

# **GTECH UK LIMITED**

## **Report and Financial Statements**

31 December 2011

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COMPANIES HOUSE

# GTECH UK LIMITED

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Registered No 2796326

## **Directors**

J Patel  
D Sweitzer  
D Harkin

## **Secretary**

QFL Secretaries Limited  
2 Redhouse Square  
Duncan Close  
Moulton Park  
Northampton  
NN3 6WL  
Registration 04737695

## **Auditors**

Ernst & Young LLP  
400 Capability Green  
Luton  
Beds  
LU1 3LU

## **Registered office**

First Floor Building 3  
Croxley Green Business Park  
Hatters Lane  
Watford  
Herts  
WD18 8YG

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2011

### Results and dividends

The profit for the year, after taxation, amounted to £1,033,901 (year to 31 December 2010 £914,108)  
Ordinary dividends of £1,750,000 (year to 31 December 2010 £800,000) were paid during the year. The directors do not recommend the payment of a final dividend.

### Principal activities and review of the business

The principal activity is the provision of lottery support services and the supply of lottery equipment. There was no change in the nature of the company's operations during the period.

The company's key financial and other performance indicators during the year were as follows:

|  | <i>For the year<br/>ended<br/>31 Dec 11<br/>£</i> | <i>For the year<br/>ended<br/>31 Dec 10<br/>£</i> | <i>Change<br/>%</i> |
|--|---|---|---------------------|
| Turnover                                   | 13,429,383  | 13,336,451  | 1%                  |
| Shareholders funds                         | 685,876   | 1,427,419   | -52%                |
| Current Assets as % of Current Liabilities | 152%  | 121%  |                     |
| Average Number of employees                | 86  | 86  | 0%                  |

Turnover increased by 1%, this is primarily due to increased activity in the business due to software deliveries and field maintenance of terminals.

Shareholders funds decreased by 52%, due to 2 interim dividend payments of £1,000,000 (31 March 2011) and £750,000 (31 December 2011).

Average number of employees remained the same.

### Future developments

In August 2008 the National Lottery Commission awarded the Third Lottery Operating Licence to Camelot plc. The new licence began on 1 February 2009 and is valid for ten years.

GTECH UK Ltd provides support services to Camelot on behalf of GTECH Corporation and GTECH UK Ltd is reliant upon this agreement.

There is no anticipated change in the nature of the company's operations going forward.

### Principal Risks and Uncertainties

The principal risks and uncertainties facing GTECH UK Ltd are the single source of income, regulation and resources.

GTECH UK Ltd regularly completes a full business planning exercise that identifies the risks associated with the business and assesses measures in place to mitigate those risks.

#### Income Source

GTECH UK Ltd supports one customer in the UK, Camelot Group Plc. The risk of a single source of income is mitigated through contracts between the two parties that coincide with the Third Lottery Operating Licence period to 31st January 2019. New ownership of our customer represents a risk to changes in operating procedure and the expectations of our customer.

#### Regulation

The UK Lottery Licence is regulated by the National Lottery Commission. Potential changes to the organisation of the regulatory bodies could bring an element of risk to operating practices in the Lottery industry.

#### Resource Risk

The delivery of products and services is reliant on a strong customer interface, particularly from engineering employees. There is a risk to the ability to meet customer requirements and sustain customer relationships from employees leaving the business. Management and related systems are in place to ensure that any relationship has multiple points of contact.

## Directors' report (continued)

### Directors

The directors who served the company during the period were as follows

J Patel  
D Sweitzer  
D Harkin

### Donations

During the period, the company made charitable donations totalling £9,355 (2010 £8,009)

### Going Concern

The company has considerable financial resources from the parent company, together with a 10 year operating licence signed with its customer, Camelot plc

The parent company views the UK as a strategically important market and the company expects the continued support of the group for product innovation and development. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Directors' statement as to disclosure of information to auditors

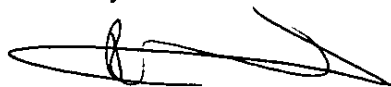
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information needed by the auditor in connection with preparing its report, of which the auditor is unaware.

Having made enquiries of fellow directors each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any audit information and to establish that the auditor is aware of that information.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



QFL Secretaries Limited  
Secretary 11/09/2012

## **Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of GTECH UK LIMITED**

We have audited the financial statements of GTECH UK Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, 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.

### **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 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 implication for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

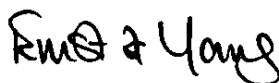
### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, 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.



Juliet Thomas (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP (Statutory Auditor)  
Luton

Date 13/9/2012

## Profit and loss account

for the year ended 31 December 2011

|  | Notes | 2011<br>£  | 2010<br>£  |
|--|-------|------------|------------|
| <b>Turnover</b>                                      | 2     | 13,429,383 | 13,336,451 |
| Administrative expenses                              |       | 12,074,027 | 12,040,262 |
| <b>Operating profit</b>                              | 3     | 1,355,356  | 1,296,189  |
| Interest Receivable                                  | 5     | 6,375      | -          |
| <b>Profit on ordinary activities before taxation</b> |       | 1,361,731  | 1,296,189  |
| Tax on profit on ordinary activities                 | 6     | 327,830    | 382,081    |
| <b>Profit on ordinary activities after taxation</b>  |       | 1,033,901  | 914,108    |

## Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £1,033,901 attributable to the shareholders for the year ended 31 December 2011 (2010 profit of £914,108)

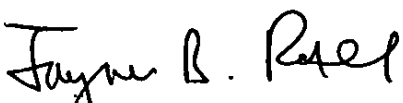
All amounts relate to continuing operations

## Balance sheet

at 31 December 2011

|   | Notes | As at<br>31 Dec 11<br>£ | As at<br>31 Dec 10<br>£ |
|---|-------|-------------------------|-------------------------|
| <b>Fixed assets</b>                           |       |                         |                         |
| Tangible assets                               | 8     | 282,223                 | 182,546                 |
| <b>Current assets</b>                         |       |                         |                         |
| Debtors                                       | 9     | 1,782,788               | 8,341,416               |
| Cash at bank                                  |       | 817                     | 54,865                  |
|   |       | 1,783,605               | 8,396,281               |
| <b>Current liabilities</b>                    |       |                         |                         |
| Creditors amounts falling due within one year | 10    | 1,175,465               | 6,946,921               |
| <b>Net current assets</b>                     |       | 608,140                 | 1,449,360               |
| <b>Total assets less current liabilities</b>  |       | 890,363                 | 1,631,906               |
| <b>Provisions for liabilities</b>             | 11    | 204,487                 | 204,487                 |
|   |       | 685,876                 | 1,427,419               |
| <b>Capital and reserves</b>                   |       |                         |                         |
| Called up share capital                       | 14    | 200,000                 | 200,000                 |
| Other reserves                                | 15    | 27,166                  | 27,166                  |
| Profit and loss account                       | 15    | 458,710                 | 1,200,253               |
| <b>Equity shareholders' funds</b>             | 15    | 685,876                 | 1,427,419               |

These financial statements were approved and authorised for issue by the board of directors on 11/9/12 and signed on its behalf by

  
J Patel  
Director



## Notes to the financial statements

at 31 December 2011

### 1. Accounting policies

#### ***Basis of preparation***

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards

#### ***Cash flow statement***

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements

#### ***Fixed assets***

All fixed assets are initially recorded at cost

#### ***Depreciation***

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows

|                    |                |
|--------------------|----------------|
| Leasehold property | - over 5 years |
| Plant & machinery  | - over 5 years |

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

#### ***Deferred taxation***

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

#### ***Foreign currencies***

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

## Notes to the financial statements

at 31 December 2011

### 1. Accounting policies (continued)

#### *Operating lease agreements*

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

#### *Pension costs*

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

#### *Share based payments*

##### *Equity-settled transactions*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions)

No expense is recognised for awards that do not ultimately vest, except those awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement

The Group has taken advantage of the transitional provisions of FRS20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006

For awards granted before 7 November 2002, the group recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards

## Notes to the financial statements

at 31 December 2011

### 2. Turnover

Turnover, which is stated net of value added tax, represents the amount invoiced for the supply of lottery support services and equipment, and all arose in the United Kingdom

### 3. Operating profit

This is stated after charging/(crediting)

|  | 2011<br>£ | 2010<br>£ |
|--|-----------|-----------|
| Auditors' remuneration - audit services      | 20,000    | 19,500    |
| Depreciation of owned fixed assets           | 69,140    | 63,534    |
| Operating lease rentals - land and buildings | 340,170   | 340,170   |
| - plant and machinery/car                    | 82,440    | 92,025    |

### 4. Staff costs

|                         | 2011<br>£ | 2010<br>£ |
|-------------------------|-----------|-----------|
| Wages and salaries      | 5,385,272 | 5,168,674 |
| Social security costs   | 771,276   | 695,287   |
| Other pension costs     | 312,051   | 284,798   |
| Share options (note 16) | (25,444)  | 24,945    |
|                         | 6,443,155 | 6,173,704 |

During the year the Company continued to implement FRS20 "Share Based Payments" The share based payments charge above is the FRS20 (credit)/charge for options granted

The monthly average number of employees during the period was as follows

|                                | 2011<br>No | 2010<br>No |
|--------------------------------|------------|------------|
| Sales and Administration staff | 86         | 86         |

None of the Directors received any remuneration for their services as directors to the company during the year (2010 £Nil) as their services are considered insignificant compared with their other responsibilities

### 5. Interest receivable

|                          | 2011<br>£ | 2010<br>£ |
|--------------------------|-----------|-----------|
| Bank Interest receivable | 6,375     | -         |

## Notes to the financial statements

at 31 December 2011

### 6. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

|   | 2011<br>£      | 2010<br>£      |
|---|----------------|----------------|
| <i>Current tax</i>  |                |                |
| UK corporation tax  | 291,249        | 381,384        |
| Tax under/(over) provided in previous periods               | 4,272          | -              |
| Total current tax (note 6(b))                               | <u>295,521</u> | <u>381,384</u> |
| <i>Deferred tax</i>   |                |                |
| Origination and reversal of timing differences (note 6 (c)) | 32,309         | 697            |
| Tax on profit on ordinary activities                        | <u>327,830</u> | <u>382,081</u> |

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is different to the standard rate of corporation tax in the UK of 26.5% for the year (2010 effective rate 28%)

The differences are reconciled below

|  | 2011<br>£        | 2010<br>£        |
|--|------------------|------------------|
| Profit on ordinary activities before taxation          | <u>1,361,731</u> | <u>1,296,189</u> |
| Profit on ordinary activities by rate of tax           | 360,859          | 362,933          |
| Adjustments in relation to previous periods            | 4,272            | -                |
| Expenses not deductible for tax purposes               | 29,232           | 26,671           |
| FRS20 (credit)/charge                                  | (6,742)          | 6,984            |
| Other timing differences                               | (26,500)         | (9,340)          |
| Capital allowances for year in advance of depreciation | (3,296)          | (5,864)          |
| Part 11 CTA09 Share Option deduction                   | (62,304)         | -                |
| Total current tax (note 6(a))                          | <u>295,521</u>   | <u>381,384</u>   |

(c) Deferred tax

|   | 2011<br>£     | 2010<br>£     |
|---|---------------|---------------|
| Depreciation in advance of capital allowances | 12,830        | 45,139        |
| Other timing differences                      | -             | -             |
| Deferred taxation asset                       | <u>12,830</u> | <u>45,139</u> |

## Notes to the financial statements

### at 31 December 2011

£

#### 6. Tax (continued)

|  |               |
|--|---------------|
| At 1 January 2011  | 45,139        |
| Profit and loss account movement arising during the period | (32,309)      |
| At 31 December 2011  | <u>12,830</u> |

(d) Factors affecting Future Tax charges

Finance (No 3) Act 2011 included legislation to reduce the main rate of corporation tax to 25% from 1 April 2012. The reported deferred asset has therefore been reduced to reflect the reduction in rate to 25%.

Finance Bill 2012 includes legislation to reduce the main rate of corporation tax to 24% from 1 April 2012 and 23% from 1 April 2013. As this had been substantively enacted at the balance sheet date, the reported deferred tax asset has not been reduced. The impact of the rate reductions will be reported in the next reporting period following the substantive enactment of the relevant legislation.

The Government has also indicated that it intends to enact a future reduction in the main tax rate to 22% from 1 April 2014.

Substantive enactment of the full reduction to 22% would reduce the reported recognised deferred tax assets by approximately £2,000.

#### 7. Dividends

|                                     | 2011<br>£        | 2010<br>£      |
|-------------------------------------|------------------|----------------|
| Equity dividends on ordinary shares |                  |                |
| Interim paid                        | <u>1,750,000</u> | <u>800,000</u> |

#### 8. Tangible fixed assets

|                            | <i>Leasehold<br/>Property</i><br>£ | <i>Plant &amp;<br/>Machinery</i><br>£ | <i>Total</i><br>£ |
|----------------------------|------------------------------------|---------------------------------------|-------------------|
| Cost                       |                                    |                                       |                   |
| At 1 January 2011          | 622,858                            | 1,356,554                             | 1,979,412         |
| Additions                  | 30,640                             | 139,578                               | 170,218           |
| Transfers                  | 53,243                             | (53,243)                              | -                 |
| Disposals                  | -                                  | (116,787)                             | (116,787)         |
| At 31 December 2011        | <u>706,741</u>                     | <u>1,326,102</u>                      | <u>2,032,843</u>  |
| Depreciation               |                                    |                                       |                   |
| At 1 January 2011          | 555,109                            | 1,241,757                             | 1,796,866         |
| Provided during the period | 21,711                             | 47,429                                | 69,140            |
| Transfers                  | 53,243                             | (53,243)                              | -                 |
| Disposals                  | -                                  | (115,386)                             | (115,386)         |
| At 31 December 2011        | <u>630,063</u>                     | <u>1,120,557</u>                      | <u>1,750,620</u>  |
| Net book value             |                                    |                                       |                   |
| At 31 December 2011        | <u>76,678</u>                      | <u>205,545</u>                        | <u>282,223</u>    |
| At 31 December 2010        | <u>67,749</u>                      | <u>114,797</u>                        | <u>182,546</u>    |

## Notes to the financial statements

at 31 December 2011

### 9. Debtors

|                                    | 2011<br>£        | 2010<br>£        |
|------------------------------------|------------------|------------------|
| Amounts owed by group undertakings | 1,240,930        | 7,848,415        |
| Other debtors                      | 353,270          | 301,177          |
| Prepayments and accrued income     | 175,758          | 146,685          |
| Deferred taxation (note 6)         | 12,830           | 45,139           |
|                                    | <u>1,782,788</u> | <u>8,341,416</u> |

### 10. Creditors: amounts falling due within one year

|                                    | 2011<br>£        | 2010<br>£        |
|------------------------------------|------------------|------------------|
| Bank Overdraft                     | 155,129          | -                |
| Trade creditors                    | 310,811          | 192,369          |
| Amounts owed to group undertakings | 14,954           | 5,937,432        |
| Corporation tax payable            | 115,249          | 190,884          |
| Other taxation and social security | 295,074          | 166,003          |
| Accruals and deferred income       | 284,248          | 460,233          |
|                                    | <u>1,175,645</u> | <u>6,946,921</u> |

### 11. Provisions for liabilities

|                     | Other provisions<br>£ |
|---------------------|-----------------------|
| At 1 January 2011   | 204,487               |
| Utilised            | -                     |
| At 31 December 2011 | <u>204,487</u>        |

The company has a dilapidations provision representing the costs of putting right their current premises at the end of the lease in 2011

### 12. Commitments under operating leases

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below

|                               | 2011                       |              | 2010                       |               |
|-------------------------------|----------------------------|--------------|----------------------------|---------------|
|                               | Land and<br>buildings<br>£ | Other<br>£   | Land and<br>buildings<br>£ | Other<br>£    |
| Operating leases which expire |                            |              |                            |               |
| Within one year               | 3,675                      | 9,031        | 178,467                    | 15,270        |
| In two to five years          | -                          | -            | -                          | -             |
| In more than five years       | 22,000                     | -            | 22,000                     | -             |
|                               | <u>25,675</u>              | <u>9,031</u> | <u>200,467</u>             | <u>15,270</u> |

## Notes to the financial statements

at 31 December 2011

### 13. Related party transactions

The company has taken advantage of the exemption in FRS8, paragraph 3c not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent

### 14. Share capital

|                            | <i>Authorised</i> |             |
|----------------------------|-------------------|-------------|
|                            | <i>2011</i>       | <i>2010</i> |
|                            | £                 | £           |
| Ordinary shares of £1 each | 15,000,000        | 15,000,000  |

|                            | <i>Allotted, called up and fully paid</i> |         |             |         |
|----------------------------|---|---------|-------------|---------|
|                            | <i>2011</i>                               |         | <i>2010</i> |         |
|                            | No  | £       | No          | £       |
| Ordinary shares of £1 each | 200,000                                   | 200,000 | 200,000     | 200,000 |

### 15. Reconciliation of shareholders' funds and movement on reserves

|                       | <i>Share capital</i> | <i>Capital redemption reserve</i> | <i>Profit and loss account</i> | <i>Total shareholders' funds</i> |
|-----------------------|----------------------|-----------------------------------|--------------------------------|----------------------------------|
|                       | £                    | £                                 | £                              | £                                |
| As 31 December 2009   | 200,000              | 27,166                            | 1,061,200                      | 1,288,366                        |
| Profit for the period | -                    | -                                 | 914,108                        | 914,108                          |
| Share based payments  | -                    | -                                 | 24,945                         | 24,945                           |
| Dividends             | -                    | -                                 | (800,000)                      | (800,000)                        |
| At 31 December 2010   | 200,000              | 27,166                            | 1,200,253                      | 1,427,419                        |
| Profit for the period | -                    | -                                 | 1,033,901                      | 1,033,901                        |
| Share based payments  | -                    | -                                 | (25,444)                       | (25,444)                         |
| Dividends             | -                    | -                                 | (1,750,000)                    | (1,750,000)                      |
| At 31 December 2011   | 200,000              | 27,166                            | 458,710                        | 685,876                          |

## Notes to the financial statements

at 31 December 2011

### 16. Share based payments

Employees of GTECH UK Ltd, are eligible for the Group share based payment plans. The group has three types of equity settled share based payment plans for employees

#### Stock Option Plans

Stock Options are granted to certain directors, executives and other key employees of the group as approved by the group Board of Directors. The exercise price of the options is generally equal to the average prices of the Group's ordinary shares 30 days prior to the grant date. The options vest subject to the satisfaction of performance conditions relating to the Groups EBITDA over a three year period, and to the employees remaining in service to the Group. Options partially vest upon achievement of 90% or more of the performance condition, and if the performance conditions are not met, the options are forfeited. The contractual life of the options range from six to eight years (depending on the plan) and there are no cash settlement alternatives.

#### Restricted Stock Plans

##### *Performance based awards*

The group has a performance based share award plan, whereby restricted stock is granted to certain employees of the Group as approved by the Group Board of Directors. Recipients of performance based share awards do not pay the Group any cash consideration for the awards. The awards vest subject to the satisfaction of performance conditions relating to the Groups EBITDA and net financial debt over a three year period and to employees remaining in service to the Group. Awards partially vest upon achievement of 90% or more of the performance conditions. If the performance conditions are not met, the awards are cancelled. The contractual life of the award is five years and they may be settled in cash at the Group's option. The Group does not have a past practice of cash settlement and does not plan to cash settle awards in the future.

##### *Time based awards*

The Group had a time based share award plan that terminated on 31 December 2011, whereby restricted stock was granted to certain employees of the Group as approved by the Group Board of Directors. Recipients of time based share awards did not pay the Group any cash consideration for the awards. The awards vested over a five year period and were subject to the employees remaining in service to the group. The contractual life of the awards was five years and although they could be settled in cash at the Groups option they were all equity settled. The Group does not have a past practice of cash settlement and does not plan to cash settle awards in the future.

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the period

|   | 31 Dec 11 | 31 Dec11 | 31 Dec 10 | 31 Dec10 |
|---|-----------|----------|-----------|----------|
|   | No        | WAEP     | No        | WAEP     |
| Shares outstanding at beginning of period | 70,547    | €19.47   | 40,432    | €25.86   |
| Granted during period                     | 24,837    | €12.87   | 30,115    | €10.89   |
| Exercised in Prior Periods                | (11,931)  | €29.05   | -         | -        |
| Cancelled during period                   | (14,985)  | €23.81   | -         | -        |
| Shares outstanding at end of period       | 68,468    | €14.46   | 70,547    | €19.47   |
| Exercisable at end of period              | 12,386    |          | 39,302    |          |

All options granted during the period were stock of Lottomatica shares. No Shares were granted during the period.

The fair value of share options is calculated using a binomial option pricing model. The fair value of non-qualified stock option granted to GTECH employees during the year to 31 December 2011 under the Lottomatica Plan was €1.54 per share (2010: €1.45 per share).



## Notes to the financial statements

at 31 December 2011

### 16. Share based payments (Continued)

The table below lists the inputs to the binomial model used for both periods

|                                     | <i>31 Dec 11</i> | <i>31 Dec 10</i> |
|-------------------------------------|------------------|------------------|
| Expected dividend yield (%)         | 4.07             | 6.15             |
| Expected volatility (%)             | 26.77            | 26.24            |
| Risk-free interest rate (%)         | 3.25             | 3.00             |
| Expected life of options (in years) | 4.50             | 4.50             |
| Weighted-average share price (€)    | €14.46           | €19.47           |
| Exercise price (€)                  | €12.87           | €10.89           |

### 17. Ultimate parent company

The ultimate parent undertaking and the parent undertaking of the smallest and largest groups for which consolidated financial statements are prepared and of which this company is a member is Lottomatica SpA, a company incorporated in Italy. Copies of the group accounts may be obtained from Lottomatica SpA, Viale del Campo Boario, Rome, Italy.