Premier Lotteries Capital UK Limited

Group and Company financial statements for the year ended 31 March 2012

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 audited financial statements for the year ended 31 March 2012

Principal activities, business review and future developments

Principal activities

This report presents the consolidated results of the Premier Lotteries Capital Group 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 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') CBSL and CSSL were formed on 7 March 2011 and started to trade on 1 April 2011

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 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 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 loss before ıncome tax was £25 5m (2011 £31 2m) for the financıal year and loss after ıncome tax was £15 2m (2011 £26 2m) A breakdown of thıs performance ıs set out below

Net income

Net ıncome for the year was £637 9m (2011 £423 4m) Thıs maınly comprısed net ıncome from Camelot, beıng sales dısclosed net of lottery duty, prızes and contrıbutıons to Good Causes as ıs consıstent wıth the gamıng ındustry

Gaming systems and data communication costs

Durıng the year under revıew gamıng systems and data communıcatıon costs were £99 9m (2011 £69 5m)

Gamıng systems and data communıcatıon costs ınclude the cost of maıntaınıng software, termınals and the communıcatıons network, all expendıture assocıated wıth the purchase of National Lottery Scratchcard tıckets, poınt-of-sale and other consumables, the deprecıatıon of gamıng systems, termınal and data communıcatıons equıpment, together wıth costs ıncurred by CCSL on the development of systems

Admınıstratıve expenses

Admınıstratıve expenses were £229 9m (2011 £155 7m) and consısted of advertısıng and marketıng expendıture, deprecıatıon, amortısatıon, staff, facılıtıes, ımpaırment and all other admınıstratıve costs

Finance income and expense

The Group has fınancıng facılıtıes consıstıng of two term loans totallıng £139 2m (2011 £183 2m), a Eurobond £172 6m (2011 £183 6m) and Revolvıng Credıt Facılıtıes totallıng £62 0m of whıch £nıl (2011 £5 8m) was utılısed at the end of the year

Net finance expense durıng the year amounted to £34 2m (2011 £28 2m), the average yıeld on ınvestment beıng approxımately 0 74% (2011 0 65%) Strıct controls apply to treasury operatıons, whıch are revıewed regularly The ınvestment polıcy adopted ıs alıgned to that approved by Camelot's Audıt, Rısk and Securıty Commıttee Funds are only deposıted wıth banks whıch hold a strong credıt ratıng and whıch meet the Group's treasury polıcy crıterıa

The net finance expense ıncludes loan ınterest charges of £8 5m (2011 £8 5m) and amortısatıon of loan fees of £1 9m (2011 £3 5m) ıncurred on term loans, £0 3m (2011 £0 3m) on finance lease ınterest and £22 5m (2011 £16 2m) on the Eurobond debt

Fınance ıncome of £0 5m (2011 £0 5m) arose from ınterest on bank deposıts

Taxation

The net corporatıon tax credıt for the year was £10 3m (2011 £5 0m) Further detaıl ıs provıded ın note 7 to the financıal statements

Dıvıdends

The financıal statements of the Group appear on pages 11 to 44 The Group's total comprehensıve loss for the year was £16 7m (2011 £25 1m), as dısclosed on the Group Statement of Comprehensıve Income on page 11 No dıvıdends have been paıd or are proposed by the Company (2011 £13 0m) See note 8

Financial position at the year end

The Balance Sheet reflects the financıal stabılıty of the busıness The Group reports total assets of £867 5m (2011 £848 4m)

Of ıntangıble assets of £314 0m (2011 £350 0m) held on the balance sheet, £284 4m (2011 £319 6m) relates to goodwıll and ıntangıble assets acquıred on the acquısıtıon of Camelot and CGSL, whıch ıs stated net of £35 2m (2011 £26 3m) amortısatıon charged durıng the year

Non-current financial liabilities and borrowings of £301 0m (2011 £344 1m) are due on the loans and Eurobonds

Trade and other payables consist mainly of the Prize liability, representing unclaimed prizes at 31 March 2012, as well as advance receipts for future draws, lottery duty and amounts payable to the NLDF and OLDF

Our investment in technology

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

Camelot makes significant investment in the infrastructure to deliver its commitments under the third lottery Licence At the end of the financial year over 29,100 next generation 'Altura' lottery terminals were in operation, compared to over 28,800 reported at the end of its prior financial year

Cash flows, cash and debt

The Group's cashflows, cash and debt are managed centrally Net cash generated from operations was £47 9m (2011 £73 4m) Cash outflows primarily include £66 2m (2011 £28 4m) capital repayments on loans, £5 2m (2011 £7 3m) investment in property, plant and equipment and intangible assets and also net interest payments of £26 9m (2011 £8 2m)

The Group has financing facilities consisting of term loans of £134 6m (2011 £175 6m), a Eurobond issue of £172 6m (2011 £183 6m) and Revolving Credit Facilities totalling £62 0m of which £nil (2011 £5 8m) 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 Principally, Camelot has set up certain trust accounts operated by The Law Debenture Trust Corporation plc, which acts as an independent trustee (the 'Trustee')

At 31 March 2012, Camelot had on deposit £26 4m (2011 £20 0m) 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

At 31 March 2012 the Group had committed bank facilities totalling £62 0m of which £62 0m (2011 £56 2m) was undrawn

Future developments and the year ahead

The Group will continue to seek to serve nations' dreams with integrity, and diversify, with a flourishing UK National Lottery at its heart

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 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, and
- Raising an additional £1 7 billion in funding for the Good Causes over the next 11 years due to a four-year extension of its existing 10-year National Lottery Licence being granted

Going concern

The wider economic climate increases the credit and financial liquidity risk of the Group However, management has assessed the controls in place to minimise the Group's exposure to this increased level of risk, which are set out in 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 For this reason, they continue to adopt the going concern basis in preparing the 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	Total % holding of shares
Premier Lotteries Investments UK Limited	990	3	99 3%
Fourmoront Corporation	-	7	0 7%

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

None of the directors held any interest in the shares of the Company or its subsidiaries at the beginning or end of the financial year None of the directors held any rights to subscribe in the shares of the Company or its subsidiary companies at the beginning or end of the year There have been no changes to these interests between 31 March 2012 and the date of this report

Directors

The names of the directors of the Company who served during the year are

Lee Sienna (Chairman)
Charles Cooper
Andre Mousseau (alternate to Lee Sienna)

Insurance for directors and officers

The Company has in place liability insurance for its directors and officers

Political and charitable donations

During the year, the Group made donations to charitable organisations of £0 3m (2011 £0 3m) and in addition made some contributions in kind by way of an employee volunteering scheme

The Group made no donations for political purposes during the year ended 31 March 2012

Research and development

The Group spent a total of £3 2m in 2012 (2011 £4 2m), primarily in the areas of brand research and new game development for the UK National Lottery and research and development in order to deliver its diversification plans

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 all 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, alongside a third performance-related criterion for senior management When reflecting on-target performance, these bonuses range from 5% of base salary, increasing for senior management

Member-nominated trustees represent the staff in relation to the Camelot Group pension fund Two member-nominated trustees served during the year, representing the interest of past and present members on pension fund matters During May 2011 Camelot entered into a consultation process with its employees to review proposals to change the pension scheme arrangements The scheme commenced winding up in July 2011 In August employees began to pay contributions into a Group Personal Pension Plan

The Group established a Staff Forum 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, in turn, gathers 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 currency risks that arise in the normal course of business Details of these risks are disclosed in 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 2012, the Group's trade creditors outstanding represented approximately 12 days' (2011 11 days') purchases During the year the Group paid creditors on average within 40 days (2011 47 days)

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the 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

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 August 2012

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 2012 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 2012 and of the Group's loss 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

NAV Campbell Lambert

Nicholas Campbell-Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
3 August 2012

Group Statement of Comprehensive Income

for the year ended 31 March 2012

	Notes	For the year ended 31 March 2012 Total £m	For the 54 week period ended 31 March 2011 Total £m
Net income	3	**637 9**	423 4
Retailers' and other commission		**(301 4)**	(202 2)
Gaming systems and data communication costs		**(99 9)**	(69 5)
Other costs of sale		**-**	(0 6)
Gross profit		**236.6**	151 1
Administrative expenses		**(229.9)**	(155 7)
Other operating income		**2 0**	1 6
Operating profit/(loss)	4	**8.7**	(3 0)
Finance income	6	**0 5**	0 5
Finance expense	6	**(34 7)**	(28 7)
Finance costs - net		**(34 2)**	(28 2)
Share of profit/(loss) of joint venture	29	**0 0**	-
Loss before income tax		**(25.5)**	(31 2)
Income tax	7	**10.3**	5 0
Loss for the financial year attributable to shareholders		**(15 2)**	(26 2)
Other comprehensive (loss)/income:			
Fair value (losses)/gains on cash flow hedges		**(2 1)**	1 5
Tax relating to components of other comprehensive (loss)/income		**0 6**	(0 4)
Other comprehensive (loss)/income for the year	17	**(1 5)**	1 1
Total comprehensive loss for the year		**(16 7)**	(25 1)

The results detailed above are all derived from continuing operations

The notes on pages 15 to 44 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 £0 0m (2011 £0 0m)

Balance Sheet (Group and Company)

as at 31 March 2012

	Notes	**Group 2012 Total £m**	Group 2011 Total £m	**Company 2012 Total £m**	Company 2011 Total £m
ASSETS					
Non-current assets					
Intangible assets	9	**314 0**	350 0	-	-
Property, plant and equipment	10	**80 1**	94 6	-	-
Investment in joint ventures	29	**0.0**	-	-	-
Trade and other receivables	12	**2 5**	3 0	**172.6**	183 6
Derivative financial instruments	17	**-**	1 5	-	-
Financial assets	13	**26 4**	20 0	-	-
		423 0	469 1	**172.6**	183 6
Current assets					
Inventories	11	**1 1**	1 0	-	-
Trade and other receivables	12	**66 9**	28 8	**5.3**	5 7
Financial assets	13	**328 8**	271 1	-	-
Cash and cash equivalents	14	**47 7**	78 4	-	-
		444 5	379 3	**5.3**	5 7
Total assets		**867 5**	848 4	**177.9**	189 3
LIABILITIES					
Current liabilities					
Financial liabilities - borrowings	18	**14 3**	23 9	-	-
Trade and other payables	19	**512 4**	415 5	**5.3**	5 7
Current income tax liability		**3 8**	2 6	-	-
Provisions for other liabilities and charges	21	**3 9**	1 3	-	-
		534.4	443 3	**5.3**	5 7
Non-current liabilities					
Financial liabilities - borrowings	18	**301.0**	344 1	**172 6**	183 6
Trade and other payables	19	**4.1**	3 4	-	-
Deferred income tax liabilities	20	**57 6**	73 2	-	-
Derivative financial instruments	17	**0 5**	-	-	-
Provisions for other liabilities and charges	21	**11 7**	9 5	-	-
		374 9	430 2	**172 6**	183 6
Total liabilities		**909 3**	873 5	**177 9**	189 3
EQUITY					
Capital and reserves					
Share capital	23	**0 0**	0 0	**0 0**	0 0
Other reserves	24	**(0 4)**	1 1	-	-
Retained earnings	24	**(41 4)**	(26 2)	**(0.0)**	0 0
Total equity		**(41.8)**	(25 1)	**(0.0)**	0 0
Total equity and liabilities		**867 5**	848 4	**177 9**	189 3

The notes on pages 15 to 44 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 August 2012 ~~and were~~ signed on its behalf by

Lee Sienna
Director
Premier Lotteries Capital UK Limited

Company Number **07193500**

Statement of Changes in Equity (Group and Company)
for the year ended 31 March 2011 and 31 March 2012

	Notes	Share capital £m	Other reserves £m	Retained earnings £m	**Group Total equity £m**
Balance as at 17 March 2010	24	0 0	-	-	**0 0**
Comprehensive income/(losses)					
Loss for the financial period		-	-	(26 2)	**(26.2)**
Fair value gains on cash flow hedges (net of income tax)		-	1 1	-	**1 1**
Total comprehensive income/(losses)		**-**	**1.1**	**(26 2)**	**(25.1)**
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)**

At 31 March 2012, the Company had share capital totalling £1,000 (2011 £1,000), as disclosed in note 23 to these consolidated financial statements

The notes on pages 15 to 44 are an integral part of these consolidated financial statements

Statement of Cash Flows (Group and Company)

for the year ended 31 March 2012

	Notes	**Group 2012 Total £m**	Group 2011* Total £m	**Company 2012 Total £m**	Company 2011* Total £m
Cash flows from operating activities					
Cash generated from operations	25	**78 4**	86 1	**0 0**	0 0
Bank interest received		**0 5**	0 4	**-**	-
Interest received on loan due from subsidiary		**-**	-	**17 5**	-
Interest paid		**(27 4)**	(8 6)	**(17 5)**	-
Income tax paid		**(1 3)**	(1 8)	**-**	-
Consortium relief payments		**(2 3)**	(2 7)	**-**	-
Net cash from operating activities		**47.9**	73 4	**0.0**	-
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash acquired		**-**	(328 6)	**-**	-
Increase in non-current financial assets		**(6.4)**	0 7	**-**	-
Proceeds from sales of property, plant and equipment		**(0.0)**	2 2	**-**	-
Purchase of property, plant and equipment		**(2 0)**	(1 8)	**-**	-
Expenditure on intangible assets		**(3 2)**	(5 5)	**-**	-
Loans received from/(paid to) subsidiary undertakings		**-**	-	**16 2**	(183 6)
Net cash used in investing activities		**(11 6)**	(333 0)	**16 2**	(183 6)
Cash flows from financing activities					
Dividends paid to prior shareholders		**-**	(13 0)	**-**	-
Dividends paid to shareholders		**(0.0)**	-	**-**	-
Proceeds from/(repayments on) borrowings		**-**	379 8	**(16 2)**	183 6
Capital repayments on other loans		**(66 2)**	(28 4)	**-**	-
Finance lease principal payments		**(0 8)**	(0 4)	**-**	-
Net cash used in financing activities		**(67.0)**	338 0	**(16.2)**	183 6
Net decrease in cash, cash equivalents and bank overdrafts		**(30 7)**	78 4	**0.0**	0 0
Cash, cash equivalents and bank overdrafts at the beginning of the year		**78 4**	-	**0.0**	-
Cash, cash equivalents and bank overdrafts at the end of the year	14	**47.7**	78 4	**0.0**	0 0

*The Group and Company reported on a 54 week period in 2011, from 17 March 2010 to 31 March 2011

The notes on pages 15 to 44 are an integral part of these consolidated financial statements

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 UK Lotteries Limited ('Camelot'), Camelot Global Services Limited ('CGSL'), Camelot Commercial Services Limited ('CCSL') , Camelot Business Solutions Limited ('CBSL'), Camelot Strategic Solutions Limited ('CSSL'), Camelot Global Services (North America) Inc (an entity incorporated in the USA) ('CGSNA') and Premier Lotteries UK Limited ('PLUK')

The address of its registered office is Premier Lotteries Capital UK Limited, Magdalen House, Tolpits Lane, Watford, Hertfordshire,WD18 9RN

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements for the year ended 31 March 2012 are set out below

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 under the historical cost convention, unless otherwise stated

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 the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the financial statements

The Group's and Company's accounting policies were selected by management considering all applicable IFRSs issued by the International Accounting Standards Board (IASB) by 31 March 2012

i) New IFRS accounting standards and interpretations adopted in 2011/12

During the year ended 31 March 2012, the Group adopted the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) or amendments, and interpretations by the IFRS Interpretations Committee None of the pronouncements had a material impact on the Group's or Company's consolidated results or assets and liabilities

- Revised IAS 24 on related party disclosures
- Amendment to IFRS 1 on comparative IFRS 7 disclosures
- Improvements to IFRS 2010
- Amendment to IFRIC 14 on prepayments of a minimum funding requirement
- IFRIC 19 on extinguishing financial liabilities with equity instruments

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 2012

The Group enters into a significant number of transactions which fall within the scope of IFRS 9 on financial instruments The International Accounting Standards Board is completing IFRS 9 on financial instruments in phases and the Group is evaluating the impact of the standard as it develops

IFRS 10, 11, 12 and 13 and the consequent amendments to IAS 27 and IAS 28 were issued on 12 May 2011 The Group is evaluating the impact of these standards on the financial statements

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

- IFRS 9 on financial instruments
- Improvements to IFRS 2011
- Amendment to IFRS 7 on disclosures for transfer of financial assets
- Amendment to IFRS 1 on severe hyperinflation and removal of fixed dates for first-time adoption
- Amendment to IAS 12 on deferred tax on recovery of underlying assets
- IFRS 10 on consolidated financial statements
- IFRS 11 on joint arrangements
- IFRS 12 on disclosures of interests in other entities
- IFRS 13 on fair value measurements
- IAS 19 on employee benefits
- IAS 27 on separate financial statements
- IAS 28 on investment in associates and joint ventures
- Amendment to IAS 1 on other comprehensive income
- Amendments to IFRS 1 on government grants
- Amendments to IAS 32 on financial instruments asset and liability offsetting
- IFRIC 20 on stripping costs in the production phase of a surface mine

Critical accounting assumptions, estimates and judgements

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

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 at 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 22)

The Group uses forecast cash flow information and estimates of future earnings to assess whether intangible assets are impaired and to assess useful economic lives If the results of operations in future periods are less than those used in impairment testing, an impairment may be triggered, or the useful economic life of an asset may be reduced

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

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate fluctuations It is not the Group's policy to trade in financial instruments Derivative financial instruments are recognised initially at fair value and are subsequently re-measured at fair value At the end of the year the fair value was estimated by the use of independent valuations from third parties

b) Basis of consolidation

These financial statements comprise the consolidated and Company financial statements of Premier Lotteries Capital UK Limited 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 On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets

Certain trust accounts established to provide protection to players of the UK National Lottery are consolidated Under IFRS the trusts are considered to be special purpose entities (SPEs) under the control of the Group and are consolidated on this basis Details of the trust accounts are provided in note 2(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 five 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 UK 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 settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or expense' 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 ('other net income') from consultancy services provided by CGSL

f) Retailers' and other commissions

Amounts charged to the Statement of Comprehensive Income represent commissions arising due to (i) retailers based on sales and in-store prize payments to date, (ii) 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 (iii) 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 "Business combinations" is not amortised Goodwill is tested for impairment annually at year end, 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

h) Other intangible assets

All intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses

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

Separately acquired intangibles

Intangible assets purchased separately, such as software licences that do not form an integral part of related hardware, are capitalised as intangible assets at cost and amortised over their useful economic life Costs associated with maintaining software are charged to the Statement of Comprehensive Income as incurred

Amortisation is provided on all intangible assets at such rates as to write off the cost of these assets in equal instalments, either over their expected useful lives or the remaining Section 5 Licence Period throughout which benefit is anticipated to be derived from the asset The third operating Licence extension runs to 2023

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

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

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

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 The third operating Licence extension runs to 2023

The depreciation basis for the principal asset categories are as follows

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

In order to protect the interests of prize winners and players of the UK National Lottery, 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

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 Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows The carrying amount of the asset is reduced through the use of a doubtful debtor account, and the amount of the loss is recognised in the Statement of Comprehensive Income within 'administrative expenses' When a trade receivable subsequently becomes uncollectible, it is written off against the doubtful debt provision, in the period in which the bad debt is identified Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the Statement of Comprehensive Income If collection is expected in one year or less they are classified as current assets If not, they are presented as non-current assets

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 If not, they are presented as non-current liabilities

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, 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 hedges 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 hedge exposure to variability in cash flows that is attributable to either a particular risk 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 is recognised immediately in the Statement of Comprehensive Income within 'other gains/(losses) – net' Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place) However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of Comprehensive Income within 'other gains/(losses) – net'

q) Provisions

Provisions are recognised where the Group has contractual obligations under supply 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

The provisions for the cost of decommissioning terminals and communications equipment held at retailer sites, and disposing of these assets, are recognised when the Group has a present legal or constructive obligation to incur this cost 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 recognised for future committed property lease payments when the Group receives no benefit from the property through continuing usage and future receipts from any sub-letting arrangements are not in excess of the Group's future committed payments

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

Provisions are made for the Group's long term incentive plan (bonus scheme for senior management) (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 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 balance sheet 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 substantially enacted by the balance sheet 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

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

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 as 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 Camelot operates in the United Kingdom and the Isle of Man CGSNA is domiciled in the United States of America

	For the year ended 31 March 2012 £m	For the 54 week period ended 31 March 2011 £m
Gross ticket sales	**6,525.9**	4,287 3
Lottery duty	**(783.1)**	(451 2)
Prizes	**(3,388 6)**	(2,257 6)
National and Olympic Lottery Distribution Funds	**(1,719 1)**	(1,155 9)
Net income arising from Lottery sales	**635.1**	422 6
Other net income	**2.8**	0 8
	637 9	423 4

The net income included in the consolidated Statement of comprehensive income for the prior period includes income contributed by the acquired companies from 8 July 2010 to 31 March 2011

4. Operating profit/(loss) (Group)

		For the year ended 31 March 2012 £m	For the 54 week period ended 31 March 2011 £m
Net income		**637 9**	423 3
Other operating income [1]		**2 0**	1 6
Retailers' and other commission		**(301 4)**	(202 2)
Gaming systems and data communication costs [2]		**(99.9)**	(69 5)
Other costs of sale		**-**	(0 6)
Employee expenses (note 5)		**(57 6)**	(35 4)
Marketing expenses		**(83.4)**	(51 8)
Research and development		**(3.2)**	(4 2)
Amortisation on intangible assets (note 9)		**(37.5)**	(29 6)
Depreciation on owned assets (note 10)		**(3.5)**	(0 9)
Depreciation on assets held under finance leases (note 10)		**(0.7)**	(0 4)
Loss on disposal of property, plant and equipment		**(0.0)**	(0 2)
Impairment of intangible assets (note 9)		**(1.3)**	(1 0)
Impairment of tangible assets (note 10)		**(0.1)**	-
Impairment of trade receivables (note 12)		**(0.4)**	(0 4)
Operating lease rentals- property		**(4 1)**	(3 7)
Foreign exchange losses		**(0.1)**	(3 7)
Auditors' remuneration	- fees payable for the audit of the Group and Company financial statements	**(0.5)**	(0 3)
	- audit related services	**(0 2)**	(0 2)
	- prize draw assurance	**(0.8)**	(0 6)
	- tax services	**(0 2)**	(0 2)
	- non-audit services	**(0 2)**	-
Other expenses		**(36.1)**	(26 7)
Total expenses		**(631 2)**	(427 9)
Operating profit/(loss)		**8.7**	(3 0)

[1] Other operatıng ıncome prımarıly comprıses amounts receıvable from the BBC ın relatıon to the lıve draw-show broadcast agreement

[2] Gamıng systems and data communıcatıon costs ıncludes the cost of maıntaınıng software, termınals and the communıcatıons network, costs assocıated wıth the purchase of Scratchcard tıckets and consumables, together wıth the depreciatıon of gamıng systems and termınal and data communıcatıons equıpment Included withın Gamıng systems and data communıcatıon costs are £13 7m (2011 £12 3m) depreciatıon on owned assets, £4 1m (2011 £2 2m) amortısatıon on ıntangıble assets and £7 7m (2011 £5 6m) operatıng lease rental costs on plant and equıpment

5. Employee expenses and numbers (Group)

The Company has no employees and the dırectors are remunerated for theır servıces by the Company's ultımate parent, Ontarıo Teachers' Pensıon Plan Therefore no dırectors' emoluments or hıghest paıd dırector dısclosure ıs provıded

There are no staff costs ın the Company and therefore the followıng ınformatıon relates to the consolıdated Group

	For the year ended 31 March 2012 £m	For the 54 week perıod ended 31 March 2011 £m
Employee expenses		
Wages and salarıes	**48 4**	29 0
Socıal securıty costs	**5 8**	2 9
Restructurıng costs	**1 1**	2 1
Pensıon costs	**2.3**	1 4
	57 6	35 4

	For the year ended 31 March 2012 Number	For the 54 week perıod ended 31 March 2011 Number
The average monthly number of employees (ıncludıng executıve Dırectors) employed was as follows		
Retaıler and consumer servıces	**209**	229
Sales and marketıng	**243**	209
Informatıon technology	**169**	124
Fınance, admınıstratıon and other	**209**	230
	830	792

Key management compensation

	For the year ended 31 March 2012 £m	For the 54 week perıod ended 31 March 2011 £m
Salarıes and short-term employee benefits	**5 9**	4 3
Long term ıncentıve plans	**5.0**	0 9
Compensatıon for loss of office	**-**	1 1
Pensıon costs	**0.4**	0 2
	11 3	6 5

Key management ıs consıdered to be the Group Operatıng Board for all UK group companıes and the ındıvıdual company Operatıng Boards for each UK group company

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 eleven 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)

	For the year ended 31 March 2012 £m	For the 54 week perıod ended 31 March 2011 £m
Interest receıvable from bank deposıts	**0 5**	0 5
Fınance ıncome	**0 5**	0 5
Interest payable on Term and other loans	**(8.5)**	(8 5)
Interest payable on finance leases	**(0.3)**	(0 3)
Interest expense on Eurobonds	**(22.5)**	(16 2)
Amortısatıon of loan fees	**(1.9)**	(3 5)
Interest rate swaps cash flow hedges	**(0.8)**	(0 2)
Other ınterest expense	**(0.7)**	-
Fınance expense	**(34.7)**	(28 7)
Net finance expense	**(34 2)**	(28 2)

7. Income tax (Group)

a) UK corporation tax

	For the year ended 31 March 2012 £m	For the 54 week perıod ended 31 March 2011 £m
Current ıncome tax charge	**4 7**	1 5
Deferred ıncome tax credıt	**(15.0)**	(6 5)
Income tax credit	**(10.3)**	(5 0)

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

A number of changes to the UK corporatıon tax system were announced ın the March 2012 UK Budget Statement A resolutıon passed by Parlıament on 26 March 2012 reduced the maın rate of corporatıon tax from 26% to 24% from 1 Aprıl 2012 The rate reductıon to 24% had been substantıvely enacted at the balance sheet date and has therefore been reflected ın these fınancıal statements

Legıslatıon to reduce the maın rate of corporatıon tax from 24% to 23% from 1 Aprıl 2013 was ıncluded ın the Fınance Act 2012 A further reductıon to the maın rate ıs proposed to reduce the rate by 1% to 22% by 1 Aprıl 2014 These further changes had not been substantıvely enacted at the balance sheet date and, therefore, are not ıncluded ın these fınancıal statements The effect of the changes ın the Fınance Act 2012 would be to reduce the deferred tax lıabılıty provıded at the balance sheet date by £2 2m Thıs decrease ın the deferred tax lıabılıty would reduce the loss by £2 2m

The proposed reductıon of the maın rate of corporatıon tax to 22% from 1 Aprıl 2014 ıs expected to be enacted separately The overall effect of thıs further change, ıf ıt applıed at balance sheet date, would be to further reduce the deferred tax lıabılıty and the loss by an addıtıonal £2 0m

b) Reconciliation of tax credit

	For the year ended 31 March 2012 £m	For the 54 week period ended 31 March 2011 £m
Loss before income tax	**(25.5)**	(31 2)
Credit on loss on ordinary activities at the standard rate (2012 26%, 2011 28%)	**(6.6)**	(8 7)
Factors affecting charge:		
Expenses not deductible for tax purposes	**2.7**	2 9
Losses not recognised for tax purposes	**0.0**	0 8
Prior year losses now recognised due to profits	**(1.0)**	-
Prior year adjustments	**(0 8)**	-
Higher overseas tax rate	**0 2**	-
Effect of changes in rate of deferred tax	**(4.8)**	-
Income tax credit	**(10 3)**	(5 0)

8. Dividends (Group and Company)

All dividends paid within the Group are eliminated on consolidation In the previous period ended 31 March 2011 a dividend of £13 0m was paid to the previous shareholders of Camelot For the Company, no dividend was declared during the year ended 31 March 2012 (2011 £nil)

9. Intangible assets (Group)

	Internally generated assets £m	Separately acquired assets £m	Acquired intangible assets £m	Goodwill £m	Total £m
Cost					
At 17 March 2010	-	-	-	-	-
Additions through business combinations	4 0	27 9	308 9	37 0	377 8
Additions	3 4	2 4	-	-	5 8
Impairment charge	-	(1 0)	-	-	(1 0)
Disposals	-	(3 9)	-	-	(3 9)
At 31 March 2011	7 4	25 4	308 9	37 0	378 7
Accumulated amortisation					
At 17 March 2010	-	-	-	-	-
Charge for the period	0 9	4 6	26 3	-	31 8
Disposals	-	(3 1)	-	-	(3 1)
At 31 March 2011	0 9	1 5	26 3	-	28 7
Net book value					
At 31 March 2011	**6 5**	**23 9**	**282.6**	**37.0**	**350.0**

	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 2012	**6 6**	**23.0**	**247.4**	**37 0**	**314.0**

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 £0 5m (2011 £1 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 Premier Lotteries UK Limited on acquisition of Camelot and CGSL

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

As a result of the CCSL's decision to cease trading in Kenya an asset impairment of £1 3m, has been recognised being the value of software development work completed which no longer has an expected value in use

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 17 March 2010	-	-	-	-
Additions through business combinations	1 7	2 5	101 1	**105.3**
Additions	5 1	-	0 2	**5 3**
Transfers	(3 7)	-	3 7	-
Disposals	(2 3)	-	(0 2)	**(2 5)**
At 31 March 2011	0 8	2 5	104 8	**108.1**
Accumulated depreciation				
At 17 March 2010	-	-	-	-
Charge for the period	-	0 2	13 4	**13 6**
Disposals	-	-	(0 1)	**(0 1)**
At 31 March 2011	-	0 2	13 3	**13.5**
Net book value				
At 31 March 2011	**0.8**	**2 3**	**91.5**	**94 6**

	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 2012	**1.2**	**2 0**	**76.9**	**80 1**

The net book value of plant and equipment held under finance leases is £2 7m (2011 £2 1m) Depreciation charged in the year in respect of these assets was £0 7m (2011 £0 4m)

All tangible assets are held by subsidiaries of the Group, and no such assets are held directly by the Company

11. Inventories (Group)

	Group 2012 £m	Group 201 £m
Scratchcard tickets	**0.3**	0 3
Playslips, terminal rolls and other consumables	**0 8**	0 7
Other	-	0 0
	1.1	1 0

Inventory consumed during the year amounted to £20 7m (2011 £13 7m) The inventory balance above is net of a provision of £nil (2011 £nil)

Unsold scratchcard tickets are written-off and destroyed following NLC approval after a game closes During the year £0 0m (2011 £0 5m) of unsold tickets for closed games were written-off, fully utilising the provisions held for these games

12. Trade and other receivables (Group and Company)

a) Non-current assets

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Amounts due from subsidiaries	-	-	**172.6**	183 6
Other receivables and prepayments	**2 5**	3 0	-	-
	2.5	3 0	**172.6**	183 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 0m (2011 £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 represents a loan due from Premier Lotteries UK Limited Interest on the loan is charged at a rate of 12 5% per annum Premier Lotteries UK Limited owed £5 3m (2011 £5 7m) of interest on the loan as at 31 March 2012

b) Current assets

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Trade receivables	**61.7**	22 1	-	-
Recoverable VAT	**0 0**	0 1	-	-
Prepayments and accrued income	**5 2**	6 6	-	-
Amount due to subsidiaries	-	-	**5.3**	5 7
	66.9	28 8	**5.3**	5 7

Trade receivables of the Group primarily represent amounts due from retailers As of 31 March 2012, the Group's trade receivables from retailers of £59 5m (2011 £22 0m) were not yet due

As of 31 March 2012, the Group's retail trade receivables of £0 9m (2011 £0 6m) were impaired and provided for The recoverability of trade receivables held with multiple retailers is assessed on the retailers' level of credit risk and impaired accordingly Independent retailers are impaired when the debt becomes more than one month past due

Other trade receivables that are past due are considered impaired when it is deemed uneconomical to pursue recoverability of the debt At 31 March 2012, 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 2012 £m	Group 2011 £m	**Company 2012 £m**	Company 2011 £m
1 to 3 months	**0 0**	0 1	-	-
3 to 6 months	-	-	-	-
More than 6 months	**0.0**	-	-	-
	0.0	0 1	-	-

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

The carrying amounts of the Group's trade and other receivables are denominated in sterling

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

	Group 2012 £m	Group 2011 £m	**Company 2012 £m**	Company 2011 £m
At 1 April 2011	**0.2**	-	-	-
Provision for impairment of trade receivables	**0.4**	0 4	-	-
Receivables written-off during the year as uncollectible	**(0.3)**	(0 2)	-	-
At 31 March 2012	**0.3**	**0 2**	-	-

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 £2 5m (2011 £3 0m) in retailer bonds, the Group and Company do not hold any collateral as security

13. Financial assets: Trust accounts (Group)

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

The Trust accounts and interest received thereon are subject to first fixed and floating charges in favour of the Trustee Full details of the nature of the Trust Accounts can be found in the financial statements of Camelot

a) Non-current: Financial assets

	Group 2012 £m	Group 2011 £m
Reserve Trusts	**15.0**	16 6
EuroMillions deposit	**11.4**	3 4
	26.4	20 0

Non-current financial assets represent cash held in trust The amounts are stated at fair value, being the actual cash amounts held in the accounts at the end of the financial year

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 (or the relevant part) 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 As a result, the £15 0m cash was released back to Camelot

b) Current· Financial assets

	Group 2012 £m	Group 2011 £m
Amounts held in respect of prizes		
- Operational Trust	**100 5**	94 0
- EuroMillions Trust	**38.4**	40 8
- Prize Reserve Trust	**3.0**	5 4
- Raffle Trust	**130 0**	76 6
Amounts held in respect of future draws		
- Advance Sales Trust	**34.8**	34 5
Amounts held in Interactive Trust account	**22 1**	19 8
	328 8	271 1

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 2012 £m	Group 2011 £m
Cash at bank and in hand	**16.4**	8 7
Short term deposits	**31.3**	69 7
	47.7	78 4

Amounts held in short-term deposits comprise bank deposits with interest earned at rates of 0 48% to 0 80% (2011 0 42% to 0 80%), or Money Market Fund deposits with interest earned at rates at 31 March 2012 of 0 58% to 0 70% (2011 0 45% to 0 63%) 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 2012 was £nil (2011 £nil)

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 2012 was £nil (2011 £5 8m)

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

External credit ratings are obtained for each trade receivable counterparty at the point the Group starts to trade with that retailer to confirm the creditworthiness of the retailer See note 16 for details on the Group's credit control policy for trade receivables

External credit ratings are obtained for banks where the Group holds cash and short-term bank deposits At 31 March 2012, the Group held £24 8m (2011 £50 0m) in short-term bank deposits with banks rated P1 (Moody's short-term credit rating) A further £6 5m (2011 £19 7m) was 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

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 is suspended until the debt is cleared Retailer agreements set out the Group's credit policy for late payments

Camelot has reviewed its established credit policy and debt collection processes to ensure they are appropriate and 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

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 2013 This hedging has been achieved by cash flow hedging using interest rate swaps under which the Group receives LIBOR and pays 1 1975% on the hedged amount until July 2014, thereby significantly reducing exposure to interest rate risk Interest on the Group's £172 6m (2011 £183 6m) Eurobond is at a fixed rate of 12 5%, with interest being capitalised to the extent it remains unpaid

Cash equivalents are predominately in fixed-rate money market deposits with maturity of less than three months During 2012 the Group also held amounts in money market funds with variable rates ranging from 0 58% to 0 70% (2011 0 45% to 0 63%) All cash equivalents in 2011 and 2012 were denominated in sterling

c) Foreign exchange risk

The Group is exposed to foreign exchange risk on purchases that are denominated in a currency other than 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 1m (2011 £0 1m) net 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

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 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**
Revolving Credit Facilities	**-**	**-**	**-**	**-**
Other loans	**0 2**	**-**	**-**	**2 2**
Trade and other payables	**512.4**	**0 6**	**1.2**	**2 3**
At 31 March 2011				
Finance lease obligations	0 6	0 6	1 0	-
Term loan A	14 5	16 5	63 2	13 2
Term loan B	2 5	-	-	73 5
Eurobond	-	-	-	183 6
Revolving Credit Facilities	5 8	-	-	-
Other loans	0 5	0 3	-	-
Trade and other payables	415 5	0 4	1 1	1 9

The Company's current credit facility comprises Eurobond loan notes of £172 6m (2011 £183 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 and the Term Loans described in note 18 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 2012, the Company had Eurobond loan arrangements in place, of which £172 6m (2011 £183 6m) was outstanding

f) Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- 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 (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2012 and 2011

£m **Liabilities**	**Level 1**	**Level 2**	**Level 3**	**Total**
At 31 March 2012				
Derivative liability used for hedging	-	(0 5)	-	(0.5)
Total liabilities	**-**	**(0 5)**	**-**	**(0 5)**
Assets				
At 31 March 2011				
Derivative asset used for hedging	-	1 5	-	1 5
Total assets	-	1 5	-	1 5

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3

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)

	2012 £m	2011 £m
Interest rate swaps Cash flow hedges	**(0 5)**	1 5

One of the 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% and on the bank loan B debt of 5% + 1 1975%

The hedging contracts are valued independently based on interest rate yield curves As at 31 March 2012 the value of the swap contracts is £0 5m net liability (2011 £1 5m net asset) Fluctuations in the value of the hedging contract are recognised through Other Reserves in equity (refer to note 24)

18. Financial liabilities – borrowings (Group and Company)

a) Current liabilities· amounts falling due within one year

	Group 2012 £m	Group 2011 £m	**Company 2012 £m**	Company 2011 £m
Finance lease obligations	**1.5**	0 6	-	-
Term loan A	**13.7**	14 5	-	-
Term loan B	-	2 5	-	-
Fees incurred on arranging Term loans	**(1 1)**	-	-	-
Revolving Credit Facilities	-	5 8	-	-
Other loans	**0 2**	0 5	-	-
	14.3	23 9	-	-

The carrying value of current financial liabilities approximates to fair value

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

	Group 2012 £m	Group 2011 £m	**Company 2012 £m**	Company 2011 £m
Finance lease obligations	**5.3**	1 6	-	-
Term loan A	**63 4**	92 9	-	-
Term loan B	**62 1**	73 3	-	-
Fees incurred on arranging Term loans	**(4.6)**	(7 6)	-	-
Eurobond loan notes	**172 6**	183 6	**172.6**	183 6
Other loans	**2.2**	0 3	-	-
	301 0	344 1	**172 6**	183 6

Non-current liabilities include the balances repayable on the A and B Term loans falling due after one year less the unamortised fees incurred on arranging the facilities The Term loan balances are repayable in instalments up until the loan termination dates of 8 July 2016 for Term loan A and 8 July 2017 for Term loan B The fees incurred on arranging the borrowing facilities are amortised over the term of the loans using the effective interest rate method

Future lease payments will include future finance charges of less than £0 9m (2011 £0 4m) Future loan repayments will include financial charges of £0 1m (2011 £0 1m)

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

c) Interest rate profile of financial liabilities

The interest rate profile of the debt is as follows

Liabilities 2012	**Floating rate**		**Fixed rate**	
	%	**£m**	**%**	**£m**
Term loan A	LIBOR + Margin%[1]	77 1		-
Term loan B	LIBOR + Margin%[1]	62 1		-
Revolving Credit Facilities	LIBOR + 4 5%	-		-
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 2011	**Floating rate**		**Fixed rate**	
	%	**£m**	**%**	**£m**
Term loan A	LIBOR + 4 5%	107 4		-
Term loan B	LIBOR + 5 0%	75 8		-
Revolving Credit Facilities	LIBOR + 4 5%	5 8		-
Eurobond loan notes		-	12 5%	183 6
Finance leases		-	Various	2 2
Other loans		-	Various	0 8
		189 0		186 6
Interest rate swaps	Receive LIBOR	(140 0)	1 1975%	140 0
Net fixed/floating principal		49 0		326 6
Capitalised fees		-		(7 6)
Total borrowings		**49 0**		**319.0**

19. Trade and other payables (Group and Company)

a) Current liabilities

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Prize liability	**292.4**	212 7	-	
Advance receipts for future draws	**35 7**	46 5	-	-
Amounts payable to the NLDF and OLDF	**40.9**	22 3	-	
Lottery duty payable	**71 8**	70 3	-	-
Trade payables	**30 4**	28 0	-	
Accruals and deferred income	**41.2**	35 7	**5.3**	5 7
	512.4	415 5	**5.3**	5 7

The Prize liability represents unclaimed prizes and at 31 March 2012, the Group had transferred £270 2m (2011 £215 1m) 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 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Accruals and deferred income	**4.1**	2 5	-	-
Amounts due to related parties	-	0 9	-	-
	4.1	3 4	-	-

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 2012 the offset amounts are as follows,

	Group 2012 £m	Group 2011 £m
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	**3.2**	2 7
Deferred tax asset to be recovered within 12 months	**0.6**	-
Deferred tax assets	**3.8**	2 7

	Group 2012 £m	Group 2011 £m
Deferred tax liabilities		
Deferred tax liability to be recovered after more than 12 months	**(56.0)**	(66 5)
Deferred tax liability to be recovered within 12 months	**(5 4)**	(9 4)
Deferred tax liabilities	**(61.4)**	(75 9)
Deferred tax liabilities (net)	**(57.6)**	(73 2)

The gross movement on deferred income balances is as follows

£m	Accelerated capital allowances	Provisions	Cash flow hedges	Other temporary differences	**Total**
At 17 March 2010	-	-	-	-	-
Assumed on business combination	(1 3)	2 7	-	(80 8)	**(79.4)**
(Charged)/credited in the Statement of Comprehensive Income	(0 8)	0 0	(0 4)	7 4	**6.2**
At 31 March 2011	**(2.1)**	**2.7**	**(0.4)**	**(73 4)**	**(73 2)**
At 1 April 2011	(2 1)	2 7	(0 4)	(73 4)	(73 2)
(Charged)/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)**

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 17 March 2010	-	-	-	-	-
Provisions assumed on business combination	5 3	2 5	0 1	1 0	**8.9**
Charged to Statement of Comprehensive Income	-	0 1	2 0	1 4	**3.5**
Increase due to unwinding discounting	0 4	-	-	-	**0.4**
Released in the period	(0 1)	(0 3)	(0 1)	(0 7)	**(1.2)**
Utilised in the period	-	-	(0 8)	-	**(0.8)**
At 31 March 2011	**5 6**	**2 3**	**1 2**	**1.7**	**10.8**
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**

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

	2012 £m	2011 £m
Current	**3.9**	1 3
Non-current	**11.7**	9 5
Total	**15.6**	10 8

Terminal and data communications related provisions include

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

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

Property provisions comprise

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

The restructuring provision relates to severance costs resulting from internal restructuring exercises The provision is expected to be fully utilised within the next financial year

The Group operates a Long-Term Incentive Plan ("LTIP") for certain senior staff, including directors A new scheme was introduced during the prior period and amounts earned during the year have been charged to the Statement of Comprehensive Income The provision will be utilised through to the end of the third Licence extension period

No provisions for other liabilities or charges were accounted for in the Company at 31 March 2012

22. Acquisition of subsidiaries

On 17 March 2010 Premier Lotteries Capital UK Limited acquired the full share capital of 1,000 £1 shares in Premier Lotteries UK Limited, transferring 7 £1 shares to Fourmoront Corporation on 25 March 2010, and also provided an intercompany loan of £173 0m

On 8 July 2010 Premier Lotteries UK Limited acquired the full ordinary share capital of Camelot UK Lotteries Limited ('Camelot') and Camelot Global Services Limited ('CGSL') The Company acquired the ordinary share capital of 38,750,000 £1 shares and 50,000,000 redeemable shares in Camelot and the ordinary share capital of 1,663,000 ordinary shares of £1 in CGSL The fair value of the consideration transferred for the purchase of the combined entities was £373 9m A further £3 0m of consideration was transferred on acquisition as PLUK assumed an existing loan due from CGSL to the previous shareholders The total consideration transferred for the purchase of the combined entities was £376 9m

The goodwill of £37 0m 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

23. Share capital (Group and Company)

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

Authorised	No	£
1,000 ordinary shares of £1 each, divided into		
'A' shares	990	**990**
'B' shares	10	**10**
At 31 March 2011 and 31 March 2012	1,000	**1,000**

Allotted, issued and fully paid	No	£
1,000 ordinary shares of £1 each, divided into		
'A' shares	990	**990**
'B' shares	10	**10**
At 31 March 2011 and 31 March 2012	1,000	**1,000**

a) Analysis of shareholding at 31 March 2011 and 31 March 2012

	Number of 'A' shares	Number of 'B' shares	Percentage holding
Premier Lotteries Investments UK Limited	990	3	99 3
Fourmoront Corporation	-	7	0 7

b) Rights and obligations

With regards to income

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

With regards to capital.

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

With regards to 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)

With regards to voting and other rights:

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

24. Reserves (Group and Company)

Group	Other reserves £m	Retained earnings £m	Total £m
At 17 March 2010	-	-	-
Loss for the financial period	-	(26 2)	**(26.2)**
Cash flow hedges			
- Fair value gains	1 5	-	**1.5**
- Tax thereon	(0 4)	-	**(0.4)**
Net increase / (decrease) in shareholders' equity	1 1	(26 2)	**(25.1)**
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)**

The Group holds cash flow hedging contracts with the providers of the bank loans to hedge exposure to interest rate fluctuations Refer to notes 16 and 17 for further details 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 (2011 £0 2m) have been recognised within finance costs

Company	Retained earnings £m	Total
At 17 March 2010	-	-
Profit for the financial period	0 0	**0.0**
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**

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 £0 0m (2011 £0 0m)

25. Cash generated from operations

	Group For the year ended 31 March 2012 £m	Group For the 54 week period ended 31 March 2011 £m	Company For the year ended 31 March 2012 £m	Company For the 54 week period ended 31 March 2011 £m
Loss for the financial year	**(15.2)**	(26 2)	**(0.0)**	(0 0)
Adjustments for				
- Income tax	**(10.3)**	(5 0)	-	-
- Depreciation and amortisation	**59 6**	44 4	-	-
- Profit on disposal of fixed assets	**0 0**	0 1	-	-
- Impairment of fixed assets	**1.4**	1 4	-	-
- Interest income	**(0 5)**	(0 5)	**(22 6)**	(16 2)
- Interest expense	**34 7**	28 7	**22 6**	16 2
	69.7	42 9	**0.0**	0 0
Changes in working capital				
- Inventories	**(0 0)**	0 1	-	-
- Trade and other receivables	**(37 8)**	34 7	**(5.3)**	(5 7)
- Financial short term assets	**(57.7)**	(53 3)	-	-
- Trade and other payables	**99 4**	60 2	**5 3**	5 7
- Provisions	**4 8**	1 5	-	-
	8.7	43 2	**0.0**	0 0
Cash generated from operations	**78.4**	86 1	**0.0**	0 0

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

At the year end, the Group had capital expenditure totalling £25 3m (2011 £0 1m) (inclusive of VAT) 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 for details

Other than those noted above, there are no significant contingent liabilities in respect of the Group or the Company

27. Operating leases (Group)

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

	2012 Property £m	2012 Plant and equipment £m	2011 Property £m	2011 Plant and equipment £m
- Within one year	**4 0**	**8 7**	2 9	8 5
- Between two and five years	**15 4**	**33 0**	8 9	32 0
- After five years	**7.7**	**16 5**	5 7	24 0
	27.1	**58.2**	17 5	64 9

No operating leases are held by the Company

28. Pension arrangements (Group)

The Group's defined contribution pension scheme closed to new members in July 2011 Employees began making contributions to a 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 The total amount charged in respect of pensions to the Statement of Comprehensive Income in 2012 was £2 3m (2011 £1 8m)

29. Joint ventures

CCSL and Skill Infra Solutions BV (SIS), a company engaged in providing online lotteries and commercial services, have collaborated to acquire 100% of the share capital at face value in the year in SDC Commercial Services Kenya Limited (SDC) The company is incorporated in Kenya

Profit is distributed between the shareholders in accordance with 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 the accounting policy choice for this arrangement as it meets the requirements of joint control under IAS 31

	For the year ended 31 March 2012 £m	For the 54 week period ended 31 March 2011 £m
Opening interest	-	-
Share of profit/(loss) of joint venture	0 0	-
Closing interest	**0.0**	-

30. Related party transactions (Group and Company)

The Group has a contract with its ultimate shareholder, Ontario Teachers' Pension Plan (Teachers') The Company has obligations under a Eurobond arrangement which is ultimately held by Teachers'

During the year under review, Camelot entered into the following transactions with 'Services aux Loteries en Europe SCRL' (SLE), a sociéte 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

	For the year ended 31 March 2012 £m	For the 54 week period ended 31 March 2011 £m
Purchases	**0 7**	0 6
Amounts due to SLE	**0.1**	-
Net income	**0.1**	0 1
Amounts due from SLE	**0.0**	-

The Company is controlled by Premier Lotteries Investments UK Limited The Company's ultimate owner is Ontario Teachers' Pension Plan (Teachers')

Loans due to related parties

On 6 July 2010 the Company registered Eurobond loan notes totalling £173 0m with the Channel Islands Stock Exchange All of the loan notes are held by 2247622 Ontario Limited, a subsidiary of the Company's ultimate parent Teachers' The Eurobond incurs a fixed rate of interest of 12 5% and there are no fixed repayment dates The Company has made repayments of £10 9m (2011 £nil) resulting in the total Eurobond balance as at 31 March 2012 being £172 6m (2011 £183 6m) The Company has incurred interest of £22 6m (2011 £16 2m) on the loan during the year ended 31 March 2012 with a total amount due for interest as at 31 March 2012 of £5 3m (2011 £5 7m)

Parties related to the Company's subsidiaries have loaned £2 2m (2011 £0 9m) 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

On 6 July 2010 the Company issued a loan of £173 0m to one of its subsidiary companies, PLUK The loan incurs a fixed rate of interest of 12 5% and there are no fixed repayment dates Premier Lotteries UK Limited has made repayments of £10 9m (2011 £nil) resulting in the total loan balance as at 31 March 2012 being £172 6m (2011 £183 6m) The Company has incurred interest of £22 6m (2011 £16 2m) on the loan during the year ended 31 March 2012 with a total amount due for interest as at 31 March 2012 of £5 3m (2011 £5 7m)

Key management compensation

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

31. Subsidiary undertakings

Name	Country of incorporation	Nature of the business	Proportion of ordinary shares held by the 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%	99 3%
Camelot Commercial Services Limited	UK	Commercial Services	100%	99 3%
Camelot Business Solutions Limited	UK	Business Services	100%	99 3%
Camelot Strategic Solutions Limited	UK	Project management	100%	99 3%
Camelot Lotteries Limited	UK	Dormant	100%	99 3%
National Lottery Enterprises Limited	UK	Dormant	100%	99 3%
CISL Limited	UK	Dormant	100%	99 3%

The subsidiaries shown above as 'dormant' have share capital, equal to net assets, of £7 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 228(2) The registered office for these companies is at Magdalen House, Tolpits Lane, Watford, Hertfordshire, England, WD18 9RN

Premier Lotteries Capital UK Limited

Premιer Lotteries Capital
UK Limited

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