 with a total amount due for interest as at 31 March 2015 of £3.1m (2014: £3.3m).

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.

30. Subsidiary undertakings

Name	Country of incorporation	Nature of the business	Proportion of ordinary shares held by the immediate parent	Proportion of ordinary shares held by the Group
Premier Lotteries UK Limited	UK	Holding company	99.3%	99.3%
Camelot UK Lotteries Limited	UK	UK National Lottery operator	99.3%	98.6%
Camelot Global Services Limited	UK	Holding company	100%	99.3%
Camelot Global Services (North America) Inc.	USA	Lottery consultancy	100%	99.3%
Camelot Commercial Services Limited	UK	Commercial Services	100%	99.3%
Camelot Business Solutions Limited	UK	Business Services	100%	99.3%
Camelot Strategic Solutions Limited	UK	Project management	100%	99.3%
Camelot Lotteries Limited	UK	Dormant	100%	98.6%
National Lottery Enterprises Limited	UK	Dormant	100%	98.6%
Wholesale Commercial Collections Limited	UK	Dormant	100%	98.6%
CISL Limited	UK	Dormant	100%	98.6%

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.

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