

GTECH UK LIMITED

Report and Financial Statements

31 December 2009

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COMPANIES HOUSE

GTECH UK LIMITED

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

Link House
19 Colonial Road
Watford
Hertfordshire
WD24 4JL

Directors' report

The directors present their report and financial statements for the year ended 31 December 2009

Results and dividends

The profit for the year, after taxation, amounted to £824,878 (year to 31 December 2008 £637,821). Ordinary dividends of £700,000 (year to 31 December 2008 £350,000) 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 ended 31 Dec 09 £</i>	<i>For the year ended 31 Dec 08 £</i>	<i>Change %</i>
Turnover	12,680,745	10,043,669	26%
Shareholders funds	1,288,366	1,124,139	15%
Current Assets as % of Current Liabilities	123%	132%	
Average Number of employees	79	40	98%

Turnover increased by 26%, this is primarily due to increased activity in the business due to award of the Third Lottery Operating Licence in February 2009.

Shareholders funds increased by 15%, due to increased profit from higher project support activities.

Average number of employees increased by 98%, this is due to increased activity in the business due to the award of the Third Lottery Operating Licence.

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

Directors

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

J Patel
D Switzer
D Harkin

Donations

During the period, the company made charitable donations totalling £6,079 (2008 £6,104)

Going Concern

The company has considerable financial resources from the parent company, together with a 10 year operating licence signed with it's 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 31/08/2010

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 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. 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 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.

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 2009 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.

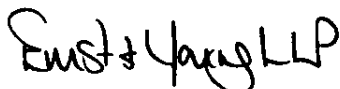
Opinion on other matter prescribed by the Companies Act 2006

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 11/9/10

Profit and loss account

for the year ended 31 December 2009

	Notes	2009 £	2008 £
Turnover	2	12,680,745	10,043,669
Administrative expenses		11,476,939	9,234,568
Other operating income	3	-	112,457
Operating profit	4	1,203,806	921,558
Interest receivable	6	-	9,146
Profit on ordinary activities before taxation		1,203,806	930,704
Tax on profit on ordinary activities	7	378,928	292,883
Profit on ordinary activities after taxation		824,878	637,821

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £824,878 attributable to the shareholders for the year ended 31 December 2009 (2008 profit of £637,821)

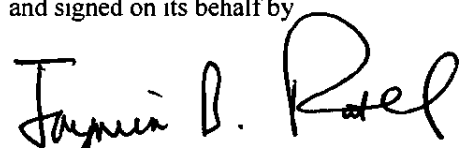
All amounts relate to continuing operations

Balance sheet

at 31 December 2009

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
Fixed assets			
Tangible assets	9	212,724	87,420
Current assets			
Debtors	10	6,781,840	4,943,365
Cash at bank		49,348	195,553
		6,831,188	5,138,918
Current liabilities			
Creditors amounts falling due within one year	11	5,551,059	3,889,712
Net current assets		1,280,129	1,249,206
Total assets less current liabilities		1,492,853	1,336,626
Provisions for liabilities	12	204,487	212,487
		1,288,366	1,124,139
Capital and reserves			
Called up share capital	15	200,000	200,000
Other reserves	16	27,166	27,166
Profit and loss account	16	1,061,200	896,973
Equity shareholders' funds	16	1,288,366	1,124,139

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


 J Patel
 Director

30/08/10

Notes to the financial statements

at 31 December 2009

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 2009

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 2009

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. Other operating income

	2009 £	2008 £
Rent receivable	-	112,457

4. Operating profit

This is stated after charging/(crediting)

	2009 £	2008 £
Auditors' remuneration - audit services	19,500	19,000
Depreciation of owned fixed assets	48,012	28,004
Operating lease rentals - land and buildings	484,602	409,770
- plant and machinery	27,581	64,270

Notes to the financial statements

at 31 December 2009

5. Staff costs

	2009 £	2008 £
Wages and salaries	4,639,961	2,469,870
Social security costs	623,805	355,514
Other pension costs	250,660	144,410
Share options (note 17)	39,349	58,484
	<u>5,553,775</u>	<u>3,028,278</u>

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

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

	2009 No	2008 No
Sales and Administration staff	<u>79</u>	<u>40</u>

None of the Directors received any remuneration for their services as directors to the company during the year (2008 £nil)

6. Interest receivable

	2009 £	2008 £
Interest receivable	<u>-</u>	<u>9,146</u>

Notes to the financial statements

at 31 December 2009

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2009 £	2008 £
<i>Current tax</i>		
UK corporation tax	345,796	271,438
Tax over provided in previous periods	(1,207)	(5,956)
Total current tax (note 7(b))	<u>344,589</u>	<u>265,482</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 7 (c))	34,339	29,333
Effective changes in tax rate on opening liability	-	(1,932)
Tax on profit on ordinary activities	<u>378,928</u>	<u>292,883</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 28% for the year (2008 effective rate 28.5%)

The differences are reconciled below

	2009 £	2008 £
Profit on ordinary activities before taxation	<u>1,203,806</u>	<u>930,704</u>
Profit on ordinary activities by rate of tax	337,066	265,251
Adjustments in relation to previous periods	(1,207)	(5,956)
Expenses not deductible for tax purposes	32,052	18,027
FRS20 Charge	11,017	16,668
Other timing differences	(3,956)	195
Capital allowances for year in advance of depreciation	(30,383)	(28,703)
Total current tax (note 7(a))	<u>344,589</u>	<u>265,482</u>

(c) Deferred tax

	2009 £	2008 £
Depreciation in advance of capital allowances	45,836	80,175
Other timing differences	-	-
Deferred taxation asset	<u>45,836</u>	<u>80,175</u>

Notes to the financial statements

at 31 December 2009

7. Tax (continued)

	£
At 1 January 2009	80,175
Profit and loss account movement arising during the period	(34,339)
At 31 December 2009	<u>45,836</u>

8. Dividends

	2009 £	2008 £
Equity dividends on ordinary shares		
Interim paid	<u>700,000</u>	<u>350,000</u>

9. Tangible fixed assets

	<i>Leasehold Property</i> £	<i>Plant & Machinery</i> £	<i>Total</i> £
Cost			
At 1 January 2009	535,243	1,332,727	1,867,970
Additions	87,615	85,701	173,316
Disposals	-	(95,230)	(95,230)
At 31 December 2009	<u>622,858</u>	<u>1,323,198</u>	<u>1,946,056</u>
Depreciation			
At 1 January 2009	516,614	1,263,936	1,780,550
Provided during the period	15,255	32,757	48,012
Disposals	-	(95,230)	(95,230)
At 31 December 2009	<u>531,869</u>	<u>1,201,463</u>	<u>1,733,332</u>
Net book value			
At 31 December 2009	<u>90,989</u>	<u>121,735</u>	<u>212,724</u>
At 31 December 2008	<u>18,629</u>	<u>68,791</u>	<u>87,420</u>

10. Debtors

	2009 £	2008 £
Amounts owed by group undertakings	6,318,591	3,730,626
Other debtors	273,353	999,845
Prepayments and accrued income	144,060	132,719
Deferred taxation (note 7)	45,836	80,175
	<u>6,781,840</u>	<u>4,943,365</u>

Notes to the financial statements

at 31 December 2009

11. Creditors: amounts falling due within one year

	2009 £	2008 £
Trade creditors	469,594	949,690
Amounts owed to group undertakings	4,166,720	2,145,169
Corporation tax payable	156,922	200,079
Other taxation and social security	238,091	150,555
Accruals and deferred income	519,732	444,219
	<u>5,551,059</u>	<u>3,889,712</u>

12. Provisions for liabilities

	<i>Other provisions</i> £
At 1 January 2009	212,487
Utilised	(8,000)
At 31 December 2009	<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

13. Commitments under operating leases

At 31 December 2009 the company had annual commitments under non-cancellable operating leases as set out below

	2009		2008	
	<i>Land and buildings</i> £	<i>Other</i> £	<i>Land and buildings</i> £	<i>Other</i> £
Operating leases which expire				
Within one year	7,350	26,420	91,600	39,916
In two to five years	318,170	16,664	318,170	24,354
In more than five years	22,000	-	-	-
	<u>347,520</u>	<u>43,084</u>	<u>409,770</u>	<u>64,270</u>

14. Related party transactions

The company has taken advantage of the exemption in FRS8 and not disclosed transactions with group undertakings

Notes to the financial statements

at 31 December 2009

15. Share capital

		2009	Authorised 2008
		£	£
Ordinary shares of £1 each		15,000,000	15,000,000

	No	Allotted, called up and fully paid 2009 £	No	2008 £
Ordinary shares of £1 each	200,000	200,000	200,000	200,000

16. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Capital redemption reserve £	Profit and loss account £	Total share- holders' funds £
At 31 December 2007	200,000	27,166	550,668	777,834
Profit for the period	-	-	637,821	637,821
Share based payments	-	-	58,484	58,484
Dividends	-	-	(350,000)	(350,000)
At 31 December 2008	200,000	27,166	896,973	1,124,139
Profit for the period	-	-	824,878	824,878
Share based payments	-	-	39,349	39,349
Dividends	-	-	(700,000)	(700,000)
At 31 December 2009	200,000	27,166	1,061,200	1,288,366

17. 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. If performance conditions are not met, the options are forfeited. The contractual life of the options range from two 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

Notes to the financial statements

at 31 December 2009

satisfaction of performance conditions relating to the Groups EBITDA over a three year period and to employees remaining in service to the Group. If the performance conditions are not met, the awards are cancelled. The contractual life of the award is three 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 has a time 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 time based share awards do not pay the Group any cash consideration for the awards. The awards vest over a five year period and are subject to the employees remaining in service to the group. The contractual life of the awards is five years and may they be settled in cash at the Groups option. 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 09	31 Dec 09	31 Dec 08	31 Dec 08
	No	WAEP	No	WAEP
Shares outstanding at beginning of period	39,302	€19.26	24,614	€27.89
Granted during period	1,130	€14.03	14,688	€20.29
Exercised during period	-	-	-	-
Shares outstanding at end of period	40,432	€15.45	39,302	€19.26
Exercisable at end of period	24,614		9,415	

All options granted during the period were stock of Lottomatica shares

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 2009 under the Lottomatica Plan was €2.99 per share (2008: €2.75 per share)

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

	31 Dec 09	31 Dec 08
Expected dividend yield (%)	4.62	4.24
Expected volatility (%)	26.32	22.78
Risk-free interest rate	3.50	4.50
Expected life of options (in years)	4.50	4.66
Weighted-average share price (€)	€15.45	€19.26
Exercise price (€)	€14.03	€20.29

18. 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.