

Premier Lotteries Capital UK Limited

**Group and Company financial statements for the period
from 17 March 2010 to 31 March 2011**

TUESDAY



L002K055

LD7

13/12/2011

#80

COMPANIES HOUSE

Company Number: 07193500

Contents

Directors' Report	3
Independent Auditors' Report to the members of Premier Lotteries Capital UK Limited	9
Group Statement of Comprehensive Income	11
Group and Company Balance Sheet	12
Group and Company Statement of Changes in Equity	13
Group and Company Statement of Cash Flows	14
Notes to the Financial Statements	15

Directors' Report

The directors of Premier Lotteries Capital UK Limited (the 'Company') together with its subsidiaries (the 'Group') present their report together with the audited financial statements for the period from 17 March 2010 to 31 March 2011

The Company was formed on 17 March 2010 and therefore the financial statements presented are for a period greater than 12 months. There are no comparative figures as this is the first set of financial statements since the date of incorporation.

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 trading subsidiaries: Camelot UK Lotteries Limited ('Camelot'), Camelot Global Services Limited ('CGSL'), Camelot Commercial Services Limited (formerly Wholesale Commercial Services Limited) ('CCSL') and Camelot Global Services (North America) Inc. (an entity incorporated in the USA) ('CGSNA').

The principal activities of the Group are as follows,

- Camelot's principal activity is the operation and promotion 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, with a possible extension for a period of up to five years.
- 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.

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

Strategy

The Group's principal objective is to continue to operate and promote 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 taxation was £31.2m for the financial period and loss after taxation was £26.2m. A breakdown of this performance is set out below.

Net income

Net income for the period was £423.4m. This mainly comprised net income from Camelot, being sales disclosed net of lottery duty, prizes and contributions to Good Causes as is consistent with the gaming industry.

Gaming systems and data communication costs

During the period under review gaming systems and data communication costs were £69.5m.

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

Administrative expenses

Administrative expenses were £155.7m and consisted of advertising and marketing expenditure, depreciation, amortisation, staff, facilities, impairment and all other administrative costs.

Finance income and expense

On 8 July 2010 a subsidiary of the Company, Premier Lotteries UK Limited, acquired all of the ordinary share capital of Camelot and CGSL, which then held CGSNA and CCSL as subsidiaries. As a part of this acquisition the Group arranged financing facilities including two term loans totalling £200.0m, a Eurobond issue of £173.0m (subsequently increased to £183.6m) and Revolving Credit Facilities totalling £62.0m.

Net finance expense during the period amounted to £28.2m, the average yield on investment being approximately 0.65%. Strict controls apply to treasury operations, which are reviewed regularly. The investment policy adopted is aligned to that approved by Camelot's Audit, Risk and Security Committee. Funds are only deposited with banks which hold a strong credit rating and which meet the Group's treasury policy criteria.

The net finance expense includes interest charges of £12.0m incurred on term loans, £0.3m on finance lease interest and £16.2m on the Eurobond debt.

Finance income of £0.5m arose from interest on bank deposits.

Taxation

The net corporation tax credit for the period was £5.0m. Further detail is provided in note 7 to the financial statements.

Dividends

The financial statements of the Group appear on pages 11 to 14. The Group's total comprehensive loss for the period was £25.1m, as disclosed on the Group Statement of Comprehensive Income on page 11. No dividends have been paid or are proposed by the Company. £13.0m was paid to the previous shareholders. See note 8.

Financial position at period end

The Balance Sheet reflects the financial stability of the business. The Group reports total assets of £848.4m.

Of intangible assets of £350.0m held on the balance sheet, £319.6m relates to goodwill and intangible assets acquired on the acquisition of Camelot and CGSL, which is stated net of £26.3m amortisation charged during the period.

Non-current financial liabilities and borrowings of £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 2011, as well as advance receipts for future draws, lottery duty and amounts payable to the NLDF and OLF.

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 period over 28,800 next generation 'Altura' lottery terminals were in operation, compared to 28,700 reported at the end of its prior financial year

Both CGSL and CCSL continue to invest in the development of infrastructure to support these businesses' commercial plans

Cash flows, cash and debt

The Group's cashflows, cash and debt are managed centrally. Net cash generated from operations was £73.4m. Cash outflows primarily include £328.6m paid for subsidiaries net of cash acquired, £28.4m capital repayments on loans, £7.3m investment in property, plant and equipment and intangible assets and also net interest payments of £8.2m

On 8 July 2010 a Group subsidiary, Premier Lotteries UK Limited, acquired all of the share capital of Camelot and CGSL. As a part of this acquisition the Group arranged financing facilities including term loans of £200.0m, a Eurobond issue of £173.0m (subsequently increased to £183.6m) and Revolving Credit Facilities totalling £62.0m

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 2011, Camelot had on deposit £20.0m of funds in trust accounts as an additional reserve for the protection of prize winners. Although Camelot cannot withdraw these amounts until the end of the third licence period, the interest on these accounts accrues to the Group

At 31 March 2011 the Group had committed bank facilities totalling £62.0m of which £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 our 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

- Camelot remains focused on the successful launch of game enhancements and new games, as well as developing and gaining regulatory approval for game ideas to ensure the Group continues to refresh its range of games to appeal to as many players as possible,
- Building a Commercial Services offering, and
- Implementing a new corporate restructuring, and operating under new contractual agreements between companies within the Group

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 the foreseeable future. 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 period. 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 2011 and the date of this report.

Directors

The names of the directors of the Company who served during the period under review are

Executive directors		
Lee Sienna (Chairman)	(appointed 8 July 2010)	
Ben Hewetson	(appointed 26 April 2010)	(resigned 9 August 2010)
Nick Holt	(appointed 26 April 2010)	(resigned 30 September 2010)
Charles Cooper	(appointed 9 August 2010)	
Andre Mousseau	(appointed 30 November 2010)	
(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 period under review, the Group made donations to charitable organisations of £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 period ended 31 March 2011.

Research and development

The Group spent a total of £4.2m in 2011, 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 period under review, bonuses were paid on two key performance criteria: sales and profitability. 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 period under review, representing the interest of past and present members on pension fund matters.

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 29 to the financial statements.

Suppliers

The Group's policy is to pay suppliers 30 days after the end of the month in which their invoice is received or within such other credit period as agreed between the parties, providing the obligations of those suppliers are met. These terms are stated on all purchase orders issued by the Group. At 31 March 2011, the Group's trade creditors outstanding represented approximately 11 days' purchases. During the period under review the Group paid creditors on average within 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 elected to prepare 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

Auditors

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

By order of the Board



Lee Sienna

Director

7 July 2011

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 period from 17 March 2010 to 31 March 2011 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 2011 and of the Group's loss and the Group's and Company's cash flows for the period from 17 March 2011 to 31 March 2011,
- 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.

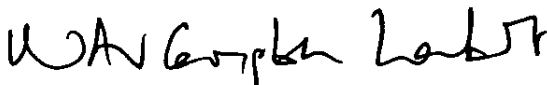
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Nicholas Campbell-Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 July 2011

Group Statement of Comprehensive Income

for the period from 17 March 2010 to 31 March 2011

For the 54 week
period ended 31
March 2011

	Notes	Total £m
Net income	3	423.4
Retailers' and other commission		(202.2)
Gaming systems and data communication costs		(69.5)
Other costs of sale		(0.6)
Gross profit		151.1
Administrative expenses		(155.7)
Other operating income		1.6
Operating loss	4	(3.0)
Finance income	6	0.5
Finance expense	6	(28.7)
Loss before taxation		(31.2)
Taxation	7	5.0
Loss for the financial period attributable to shareholders		(26.2)
Other comprehensive income:		
Fair value gains on cash flow hedges	17	1.5
Tax relating to components of other comprehensive income		(0.4)
Other comprehensive income for the period		1.1
Total comprehensive loss for the period		(25.1)

The results detailed above are all derived from continuing operations

The notes on pages 15 to 41 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 period was £nil

Group and Company Balance Sheet

as at 31 March 2011

	Notes	Group 2011 Total £m	Company 2011 Total £m
ASSETS			
Non-current assets			
Intangible assets	9	350.0	-
Property, plant and equipment	10	94.6	-
Trade and other receivables	12	3.0	183.6
Derivative financial instruments	17	1.5	-
Financial assets	13	20.0	-
		469.1	183.6
Current assets			
Inventories	11	1.0	-
Trade and other receivables	12	28.8	5.7
Financial assets	13	271.1	-
Cash and cash equivalents	14	78.4	-
		379.3	5.7
Total assets		848.4	189.3
LIABILITIES			
Current liabilities			
Financial liabilities - borrowings	18	23.9	-
Trade and other payables	19	415.5	5.7
Current taxation liability		2.6	-
Provisions for other liabilities and charges	21	1.3	-
		443.3	5.7
Non-current liabilities			
Financial liabilities - borrowings	18	344.1	183.6
Trade and other payables	19	3.4	-
Deferred income taxation liabilities	20	73.2	-
Provisions for other liabilities and charges	21	9.5	-
		430.2	183.6
Total liabilities		873.5	189.3
EQUITY			
Capital and reserves			
Called up share capital	23	0.0	0.0
Other reserves	24	1.1	-
Retained earnings	24	(26.2)	0.0
Total equity		(25.1)	0.0
Total equity and liabilities		848.4	189.3

The notes on pages 15 to 41 are an integral part of these consolidated financial statements

The financial statements including the accompanying notes were approved by the Board of Directors on 7 July 2011 and were signed on its behalf by


Lee Sienna

Director

Premier Lotteries Capital UK Limited Company Number 07193500

Group Statement of Changes in Equity

for the period from 17 March 2010 to 31 March 2011

	Notes	Share capital £m	Other reserves £m	Retained earnings £m	Group Total equity £m
Balance as at 17 March 2010	23, 24	0 0	-	-	0 0
Comprehensive income					
Loss for the financial period		-	-	(26 2)	(26 2)
Fair value gains on cash flow hedges (net of taxation)		-	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)

Company Statement of Changes in Equity

for the period from 17 March 2010 to 31 March 2011

	Notes	Share capital £m	Retained earnings £m	Company Total equity £m
Balance as at 17 March 2010	23, 24	0 0	-	0.0
Comprehensive income				
Profit for the period		-	0 0	0.0
Total Comprehensive income		-	0 0	0 0
Balance as at 31 March 2011		0.0	0.0	0.0

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

The notes on pages 15 to 41 are an integral part of these consolidated financial statements

Group and Company Statement of Cash Flows

for the period from 17 March 2010 to 31 March 2011

		Group For the 54 week period ended 31 March 2011 Total £m	Company For the 54 week period ended 31 March 2011 Total £m
	Notes		
Cash flows from operating activities			
Cash generated from operations	25	86 1	0 0
Bank interest received		0 4	-
Bank interest paid		(0 1)	-
Interest paid on other loans		(8 4)	-
Interest element of finance lease payments		(0 1)	-
Income tax paid		(1 8)	-
Consortium relief payments		(2 7)	-
Net cash from operating activities		73 4	-
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	22	(328 6)	-
Increase in non-current financial assets		0 7	-
Proceeds from sales of property, plant and equipment		2 2	-
Purchase of property, plant and equipment		(1 8)	-
Expenditure on intangible assets		(5 5)	-
Loans issued to subsidiary undertakings		-	(183 6)
Net cash used in investing activities		(333 0)	(183 6)
Cash flows from financing activities			
Dividends paid to prior shareholders		(13 0)	-
Proceeds from borrowings		379 8	183 6
Capital repayments on other loans		(28 4)	-
Finance lease principal payments		(0 4)	-
Net cash used in financing activities		338 0	183 6
Net decrease in cash, cash equivalents and bank overdrafts		78 4	0 0
Cash, cash equivalents and bank overdrafts at the beginning of the period		-	-
Cash, cash equivalents and bank overdrafts at the end of the period	14	78 4	0 0

The notes on pages 15 to 41 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 includes the following trading subsidiaries Camelot UK Lotteries Limited ('Camelot'), Camelot Global Services Limited ('CGSL'), Camelot Commercial Services Limited (formerly Wholesale Commercial Services Limited) ('CCSL') and Camelot Global Services (North America) Inc (an entity incorporated in the USA) ('CGSNA')

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 54 week period ended 31 March 2011 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

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 2011

New IFRS accounting standards and interpretations not yet adopted

The standards and interpretations listed below were not effective for the 54 week period ended 31 March 2011

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 results or assets and liabilities

- IFRS 9 on financial instruments
- Revised IAS 24 on related party disclosures
- IFRIC 19 on extinguishing financial liabilities with equity instruments
- Amendment to IFRIC 14 on prepayments of a minimum funding requirement
- Amendment to IFRS 1 on comparative IFRS 7 disclosures
- Improvements to IFRS 2010
- 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 27 on separate financial statements
- IAS 28 on investment in associates and joint ventures

Critical accounting assumptions 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.

Taxation

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 reporting period 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(i) 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 30)

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 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 Section 5 Licence or planned replacement date if earlier
- Other software	The shorter of four years and the period to the end of the third Section 5 Licence
- Intangible assets acquired on acquisition	The period to the end of the third Section 5 Licence

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 Section 5 Licence Period throughout which benefit is anticipated to be derived from the asset. The third Section 5 Licence runs to 2019.

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 Section 5 Licence
- Computer hardware (excluding central gaming)	The shorter of four years and the period to the end of the third Section 5 Licence
- Central gaming systems, Interactive hardware and Enterprise Resource Planning hardware	The period to the end of the third Section 5 Licence 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 Section 5 Licence 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 Section 5 Licence
- 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.

Inventory 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.

o) Trade and other payables

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

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 Cash Flow Statement, 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 cash flow statement.

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 and liquidity 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 ongoing 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 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) Taxation

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 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 tax assets and liabilities recognised are not discounted. Deferred tax liabilities and assets are classified as non-current irrespective of the expected timing of the reversal of the underlying taxable temporary difference. Current tax assets and liabilities are shown separately on the face of the Balance Sheet.

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 54 week period ended 31 March 2011 £m
Gross ticket sales	4,287.3
Lottery duty	(451.2)
Prizes	(2,257.6)
National and Olympic Lottery Distribution Funds	(1,155.9)
Net income arising from Lottery sales	422.6
Other net income	0.8
	423.4

4. Operating loss (Group)

	For the 54 week period ended 31 March 2011 £m
Net income	423.3
Other operating income ¹	1.6
Retailers' and other commission	(202.2)
Gaming systems and data communication costs ²	(69.5)
Other costs of sale	(0.6)
Employee expenses (note 5)	(35.4)
Marketing expenses	(51.8)
Research and development	(4.2)
Amortisation on intangible assets (note 9)	(29.6)
Depreciation on owned assets (note 10)	(0.9)
Depreciation on assets held under finance leases (note 10)	(0.4)
Loss on disposal of property, plant and equipment	(0.2)
Impairment of intangible assets (note 10)	(1.0)
Impairment of trade receivables (note 12)	(0.4)
Operating lease rentals - property	(3.7)
Foreign exchange losses	(0.1)
Auditors' remuneration - fees payable for the audit of Group and Company accounts	(0.3)
- audit related services	(0.2)
- prize draw assurance	(0.6)
- tax services	(0.2)
Other expenses	(26.6)
Total expenses	(427.9)
Operating loss	(3.0)

¹ Other operating income primarily comprises amounts receivable from the BBC in relation to the live draw-show broadcast agreement

² Gaming systems and data communication costs includes the cost of maintaining software, terminals and the communications network, costs associated with the purchase of Scratchcard tickets and consumables, together with the depreciation of gaming systems and terminal and data communications equipment. Included within Gaming systems and data communication costs are £12.3m depreciation on owned assets, £2.2m amortisation on intangible assets and £5.6m operating lease rental costs on plant and equipment

5. Employee expenses and numbers (Group)

The Company has no employees and the directors are remunerated for their services by the Company's ultimate parent, Ontario Teachers' Pension Plan. Therefore no directors' emoluments or highest paid director disclosure is provided.

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

	For the 54 week period ended 31 March 2011 £m
Employee expenses	
Wages and salaries	29.0
Social security costs	2.9
Restructuring costs	2.1
Pension costs	1.4
	35.4

	For the 54 week period ended 31 March 2011 Number
The average monthly number of employees (including executive Directors) employed was as follows	
Retailer and consumer services	229
Sales and marketing	209
Information technology	124
Finance, administration and other	230
	792

Key management compensation

	For the 54 week period ended 31 March 2011 £m
Salaries and short-term employee benefits	4.3
Long term incentive plan	0.9
Compensation for loss of office	1.1
Post-employment benefits	0.2
	6.5

Key management is considered to comprise the Operating Boards of Camelot and CGSL.

6. Finance income and expense (Group)

	For the 54 week period ended 31 March 2011 £m
Interest receivable from bank deposits	0.5
Finance income	0.5
Interest payable on Term and other loans	(8.5)
Interest payable on finance leases	(0.3)
Interest expense on Eurobonds	(16.2)
Amortisation of loan fees	(3.5)
Interest rate swaps cash flow hedges	(0.2)
Finance expense	(28.7)
Net finance expense	(28.2)

7. Taxation on profit on ordinary activities (Group)

a) UK corporation tax

	For the 54 week period ended 31 March 2011 £m
Current taxation charge on income for the period	1.5
Deferred taxation credit for the period	(6.5)
Total taxation credit	(5.0)

The taxation credit is based on a corporation tax rate of 28% for the period ended 31 March 2011. All taxable temporary differences have been recognised and are reflected in the deferred taxation balance.

A number of changes to the UK corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax from 28% to 26% from 1 April 2011. The rate reduction to 26% had been substantively enacted at the balance sheet date and has therefore been reflected in these financial statements.

Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, have not been reflected in these financial statements. The changes are not expected to materially impact the financial statements.

b) Reconciliation of tax credit

For the 54 week
period ended 31
March 2011
£m

Loss before taxation	(31 2)
Credit on loss on ordinary activities at the standard rate (2011 28%)	(8 7)
Factors affecting charge	
Expenses not deductible for tax purposes	2 9
Losses not recognised for tax purposes	0 8
Total taxation credit	(5 0)

8. Dividends (Group and Company)

All dividends paid and payable within the Group are eliminated on consolidation. There was also a dividend of £13.0m paid to the previous shareholders. For the Company no dividend was declared during the 54 week period ended 31 March 2011.

9. Intangible assets (Group)

	Software £m	Acquired intangible assets £m	Goodwill £m	Total £m
Cost				
At 17 March 2010	-	-	-	-
Additions through business combinations	31 9	308 9	37 0	377 8
Additions	5 8	-	-	5 8
Impairment charge	(1 0)	-	-	(1 0)
Disposals	(3 9)	-	-	(3 9)
At 31 March 2011	32 8	308 9	37 0	378 7
Accumulated amortisation				
At 17 March 2010	-	-	-	-
Charge for the period	5 5	26 3	-	31 8
Disposals	(3 1)	-	-	(3 1)
At 31 March 2011	2 4	26 3	-	28 7
Net book value				
At 31 March 2011	30.4	282.6	37.0	350.0
At 17 March 2010	-	-	-	-

Software represents 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 £1.5m of assets which are under construction and £4.5m of internal staff costs incurred in generating computer software.

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.

10. Property, plant and equipment (Group)

Group	Assets under construction	Short leasehold improvements	Plant and equipment and motor vehicles	Total
	£m	£m	£m	£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
At 17 March 2010	-	-	-	-

The net book value of plant and equipment held under finance leases is £2.1m. Depreciation charged in the period in respect of these assets was £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 2011 £m
Scratchcard tickets	0.3
Playslips, terminal rolls and other consumables	0.7
Other	0.0
	1.0

Inventory consumed during the period amounted to £13.7m. The inventory balance above is net of a provision of £nil.

12. Trade and other receivables (Group and Company)

a) Non-current assets

	Group 2011 £m	Company 2011 £m
Amounts due from subsidiaries	-	183.6
Other receivables and prepayments	3.0	-
	3.0	183.6

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

Included in the Group's other receivables and prepayments is £0.1m (2010: £0.1m) in respect of amounts receivable from Services aux Lotteries en Europe SCRL ('SLE'). Further information on SLE is provided in note 29.

The loan due from subsidiaries relates to Premier Lotteries UK Limited. Interest on the loan is charged at a rate of 12.5% per annum. Premier Lotteries UK Limited owed £5.7m of interest on the loan as at 31 March 2011.

b) Current assets

	Group 2011 £m	Company 2011 £m
Trade receivables	22.1	-
Recoverable VAT	0.1	-
Prepayments and accrued income	6.6	-
Amounts due from subsidiaries	-	5.7
	28.8	5.7

Trade receivables of the Group primarily represent amounts due from retailers. As of 31 March 2011, the Group's trade receivables of £22.0m were not yet due.

As of 31 March 2011, the Group's retail trade receivables of £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 2011, 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 2011 £m	Company 2011 £m
1 to 3 months	0.1	-
3 to 6 months	-	-
More than 6 months	-	-
	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 2011 £m	Company 2011 £m
At 17 March 2010	-	-
Provision for impairment of trade receivables	0.4	-
Receivables written-off during the period as uncollectible	(0.2)	-
At 31 March 2011	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. 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 2011 £m
Reserve Trusts	16.6
EuroMillions deposit	3.4
	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 period.

b) Current: Financial assets

	Group 2011 £m
Amounts held in respect of prizes	
- Operational Trust	94.0
- EuroMillions Trust	40.8
- Prize Reserve Trust	5.4
- Raffle Trust	76.6
Amounts held in respect of future draws	
- Advance Sales Trust	34.5
Amounts held in Interactive Trust account	19.8
	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. Camelot's Cash balances can be analysed as follows:

	Group 2011 £m
Cash at bank and in hand	8.7
Short term deposits	69.7
	78.4

Amounts held in short-term deposits comprise bank deposits with interest earned rates of 0.42% to 0.80%, or Money Market Fund deposits with interest earned rates at 31 March 2011 of 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 2011 was £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 2011 was £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 2011, the Group held £50.0m in short-term bank deposits with banks rated P1 (Moody's short-term credit rating). A further £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 in the period.

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 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 £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 2011 the Group also held amounts in money market funds with variable rates ranging from 0.45% to 0.63%

All cash equivalents in the period 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 US Dollars and Euros. During the period, 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 net foreign exchange gains

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 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 £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 2011, the Company had Eurobond loan arrangements in place, of which £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 2011.

£m	Level 1	Level 2	Level 3	Total
Assets				
Derivatives assets 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)

2011
£m

Interest rate swaps: Cash flow hedges

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 2011 the value of the swap contracts is £1.5m. 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 2011 £m	Company 2011 £m
Finance lease obligations	0.6	-
Term loan A	14.5	-
Term loan B	2.5	-
Revolving Credit Facilities	5.8	-
Other loans	0.5	-
	23.9	-

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

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

	Group 2011 £m	Company 2011 £m
Finance lease obligations	1.6	-
Term loan A	92.9	-
Term loan B	73.3	-
Fees incurred on arranging Term loans	(7.6)	-
Eurobond loan notes	183.6	183.6
Other loans	0.3	-
	344.1	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 £0.4m. Future loan repayments will include financial charges of £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 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 2011 £m	Company 2011 £m
Prize liability	212.7	-
Advance receipts for future draws	46.5	-
Amounts payable to the NLDF and OLDF	22.3	-
Lottery duty payable	70.3	-
Trade payables	28.0	-
Accruals and deferred income	35.7	5.7
	415.5	5.7

The Prize liability represents unclaimed prizes and at 31 March 2011, the Group had transferred £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 2011 £m	Company 2011 £m
Accruals and deferred income	2.5	-
Amounts due to related parties	0.9	-
	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 2011 the offset amounts are as follows,

	Group 2011 £m
Deferred tax assets	
Deferred tax asset to be recovered after more than 12 months	2.7
Deferred tax asset to be recovered within 12 months	-
Deferred tax assets	2.7
	Group 2011 £m
Deferred tax liabilities	
Deferred tax liability to be recovered after more than 12 months	(66.5)
Deferred tax liability to be recovered within 12 months	(9.4)
Deferred tax liabilities	(75.9)
Deferred tax assets (net)	(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)

21. Provisions for other liabilities and charges (Group)

	Terminal and 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

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

	2011 £m
Current	1.3
Non-current	9.5
Total	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 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 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 period and amounts earned during the period have been charged to the Statement of Comprehensive Income. The provision will be utilised at the end of the Third Licence period.

No provisions for other liabilities or charges were accounted for in the Company at 31 March 2011.

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 principal activity of Camelot is the operation and promotion of The National Lottery in the United Kingdom. CGSL is principally focused on targeting international opportunities within the lottery industry, while its subsidiary, Camelot Commercial Services Limited, is principally focused on offering Commercial Services, including mobile top-up, international calling cards, bill payment, chip and pin debit/credit card payments and payments through contactless technology. As the result of the acquisition, the Group is expected to pursue these activities and explore opportunities for expansion and diversification in both the UK and international markets.

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.

The following tables summarise the consideration transferred to acquire Camelot and CGSL and the amounts of identified assets acquired and liabilities assumed at the acquisition date.

Consideration transferred	£m
Cash transferred at 8 July 2010	365.4
Post acquisition consideration paid	8.5
Total consideration transferred	373.9
Acquisition related costs (included in Administrative expenses in the consolidated income statement for the period ended 31 March 2011)	2.4
Fair value of identifiable assets and liabilities assumed	
Intangible fixed assets	31.9
Tangible fixed assets	105.3
Intangible assets recognised on acquisition	308.9
Financial assets	238.5
Trade and other receivables	67.6
Inventories	1.1
Cash and cash equivalents	48.3
Total assets	801.6
Financial liabilities	(5.5)
Trade and other payables	(365.4)
Deferred tax liabilities recognised on acquisition	(79.4)
Provisions for other liabilities and charges	(8.9)
Current taxation liabilities	(5.5)
Total liabilities	(464.7)
Fair value of assets recognised	336.9
Goodwill	37.0
	373.9

The net income included in the consolidated Statement of comprehensive income since 8 July 2010 contributed by the acquired companies was £423.3m. Camelot and CGSL also contributed profit before tax of £22.9m over the same period.

Had Camelot and CGSL been consolidated from 17 March 2010, the consolidated Statement of comprehensive income would show net income of £597.4m and an additional £13.4m contribution to profit before taxation from the acquired entities.

Goodwill is allocated to the Group's cash generating units (CGUs) which are deemed to be the individual trading companies included in the Group. The recoverable amount of all CGUs has been determined based on financial budgets approved by management covering a 5 year period. Cash flows beyond the 5 year period are extrapolated using the estimated growth rates of each business. Cash flows are discounted at the rate of the Group estimated weighted average cost of capital (WACC), currently 7.40% (after tax).

The recoverable amount of each CGU exceeds the value recognised in the balance sheet of £37.0m and therefore an impairment charge has not been recognised in the period.

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	2011 £
1,000 ordinary shares of £1 each, divided into		
'A' shares	990	990
'B' shares	10	10
At 17 March 2010 and 31 March 2011	1,000	1,000

Allotted, issued and fully paid	No	2011 £
1,000 ordinary shares of £1 each, divided into		
'A' shares	990	990
'B' shares	10	10
At 17 March 2010 and 31 March 2011	1,000	1,000

a) Analysis of shareholding at 31 March 2011

	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 on fair value	(0.4)	-	(0.4)
Net increase / (decrease) in shareholders' equity	1.1	(26.2)	(25.1)
At 31 March 2011	1.1	(26.2)	(25.1)

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 £0.2m 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 31 March 2011	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 period was £nil.

25. Cash generated from operations

	Group For the 54 week period ended 31 March 2011 £m	Company For the 54 week period ended 31 March 2011 £m
Loss for the financial period	(26 2)	(0 0)
Adjustments for		
- Taxation	(5 0)	-
- Depreciation and amortisation	44 4	-
- Profit on disposal of fixed assets	0 1	-
- Impairment of intangible assets	1 4	-
- Interest income	(0 5)	(16 2)
- Interest expense	28 7	16 2
	42 9	0 0
Changes in working capital		
- Inventories	0 1	-
- Trade and other receivables	34 7	(5 7)
- Financial short term assets	(53 3)	-
- Trade and other payables	60 2	5 7
- Provisions	1 5	-
	43 2	0 0
Cash generated from operations	86.1	0 0

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

At the period end, the Group had capital expenditure totalling £0 1m (inclusive of VAT) contracted for in the period 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 13 and 14 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

	2011 Property £m	2011 Plant and equipment £m
- Within one year	2 9	8 5
- Between two and five years	8 9	32 0
- After five years	5 7	24 0

No operating leases are held by the Company

28. Pension arrangements (Group)

The Group operates a defined contribution pension scheme. Employees who transferred from previous shareholder companies have continued to participate in their respective shareholder pension plans via an agreed deed of participation. 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 2011 was £1.8m.

The Group accounts for these schemes as if they were defined contribution schemes, by charging the cost of contributions to the Statement of Comprehensive Income in the year to which it relates. This treatment is consistent with prior accounting periods. In adopting this approach, the Group has claimed exemption from defined benefit accounting, as permitted by paragraph 34A of IAS 19, on the basis that insufficient information regarding the plans' assets, liabilities and any surplus or deficit is available because the plans are fully administered by the respective shareholders.

29. 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 period under review, Camelot entered into the following transactions with 'Services aux Loteries en Europe SCRL' (SLE), a société coopérative à responsabilité limitée incorporated in Belgium. The main purpose of SLE is to provide services to lotteries in Europe which participate in the EuroMillions game. The head office is located in Belgium at the address Avenue de Terveuren 448, Bruxelles, Belgium, 1150.

For the 54 week
period ended
31 March 2011
£m

Purchases	0.6
Amounts due to SLE	-
Net income	0.1
Amounts due from SLE	-

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 no repayments and therefore, as per the loan agreement, the interest accrued for the period ended 31 March 2011 of £10.6m has been capitalised resulting in the total Eurobond balance as at 31 March 2011 being £183.6m. The Company has incurred interest of £16.2m on the loan during the 54 week period to 31 March 2011 with a total amount due for interest as at 31 March 2011 of £5.7m.

Loans due from related parties

On 6 July 2010 the Company issued a loan of £173.0m to one of its subsidiary companies, Premier Lotteries UK Limited. The loan incurs a fixed rate of interest of 12.5% and there are no fixed repayment dates. Premier Lotteries UK Limited has made no repayments and therefore, as per the intercompany agreement, the interest accrued for the period ended 31 March 2011 of £10.6m was capitalised, resulting in the total loan balance as at 31 March 2011 being £183.6m. The Company has earned interest of £16.2m on the loan during the 54 week period to 31 March 2011 with a total amount owed for interest as at 31 March 2011 of £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

30. 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	Dormant	100%	99.3%
Camelot Strategic Solutions Limited	UK	Dormant	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 Tolpits Lane, Watford, WD18 9RN.

Premier Lotteries Capital UK Limited

**Premier Lotteries Capital
UK Limited**

Head Office

Magdalen House

Tolpits Lane

Watford WD18 9RN

www.camelotgroup.co.uk

01923 425 000