Premier Lotteries Capital UK Limited

Group and Company financial statements for the year ended 31 March 2013

Company Number: 07193500

Contents

Directors' Report

The directors of Premier Lotteries Capital UK Limited (the 'Company') together with its subsidiaries (the 'Group') present their report with the consolidated financial statements for the year ended 31 March 2013

Principal activities, business review and future developments

Principal activities

This report presents the consolidated results of the Group The Company is a non-trading entity and its 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')

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 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 CGNSA) companies offer consultancy and lottery-operational expertise, and look to develop other business opportunities as part of the Group's international and diversification plans

- CCSL is 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

- 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

The Group expects to pursue these principal activities for the foreseeable future

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

These ambitious plans present a number of risks and uncertainties which are discussed on the following pages

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 £7 5m (2012 £25 5m loss) for the financial year and profit after income tax was £6 4m (2012 £15 2m loss) A breakdown of this performance is set out below

Net income

Net income for the year was £674 8m (2012 £637 9m) This mainly comprised net income from Camelot, being sales disclosed net of lottery duty, prizes and contributions to Good Causes as is consistent with the gaming industry

Gaming systems and data communication costs

During the year under review gaming systems and data communication costs were £101 5m (2012 £99 9m)

Gaming systems and data communication costs include the cost of the following

- Maintaining software, terminals and the communications network
- All expenditure associated with the purchase of National Lottery Scratchcard tickets
- Point-of-sale and other consumables
- The depreciation of gaming systems, terminal and data communications equipment
- Costs incurred by CCSL on the development of systems

Administrative expenses

Administrative expenses were £214 4m (2012 £229 9m) and consisted of advertising and marketing expenditure, depreciation, amortisation, staff, facilities, impairment and all other administrative costs

Finance income and expense

The Group has financing facilities consisting of three term loans totalling £273 6m (2012 £139 2m), a Eurobond £105 0m (2012 £172 6m) and Revolving Credit Facilities totalling £62 0m of which nil (2012 nil) was utilised at the end of the year

Net finance expense during the year amounted to £31 7m (2012 £34 2m), the average yield on investment being approximately 0 63% (2012 0 74%) 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 £12 7m (2012 £8 5m) and amortisation of loan fees of £1 9m (2012 £1 9m) incurred on term loans, £0 8m (2012 £0 3m) on finance lease interest and £15 2m (2012 £22 5m) on the Eurobond debt

Finance income of £0 2m (2012 £0 5m) arose from interest on bank deposits

Taxation

The net corporation tax charge for the year was £1 1m (2012 credit of £10 3m) Further detail is provided in note 7 to the financial statements

Dividends

The financial statements of the Group appear on pages 11 to 47 The Group's total comprehensive income for the year was £5 8m (2012 £16 7m loss), as disclosed on the Group Statement of Comprehensive Income on page 11 Dividends of £112 3m were paid during the year (2012 nil) as detailed in note 8

Financial position at the year end

The Balance Sheet reflects the continued financial stability of the business The Group reports total assets of £914 4m (2012 £867 5m)

Of intangible assets of £290 2m (2012 £314 0m) held on the balance sheet, £260 8m (2012 £284 4m) relates to goodwill and intangible assets acquired on the acquisition of Camelot and CGSL, which is stated net of £22 9m (2012 £35 2m) amortisation charged during the year

Non-current financial liabilities and borrowings of £383 2m (2012 £301 0m) are due on the loans and Eurobonds

Trade and other payables consist mainly of the Prize liability, representing unclaimed prizes at 31 March 2013, as well as advance receipts for future draws, lottery duty and amounts payable to the National Lottery Distribution Fund and Olympic Lottery Distribution Fund

Our investment in technology

The Group invests significant amounts in infrastructure to support the objectives of each trading entity

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 36,750 next generation 'Altura' lottery terminals were in operation (2012 29,100)

Cash flows, cash and debt

The Group's cashflows, cash and debt are managed centrally Net cash generated from operations was £94 6m (2012 £78 4m) Cash outflows primarily include £113 3m (2012 £66 2m) capital repayments on loans, £9 1m (2012 £5 2m) investment in property, plant and equipment and intangible assets and also net interest payments of £33 2m (2012 £26 9m) In August 2012, the Company entered into a new five year term loan (term loan C) for £175 0m Finance lease principal payments were £3 0m (2012 £0 8m)

The Group has financing facilities consisting of term loans of £273 6m (2012 £134 6m), a Eurobond issue of £105 0m (2012 £172 6m) and Revolving Credit Facilities totalling £62 0m of which nil (2012 nil) was utilised at the end of the year

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 2013, Camelot had on deposit £9 3m (2012 £26 4m) of funds in trust accounts as an additional reserve for the protection of prize winners In May 2012, agreement was reached with the NLC to allow the Reserve Trust cash balance to be replaced with a Surety Bond arrangement As a result, £15 0m Reserve Trust cash was released back to Camelot

As at 31 March 2013 the Group had committed bank facilities totalling £62 0m of which £62 0m (2012 £62 0m) was undrawn

Future developments and the year ahead

The Group will continue to reflect its core values of integrity, and diversify in its business operations

Risks and opportunities

The Group has ambitious plans and is faced with significant opportunities and risks which 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 new game ideas to ensure Camelot continues to offer a range of games which appeal to as many players as possible
- Developing a significant international presence by building on our success to date
- Maintaining the momentum of raising an additional £1 7 billion in funding for the Good Causes over the next 10 years due to an additional four-year extension of its existing 10-year National Lottery Licence being granted

Continued uncertainty regarding the performance of the UK economy means the Group's risk relating to sales remains higher than under normal circumstances The Group also has a clear and specific investment policy which is followed for all cash deposits placed During the next financial year, the cash flow forecasts anticipate utilising a minimum level of these facilities whilst ensuring that sufficient headroom is maintained and ensuring all interest and loan liabilities are met The Group has a contingency financing arrangement with its ultimate controlling party, Ontario Teachers' Pension Plan Board (Teachers') The Group has an established process, set out in The National Lottery Retailer Agreement, which ensures exposure to retailer bad debt is minimised The Group is therefore confident that it has appropriately mitigated the additional credit and financial risks

Going concern

As noted in the section above, 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)

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

Therefore, after making appropriate enquiries, the directors confirm 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

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 2012	**990**	**10**	**100 0**
Premier Lotteries Investments UK Limited	990	3	99 3
Fourmoront Corporation	-	7	0 7
At 31 March 2013	**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 Teachers'

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

Executive directors

Lee Sienna *(Chairman)*
Charles Cooper *(resigned 19 October 2012)*
Andre Mousseau (alternate to Lee Sienna) *(resigned 10 September 2012)*
Frederik Wijsenbeek *(appointed 21 September 2012, resigned 1 February 2013)*
Nigel Railton *(appointed1 February 2013)*

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

Political and charitable donations

Dunng the year, the Group made donations to chantable organisations of £0 4m (2012 £0 3m) and in addition made contributions in kind by way of an employee volunteering scheme

The Group made no donations for political purposes during the year ended 31 March 2013 (2012 nil)

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 significant resources on research during the year The Group's spend totalled £2 5m in 2013 (2012 £3 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 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 two key performance criteria sales and profitability, with a third element awarded based on either, performance against objectives for senior management, or successful delivery of key strategic initiatives for all staff When reflecting on-target performance, these bonuses range 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

A Staff Forum was established in September 1999, which now extends across all employees in the Premier Group, and it continues to be consulted on all significant policy proposals and initiatives affecting staff and gathering Group-wide reactions to such proposals

Financial instruments

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 30 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 At 31 March 2013, the Group's trade creditors outstanding represented approximately 13 days (2012 12 days) purchases During the year the Group paid creditors on average within 42 days (2012 40 days)

Statement of Directors' responsibilities

The directors are responsible for preparing the 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 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 Company and Group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Statement of disclosure of information to auditors

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 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

Independent auditors

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

By order of the Board

Lee Sienna
Director
3 July 2013

Independent Auditors' Report

to the Members of Premier Lotteries Capital UK Limited

We have audited the Group and Company financial statements (the "financial statements") of Premier Lotteries Capital UK Limited for the year ended 31 March 2013 which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Equity, the Group and Company Statement of Cash Flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 7 to 8 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) 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

Scope of the audit of the financial statements

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 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 In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report

Opinion on financial statements

In our opinion

- 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 2013 and of the Group's profit and the Group's and Company's cash flows for the year then ended,
- the Group financial statements have been properly prepared in accordance with 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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Nicholas Campbell-Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 July 2013

Group Statement of Comprehensive Income

for the year ended 31 March

	Notes	2013 £m	2012 £m
Net income	3	**674 8**	637 9
Retailers' and other commission	4	**(321.3)**	(301 4)
Gaming systems and data communication costs	4	**(101 5)**	(99 9)
Gross profit		**252 0**	236 6
Administrative expenses		**(214 4)**	(229 9)
Other operating income		**1 6**	2 0
Operating profit	4	**39.2**	8 7
Finance income	6	**0 2**	0 5
Finance expense	6	**(31 9)**	(34 7)
Share of profit/(loss) of joint venture	29	**0.0**	0 0
Profit/(loss) before income tax		**7.5**	(25 5)
Income tax	7	**(1.1)**	10 3
Profit/(loss) for the financial year attributable to shareholders		**6.4**	(15 2)
Other comprehensive loss·			
Fair value losses on cash flow hedges		**(0.8)**	(2 1)
Tax relating to components of other comprehensive income		**0.2**	0 6
Other comprehensive loss for the year		**(0 6)**	(1 5)
Total comprehensive profit/(loss) for the year		**5 8**	(16 7)

The notes on pages 15 to 47 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 statutory accounts The profit for the financial year was £159 1m (2012 £0 0m)

Balance Sheet (Group and Company)

as at 31 March

	Notes	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
ASSETS					
Non-current assets					
Investment in subsidiaries	22	-	-	154.0	-
Intangible assets	9	290.2	314 0	-	-
Property, plant and equipment	10	98.6	80 1	-	-
Investment in joint ventures	29	0.0	0 0	-	-
Trade and other receivables	12	2.7	2 5	-	172 6
Financial assets	13	9.3	26 4	-	-
		400.8	423 0	154 0	172 6
Current assets					
Inventories	11	1 3	1 1	-	-
Trade and other receivables	12	82 3	66 9	-	5 3
Current income tax asset		-	-	1.2	-
Financial assets	13	374.3	328 8	-	-
Cash and cash equivalents	14	55 7	47 7	-	-
		513.6	444 5	1 2	5 3
Total assets		914.4	867 5	155 2	177 9
LIABILITIES					
Current liabilities					
Financial liabilities - borrowings	18	20 8	14 3	-	-
Trade and other payables	19	579.5	512 4	3 2	5 3
Current income tax liability		4 7	3 8	-	-
Provisions for other liabilities and charges	21	1 3	3 9	-	-
		606.3	534 4	3 2	5 3
Non-current liabilities					
Financial liabilities - borrowings	18	383 2	301 0	105.0	172 6
Trade and other payables	19	3 7	4 1	-	-
Deferred income tax liabilities	20	49 9	57 6	-	-
Derivative financial instruments	17	1.3	0 5	-	-
Provisions for other liabilities and charges	21	18 3	11 7	-	-
		456.4	374 9	105 0	172 6
Total liabilities		1,062.7	909 3	108 2	177 9
EQUITY					
Capital and reserves					
Share capital	23	0.0	0 0	0 0	0 0
Other reserves	24	(1 0)	(0 4)	-	-
Retained earnings	24	(147 3)	(41 4)	47 0	(0 0)
Total equity		(148 3)	(41 8)	47.0	(0 0)
Total equity and liabilities		914.4	867 5	155.2	177 9

The notes on pages 15 to 47 are an integral part of these consolidated financial statements The financial statements including the accompanying notes were approved by the Board of Directors on 3 July 2013 and were signed on its behalf by

Lee Sienna
Director
Premier Lotteries Capital UK Limited

Company Number **07193500**

Group Statement of Changes in Equity

	Share capital £m	Other reserves £m	Retained earnings £m	**Total equity £m**
Balance as at 31 March 2011	**0 0**	**1 1**	**(26 2)**	**(25.1)**
Comprehensive losses				
Loss for the financial year	-	-	(15 2)	**(15.2)**
Fair value losses on cash flow hedges (net of income tax)	-	(1 5)	-	**(1 5)**
Total comprehensive losses	**-**	**(1.5)**	**(15.2)**	**(16 7)**
Balance as at 31 March 2012	**0.0**	**(0.4)**	**(41.4)**	**(41.8)**
Comprehensive income				
Profit for the financial year	-	-	6 4	**6.4**
Fair value losses on cash flow hedges (net of income tax)	-	(0 6)	-	**(0.6)**
Total comprehensive income	**-**	**(0.6)**	**6.4**	**5 8**
Dividends paid	-	-	(112 3)	**(112.3)**
Balance as at 31 March 2013	**0 0**	**(1.0)**	**(147 3)**	**(148 3)**

At 31 March 2013, the Company had share capital totalling £1,000 (2012 £1,000), as disclosed in note 23 to these consolidated financial statements

The notes on pages 15 to 47 are an integral part of these consolidated financial statements

Statement of Cash Flows (Group and Company)

for the year ended 31 March

	Notes	**Group 2013 £m**	Group 2012 £m	**Company 2013 £m**	Company 2012 £m
Cash flows from operating activities					
Cash generated from operations	25	**94.6**	78 4	**166 4**	0 0
Bank interest received		**0.3**	0 5	**10.3**	-
Interest received on loan due from subsidiary		-	-	-	17 5
Interest paid		**(33.5)**	(27 4)	**(12.3)**	(17 5)
Income tax paid		**(7.0)**	(1 3)	-	-
Consortium relief payments		**(0.8)**	(2 3)	-	-
Net cash from operating activities		**53.6**	47 9	**164.4**	0 0
Cash flows from investing activities					
Decrease/(increase) in non-current financial assets		**17.1**	(6 4)	-	-
Proceeds from sales of/(payments for) property, plant and equipment		**0.0**	(0 0)	-	-
Purchase of property, plant and equipment		**(4.9)**	(2 0)	-	-
Expenditure on intangible assets		**(4.2)**	(3 2)	-	-
Loans received from subsidiary undertakings		-	-	**20 4**	16 2
Net cash used in investing activities		**8.0**	(11 6)	**20 4**	16 2
Cash flows from financing activities					
Dividends paid to shareholders		**(112 3)**	(0 0)	**(112.1)**	-
Proceeds from/(repayments on) borrowings		**175.0**	-	**(72.7)**	(16 2)
Capital repayments on other loans		**(113 3)**	(66 2)	-	-
Finance lease principal payments		**(3.0)**	(0 8)	-	-
Net cash used in financing activities		**(53.6)**	(67 0)	**(184 8)**	183 6
Net decrease in cash, cash equivalents and bank overdrafts		**8.0**	(30 7)	**0 0**	0 0
Cash, cash equivalents and bank overdrafts at the beginning of the year		**47.7**	78 4	**0.0**	-
Cash, cash equivalents and bank overdrafts at the end of the year		**55 7**	47 7	**0.0**	0 0

The notes on pages 15 to 47 are an integral part of these consolidated financial statements

Other significant transactions include the addition of property, plant and equipment and intangible assets under finance lease arrangements By the year-end, £3 0m has 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

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 2013 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 as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS

The financial statements have been prepared on a going concern basis 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 2013

i) New IFRS accounting standards and interpretations adopted in 2012/13
During the year ended 31 March 2013, 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

- Amendment to IAS 1 on other comprehensive income
- Amendment to IFRS 1 on severe hyperinflation and fixed dates
- Amendment to IFRS 7 on disclosures for transfer of financial assets

ii) New IFRS accounting standards and interpretations not yet adopted
The standards and interpretations listed below were not effective for the year ended 31 March 2013

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

- Annual improvements to IFRS (2012)
- Amendment to IAS 1 on other comprehensive income
- Amendments to IAS 32 and IFRS 7 Financial instruments on asset and liability offsetting
- Amendments to IAS 36 on impairment of assets
- IAS 28 (revised) on investments in associates and joint ventures
- IAS 19 on employee benefits
- IFRS 9 on financial instruments
- IFRS 10 on consolidated financial statements
- IFRS 11 on joint arrangements
- IFRS 12 on Disclosure of interests in other entities
- IFRS 13 on fair value measurements
- Amendment to IFRS 10,11 and 12, on Transition guidance

Notes to the Financial Statements continued

Critical accounting assumptions, estimates and judgements

Financial statements are prepared in accordance with IFRS and management exercises its judgement and makes 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

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 21)

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

Income tax

The Group is primarily subject to corporation tax in the UK and judgement and estimates of future profitability are required to determine the Group's deferred tax position If the final tax position is different to that originally assumed, any resulting changes are reflected 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

Notes to the Financial Statements continued

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(l) 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 owns the entire share capital of four dormant subsidiaries 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 31)

Joint ventures

The group's interests in jointly controlled entities are accounted for using the equity method The investment is initially recognised at cost, being the fair value of the consideration paid by the Group and includes goodwill (net of any accumulated impairment loss) identified on acquisition The carrying amount of the investment is increased or decreased to recognise the Group's share of the profit or loss of the jointly controlled entity after the date of acquisition Distributions received from the jointly controlled entity reduce the carrying amount of the investment

c) 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 (£), 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

d) 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'

e) 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 and Olympic Lottery Distribution Funds

The Group also earns income from consultancy services provided by CGSL, and from the BBC in relation to live draw-show broadcasts when the programmes are aired, which is presented within other comprehensive income

Notes to the Financial Statements continued

f) Retailers' and other commissions

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

g) 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

h) 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 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

Notes to the Financial Statements continued

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

i) Property, plant and equipment

Property, plant and equipment are stated at cost less 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 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
- Fixtures and fittings	5 years
- Media Screens	3 years
- Lottery terminals	The period to the end of the third operating Licence extension or 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

j) 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

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

k) 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

l) Financial assets: Trust Accounts

The Law Debenture Trust Corporation plc is the independent trustee which Camelot has established In order to protect the interests of prize winners and players 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

m) Inventories

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

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

n) 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 assets 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

o) Trade and other payables

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

p) 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 full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining 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 Trading 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

q) Provisions

Provisions are recognised where the Group has legal or constructive obligations under agreements for services where the Group will not receive any benefit, that will probably require an outflow of resources to settle, and this outflow can be reliably measured, as detailed below

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

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

Provisions are discounted when the effect of the time value of money is material

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

Provisions are discounted when the effect of the time value of money is material

r) 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

s) 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

Notes to the Financial Statements continued

t) Value added tax

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

u) Share capital and dividend recognition

Ordinary shares are shown within equity Final dividends to the Company's shareholder 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

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

	2013 £m	2012 £m
Gross ticket sales	**6,977.9**	6,525 9
Lottery duty	**(837.3)**	(783 1)
Prizes	**(3,697 6)**	(3,388 6)
National and Olympic Lottery Distribution Funds	**(1,770.6)**	(1,719 1)
Net income arising from Lottery sales	**672 4**	635 1
Other net income	**2.4**	2 8
	674.8	637 9

Notes to the Financial Statements continued

4. Operating profit

		2013	2012
		£m	£m
Net income		**674.8**	637 9
Other operating income [1]		**1.6**	2 0
Retailers' and other commission		**(321 3)**	(301 4)
Gaming systems and data communication costs [2]		**(101 5)**	(99 9)
Employee expenses (note 5)		**(59.5)**	(57 6)
Marketing expenses		**(80.4)**	(83 4)
Research		**(2.5)**	(3 2)
Amortisation on intangible assets		**(25 2)**	(37 5)
Depreciation on tangible assets		**(4.3)**	(4 2)
Loss on disposal of property, plant and equipment		**(0 0)**	(0 0)
Impairment of intangible assets (note 9)		**(3 0)**	(1 3)
Impairment of tangible assets (note 10)		**(0 0)**	(0 1)
Impairment of trade receivables (note 12)		**(1 3)**	(0 4)
Operating lease rentals- property		**(4.0)**	(4 1)
Foreign exchange losses		**(0 0)**	(0 1)
Auditors' remuneration	- fees payable for the audit of the Group and Company financial statements	**(0.7)**	(0 5)
	- audit related services	**-**	(0 2)
	- prize draw assurance	**-**	(0 8)
	- tax services	**-**	(0 2)
	- non-audit services	**-**	(0 2)
Other expenses		**(33.5)**	(36 1)
Total expenses		**(637.2)**	(631 2)
Operating profit		**39.2**	8 7

[1] Other operating income primarily consists of 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 3m (2012 £13 7m) depreciation on owned assets, £4 1m (2012 £4 1m) amortisation on intangible assets and £7 2m (2012 £7 7m) operating lease rental costs on plant and equipment

5. Employee expenses and numbers (Group)

The Company has no employees One of the directors is remunerated by Camelot Business Solutions Limited 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, Ontario Teachers' Pension Plan Therefore no directors' emoluments or highest paid director disclosure is provided

A Long Term Incentive Plan (LTIP) has been in place since 2008 and runs through to 2019 One director received their first payment under this scheme in the year ended 31 March 2013, but was 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	2013 £m	2012 £m
Wages and salaries	**49.6**	48 4
Social security costs	**6.2**	5 8
Restructuring costs	**1.2**	1 1
Other pension costs	**2.5**	2 3
	59.5	57 6

	2013 Number	2012 Number
The average monthly number of employees (including executive directors) employed was as follows		
Retailer and consumer services	**224**	209
Sales and marketing	**266**	243
Information technology	**179**	169
Finance, administration and other	**214**	209
	883	830

Key management compensation

	2013 £m	2012 £m
Salaries and other employee benefits	**11.0**	10 9
Compensation for loss of office	**0.6**	-
Other pension costs	**0.6**	0 4
	12 2	11 3

Key management is considered to be the Group Operating Board for all UK group companies and the individual company Operating Boards for each UK group company

Notes to the Financial Statements continued

The Group Operatıng Board consısts of department dırectors who meet regularly to dıscuss group performance and make key operatıng decısıons The Group Operatıng Board comprıses eıght ındıvıduals There are ten addıtıonal ındıvıduals who are members of the ındıvıdual company Operatıng Boards

The amounts above ınclude compensatıon for all members of the Group Operatıng Board and company Operatıng Boards durıng the reportıng perıod The remuneratıon of the members of the Group Operatıng Board and company Operatıng Boards ıs dısclosed ın the fınancıal statements of the relevant company that employs those ındıvıduals An agreed costs recharge structure has been set up between group companıes whıch ıs not dırectly attrıbutable to ındıvıduals

6. Finance income and expense (Group)

	2013 £m	2012 £m
Interest receıvable from bank deposıts	**0.2**	0 5
Fınance ıncome	**0 2**	0 5
Interest payable on Term and other loans	**(12.7)**	(8 5)
Interest payable on fınance leases	**(1.0)**	(0 3)
Interest expense on Eurobonds	**(15 2)**	(22 5)
Amortısatıon of loan fees	**(1 9)**	(1 9)
Interest rate swaps cash flow hedges	**(0 8)**	(0 8)
Other ınterest expense	**(0 3)**	(0 7)
Fınance expense	**(31 9)**	(34 7)
Net finance expense	**(31.7)**	(34 2)

7. Income tax (Group)

a) UK corporation tax

	2013 £m	2012 £m
Current ıncome tax charge	**9.0**	4 7
Deferred ıncome tax credıt	**(7 9)**	(15 0)
Income tax charge/(credit)	**1.1**	(10 3)

The ıncome tax charge ıs based on a corporatıon tax rate of 24% for the year ended 31 March 2013 (2012 26%) All taxable temporary dıfferences have been recognısed and are reflected ın the deferred taxatıon balance

A reductıon ın the UK Corporatıon Tax rate to 24% (effectıve from 1 Aprıl 2012) and 23% (effectıve from 1 Aprıl 2013) were substantıvely enacted on 26 March 2012 and 3 July 2012 respectıvely These changes wıll reduce the company's current tax charge accordıngly The deferred tax asset at 31 March 2013 has been calculated based on the rate of 23% substantıvely enacted at the balance sheet date

The March 2013 budget announced that the rate wıll further reduce to 20% by 2015 ın addıtıon to the planned reductıon to 21% by 2014 prevıously announced ın the December 2012 autumn statement These further changes have not been substantıvely enacted at the reportıng date and, therefore, are not ıncluded ın these fınancıal statements The overall effect of these changes, ıf applıed to the deferred tax balance at the reportıng date, would be to further reduce the deferred tax lıabılıty by an addıtıonal £4 0m ın 2014 and £1 8m ın 2015

Notes to the Financial Statements continued

b) Reconciliation of tax credit

	2013 £m	2012 £m
Profit/(Loss) before income tax	**7.5**	(25 5)
Charge/(credit) on profit/(loss) on ordinary activities at the standard rate (2013 24%, 2012 26%)	**1 8**	(6 6)
Factors affecting charge:		
Expenses not deductible for tax purposes	**2 1**	2 7
Prior year losses now recognised due to profits	**-**	(1 0)
Prior year adjustments	**(0.1)**	(0 8)
Higher overseas tax rate	**-**	0 2
Effect of changes in rate of deferred tax	**(2.7)**	(4 8)
Income tax charge/(credit)	**1.1**	(10 3)

8. Dividends (Group and Company)

The Group paid a dividend of £112 3m (2012 nil) to its shareholders of which £0 2m was not eliminated on consolidation Dividend per share in the year was £112,300 (2012 nil)

The Company paid a dividend of £112 1m (2012 nil) to its shareholders Dividend per share was £112,100 (2012 nil)

Notes to the Financial Statements continued

9. Intangible assets (Group)

	Internally generated assets £m	Separately acquired assets £m	Acquired intangible assets £m	Goodwill £m	**Total £m**
Cost					
At 1 April 2011	7 4	25 4	308 9	37 0	**378 7**
Additions	1 0	6 4	-	-	**7 4**
Disposals	(0 1)	(0 4)	-	-	**(0.5)**
At 31 March 2012	8 3	31 4	308 9	37 0	**385.6**
Accumulated amortisation					
At 1 April 2011	0 9	1 5	26 3	-	**28 7**
Charge for the year	0 8	5 6	35 2	-	**41 6**
Impairment charge	-	1 3	-	-	**1.3**
At 31 March 2012	1 7	8 4	61 5	-	**71.6**
Net book value					
At 31 March 2011	6 5	23 9	282 6	37 0	350 0
At 31 March 2012	**6.6**	**23.0**	**247.4**	**37.0**	**314.0**

	Internally generated assets £m	Separately acquired assets £m	Acquired intangible assets £m	Goodwill £m	**Total £m**
Cost					
At 1 April 2012	8 3	31 4	308 9	37 0	**385 6**
Additions	2 7	5 8	-	-	**8.5**
Disposals	(1 4)	(1 9)	-	-	**(3.3)**
At 31 March 2013	9 6	35 3	308 9	37 0	**390.8**
Accumulated amortisation					
At 1 April 2012	1 7	8 4	61 5	-	**71 6**
Charge for the year	0 8	5 6	22 9	-	**29 3**
Impairment charge	-	2 3	-	0 7	**3 0**
Disposals	(1 4)	(1 9)	-	-	**(3 3)**
At 31 March 2013	1 1	14 4	84 4	0 7	**100.6**
Net book value					
At 31 March 2013	**8 5**	**20 9**	**224.5**	**36.3**	**290.2**

Intangible assets include internally generated assets relating to the development of software and The National Lottery website, including design and content development, and also assets purchased separately, such as software licences that do not form an integral part of related hardware and intangible assets arising on acquisition The balance presented includes £4 2m (2012 £0 5m) of assets which are under construction

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

The £0 7m balance goodwill relating to the acquisition of CCSL was impaired during the year as the value of this subsidiaries 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

All intangible assets are held by subsidiaries of the Group or arise on acquisition, and no such assets are held directly by the Company

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 2011	0 8	2 5	104 8	**108 1**
Additions	3 9	-	-	**3.9**
Transfers	(3 0)	-	3 0	**-**
Disposals	(0 4)	-	-	**(0.4)**
At 31 March 2012	1 3	2 5	107 8	**111.6**
Accumulated depreciation				
At 1 April 2011	-	0 2	13 3	**13.5**
Charge for the year	-	0 3	17 6	**17 9**
Impairment charge	0 1	-	-	**0 1**
At 31 March 2012	0 1	0 5	30 9	**31 5**
Net book value				
At 31 March 2011	0 8	2 3	91 5	94 6
At 31 March 2012	**1 2**	**2 0**	**76.9**	**80 1**

	Assets under construction £m	Short leasehold improvements £m	Plant and equipment and motor vehicles £m	**Total £m**
Cost				
At 1 April 2012	1 3	2 5	107 8	**111.6**
Additions	34 0	-	0 1	**34 1**
Transfers	(32 0)	-	32 0	**-**
Disposals	-	-	(0 5)	**(0 5)**
At 31 March 2013	3 3	2 5	139 4	**145.2**
Accumulated depreciation				
At 1 April 2012	0 1	0 5	30 9	**31 5**
Charge for the year	-	0 3	15 3	**15 6**
Impairment charge	-	-	-	**-**
Disposals	-	-	(0 5)	**(0 5)**
At 31 March 2013	0 1	0 8	45 7	**46 6**
Net book value				
At 31 March 2013	**3.2**	**1 7**	**93.7**	**98.6**

The net book value of plant and equipment held under finance leases is £4 1m (2012 £2 7m) Depreciation charged in the year in respect of these assets was £0 8m (2012 £0 7m)

All property, plant and equipment assets are held by subsidiaries of the Group, and no such assets are held directly by the Company No property, plant or equipment was pledged as security during the year

Notes to the Financial Statements continued

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 2013 £m	Group 2012 £m
Scratchcard tickets	0 4	0 3
Playslips, terminal rolls and other consumables	0 9	0 8
	1 3	1 1

Inventory consumed during the year amounted to £24 1m (2012 £20 7m) The inventory balance above is net of a provision of nil (2012 nil)

12. Trade and other receivables (Group and Company)

a) Non-current assets

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Amounts due from subsidiaries	-	-	-	172 6
Other receivables and prepayments	2.7	2 5	-	-
	2.7	2 5	-	172 6

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 (2012 £0 1m) in respect of amounts receivable from Services aux Lotteries en Europe SCRL ('SLE') Further information on SLE is provided in note 30

Amounts due from subsidiaries in the prior year represented a loan due from PLUK Interest on the loan was charged at a rate of 12 5% per annum, and PLUK owed nil (2012 £5 3m) of interest on the loan as at 31 March 2013

b) Current assets

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Trade receivables	71 5	61 7	-	-
Recoverable VAT	0.0	0 0	-	-
Prepayments and accrued income	10.8	5 2	-	-
Amount due from subsidiaries	-	-	-	5 3
	82.3	66 9	-	5 3

Trade receivables of the Group primarily represent amounts due from retailers As of 31 March 2013, the Group's trade receivables from retailers of £71 5m (2012 £59 5m) were not yet due

As of 31 March 2013, the Group's retail trade receivables of £1 5m (2012 £0 3m) 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 2013, 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 2013 £m	Group 2012 £m	**Company 2013 £m**	Company 2012 £m
1 to 3 months	**0 2**	0 0	-	-
3 to 6 months	-	-	-	-
More than 6 months	**0.0**	0 0	-	-
At 31 March	**0.2**	0 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 2013 £m	Group 2012 £m	**Company 2013 £m**	Company 2012 £m
At 1 April	**0 3**	0 2	-	-
Provision for impairment of trade receivables	**1 3**	0 4	-	-
Receivables written-off during the year as uncollectible	**(0 1)**	(0 3)	-	-
At 31 March	**1 5**	0.3	-	-

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above With the exception of £5 1m (2012 £2 5m) 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 NLC Full details of the nature of the Trust Accounts can be found in the financial statements of Camelot

Notes to the Financial Statements continued

a) Non-current· Financial assets

	Group 2013 £m	Group 2012 £m
Reserve Trusts	-	15 0
EuroMillions deposit	9 3	11 4
	9 3	26 4

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

The purpose of the Reserve Trust accounts is to provide additional security for prizes during and at the end of the relevant third operating Licence extension period The amounts held in these accounts will be repayable to Camelot in accordance with the Trust Deed In May 2012, agreement was reached with the NLC to allow the Reserve Trust cash balance to be replaced with a Surety Bond arrangement (note 26) As a result, the £15 0m cash was released back to Camelot

b) Current. Financial assets

	Group 2013 £m	Group 2012 £m
Amounts held in respect of prizes		
- Operational Trust	117.5	100 5
- EuroMillions Trust	79 3	38 4
- Prize Reserve Trust	7.9	3 0
- Raffle Trust	105 7	130 0
Amounts held in respect of future draws		
- Advance Sales Trust	36 7	34 8
Amounts held in Interactive Trust account	27.2	22 1
	374.3	328 8

14. Cash and cash equivalents (Group)

Cash at bank and in hand comprises cash at bank and short-term deposits Certain of the Group's assets (including certain bank accounts) are secured by charges in favour of the Trustee for the ultimate benefit of players of the National Lottery The Group's non-lottery assets are the subject of fixed and floating charges in favour of the Group's lenders Cash balances can be analysed as follows

	Group 2013 £m	Group 2012 £m
Cash at bank and in hand	14 9	16 4
Short-term deposits	40 8	31 3
At 31 March	55.7	47 7

Amounts held in short-term deposits are comprised of bank deposits with interest earned at rates of 0 40% to 0 90% (2012 0 48% to 0 80%), or Money Market Fund deposits with interest earned at rates at 31 March 2013 of 0 27% to 0 75% (2012 0 58% to 0 70%) Both types of deposit are redeemable on demand

On 29 July 2010 Camelot entered into a £55 0m committed revolving credit facility which runs until 8 July 2016 and is only available for utilisation by the subsidiary The amount drawn under this facility at 31 March 2013 was nil (2012 nil)

Notes to the Financial Statements continued

The Group has a further £7 0m committed revolving credit facility which expires on 8 July 2016 available for utilisation by Group companies excluding Camelot The amount drawn under this facility at 31 March 2013 was nil (2012 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)

External credit ratings are obtained for banks where the Group holds cash and short-term bank deposits At 31 March 2013, the Group held £40 8m (2012 £24 8m) in short-term bank deposits with banks rated P1 (Moody's short-term credit rating) No further amounts (2012 £6 5m) were held in Money Market Funds rated AAA by Moody's

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

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

All of the receivables balances are held with the Company's immediate subsidiary Therefore the credit risk is deemed to be negligible

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, management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis Credit evaluations are performed on all customers at the point at which the Group starts to trade with them If the uninsured credit risk exposure is significant, a bond is requested 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 can be 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 is confident that the current arrangements minimise the Group's exposure in this area, however this continues to be closely monitored

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

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

The carrying value of financial assets approximates to fair value

All of the trade and receivables balances are with the Company's subsidiary and therefore the credit risk is deemed to be negligible

b) Interest rate risk

The Group's £55 0m and £7 0m Revolving Credit Facilities allows short term borrowings at floating rates of interest

Notes to the Financial Statements continued

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 between 0 7750% and 1 1975% on the hedged amount until July 2014, thereby significantly reducing exposure to interest rate risk Interest on the Group's Eurobond loan is at a fixed rate of 12 5%, with interest being capitalised to the extent it remains unpaid The value of the loan at the end of the year was £105 0m (2012 £172 6m)

Cash equivalents are predominately in fixed-rate money market deposits with maturity of less than three months During 2013 the Group also held amounts in money market funds with variable rates ranging from 0 27% to 0 75% (2012 0 58% to 0 70%) All cash equivalents in 2012 and 2013 were denominated in GBP Sterling

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(c)

Included within Administrative expenses in the Group Statement of Comprehensive Income are £0 0m (2012 £0 1m) net of foreign exchange losses

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 meets comfortably 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

Notes to the Financial Statements continued

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 2013				
Finance lease obligations	**6.0**	**5 7**	**5 9**	**17 8**
Term loan A	**17.0**	**19 1**	**19 1**	**-**
Term loan B	**-**	**-**	**-**	**56.9**
Term loan C	**-**	**-**	**-**	**161 5**
Eurobond	**-**	**-**	**-**	**105 0**
Trade and other payables	**579.5**	**0.7**	**1.7**	**1.3**
At 31 March 2012				
Finance lease obligations	1 5	1 5	2 8	1 0
Term loan A	13 7	19 6	43 8	-
Term loan B	-	-	-	62 1
Eurobond	-	-	-	172 6
Other loans	0 2	-	-	2 2
Trade and other payables	512 4	0 6	1 2	2 3

The Company's current credit facility comprises Eurobond loan notes of £105 0m (2012 £172 6m), which mature in greater than 5 years

e) Capital risk

As part of the acquisition of Camelot and CGSL, the Group entered into new financing arrangements including the revolving credit facilities outlined in note 14, the Term Loans described in note 18 and has finance lease agreements in place Under these arrangements the Group's surplus cash flow is fully utilised in the repayment of the Term Loans and payment of interest and capital on the Eurobond

At 31 March 2013, the Company had Eurobond loan arrangements in place, of which £105 0m (2012 £172 6m) was outstanding The Company has secured adequate capital resources through its trading and banking facilities to continue in operational existence for the foreseeable future (note 26)

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

Notes to the Financial Statements continued

The following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2012 and 2013

Liabilities £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 March 2013				
Derivative liability used for hedging	-	(1 3)	-	**(1.3)**
Total liabilities	**-**	**(1 3)**	**-**	**(1.3)**
At 31 March 2012				
Derivative liability used for hedging	-	(0 5)	-	**(0.5)**
Total liabilities	**-**	**(0.5)**	**-**	**(0.5)**

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)

	2013 £m	2012 £m
At 31 March		
Interest rate swaps Cash flow hedges	**(1.3)**	(0 5)

PLUK, a subsidiary companies is required to hedge 70% of the interest cost on its floating rate Term loans and therefore has interest rate swaps in place to fix the interest rate LIBOR element of these loans at 1 1975% interest rate of the bank loan A debt of 4 5% + 1 1975%, on the bank loan B debt of 5% + 1 1975% and on the bank loan C of 5 25% + 0 7750% (swap)

The hedging contracts are valued independently based on interest rate yield curves As at 31 March 2013 the value of the swap contracts was a £1 3m net liability (2012 £0 5m net liability) Fluctuations in the value of the hedging contract are recognised through Other Reserves in equity (refer to note 24)

Notes to the Financial Statements continued

18. Financial liabilities – borrowings (Group and Company)

a) Current lıabılitıes. amounts falling due wıthin one year

	Group 2013 £m	Group 2012 £m	**Company 2013 £m**	Company 2012 £m
Fınance lease oblıgatıons	**6.0**	1 5	-	-
Term loan A	**17.1**	13 7	-	-
Fees ıncurred on arrangıng Term loans	**(2.3)**	(1 1)	-	-
Other loans	**-**	0 2	-	-
	20.8	14 3	-	-

The carryıng value of current fınancıal lıabılıtıes approxımates to faır value

b) Non-current liabilıties. amounts falling due after one year

	Group 2013 £m	Group 2012 £m	**Company 2013 £m**	Company 2012 £m
Fınance lease oblıgatıons	**29 5**	5 3	-	-
Term loan A	**38 1**	63 4	-	-
Term loan B	**56 9**	62 1	-	-
Term loan C	**161.5**	-	-	-
Fees ıncurred on arrangıng Term loans	**(7.8)**	(4 6)	-	-
Eurobond loan notes	**105 0**	172 6	**105 0**	172 6
Other loans	**-**	2 2	-	-
	383.2	301 0	**105.0**	172 6

Non-current lıabılıtıes ınclude the balances repayable on the A, B and C Term loans fallıng due after one year less the unamortısed arrangement fees The Term loan balances are repayable ın ınstalments up untıl the loan termınatıon dates of 8 July 2016 for Term loan A, 8 July 2017 for Term loan B and 8 August 2018 for Term loan C Arrangement fees are amortısed over the term of the loan usıng the effectıve ınterest rate method

Other non-current fınancıal lıabılıtıes of the Company consıst of Eurobond loan notes regıstered wıth the Channel Islands Stock Exchange All of the loan notes are held by 2247622 Ontarıo Lımıted, a subsıdıary of the Company's ultımate parent, Ontarıo Teachers' Pensıon Plan (Teachers')

Fınance leases prımarıly relate to Natıonal Lottery termınals and software

Notes to the Financial Statements continued

c) Interest rate profile of financial liabilities

The interest rate profile of the debt is as follows

Liabilities 2012	**%**	**Floating rate £m**	**%**	**Fixed rate £m**
Term loan A	LIBOR + Margin%[1]	77 1		-
Term loan B	LIBOR + Margin%[1]	62 1		-
Eurobond loan notes		-	12 5	172 6
Finance leases		-	Various	6 8
Other loans		-	Various	2 4
		139 2		181 8
Interest rate swaps	Receive LIBOR	(126 0)	1 1975%	126 0
Net fixed/floating principal		13 2		307 8
Capitalised fees		-		(5 7)
Total borrowings		**13 2**		**302 1**

(1) There was a change in the margin applied to both Term A and B loans during the year The term A margin changed during the year from 4 5% to 3 75% and term B margin changed from 5% to 4 5%

Liabilities 2013	**%**	**Floating rate £m**	**%**	**Fixed rate £m**
Term loan A	LIBOR + Margin%	55 2		
Term loan B	LIBOR + Margin%	56 9		
Term loan C	LIBOR + Margin%	161 5		
Eurobond loan notes			12 5	105 0
Finance leases			Various	35 5
		273 6		140 5
Interest rate swaps '10 -'14	Receive LIBOR	(103 0)	1 1975	103 0
Interest rate swaps '12 -'17	Receive LIBOR	(112 0)	0 7750	112 0
Net fixed/floating principal		58 6		355 5
Capitalised fees		-		(10 1)
Total borrowings		**58 6**		**345.4**

Notes to the Financial Statements continued

19. Trade and other payables (Group and Company)

a) Current liabilities

	Group 2013 £m	Group 2012 £m	**Company 2013 £m**	Company 2012 £m
Prize liability	342 0	292 4	-	
Advance receipts for future draws	36 1	35 7	-	-
Amounts payable to the NLDF and OLDF	55 1	40 9	-	
Lottery duty payable	78 6	71 8	-	-
Trade payables	29 0	30 4	-	
Accruals and deferred income	38 7	41 2	**3.2**	5 3
	579 5	512 4	**3 2**	5 3

The Prize liability represents unclaimed prizes and at 31 March 2013, the Group had transferred £308 7m (2012 £270 2m) 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 2013 £m	Group 2012 £m	**Company 2013 £m**	Company 2012 £m
Accruals and deferred income	**3 7**	4 1	**-**	-

20. Deferred taxation (Group)

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets with current taxation liabilities At 31 March the offset amounts are as follows

Deferred tax assets	Group 2013 £m	Group 2012 £m
Deferred tax asset to be recovered after more than 12 months	5 3	3 2
Deferred tax asset to be recovered within 12 months	0 0	0 6
	5.3	3 8

Deferred tax liabilities	Group 2013 £m	Group 2012 £m
Deferred tax liability to be recovered after more than 12 months	(49 9)	(56 0)
Deferred tax liability to be recovered within 12 months	(5 3)	(5 4)
	(55 2)	(61 4)
Deferred tax liabilities (net)	**(49 9)**	(57 6)

The gross movement on deferred income balances is as follows

	Accelerated capital allowances £m	Provisions £m	Cash flow hedges £m	Other temporary differences £m	Total £m
At 1 April 2011	(2 1)	2 7	(0 4)	(73 4)	(73 2)
Credited in the Statement of Comprehensive Income	0 4	0 5	0 6	14 1	**15 6**
At 31 March 2012	**(1.7)**	**3.2**	**0 2**	**(59.3)**	**(57 6)**
At 1 April 2012	(1 7)	3 2	0 2	(59 3)	(57 6)
Credited in the Statement of Comprehensive Income	(1 1)	1 3	0 1	7 4	7.7
At 31 March 2013	**(2.8)**	**4.5**	**0.3**	**(51.9)**	**(49.9)**

21. Provisions for other liabilities and charges (Group)

	Terminal and data communication related £m	Property £m	Restructuring £m	Long term incentive plan £m	**Total £m**
At 1 April 2011	5 6	2 3	1 2	1 7	**10 8**
Charged to Statement of Comprehensive Income	0 3	-	0 9	4 9	**6 1**
Released in the year	-	-	-	-	-
Utilised in the year	-	-	(1 3)	-	**(1.3)**
At 31 March 2012	**5.9**	**2 3**	**0 8**	**6.6**	**15 6**
At 1 April 2012	**5 9**	**2 3**	**0 8**	**6.6**	**15 6**
Charged to Statement of Comprehensive Income	**0.2**	**0 1**	**0 6**	**5.2**	**6 1**
Recognition of decommissioning asset	**1 2**	-	-	-	**1.2**
Released in the year	-	-	**(0.3)**	-	**(0.3)**
Utilised in the year	-	-	**(0.3)**	**(2 7)**	**(3.0)**
At 31 March 2013	**7 3**	**2 4**	**0.8**	**9.1**	**19.6**

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

	2013 £m	2012 £m
Current	**1.3**	3 9
Non-current	**18 3**	11 7
Total	**19.6**	15 6

No provisions for other liabilities or charges were accounted for in the Company at 31 March 2013

22. Investment in subsidiaries

The Company invested £154 0m (2012 nil) in PLUK as described in note 31 by means of the debt conversion described in note 30

The goodwill of £36 3m arising on acquisition is primarily attributable to the knowledge and experience of the workforce built up over 16 years of operating under a lottery licence in the UK

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

23. Share capital (Group and Company)

The Group's immediate parent undertaking is Premier Lotteries Investments UK Limited The ultimate parent undertaking is Teachers'

a) Authorised and allotted share capital as at.

Authorised	2013 £	2012 £
990 ordinary 'A' shares of £1 each (2012 990)	**990**	990
10 preference 'B' shares of £1 each (2012 10)	**10**	10
At 31 March	**1,000**	1,000

Allotted, issued and fully paid	2013 £	2012 £
990 ordinary 'A' shares of £1 each (2012 990)	**990**	990
10 preference 'B' shares of £1 each (2012 10)	**10**	10
At 31 March	**1,000**	1,000

b) Analysis of shareholding

	Number of 'A' shares	Number of 'B' shares	Percentage holding %
Premier Lotteries Investments UK Limited	990	3	99 3
Fourmoront Corporation	-	7	0 7
At 31 March 2012	**990**	**10**	**100**
Premier Lotteries Investments UK Limited	990	3	99 3
Fourmoront Corporation	-	7	0 7
At 31 March 2013	**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

Notes to the Financial Statements continued

24. Reserves (Group and Company)

Group	Other reserves £m	Retained earnings £m	Total £m
At 1 April 2011	1 1	(26 2)	**(25.1)**
Loss for the financial year	-	(15 2)	**(15.2)**
Cash flow hedges			
- Fair value losses	(2 1)	-	**(2.1)**
- Tax thereon	0 6	-	**0.6**
At 31 March 2012	**(0.4)**	**(41.4)**	**(41.8)**
At 1 April 2012	(0 4)	(41 4)	**(41 8)**
Profit for the financial year	-	6 4	**6.4**
Cash flow hedges			
- Fair value losses	(0 8)	-	**(0 8)**
- Tax thereon	0 2	-	**0 2**
Dividends paid	-	(112 3)	**(112.3)**
At 31 March 2013	**(1.0)**	**(147 3)**	**(148.3)**

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 8m (2012 £0 8m) have been recognised within finance costs

Company	Retained earnings £m	Total £m
At 1 April 2011	0 0	**0 0**
Profit for the financial year	0 0	**0.0**
At 31 March 2012	**0 0**	**0.0**
At 1 April 2012	0 0	**0.0**
Profit for the financial year	159 1	**159 1**
Dividends paid	(112 1)	**(112 1)**
At 31 March 2013	**47.0**	**47 0**

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 £159 1m (2012 £0 0m)

25. Cash generated from operations

	Group 2013 £m	Group 2012 £m	**Company 2013 £m**	Company 2012 £m
Profit/(loss) for the financial year	**6 4**	(15 2)	**159 1**	(0 0)
Adjustments for				
- Income tax	**1 1**	(10 3)	**(1 2)**	-
- Depreciation and amortisation	**44 9**	59 6	**-**	-
- Profit on disposal of fixed assets	**0 1**	0 0	**-**	-
- Impairment of fixed assets	**3.1**	1 4	**-**	-
- Interest income	**(0.2)**	(0 5)	**(6.8)**	(22 6)
- Interest expense	**31.9**	34 7	**15.2**	22 6
	87.3	69 7	**166.3**	0 0
Changes in working capital				
- Inventories	**(0.2)**	(0 0)	**-**	-
- Trade and other receivables	**(15.8)**	(37 8)	**-**	(5 3)
- Financial short term assets	**(45.5)**	(57 7)	**-**	-
- Trade and other payables	**66.0**	99 4	**0 1**	5 3
- Provisions	**2 8**	4 8	**-**	-
	7 3	8 7	**0 1**	0 0
Cash generated from operations	**94 6**	78 4	**166 4**	0 0

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

At the year end, the Group had capital expenditure, inclusive of VAT totalling £0 8m (2012 £25 3m) contracted for in the year but not yet incurred

Fixed and floating charges have been given on certain assets to the Trustee and to the Group's lenders (see notes 14 and 15)

Other than those noted above, there are no significant contingent liabilities in respect of the Group or the Company In May 2012, agreement was reached with the NLC to allow the Reserve Trust cash balance to be replaced with a Surety Bond arrangement As a result, £15 0m Reserve Trust cash was released back to Camelot

27. Operating leases (Group)

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

	2013 Property £m	2013 Plant and equipment £m	2012 Property £m	2012 Plant and equipment £m
- Within one year	4.4	9.1	4 0	8 7
- Between two and five years	16.1	34.5	15 4	33 0
- After five years	4.0	41.6	7 7	16 5
	24.5	85.2	27 1	58 2

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)

The Company's historical pension scheme closed to new members in July 2011, and employees began making contributions to the new Group Personal Pension Plan in August 2011, which is accounted for as a defined contribution scheme All amounts payable under these schemes are charged to the Statement of Comprehensive Income as they fall due, and totalled £2 5m in the current year (2012 £2 3m)

29. Joint ventures

CCSL and Skill Infra Solutions BV (SIS), a company engaged in providing online lotteries and commercial services, collaborated to acquire 100% of the share capital at face value in SDC Commercial Services Kenya Limited (SDC) The company was incorporated in Kenya, however following the company's decision to cease trading the company was wound up

Profit is distributed between the shareholders in proportion to their 50 50 shareholding after the deduction of 5% of distributable profit as a management fee which is payable to CCSL Each party has equal board presence The position of Chairman is to be rotated on an annual basis between CCSL and SIS The Chairman does not have a casting vote

CCSL provides the company with an interest free funding facility secured by a floating charge over the Company's assets to finance the initial setup cost and working capital requirements

The Group has adopted equity accounting treatment as it meets the requirements of joint control under IAS 31

Interest in joint venture	**2013 £m**	2012 £m
At 1 April	**0.0**	-
Share of profit/(loss)of joint venture	**(0.0)**	0 0
At 31 March	**-**	0 0

30. Related party transactions (Group and Company)

The Company has contractual obligations under a Eurobond arrangement which is ultimately held by its ultimate parent Teachers'

During the year under review, Camelot entered into the following transactions 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

	2013	2012
	£m	£m
Purchases	**0.8**	0 7
Amounts due to SLE	**0.1**	0 1
Net income	**0.1**	0 1
Amounts due from SLE	**0.0**	0 0

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

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 £72 7m (2012 £10 9m) resulting in the total Eurobond balance as at 31 March 2013 being £105 0m (2012 £172 6m) The Company has capitalised interest of £5 0m (2012 £22 6m) on the loan during the year ended 31 March 2013 with a total amount due for interest as at 31 March 2013 of £12 3m (2012 £5 3m)

Parties related to the Company's subsidiaries have loaned nil (2012 £2 2m) to PLUK The loans accrue interest at a rate of 12 5% No interest has been paid on the loans

Loans due from related parties

In the prior year, the Company had a loan with PLUK which incurred a fixed rate of interest of 12 5% with no fixed repayment dates PLUK repaid the balance of the loan during the year (2012 £172 6m) The Company reorganised it financing arrangements during the year which reduced the outstanding balance of the Eurobond to £105 0m at the year end (note 16)

Key management compensation

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

Joint ventures

The Company and Group's relationship with the joint venture is disclosed in note 29

Notes to the Financial Statements continued

31. 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	99 3%	98 6%
Camelot Global Services (North America) Inc	USA	Lottery consultancy	100%	98 6%
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%
CISL Limited	UK	Dormant	100%	98 6%
Wholesale Commercial Collections 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

Premier Lotteries Capital UK Limited

Premier Lotteries Capital
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