

Camelot UK Lotteries Limited  
2017/18 Annual Report & Accounts

17//18

CAMELOT







The National Lottery has awarded millions in funding to music projects across the UK, including The Big Music Project which helps young people aged 14 to 24 get a foot in the door of one of the world's most competitive industries.  
©Big Music Project

**"NATIONAL LOTTERY FUNDING ENABLES GOOD CAUSES TO THRIVE, SUPPORTING COMMUNITIES ACROSS THE COUNTRY, AND PROVIDING OPPORTUNITIES FOR INDIVIDUALS TO FLOURISH AND ACHIEVE THEIR FULL POTENTIAL."**

**TRACEY CROUCH, MINISTER FOR SPORT AND CIVIL SOCIETY**

Camelot UK Lotteries Limited  
Company Number: 02822203



## CAMELOT UK LOTTERIES LIMITED

As the operator of The National Lottery, we are a company like no other – a commercial organisation that raises billions of pounds for the public good.

Our overarching objective is to maximise returns to Good Causes through selling National Lottery products in an efficient and socially-responsible way. This involves creating, marketing and promoting new games; developing and running The National Lottery's infrastructure; providing services for players and winners; and working in partnership with retailers. As a private company, we also aim to honour our responsibilities to our shareholder, Ontario Teachers' Pension Plan, which has owned Camelot since 2010.

We employ 743 staff, the majority of whom work from our head office in Watford, Hertfordshire. Other sites include a prize payout and IT operations centre in Liverpool, a national distribution centre in Northampton and a corporate affairs department in London.



Mellor Primary School, Leicester  
©Sport England

## OUR MISSION

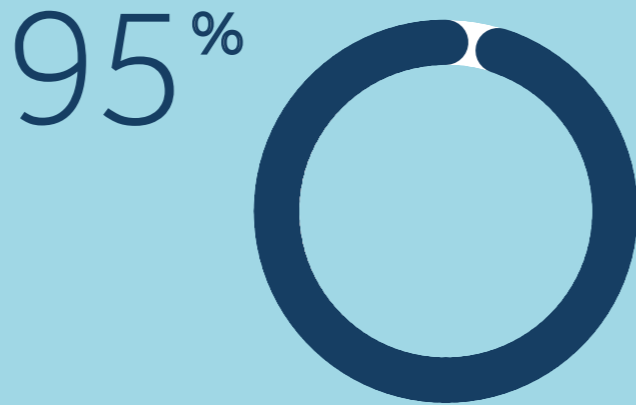
Our mission is to change lives.

We look to do this by continuing to prioritise long-term, responsible growth by:

- building a brand that encourages lots of people to play but to individually only spend small amounts
- designing a range of games that offers something for everybody
- making our games accessible so that people can play anytime, anywhere, on any device
- getting to know our players to help us understand how they play
- effectively communicating the uniqueness of The National Lottery and the extraordinary good that it does

### RETURNED REVENUE

We retain around just 1% of revenue in profit and run one of the most cost-efficient major lotteries in Europe, with around 4% of total revenue spent on operating costs – meaning that around 95% of total revenue goes back to winners and society.



£38BN

RAISED FOR GOOD CAUSE PROJECTS, TRANSFORMING LIVES AND COMMUNITIES ACROSS THE UK SINCE THE NATIONAL LOTTERY LAUNCHED IN 1994.

£67BN

TO DATE, THE NATIONAL LOTTERY HAS AWARDED OVER £67 BILLION IN PRIZE MONEY.

£15BN

THE NATIONAL LOTTERY HAS PAID MORE THAN £15 BILLION IN LOTTERY DUTY TO THE GOVERNMENT SINCE LAUNCH.

£6BN

NATIONAL LOTTERY RETAILERS HAVE EARNED OVER £6 BILLION IN SALES COMMISSION TO DATE.

£30M

THE NATIONAL LOTTERY GENERATES AROUND £30 MILLION EACH WEEK FOR GOOD CAUSES.

5,000

THE NATIONAL LOTTERY HAS CREATED MORE THAN 5,000 MILLIONAIRES SINCE 1994.



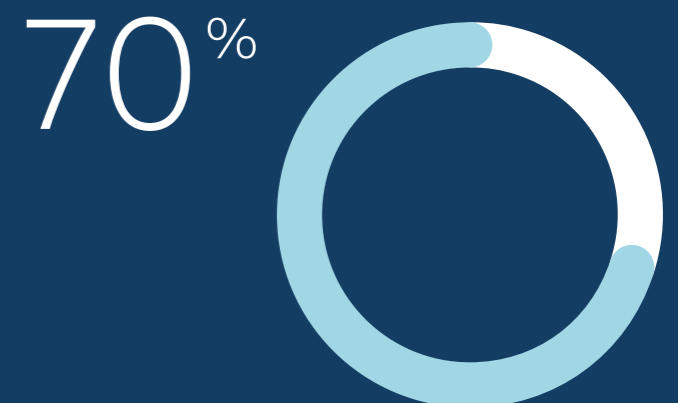
LOTS OF PEOPLE PLAYING A LITTLE – THE UK NATIONAL LOTTERY IS THE SIXTH LARGEST LOTTERY IN THE WORLD IN TERMS OF SALES BUT JUST 65TH IN THE WORLD IN TERMS OF PER CAPITA SPEND.

(Source: La Fleur's World Lottery Almanac 2018)

THE NATIONAL LOTTERY HAS FUNDED MORE THAN 535,000 INDIVIDUAL PROJECTS. THAT'S AROUND 190 NATIONAL LOTTERY GRANTS IN EVERY POSTCODE DISTRICT IN THE UK.

### FUNDING GRANTS OF £10,000 OR LESS

With around 70% of all grants being for £10,000 or less, The National Lottery helps small projects to make a big difference in their community.





## WORKING IN PARTNERSHIP

As the operator, our role is critical to The National Lottery's ongoing success. But we couldn't do what we do without working in close partnership with a number of other bodies, each of which plays a key role in the running of The National Lottery.

**Parliament** The National Lottery Act etc. 1993 (as amended) governs the operation and regulation of The National Lottery, and sets out National Lottery policy, including which Good Cause areas will benefit from National Lottery money and the funding levels for each. The Department for Digital, Culture, Media & Sport (DCMS) is the Government department responsible for The National Lottery.

**The Gambling Commission** (formerly the National Lottery Commission) is sponsored by DCMS, and is responsible for licensing and regulating The National Lottery. Its objectives are to preserve the integrity of The National Lottery, protect players and maximise returns to Good Causes.

**12 National Lottery distribution bodies,** each with specialist knowledge of their sectors, which decide which beneficiaries should receive National Lottery funding. All of the distribution bodies operate at arm's length from Government and Camelot, and follow strict guidelines when deciding which applications for funding will be successful.

**Around 45,000 retailers throughout the UK,** ranging from small corner shops and newsagents to larger convenience stores and supermarkets. Independent outlets make up the majority of our retail footprint.

### LICENCE FACTS

In May 1994, the National Lottery Commission (NLC) awarded Camelot a seven-year licence to run The National Lottery and, on 14 November 1994, the first draw-based tickets went on sale. In December 2000, we were awarded the second seven-year licence, which started on 27 January 2002 and ended on 31 January 2009.

In August 2007, we were awarded a third licence to operate The National Lottery, which started on 1 February 2009 and was due to run to 2019. However, in March 2012, the licence was extended by four years to 2023, following the NLC's agreement to our proposal to deliver around £1.7 billion in additional National Lottery funding to society.





Woodcarving lesson in  
St Swithun's Church, Devon  
©Jim Wileman

## CONTENTS

<b>Introduction</b>		<b>Section 5</b>	
Our mission	04	Strategic Report	80
Working in partnership	06	Directors' Report	88
Chairman's statement	10	Report on Corporate Governance	94
Chief Executive Officer's review	14	Independent Auditors' Report	104
		Statutory Financial Statements for the year ended 31 March 2018	112
<b>Section 1</b>			
Our games and channels	24		
Our winners	28		
<b>Section 2</b>			
National Lottery Good Causes	36		
<b>Section 3</b>			
Doing business responsibly	56		
<b>Section 4</b>			
Our people	64		



**WE'RE CONTINUING TO RETURN AROUND 95 PENCE OF EVERY SINGLE POUND OF NATIONAL LOTTERY REVENUE BACK TO WINNERS AND SOCIETY – ONE OF THE HIGHEST PERCENTAGES OF ANY MAJOR LOTTERY OPERATOR IN THE WORLD.**



Loughborough Foxes  
© Sport England

## CHAIRMAN'S STATEMENT

In a year of considerable challenge and change for the company, I'm pleased to report that Camelot has succeeded in increasing National Lottery sales and returns to Good Causes for the year ending 31 March 2018.

Camelot's achievement in returning The National Lottery to growth after its disappointing sales performance in 2016/17 reaffirms its status as one of the world's leading lottery operators – and gives it a very good platform on which to build over the remaining years of its current operating licence.

It also underlines the importance of the improvements made by Camelot as a result of the comprehensive strategic review of its operations that it conducted in the summer of 2017. The review was led, on behalf of the Board, by Nigel Railton, who took over the company's UK operations in May 2017 and was subsequently appointed as the permanent Chief Executive Officer (CEO) of Camelot UK in November.

Nigel has a wealth of experience and a proven track record gained from having spent over 20 years in senior management positions, most recently as CEO of Camelot Global and, before that, as Strategy and Finance Director of Camelot's UK business. He is passionate about Camelot and its unique role in raising as much money as possible for the vital Good Causes that The National Lottery was set up to support.

Under Nigel's leadership, Camelot has strengthened its Executive Team and, following the thorough review of the UK business, designed a clear plan to put the business on a path to responsible and sustainable growth – and the company is starting to see early signs that initiatives from the review are yielding positive results. A plan, however, is only as good as the people who implement it – and much credit must therefore go to Camelot's management team and employees for the commitment and hard work that has underpinned this year's improved performance.

Camelot has already made good headway with the work it has carried out to make The National Lottery brand and purpose more relevant and visible, and with the improvements it needs to make across its retail and digital channels. In addition, it has set about creating a more balanced and compelling portfolio of games – and has further strong plans in this area lined up for 2018/19 and beyond.

Camelot also remains fully committed to running The National Lottery in a socially-responsible way – with lots of people playing but individually spending relatively small amounts – and operating to the highest possible standards. It has already carried out a wide range of activity aimed at preventing problem play but is continuing to explore how it can further strengthen its consumer protection work. In light of historical incidents, Camelot has also carried out a thorough review of its systems, policies, processes and controls to help it deliver operational excellence in everything that it does.

As in previous years, Camelot continues to face challenges that are beyond its control, such as the continuing climate of economic uncertainty. It also faces increasing and direct competition from the gambling sector – especially from bet-on-lottery firms – as well as large, industrial-scale society lotteries that operate on a national basis. These organisations benefit from significant taxation advantages compared with The National Lottery.

Betting on the outcome of any game that forms part of The National Lottery is prohibited, but some gambling operators had been exploiting a loophole in the Gambling Act to offer bets on the outcome of EuroMillions draws in other countries – even though it is the same EuroMillions game as the one offered in the UK. This caused consumer confusion, diverted vital money from Good Causes, and was damaging to the EuroMillions brand.



## CHAIRMAN'S STATEMENT

Camelot worked hard during the year to get this loophole closed in order to protect The National Lottery and maintain its distinction from the wider gambling industry – and welcomed the Government's introduction in April 2018 of a ban on third-party betting on non-UK EuroMillions draws, following a detailed consultation process.

The National Lottery was deliberately set up as a 'single national lottery'. This model has repeatedly been deemed the most efficient way to maximise returns to Good Causes and society, as well as ensure the consistent protection of players, and the fitness and propriety of operation. Camelot will therefore continue to press for a policy and regulatory environment that recognises the distinctiveness of The National Lottery and its purpose as contrasted with the gambling sector, thereby enabling it to flourish for years to come.

The year also saw the National Audit Office publish the results of its investigation into the historical fall in returns to Good Causes in 2016/17, a topic that then became the subject of an inquiry by the Public Accounts Committee. Camelot welcomed the opportunity to give evidence to the Committee, and Nigel updated members on the strategic review that the company has subsequently carried out in order to get The National Lottery back into growth.

Nigel also reiterated Camelot's commitment to continue to work closely with the Gambling Commission, the Department for Digital, Culture, Media & Sport, and the National Lottery distribution bodies to maximise annual returns to Good Causes – which during the third licence period are, on average, already around 30% higher than under the previous licence.

Under Camelot's stewardship, The National Lottery continues to be a huge success. With around 60% of UK adults playing its games, it has become an established part of everyday life in the UK. It creates around eight million winners a week across its range of games, and has awarded over £67 billion in prize money and created more than 5,000 millionaires or multi-millionaires to date.

Most importantly, The National Lottery continues to return around 95 pence of every single pound of revenue back to winners and society, and has now delivered over £38 billion for Good Causes since its launch – money that has been used to fund more than 535,000 individual awards throughout the UK.

There is, of course, much work for Camelot still to do to build on the progress it has made this year and to ensure that The National Lottery's success story continues. However, I have every confidence that the strong foundations and new initiatives that the company is putting in place will ensure a healthy and successful National Lottery that continues to deliver for players and society over the remainder of this licence period.

On a penultimate note, there will be some changes to the Board in the course of 2018/19, with Sir Patrick Brown KCB and Tony Illsley due to step down once two new independent non-executive directors have been appointed in their place, one of whom will join the Board as Chairman. I would like to thank both Sir Patrick and Tony for their support and important contributions during their time with Camelot. I will remain on the Board as a non-executive director. Work is also being carried out to search for another new independent non-executive director to join the Board.

On behalf of the Board, my final thanks go to Nigel, his management team and staff throughout the organisation – all of whom have successfully risen to the challenges of the year with the highest standards of commitment and professionalism.



**Jo Taylor**  
Chairman  
28 June 2018

[Eve Muirhead, Sochi 2014 Winter Olympic curling bronze medallist, at #teamparkrun @UK Sport](#)







**IT'S A PRIVILEGE TO BE INVOLVED IN RUNNING A TRULY NATIONAL INSTITUTION THAT MAKES SUCH A MASSIVE DIFFERENCE TO THE LIVES OF PEOPLE AND COMMUNITIES THROUGHOUT THE UK.**

## CHIEF EXECUTIVE OFFICER'S REVIEW



As the operator of The National Lottery, we're a company like no other – a commercial organisation that raises billions of pounds for the public good.

Having been appointed CEO in November 2017, I feel extremely privileged to have been given the opportunity to lead a company that, through its operation of The National Lottery, has such an enormously positive impact on the lives of people and communities across the whole of the UK.

Having initially been asked by the Board to take charge of Camelot's UK operations at the beginning of May 2017 following an 8.8% sales decline the previous year, I didn't underestimate the size of the task ahead of us, or the time it would take to turn things around. We needed a clear plan to put us back on track – so identifying what we had to do to get The National Lottery back into growth and raising as much money as possible for Good Causes has been my priority since returning to the UK business.

To help me do this, and with invaluable input from colleagues from across the business, over the summer of 2017 I conducted, on behalf of the Board, an in-depth review of our National Lottery strategy and operations, including our commercial plans to boost sales performance, and our investment in technology and systems.

As a result of the review, we identified four key areas where we needed to take action: reinvigorating The National Lottery brand to make it more relevant and visible; improving our range of games to create a more balanced portfolio that offers something for everyone; investing significantly in retail to boost engagement and better reflect the changing ways in which people are now shopping; and upgrading our digital services to give our players an even better experience.

Activity in each of these areas is already well under way, but there is still a great deal more to do – and we have a number of exciting initiatives planned for 2018/19 and beyond, including making improvements to our Lotto game. That said, I'm very encouraged that we are beginning to see some early indications that the work we've carried out so far is beginning to pay off.

These signs of improvement helped us to enjoy a strong finish to the year and I'm pleased to be able to report that total National Lottery ticket sales for the 2017/18 financial year (1 April 2017 to 31 March 2018) were £6,951.7 million – an increase of £26.4 million on the previous year.

Most importantly, our performance during the year meant that we raised £1,655.3 million (excluding investment returns) for Good Causes, £27.3 million more than in 2016/17. This equates to around £30 million every week and takes the total that The National Lottery has raised for Good Causes to date to over £38 billion.

We also awarded £3,928.4 million in prize money to players in 2017/18, creating 343 new National Lottery millionaires and a further 454 winners of over £50,000. The National Lottery has now awarded over £67 billion in prizes and created more than 5,000 millionaires or multi-millionaires since its launch.

Given that we had anticipated a further sales decline this year, our achievement in getting The National Lottery back into growth, delivering more money for Good Causes and creating almost one millionaire a day is testament to the dedication and determination of all of the team at Camelot – and underlines the importance of the work we have been carrying out as a result of the strategic review.

11 Million Reasons  
to Dance  
Photography  
Sean Goldthorpe,  
commissioned by  
People Dancing



## CHIEF EXECUTIVE OFFICER'S REVIEW

Sales in 2017/18 were boosted by record digital sales of £1,652.2 million – an increase of £130.3 million – which included the best-ever performance by The National Lottery's range of online Instant Win Games. With over 11 million registered players, just over half of whom played during the year, national-lottery.co.uk is Europe's largest online lottery in terms of sales and one of the top e-commerce sites in the UK.

Mobile sales grew by £81.3 million to reach an all-time high of £700.6 million, with sales through smartphones and tablets now accounting for well over 40% of all digital sales. Sales through the official National Lottery apps for iPhone and Android set new records, following our launch of a full version of the Android app last year – instantly making National Lottery games available to millions more smartphone users.

Given the pace of change in digital, we are working hard to invest to ensure that we continually improve the customer journey and experience with enhanced functionality to ensure that playing National Lottery games online remains as easy as possible. We have also started work to upgrade our customer relationship management systems to keep pace with improvements in customer marketing and personalisation, and are continuing to invest to make our online platforms even more robust and secure for players.

Our performance during the year was also helped by strong EuroMillions sales, with the game benefiting from an unexpectedly high number of £100 million-plus jackpots, as well as a number of special draws offering multiple £1 million prizes – both of which are proven drivers of player excitement. Draw-based game sales were also buoyed by the launch in January of a new EuroMillions HotPicks game and the introduction of an additional Thunderball draw.

**WE REMAIN FULLY COMMITTED TO MAXIMISING RETURNS TO GOOD CAUSES IN A SOCIALLY-RESPONSIBLE WAY.**

For its continued health, The National Lottery needs to offer a range of games that stand out from each other, with prizes and prices to suit different needs and pockets. Lotto remains at the heart of our portfolio – it's the UK's biggest-selling lottery game, raises a huge amount of money for Good Causes and awards millions of prizes every week. But we know we need to reconnect with Lotto players and we've listened to what they've been telling us – and we'll be announcing how we'll be improving the game later in 2018.

However, The National Lottery can't be reliant on just one game. We need to grow the whole portfolio and plug any gaps. We'll therefore be looking to make some changes to EuroMillions towards the end of the year to reinforce its position within the portfolio as the game that offers huge jackpots and makes multiple millionaires. We're also finalising the details of a brand new annuity game, which, subject to regulatory approval, we'll be looking to launch in 2019.

With sales during the year of £5,299.5 million, retail remains the largest National Lottery sales channel, accounting for over 75% of all sales. My sincere thanks go to all of our retail partners for their continued hard work and loyalty, especially in the face of such challenging high street conditions. Each and every one of our 45,000 retailers acts as an advocate for The National Lottery and has played a pivotal role in helping to make it the national institution it is today.

Maintaining strong relationships with our retailers is therefore crucial to the future success of The National Lottery – and we are fully committed to giving them all the support they need to help them grow sales and returns to Good Causes, while adding further value to their businesses.



Clockwise from top left:  
Karate class ©Sport England;  
'This Girl Can' advertising campaign by Sport England ©Sport England;  
Motivate East ©Sport England;  
'Fenland Lives and Land', Norfolk Museums Service ©Heritage Lottery Fund;

National Lottery funding has revitalised more than 930 public parks all around the UK ©Heritage Lottery Fund;  
The 'Catering Girls', The National Lottery's biggest publicity winners of 2017/18







**THE STRONG FOUNDATIONS AND NEW INITIATIVES THAT WE ARE PUTTING IN PLACE WILL GIVE US A GREAT PLATFORM TO BUILD ON IN 2018/19.**

Health CSI Climbing  
© Sport England

## CHIEF EXECUTIVE OFFICER'S REVIEW

We've already doubled the size of our sales force following our strategic review, and are investing £20 million in initiatives to boost engagement and improve in-store display, merchandising and game availability – all of which will help retailers to make the most of having The National Lottery in their stores.

We will also be adapting our market presence to take account of the constantly-changing retail landscape. Our priorities include making National Lottery games available at self-checkout, as well as in discounters whose market share has grown considerably in recent years – and we'll be starting this process with a trial over the summer of 2018 with a leading retailer.

As we look to build on the progress we've made in 2017/18, we remain fully committed to maximising returns to Good Causes in a socially-responsible way. We want National Lottery players to have a positive and enjoyable experience – with lots of people playing, but individually spending relatively small amounts. The fact that The National Lottery is ranked just 65th in the world in terms of per capita spend, despite being the sixth largest lottery in the world in terms of sales, underlines the effectiveness of our approach to date in this area.

Even though the inherent risk of problem play associated with National Lottery products is very low, we know that, because of our scale, we must continue to do everything we can to reduce consumer harm where possible. We've already carried out a wide range of work aimed at reducing excessive play, preventing underage play and promoting safe play. And we're now looking in greater detail at how we can further strengthen our work in this area to ensure that our approach is industry-leading.

While player protection will always be a key priority for us, it is not the only focus of our commitment to doing business responsibly. As well as being embedded in how we design, sell and promote our games, corporate responsibility lies at the heart of everything we do – from the way we train our employees and advise big winners to how we treat suppliers, support our local communities through volunteering and strive to reduce our impact on the environment.

As well as looking to be responsible in everything we do, we aim to operate to the highest possible standards. Camelot is a highly-regulated business and rightly so – we operate on a massive scale and the work we do touches the lives of millions of people, so only the highest standards are good enough. To achieve the standards that people expect, we need outstanding policies and procedures, and we need to make sure that each and every one of our employees has the tools and training needed to follow them.

To this end, we carried out a huge amount of work in 2017/18 to help us become the very best operator we can be. We've looked at historical incidents – some of which are likely to conclude in a financial penalty being imposed later in 2018 – to make sure we've learned from them. We've also carried out a thorough review of the processes and controls we have in place across the business to ensure they are all fit for purpose. And we've reviewed our approach to managing risk, made improvements to continue to ensure the absolute integrity of our technology, and implemented more consistent and structured systems to enable us to deliver change effectively.

I believe that we now have a strong plan that will help us deliver operational excellence in everything we do. But we are not complacent – we know that we need to keep what we do under constant review if we are to truly be the best operator we can be.

While I am very encouraged by our achievements during what was a challenging year, nobody at Camelot will be getting carried away. We know that we still have a lot of hard work ahead of us to build on the progress we've made and ensure that The National Lottery's return to growth is sustainable.

For example, we know from our strategic review that we need to reinvigorate The National Lottery brand to make it and its purpose more relevant and visible. Awareness of the huge benefits that The National Lottery brings to the UK is in the interests of all stakeholders – but the unique role that The National Lottery plays in UK society has become less evident in recent years.



## CHIEF EXECUTIVE OFFICER'S REVIEW

One way in which we have started to address this is by working closely with the distribution bodies and other key partners to deliver a clear 'One National Lottery' brand, which more effectively communicates the uniqueness of The National Lottery, raises awareness of the life-changing good that it does and recognises the all-important contribution of players.

We're also back on primetime TV with a 90-second results slot on Saturday nights on ITV. As well as delivering the Lotto results to the nation during some of television's most popular and high-profile shows, the new format brings to life the huge difference that The National Lottery makes by shining a light on Good Causes projects across the UK.

In addition, we've been looking at all aspects of our commercial strategy to ensure that we have the right marketing strategy, plans and execution in place for The National Lottery in 2018 and beyond. As part of this, we've conducted a thorough review of The National Lottery's advertising business and are, at the time of writing, working with the Gambling Commission to finalise the appointment of a new advertising agency to help us promote a more unified and overarching parent brand that more effectively communicates the extraordinary good that The National Lottery does.

We also continue to face challenges that are beyond our control. Continuing doubts over the economy, for example, mean that people are understandably being more cautious with their discretionary spend. We've also seen no let-up in the direct, and often aggressive, competition we face from the gambling sector – particularly from large, industrial-scale society lotteries and bet-on-lottery firms. We therefore welcomed the Government's introduction in April 2018 of a ban on third-party betting on non-UK EuroMillions draws, a practice which was confusing for consumers and had an adverse impact on funding for Good Causes.

While there is much work still to do following the strategic review, I am very encouraged by the progress we've made over what has been a pivotal year for The National Lottery. Although we enjoyed a run of good fortune with some huge EuroMillions jackpots, the review has given us a clear plan to put the business on a path to responsible and sustainable growth – and there is no doubt that the work we've carried out off the back of it so far has played an important part in our improved performance.

I believe that the strong foundations and new initiatives that we are putting in place will give us a great platform to build on in 2018/19 and help to ensure that we'll be running a healthy and successful National Lottery for the remainder of this licence period: one that is in growth, creating more winners than ever before, and delivering even more money for Good Causes.

My thanks go to Camelot's Chairman, Jo Taylor, and my Board colleagues for their invaluable guidance and support throughout the year. I would also like to pay tribute to the fantastic team I work with at Camelot, all of whom have made a huge effort during a year of significant change. Knowing how passionate and committed they are, and how proud they are of the positive impact that The National Lottery has, I am confident that they will rise to the exciting challenges and opportunities that lie ahead.

And finally, thank you to all of our players, who help to transform the UK every time they play one of our games. With National Lottery funding now having helped more than 535,000 individual projects the length and breadth of the UK – the equivalent of 190 lottery grants in every UK postcode district – it's a privilege to be involved in running a truly national institution that makes such a massive difference to the lives of people and communities throughout the UK.



**Nigel Railton**  
Chief Executive Officer  
28 June 2018







£100M

**THE NATIONAL LOTTERY HAS AWARDED  
CLOSE TO £100 MILLION TO MORE THAN  
1,900 FIRST WORLD WAR CENTENARY  
PROJECTS, LARGE AND SMALL.**

©Stewart Attwood,  
Heritage Lottery Fund  
and Poppy Scotland





**TOTAL NATIONAL LOTTERY SALES IN 2017/18 WERE BIGGER THAN CADBURY, COCA-COLA, NESTLÉ, WALKERS, HEINZ, WARBURTONS, MÜLLER AND PURINA COMBINED.**

## OUR GAMES AND CHANNELS

We offer a portfolio of regularly-refreshed draw-based and instant play games – and a multi-channel experience, with players able to buy tickets in store, online and on their mobile devices.



As a responsible business, we want lots of people playing but individually spending relatively small amounts. Around 60% of UK adults currently play National Lottery games, with the demographics of play closely mirroring the demographics of the UK population as a whole.

To ensure that we continue to have lots of people playing a little, we strive to attract the broadest player base possible by offering a range of distinct games with prizes, play-styles and prices to suit different needs, tastes and pockets.

However, the strategic review of the business we carried out last year identified a clear need for further improvement in this area. We have therefore been listening to feedback from players, and carrying out extensive research and testing as we work to make our portfolio of games more compelling and relevant.

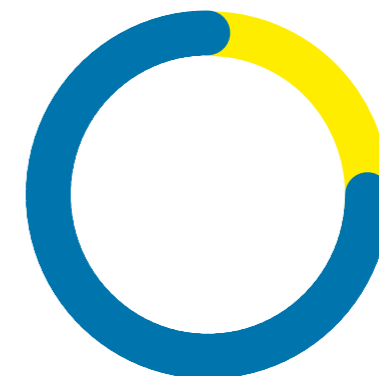
We have already launched a new EuroMillions HotPicks game to offer players further choice and value, and introduced a Tuesday Thunderball draw to meet the needs of players who value smaller, more frequent wins. We have also been modifying our range of in-store Scratchcards and online Instant Win Games to give people greater choice and better access to the games they want to play.

And, subject to regulatory approval, we are planning to make improvements to Lotto and EuroMillions later in 2018/19, as well as looking to launch an annuity-style game to satisfy demand from the growing number of players who dream of long-term financial security rather than winning a large, one-off jackpot.

### NATIONAL LOTTERY SALES

Through our 45,000 retail outlets across the UK

75%





## OUR GAMES AND CHANNELS

We have always operated in an intensely competitive market, vying for consumers' discretionary spend across a wide range of fast-moving consumer goods (FMCG) brands. Based on their sales in 2017/18, Lotto and EuroMillions were the two biggest individual FMCG brands in the country, while total National Lottery sales were bigger than Cadbury, Coca-Cola, Nestlé, Walkers, Heinz, Warburtons, Müller and Purina combined (Source: 'Britain's Biggest Brands', The Grocer/Nielsen, March 2018).

During the year, over 75% of our game sales came through our retail network, which, with around 45,000 outlets throughout the UK, ensures that The National Lottery is convenient to play. More than 96% of the UK adult population now live or work within two miles of a National Lottery terminal.

But, with a constantly-changing retail landscape, we need to adapt our market presence to better reflect the different ways in which people are shopping. Our priorities include making National Lottery games available at self-checkout, as well as in discounters whose market share has grown considerably in recent years.

As advocates for The National Lottery, our retail partners have played a huge role in its success to date. Maintaining strong relationships with them is critical to its future success. To help us do this, we have recently doubled the size of our sales force and are investing £20 million in initiatives designed to boost levels of engagement and improve in-store display, merchandising and game availability – all of which will help our retailers to make the most of having The National Lottery in their stores.

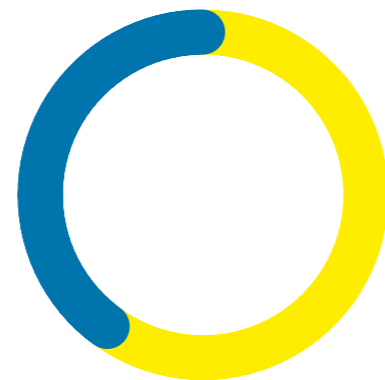
Almost 25% of our game sales in 2017/18 came through our digital channels, with sales on mobile devices accounting for over 40% of total digital sales. With over 11 million registered players, of whom 51% played during the year, national-lottery.co.uk is Europe's largest online lottery in terms of sales and one of the top e-commerce sites in the UK.

The pace of change in digital, however, is considerable, so we are investing to ensure that we continually improve the customer journey and experience with enhanced functionality to make playing National Lottery games online as easy as possible. We are also upgrading our customer relationship management systems to keep pace with improvements in customer marketing and personalisation so that our content remains useful, relevant and targeted.

### NATIONAL LOTTERY SALES

Through mobile devices

40%



Lotto is The National Lottery's original game and offers players two chances to become a millionaire with the jackpot and the Millionaire Raffle, where one player wins a guaranteed £1 million. Lotto takes place every Wednesday and Saturday, and costs £2.00 to play.

Lotto HotPicks gives players the chance to win up to £350,000 by picking and matching fewer Lotto HotPicks numbers against the Lotto draw. Lotto HotPicks takes place every Wednesday and Saturday, and costs £1.00 to play.

EuroMillions offers players the biggest jackpots, plus two guaranteed £1 million prizes for UK players every draw with the UK Millionaire Maker. EuroMillions takes place every Tuesday and Friday, and costs £2.50 to play.

EuroMillions HotPicks gives players the chance to win up to £1 million by picking and matching fewer EuroMillions HotPicks numbers against the EuroMillions draw. EuroMillions HotPicks takes place every Tuesday and Friday, and costs £1.50 to play.

Thunderball offers players the best chance to win £500,000 on a £1 National Lottery game. Thunderball takes place every Tuesday, Wednesday, Friday and Saturday.

National Lottery Instants offer players a huge choice of Scratchcards and interactive Instant Win Games, with prices starting at 25 pence and prizes of up to £4 million available. With overall odds of 1 in 4 of winning a prize, National Lottery Instants create around six winners every single second.

(Game information correct as at 28 June 2018)



## OUR WINNERS

Every week, millions of people win on The National Lottery.

The National Lottery creates over eight million winners a week across its range of draw-based and instant play games – and, on average, around 30 millionaires every month. Since its launch in 1994, it has awarded over £67 billion in prizes and created more than 5,000 millionaires or multi-millionaires.

The National Lottery continued to transform lives in 2017/18. It created 797 winners of over £50,000 – including 343 new lottery millionaires – and awarded over £3.9 billion in total prize money. The year's largest UK winner was an anonymous EuroMillions ticket-holder who won a jackpot of £87.5 million in June – just one of six EuroMillions jackpots won in the UK in 2017/18.

The biggest UK winners to share news of their win last year were the 'Catering Girls' – a syndicate of six catering staff from Neath Port Talbot Hospital – who shared a EuroMillions jackpot of £25.4 million in November. With one member already retired, the other five immediately followed suit so they could start to enjoy their life-changing win – with family holidays to the United States and new houses on the shopping list. "Dreams really do come true. This win is life-changing for us all and the size of the win is still sinking in. We are all so emotional but very, very happy," says syndicate leader Julie Saunders.

The year's biggest individual publicity winner was Gloucester taxi driver Amo Riselli, who carried his winning Lotto ticket around in the glove compartment of his cab for two days in December before realising that he was an amazing £24.5 million richer. The win has made a huge difference to his whole family and enabled him to give up work.

Winning the Thunderball top prize of £500,000 in February meant Newport couple Colin and Alison Wright could pay off their mortgage, and enjoy an early and spontaneous retirement. "Working in a school, we've only ever been able to get away during school holidays, so it will be so nice to just go where we want, when we want," says Alison.

In December, Melissa Ede, a taxi driver from Hull, celebrated after scooping a top prize of £4 million on The National Lottery's '£4 Million Blue' Scratchcard. Melissa was on her way to work on a Saturday night when the game caught her eye as she stopped for petrol. A few minutes later, after scratching the card in her car, Melissa discovered that she was £4 million richer.

Melissa is now looking forward to buying a home of her own after spending years as a lodger, as well as treating herself to a new car. She is also planning to write her autobiography to help others on their transgender journeys.



**"THIS IS SOMETHING THAT ONLY EVER HAPPENS TO OTHER PEOPLE. EVERYONE DREAMS OF WINNING THE LOTTERY BUT YOU NEVER THINK IT IS GOING TO HAPPEN TO YOU BUT, NOW IT HAS, IT'S THE MOST AMAZING FEELING EVER."**

MELISSA EDE





**"I WILL MISS ALL MY FRIENDS AT WORK AS WE REALLY HAVE A LAUGH TOGETHER, BUT I'VE DECIDED I'M GOING TO RETIRE – JUST BECAUSE NOW I CAN."**

AMO RISELLI



## OUR WINNERS

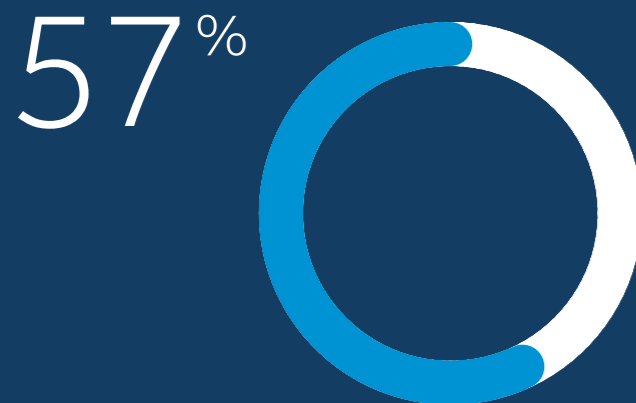
5,000 National Lottery millionaires

### SHARING

- 98% of National Lottery millionaires gift to family
- As well as cash (89%), millionaires have gifted holidays (63%), cars (49%) and houses (40%)
- University fees also feature as a gift – with over a fifth of millionaires helping others to prepare for the future
- National Lottery millionaires have created a further 1,750 millionaires through generous financial gifts alone
- 57% of winners' children will become millionaires because of the win
- 36% of winners believe that they will be able to make their grandchildren millionaires
- On average, winners have given away 19% of their winnings – an incredible £2.5 billion in total
- 27% of millionaires have set up their own businesses
- 88% of winners donate to charity – not just cash but time, with 78% choosing to volunteer

### WINNERS' CHILDREN

Will become millionaires because of the win



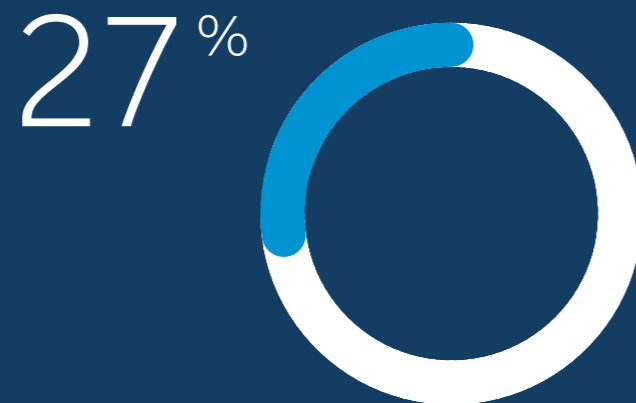
1,750

**NATIONAL LOTTERY MILLIONAIRES  
HAVE CREATED A FURTHER  
1,750 MILLIONAIRES THROUGH  
GENEROUS FINANCIAL GIFTS ALONE.**

**UNIVERSITY FEES ALSO FEATURE  
AS A GIFT – WITH OVER A FIFTH  
OF MILLIONAIRES HELPING OTHERS  
TO PREPARE FOR THE FUTURE.**

### BUSINESS START-UPS

Millionaires who have set up their own businesses



### UNUSUAL PLACES TO KEEP THE WINNING TICKET

- In a dog basket
- Under a carpet
- Stapled to a shirt pocket
- In a photo frame
- Down a sock
- Under a snake tank
- In a budgie cage
- Under a shed
- Under a flowerpot

### BUCKET LIST ITEMS

- Northern Lights
- Lapland
- Round-the-world trip
- Safari
- Helicopter ride
- Whale watching
- Grand Canyon
- Sky dive
- Scuba diving

### BEST THING ABOUT WINNING

- Financial security
- No worries
- Looking after friends and family
- Giving up work
- Spending time with family
- Paying off mortgage
- Freedom
- Helping others
- Donating to charity
- Luxury holidays
- Putting kids through university

### WAYS TO CHOOSE NUMBERS

- Lucky Dip®
- Own choice of random numbers
- Birthday dates
- Other significant dates/numbers
- Ages of family/friends
- Car registration plates
- Door numbers





**OVER £4.4 BILLION OF NATIONAL LOTTERY MONEY HAS BEEN INVESTED IN GRASSROOTS SPORT – MORE THAN 120 DIFFERENT SPORTS HAVE BEEN SUPPORTED, CREATING OPPORTUNITIES FOR EVERYONE TO GET ACTIVE.**



## NATIONAL LOTTERY GOOD CAUSES

Every time somebody plays a National Lottery game, the UK wins.

For every National Lottery ticket sold, a proportion of the money received benefits a huge variety of Good Cause projects, both big and small – from repairing Scout huts to helping to make inspirational Olympic and Paralympic champions.

Almost everyone in the UK has benefited from a National Lottery-funded project. To date, National Lottery players have raised over £38 billion for Good Causes, funding more than 535,000 projects in the arts, sport, heritage, health, education, environment and voluntary/charity sectors. That's the equivalent of around 190 lottery grants for every UK postcode district, with every project making a real difference to the lives of people and communities across the UK.

Supported by The National Lottery, Chester's Storyhouse is a library, theatre, cinema, community centre and arts hub – and, with one million customers in its first year, is one of the country's most successful cultural buildings. Its library boasts the longest opening hours of any UK public library and is open every day until 11pm. The project offers over 2,000 activities each year for local marginalised groups, including autism-friendly colouring sessions, sewing groups for refugees, and regular classes for isolated and older communities.

©Mark Carline





## NATIONAL LOTTERY GOOD CAUSES

The National Lottery is about enriching the life of the UK and many major funding awards act as catalysts for wider regeneration in the local area.

Hull's year as UK City of Culture in 2017 is a prime example of a National Lottery-funded enterprise that, according to Hull City Council leader Stephen Brady, has been "the city's renaissance".

More than £10.2 million was awarded to Hull UK City of Culture, making The National Lottery the biggest single funding body for the initiative. The grants helped the city to cement its place as a top destination by enabling major investment in visitor infrastructure and a world-class, 365-day cultural programme that offered over 2,800 events, installations and exhibitions.

As a result, Hull UK City of Culture attracted a total audience of 5.3 million, with 95% of all residents attending at least one event during 2017. Nearly 800 new jobs have been created in the visitor economy and cultural sector in the city since its bid in 2013 – a direct result of investments that are fully or partly attributable to Hull's UK City of Culture status. In addition, the projected value of tourism to the city is on track to contribute more than £300 million to the local economy.

The National Lottery, however, doesn't just support large-scale initiatives. It supports amazing, life-changing projects of all sizes. In Pembe's case, National Lottery funding has played a big part in helping her to turn her life around after growing up in a deprived area of London, mixing with the wrong crowd and spending time in custody.

She was one of the first young people to join the Five O Band, a ground-breaking programme that saw police officers and at-risk young people form a band together. Run by The Crib – a Hackney-based social inclusion and intervention project that received around £30,000 in funding for the programme from Arts Council England-funded charity Youth Music – the Five O Band has changed the way Pembe looks at life, especially her perception of the police.

Now aged 19, Pembe works as a full-time sound technician thanks to the support and skills she gained from The Crib – and is still involved with a lot of the project's live shows. She also continues to mentor young people, helping them to get out of offending and change their feelings about the police.

During Hull's year as UK City of Culture, over 2,400 people carried out 337,000 hours of volunteering – the equivalent of 38.5 years.

Hull UK City of Culture 2017: Hull Takeover at Edinburgh Festival Fringe

©James Glossop, Hull UK City of Culture 2017

**"WE'VE HAD AN UNFORGETTABLE YEAR... THE CONFIDENCE IN THE CITY IS AT AN ALL-TIME HIGH AND WE WILL BUILD ON THIS OVER THE COMING YEARS."**

**HULL CITY COUNCIL LEADER STEPHEN BRADY**





**NATIONAL LOTTERY GOOD CAUSES**



Clockwise from top right:  
Thanks to £4.6 million of National Lottery funding, 20 UK species are being brought back from the brink of extinction – including *Lucanus cervus* m (stag beetle) ©Greg Hitchcock, [www.grhphotography.co.uk](http://www.grhphotography.co.uk); and the Ladybird spider ©Stephen Dalton;  
Pembe, photograph courtesy of Youth Music;  
East Lancashire Football Development Association ©Sport England; 'Rising Phoenix', The Big House

Around 70% of all funding grants are for £10,000 or less – giving small, grassroots projects a real boost at a time when other sources of revenue are being, or face being, cut. While not as high-profile as some of the larger funding awards, these smaller grants have a huge impact locally.

For example, the £9,582 that Belfast-based Jointz – Arthritis Care NI received from Big Lottery Fund's 'Awards for All' programme in July means that the organisation can provide vital support to children diagnosed with arthritis and their families. The funding has enabled the parent-run network to offer activities including family fun days and residential weekends for teenagers, as well as seminars and cognitive behaviour therapy sessions for parents.

And in Wales, the £5,500 that the Heritage Lottery Fund awarded to the Neath Great Western Retired Staff Club in 2017/18 is enabling members to come together to record their memories of what life was like on a working railway for the workers and their families. The members will then share these fascinating stories with local people as part of the club's 70th anniversary celebrations.



**“LEARNING SKILLS AND GETTING A JOB HAS CHANGED THE WAY I WALK, TALK, THINK AND PRESENT MYSELF. I THINK IT’S ABOUT ACKNOWLEDGING THAT I CAN FIT INTO SOCIETY, AND NOT BE ON THE STREETS AND DOING NOTHING WITH MYSELF EVERY DAY, OR BEING AROUND DRUGS OR VIOLENCE OR CRIME. I’VE COME A VERY LONG WAY FROM THAT.”**

**PEMBE, FULL-TIME SOUND TECHNICIAN**



## NATIONAL LOTTERY GOOD CAUSES

### How money for Good Causes is allocated.

Although we are responsible for generating returns for Good Causes, we play no role in the allocation of funding. This is the specific responsibility of 12 National Lottery distribution bodies, each with specialist knowledge of their sectors. These bodies are chosen by Parliament for their knowledge and expertise to help ensure the money goes exactly where it's needed:

#### Arts

Arts Council England  
Arts Council of Northern Ireland  
Arts Council of Wales  
British Film Institute  
Creative Scotland

#### Community

Big Lottery Fund

#### Heritage

Heritage Lottery Fund

#### Sport

Sport England  
Sport Northern Ireland  
sportscotland  
Sport Wales  
UK Sport

The income raised for Good Causes from ticket sales is paid by us into the National Lottery Distribution Fund and then allocated to the distribution bodies according to a formula set by the Department for Digital, Culture, Media & Sport. In the year to 31 March 2018, the money we delivered for Good Causes was allocated as follows:

- Community (including health, education, environment and voluntary/charity): 40%
- Sport: 20%
- Arts: 20%
- Heritage: 20%

For further information about projects awarded National Lottery funding or to apply for funding, please visit [national-lottery.co.uk/life-changing](http://national-lottery.co.uk/life-changing)



**NATIONAL LOTTERY FUNDING HAS SUPPORTED OVER 31,000 EDUCATION PROJECTS AND MORE THAN 10,000 AFTER-SCHOOL ACTIVITIES.**



## NATIONAL LOTTERY GOOD CAUSES

#teamparkrun

In August, The National Lottery teamed up with UK Sport and parkrun UK to encourage members of the public to get active at #teamparkrun. The initiative saw 100 Olympic and Paralympic athletes get involved at 5K parkrun events the length and breadth of the UK to thank the public for their ongoing support for sport at all levels through playing The National Lottery.

The sporting heroes – including Sochi 2014 Winter Olympic curling bronze medallist Eve Muirhead (pictured right), London 2017 Athletics World Championships gold medallist Adam Gemili, double Olympic cycling champion Joanna Rowsell Shand, London 2012 Olympic long jump champion Greg Rutherford, and Rio 2016 Paralympic swimming champion Ellie Robinson – were among those who acted as volunteer tail walkers at the events, meaning it was them who finished last for a change.





## NATIONAL LOTTERY GOOD CAUSES

860

### OLYMPIC AND PARALYMPIC MEDALS SINCE NATIONAL LOTTERY FUNDING FOR ELITE SPORT BEGAN IN 1997.

National Lottery funding helped Team GB win five medals at PyeongChang 2018, including gold for Lizzy Yarnold and bronzes for Laura Deas and Dom Parsons – its best ever Winter Olympic performance – while ParalympicsGB won seven medals, making it the most successful Winter Games in its history.

Last year also saw the London 2017 Athletics and Para Athletics World Championships play to huge crowds in the London Olympic Stadium – the staging of which was made possible by National Lottery funding and in which National Lottery-funded track and field athletes excelled.

Winter Olympic skeleton medallists (left to right) Laura Deas, Dom Parsons and Lizzy Yarnold visited Camelot's Watford office to meet employees and talk about the huge difference that National Lottery funding has made to them and their sport.







**£30M**  
THE AMOUNT THE NATIONAL LOTTERY RAISES  
ON AVERAGE EACH WEEK FOR GOOD CAUSES.

©Young Ambassadors,  
sportscotland

## NATIONAL LOTTERY GOOD CAUSES

### Telling the life-changing story better.

Since its launch in 1994, The National Lottery has become part of the fabric of UK society but the unique role it plays has become less evident in recent years. Many people are aware of the huge prizes on offer and the big jackpot winners who make the headlines – but that is only one aspect of The National Lottery.

Far fewer people, however, know about the £30 million that The National Lottery raises on average every week for Good Cause projects throughout the UK – and the significant role they have played in making that possible. We believe that it's important that the public knows where and how their money has been spent, which is why we have committed to tell the life-changing story better.

One of the key findings of the strategic review that we carried out last summer was the need to make The National Lottery and its purpose more relevant and visible. One way in which we have started to do this is by working closely with the distribution bodies and other key partners to deliver a clear 'One National Lottery' brand, which more effectively communicates the uniqueness of The National Lottery, raises awareness of the life-changing good that it does and recognises the all-important contribution of players.

As part of this work, The National Lottery ran a four-week #ThanksToYou campaign at the end of 2017 to encourage Good Cause projects to say thank you to players for supporting a huge range of initiatives in communities across the UK. The campaign, promoted on millions of National Lottery tickets and through social media, focused on the arts, community, sports and heritage sectors, with thousands of funding beneficiaries taking part.

Projects responded in their own unique way – from celebratory videos to free days out. For example, in the heritage sector, 425 attractions – including National Trust, the Science Museum, Jodrell Bank, the Design Museum and the Royal Academy – threw open their doors for free or provided other free offers for anyone turning up with a National Lottery ticket or Scratchcard. Two-thirds of the projects that took part said that their visitors were now aware of National Lottery funding.

Following the popularity of the initiative – which trended twice on Twitter, attracted over 1.3 million video views and generated extensive media coverage – we will be running #ThanksToYou again in 2018 and are already consulting with the distribution bodies to make the campaign even bigger and better.



## The People's Projects 2017

A collaboration between Big Lottery Fund, ITV, STV and The National Lottery, The People's Projects gives the public a chance to decide how National Lottery funding should be put to good use in their local area. Since its launch in 2005, around £39 million has been awarded through the partnership to 865 community projects across the UK.

In 2017, 95 shortlisted projects were featured across 19 ITV regions – with the three projects that gained the highest number of public votes in each region receiving a funding boost of up to £50,000 to enable them to continue to improve the lives of people in their communities.

One such project was Fyrish Gymnastics Club, based in Alness in the Scottish Highlands. It has used the £48,624 it was awarded as one of the winners in The People's Projects 2017 to expand its outreach work – it now runs sessions with more than 1,000 youngsters a week in local primary schools. As well as offering traditional gymnastics, the club has launched 'Street Gym' (indoor parkour) classes to specifically help disengaged young people who often find school a challenge or play truant.

Another winner was Haircuts4Homeless, a community group set up in Havering by veteran hairdresser Stewart Roberts (pictured right). Inspired by the actions of hairdressers in various parts of the world, Stewart set out to build a community of skilled hairdressers who volunteer to provide free haircuts for homeless people. The group has used the £46,040 it was awarded to roll out the project across the UK. "There is something very personal about cutting someone's hair that can be both enjoyable and therapeutic, which is something that many homeless people rarely get," explains Stewart.

**"IT MAY BE 'JUST A HAIRCUT', BUT IT'S THE KINDNESS SHOWN THAT MAKES A HOMELESS PERSON KNOW THAT PEOPLE REALLY CARE."**

**STEWART ROBERTS**





National Lottery Awards 2017



**T**he National Lottery Awards are the annual search to find the UK's favourite National Lottery-funded projects. The awards, voted for by the public, recognise the incredible difference that these projects have made to people, places and communities all across the UK.

In September, 49 amazing causes – representing the seven sectors that benefit from National Lottery funding – came together to celebrate their achievements at a glittering awards ceremony hosted by Ore Oduba and broadcast on BBC One. Actors Martin Clunes, Jessica Hynes and Richard Blackwood joined music stars Martin Kemp, Kimberley Walsh and Shane Lynch to present the awards to this year's winners:

©Paul Slater

**ARTS**

**THE MAN ENGINE (PICTURED LEFT)**

The Man Engine, a colossal mechanical tin miner, is the largest mechanical puppet ever built in Britain. When he 'transforms', he stands at 11.2 metres tall (that's two-and-a-half double-decker buses high) – but he only transforms if enough people sing. And that's what 150,000 people turned out to do last summer when the Man Engine steamed the length of the Cornish mining landscape. National Lottery funding enabled the project to design and construct the mechanical wonder, and to run an educational programme for schools across Cornwall.

**EDUCATION**

**MAGI ANN**

Generations of Welsh children have learned to read their native language with the help of Magi Ann, a character created by teacher Mena Evans in the 1970s. With National Lottery support, the beloved series of books has been brought to life through six free apps, helping parents and children to enjoy Welsh together. The apps, which show the foundation-level stories in colour and animation for the first time, have now been downloaded over 92,000 times.

**ENVIRONMENT**

**AVALON MARSHES**

The Avalon Marshes project has conserved the landscape, heritage and wildlife of this unique wetland in the heart of Somerset. National Lottery funding has helped to unlock the area's huge potential to be discovered, explored and enjoyed. As well as dramatically improving access to nature reserves with new bird hides, trails and visitor facilities, the project has used the funding to train and engage local communities, attracting thousands of participants.

**HEALTH**

**HEADSMART**

Brain tumours kill more children and young people than any other cancer, but it takes longer for them to be diagnosed in the UK than in many other European countries. HeadSmart is a national campaign that is saving lives by raising awareness of the symptoms through engagement with parents and healthcare professionals. Underpinned by National Lottery funding, the campaign has reached more than 14 million people and succeeded in cutting the average diagnosis time from 14.4 weeks to 6.9 weeks – giving young people a much better chance of survival and a far-reduced risk of long-term disability.

**HERITAGE**

**WE'RE HERE BECAUSE WE'RE HERE**

'We're here because we're here' saw people across the UK stopped in their tracks by the 'ghosts' of over 1,400 soldiers killed on the first day of the Battle of the Somme 100 years earlier. Commissioned by 14-18 NOW, 2,000 volunteers wearing historically-accurate uniforms appeared unexpectedly at public locations, creating a unique, modern memorial to this tragic event. National Lottery funding enabled the numerous creative partners behind the project to research, plan and deliver such a large-scale commemoration, and to take it to all four home nations.

**SPORT**

**PARKRUN VISUALLY IMPAIRED (VI)**

Based on the original parkrun concept, parkrun UK's Visually Impaired (VI) scheme is a project that helps visually-impaired people to be more active by providing an environment in which they can run safely and socialise. Thanks to National Lottery support, the project has been able to host taster days to introduce new visually-impaired runners to the parkrun family – and, so far, over 150 people with a visual impairment have started running, walking or volunteering at events.

**CHARITY**

**BRAVEHOUND**

Most veterans leave the Armed Forces and adapt well to civilian life, but some face real difficulties, particularly those with Post-Traumatic Stress Disorder. With the support of The National Lottery, Bravehound was launched to match dogs with veterans, providing companionship and helping them to adjust to civilian life. The project's first Bravehound, Irma, has brought joy back into veteran Paul Wilkie's life. Tormented by recurrent nightmares, Paul is now woken by his trusty spaniel, licking his face: "She just takes it all away. I haven't stopped smiling since I got her."

For full details of 2017's National Lottery Awards winners, please see: [national-lottery.co.uk/life-changing/project-nl-awards-winners-2017](http://national-lottery.co.uk/life-changing/project-nl-awards-winners-2017)





**VOLUNTEERS AT NATIONAL-LOTTERY FUNDED PROJECTS HAVE GIVEN OVER 150 MILLION HOURS OF THEIR TIME – THAT'S THE EQUIVALENT OF OVER 17,000 YEARS.**





## DOING BUSINESS RESPONSIBLY

As operator of The National Lottery, we're a company like no other – a commercial organisation that raises billions of pounds for the public good. To ensure we strike the right balance between the moral and commercial imperatives that drive what we do, we strive to be responsible in everything we do.

For us, doing business responsibly starts with our tens of millions of players. Without them, we wouldn't be able to return around 95% of every pound spent on National Lottery games to winners and society. This makes it all the more important that National Lottery players have a positive and enjoyable experience – with lots of people playing, but individually spending relatively small amounts.

The fact that The National Lottery is ranked just 65th in the world in terms of per capita spend, despite being the sixth largest lottery in the world in terms of sales, underlines the effectiveness of our approach to date in this area.

### PLAYER PROTECTION

As a responsible business, we have a duty to do everything we can to prevent problem play, whether that's excessive or underage play, and to promote safe play. Player protection, therefore, remains a key priority for us. We know that we must continue to improve our systems and programmes to maintain the already very low rate of problem play associated with National Lottery products, and reduce it even further where possible.

To this end, we are in the process of looking in greater detail at how we can further strengthen our work in this area to ensure that our approach is industry-leading. This will enable us to build on the wide range of activity aimed at reducing excessive play, preventing underage play and promoting safe play that we carried out in 2017/18.

### Reducing excessive play in retail

In partnership with RG+, a research and development division of the Responsible Gambling Council, we ran a pilot programme to help us better understand what problem play specific to The National Lottery looks like in retail and identify what additional support our retail partners may need. As part of the initiative, we delivered face-to-face training to retailers, and produced a range of materials including guidelines and leaflets.

At the end of the pilot, we found that retailers felt more prepared to respond in situations where they believed that excessive play might be occurring – with 90% of those who witnessed it stating that the guidelines and/or leaflet were useful in helping them to respond.

In the coming year, we will work with GamCare – the UK's national centre for information, advice and practical help regarding the social impact of gambling – to carry out further research into the effectiveness of direct retailer interventions. Building on the learnings from the pilot, we will also update the information and guidance we give to retailers about excessive play to reinforce its importance, and will provide training to them in this area.



## DOING BUSINESS RESPONSIBLY

### Reducing excessive play online

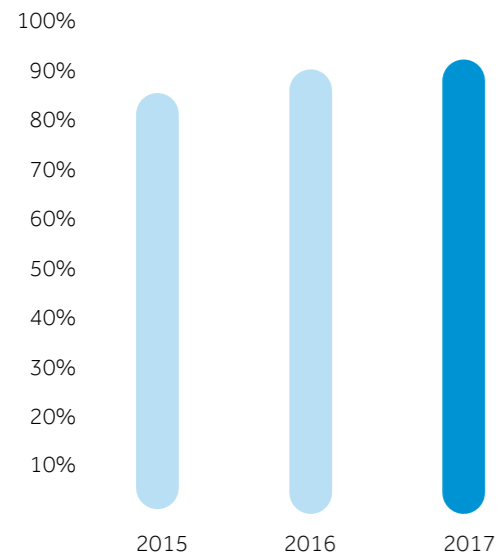
Over the last year, our data scientists have been working hard to build our own in-house behavioural analytics model, Mercury, to enable us to identify patterns of behaviour that may amount to excessive play. We can then actively encourage the players concerned to use the online tools available to them – such as spend limits and self-exclusion – to help manage their play.

To make sure that our players have all of the tools necessary to help them stay in control of their online playing habits, we have introduced a number of further tools. These include a 'Session Time Reminder', and 'Take a Break' and 'Automated Exclusion' options, enabling players to take short or long breaks from playing, or to permanently self-exclude.

We have also worked closely with Featurespace, one of the world's leading providers of behavioural analytics technology, to analyse our online players' behaviour and to test different types of email intervention to encourage positive changes in behaviour. We found that the most effective emails led to 12% fewer players going on to play in the next week compared with those who hadn't received one.

### MYSTERY SHOPPER PROGRAMME

Highest pass rate – 2017 at 91%



In 2018/19, we will join GamStop, a free service enabling UK consumers to exclude themselves from all British-licensed online gambling companies. We will also increase the number of channels we use for interventions, as well as track the longer-term impact of interventions on player behaviour.

### Preventing underage play in retail

As our retail partners are independent of Camelot, we work hard to ensure that they share our commitment to player protection, and are aware of and know how best to apply the measures that we have put in place.

One way we do this is through our mystery shopper programme, which we have been running since 1999. Using young people who are aged 16 or over but who look younger, the programme enables us to test retailer awareness of, and compliance with, the safeguards that exist when selling National Lottery tickets to young people.

To support this year's programme, we developed and updated a range of materials to reinforce retailer awareness of their responsibilities. As a result, of the 11,623 mystery shopping visits we conducted in 2017, 91% of retailers correctly asked for ID as proof of age on the first visit – a 2% improvement on last year's figure and a 5% increase on 2015's results.

We plan to further strengthen the programme in 2018/19 by running an awareness programme for retailers throughout the year and by developing online resources to enable us to train them remotely.

### Preventing underage play online

As part of our commitment to preventing underage play across our online channels, all players must go through a rigorous registration process and pass an Experian check if they want to set up an online National Lottery account.

This enables us to check that players are who they say they are, and also verifies their age. If somebody fails the Experian check but still wants to open an online account with us, they are required to post certain evidence to us. We would then review the evidence to see if it satisfies the necessary requirements. If it does, we would remove the block on the proposed account.

## DOING BUSINESS RESPONSIBLY

### Designing responsible games

We are confident that National Lottery products pose a very low risk of causing harm to players, but we aim to minimise this as much as possible. We therefore follow a robust 'Responsible Game Design Process' for all of our games – using Gamgard, an online tool that assesses a potential game's risk levels – to ensure that they don't overly appeal to vulnerable groups and are fun to play.

If we do identify a potential risk, we will either revise the game and/or our proposed marketing. If the risk is considered too high, we will not launch the game at all. We also review games post-launch to ensure their ongoing suitability. In 2017, we carried out an internal audit of all of our games to ensure that none of them were particularly appealing to children and, as a result, we withdrew two games – Hook a Duck and Mousetrap – as they were games with which children would be familiar.

We also worked with leading responsible gambling experts Dr Richard Wood and Dr Jonathan Parke to review our game design process and to look at best practice across the global lottery industry. As a result, we have strengthened what we do by establishing a Responsible Game Design Governance Group, which comprises representatives from across Camelot and oversees the game design process in its entirety.

We will further strengthen the game design process in the coming year with additional training for all relevant teams led by a responsible gambling academic.

### Research and certification

We support a wide range of independent research, studies, conferences and organisations that help to improve our understanding of and approach to problem gambling.

As reported earlier, we worked with RG+ in 2017 to help us better understand what problem play specific to The National Lottery looks like in retail, and with leading responsible gambling academics to review our game design process and learn from global best practice in this area.

We were one of the first organisations in the UK to achieve accreditation from GamCare and have attained it every year since 2003.

We also fully support the work of GambleAware – an independent charity that funds research, education and treatment services to help minimise gambling-related harm in the UK. We have contributed substantially to it and its predecessors on a voluntary basis since their inception, and, in late 2017, voluntarily increased our contribution from £190,000 to £300,000.

We have received World Lottery Association and European Gaming Standards Certification at Level 4 in recognition of our responsible play work, and have also received the Business in the Community CommunityMark – the UK's only national standard that publicly recognises leadership and excellence in community investment.

In addition, we are one of only seven lotteries worldwide to have received a La Fleur's Sustainability Award for having achieved outstanding results in the areas of responsible gaming, corporate social responsibility or environmental initiatives. The awards highlight 'best practice' that could be replicated by other lottery operators around the world.

### Staff training

All of our employees are fully trained to understand our commitments to player protection and we support them in their day-to-day work, with extra training for those in direct contact with consumers and retailers.

Our Contact Centre staff are trained on how to spot signs of excessive play and what they should do as a result, and also receive monthly player protection knowledge tests. We also raise awareness of the importance of player protection on a regular basis through our internal communications channels.



## DOING BUSINESS RESPONSIBLY

### SUPPORT FOR WINNERS

While player protection remains a key priority for us, it is not the only focus of our commitment to doing business responsibly.

Under our licence to operate The National Lottery, we have a duty of care to ensure that winners are able to retain their right to anonymity at all times. This means that, unless we have written consent from a winner agreeing that they are happy for us to share news of their win, we will not release any details that could potentially compromise their anonymity.

As well as being a time of extreme excitement and happiness, suddenly winning a substantial sum of money can be an overwhelming and emotional experience for many people. We have a dedicated team of Winners' Advisors who support all winners of over £50,000 through the process so that they can begin to enjoy their life-changing win. For winners of over £1 million, we can arrange for a private banking representative to visit them at home, and organise a panel of independent legal and financial experts to offer impartial advice.

### SUSTAINABLE SUPPLY CHAINS

Having a good relationship with our suppliers – around 700 of them, at any one time – is crucial for the continuing successful operation of The National Lottery. We therefore take our commitments to them seriously in pursuit of our goal of having a transparent and sustainable supply chain that is always ethical, with practices in place to protect our reputation and theirs.

We always carry out appropriate due diligence when considering taking on new suppliers, and review our existing suppliers through a combination of periodic review meetings, surveys and audits. This ensures that our standards are being implemented, and helps us as we strive to make sure that there is compliance with relevant legislation and regulations.

Our Procurement Team conducts an annual Supplier Conduct Review survey with a select subset of our supply base, which helps us to understand how our suppliers manage their own businesses. The survey covers areas such as business ethics, supply chain management, human rights and environmental management. We analyse the responses to identify where improvements can be made and also produce individual supplier reports, with bespoke feedback given to each supplier.

Raising awareness of the issue of modern slavery and human trafficking was a key priority for us in 2017/18. We communicated our commitment to preventing such practices to all of our suppliers and our network of National Lottery retailers, and reminded them of our standards and expectations in this area. We also introduced training to ensure that all of our employees are aware of best practice, and are able to take appropriate action to monitor and prevent any instances of modern slavery or human trafficking.

### ENVIRONMENTAL IMPACT

We are committed to minimising any negative environmental impact from our operations and, where possible, look to increase the positive impact we make.

We are now publicly reporting on the energy consumption of our buildings through our annual Corporate Responsibility Report, and are looking to widen the scope further next year to include areas such as fuel consumption, waste and recycling.

For further details of how we have been doing business responsibly in 2017/18, please see our full Corporate Responsibility Report.

Working in collaboration with others helps us to keep learning and challenges us to do even better. We therefore work with a range of other organisations to help us continue to improve, including: **Business in the Community, the European Lotteries, the Gambling Commission, GamCare, GambleAware, the Responsible Gambling Strategy Board, tomorrow's company and the World Lottery Association.**

Our Head of Corporate Responsibility also chairs the World Lottery Association Responsible Gaming Working Group and is a member of the European Lotteries Responsible Gaming Working Group.



**WE WANT CAMELOT TO BE A PLACE WHERE OUR PEOPLE CAN THRIVE AND WE WORK HARD TO ENSURE THAT OUR PEOPLE STRATEGY SUPPORTS THIS.**







**OUR PEOPLE**

Our commitment to doing business responsibly isn't just outward facing. It's really important to us that we have a diverse and inclusive workforce who feel proud about the work they do, valued in their roles and engaged to be their best as they further their careers with us.



We want Camelot to be a place where our people can thrive and we work hard to ensure that our people strategy supports this – by creating a culture, environment and processes that are inclusive, and by continuously enhancing our employee offering and doing what we can to make staff feel that their voice is heard.

We have also launched a new intranet to connect our employees from across our different sites – enabling them to engage, collaborate and celebrate using any Camelot device – as well as a new employee on-boarding process. This is helping our new joiners to settle in by giving them an early understanding of the different business functions within Camelot and how they all fit together.

**Employee Forum**  
 In March, we launched a newly-elected Employee Forum made up of staff representatives from across the business, which meets regularly with our Executive Team. We actively encourage all of our employees to use the forum to voice any concerns they may have, feed back on any changes happening within the business, and share new ideas.

**Employee training**  
 We have launched LinkedIn Learning, giving staff access to thousands of courses created by industry experts across a range of topics. This is enabling employees to own their own learning, and develop their skills and knowledge at their own pace – where they want, when they want. And, in the first half of 2018/19, we will be launching both a new people manager development programme and a new talent management process to support, develop and retain colleagues.

**Employee engagement**  
 Having carried out a single annual engagement survey for a number of years, the last of which took place in December 2017, we moved to a cycle of shorter, quarterly 'pulse' surveys in March 2018. This will give us a more frequent measure of engagement across the business, and therefore a more accurate sense of how we're doing as we continue to make improvements.



## OUR PEOPLE

### Employee volunteering

We want all of our employees to be able to feel the impact of the life-changing good that they have made possible through their day-to-day work. We therefore encourage staff to take advantage of the two volunteering days a year we give them to work with projects that have benefited from National Lottery funding.

During the year, 285 employees gave 1,709 hours of their time – the equivalent of over 70 days and a 15% increase on the previous year – to give something back to the local community by volunteering at a wide range of organisations. These included Watford Mencap, Age UK, Watford Peace Hospice, The Conservation Volunteers, Birkenhead Venture Boxing Club, Media Trust and UK Sport.

And in June, half a dozen employees teamed up with war hero Matthew Croucher, GC and a group of National Lottery winners worth a combined £45 million to build a special pathway at The National Memorial Arboretum in Staffordshire (pictured right). The 'National Lottery Way' is a 40-metre walkway that will enable and encourage visitors to reach some of the Arboretum's newer memorials and tributes.

As well as volunteering opportunities, we offer match funding for fundraising activities and the option to donate through the Give As You Earn (GAYE) payroll scheme. During the year, our employees raised over £22,000 through match funding and donated more than £4,000 through GAYE.

### Gender pay gap

Based on our payroll in April 2017, we had a mean gender pay gap of 24.9% and a median gender pay gap of 28.4%. And based on bonuses paid in the year to 5 April 2017, we had a mean gender bonus gap of 53.0% and a median gender bonus gap of 43.2%.

With all of our roles benchmarked for grading and salary purposes against an independent source of general industry pay data, we are very confident that women and men at Camelot are paid equally for equal work. However, we know that we have work to do to address our gender pay and bonus gaps, which are primarily driven by the gender mix of our employees.

We realise that any meaningful shift will take time but we are fully committed to reducing these gaps. We have already implemented a number of measures and will be introducing further initiatives in 2018/19 – focusing on areas such as progression for women, balanced shortlists, unconscious bias training, coaching and mentoring, and women and leadership.

### VALUES

Our values, which were developed in 2015 with input from well over 100 employees, help set out what we stand for as a business and guide how we operate. We encourage all of our employees to live the values in their day-to-day work, as well as through volunteering with Good Cause projects.

**Do Right** We meet our responsibilities to all of our stakeholders

**Act Together** We work as one team across offices, departments and levels

**Think Differently** We challenge each other and try new ways

**Take Charge** We step up and do amazing things

**Be Playful** We make work fun and never wait to celebrate

In 2018, we will be taking a fresh look at our values – again with wide employee involvement from across the business – to make sure that they are still right for us and for where we are heading as a business following our strategic review.



**DURING THE YEAR, 285 EMPLOYEES VOLUNTEERED 1,709 HOURS OF THEIR TIME – THE EQUIVALENT OF OVER 70 DAYS.**



## OUR EXECUTIVE TEAM

### **NIGEL RAILTON CHIEF EXECUTIVE OFFICER**

Nigel was appointed CEO of Camelot UK Lotteries Limited in November 2017, having previously been CEO at Camelot Global. He leads our Executive Team and has overall responsibility for the company's day-to-day operations, and the implementation of its strategies and policies, as it seeks to raise as much money as possible for Good Causes. Nigel joined Camelot in 1998 as Financial Controller and became Finance Director in 2003, later joining Camelot's Board in January 2006.



**1. CLARE SWINDELL**  
CHIEF FINANCIAL OFFICER



**2. GABY HEPNER-LOGAN**  
DIRECTOR OF  
REGULATORY AFFAIRS



**3. JOHN DILLON**  
LEGAL DIRECTOR



**4. NEIL KELLAR**  
CHIEF INFORMATION OFFICER



**5. RACHEL STOCK**  
GROUP HR DIRECTOR



**6. NEIL BROCKLEHURST**  
COMMERCIAL DIRECTOR



**7. DUNCAN MALYON**  
RETAIL DIRECTOR



**8. MIKE O'DONOHUE**  
CHIEF DATA OFFICER



**9. MATT RIDSDALE**  
DIRECTOR OF  
CORPORATE AFFAIRS



**10. TIM HALDENBY**  
CHIEF OF STAFF



**11. ANDY NICE**  
TRANSFORMATION  
DIRECTOR



**12. RICHARD BATESON**  
SENIOR VICE PRESIDENT,  
INTERNATIONAL



## OUR EXECUTIVE TEAM

### 1. CLARE SWINDELL CHIEF FINANCIAL OFFICER

Clare joined Camelot in May 2017 as CFO, having previously been CFO at dunnhumby, where she was also a Board director and member of the Executive Committee. She is responsible for leading our Finance and Business Assurance functions. Clare started her career with Ernst & Young, before joining Tesco PLC where she held a variety of senior roles over 17 years, including CFO for Tesco.com and Group Audit Director.

### 5. RACHEL STOCK GROUP HR DIRECTOR

Rachel joined Camelot as Group HR Director in August 2016 and is responsible for leading our people strategy. Prior to joining Camelot, she spent a number of years in senior HR roles in the media sector, including Group HR Director of Trinity Mirror and HR Director at Hearst Magazines. Rachel has led the HR functions of a number of organisations, helping their business models to evolve following significant changes in technology and consumer behaviour.

### 9. MATT RIDSDALE DIRECTOR OF CORPORATE AFFAIRS

Matt joined Camelot in April 2017 and leads our Corporate Affairs department, which is responsible for enhancing and protecting the reputation of Camelot and The National Lottery, telling the stories of winners and Good Causes, and engaging with key stakeholders. Matt was previously joint CEO of Tavistock, a leading communications consultancy, where he led the team in advising companies and individuals on strategic corporate and financial matters.

### 2. GABY HEPPNER-LOGAN DIRECTOR OF REGULATORY AFFAIRS

Gaby joined Camelot in January 2018, and is responsible for leading our Regulatory Affairs function and relationship with the Gambling Commission. She has extensive experience in regulatory and corporate affairs in telecoms, and was BT Group's Regulatory Director for seven years. Prior to this, Gaby led marketing, communications, employee engagement and CSR teams at Openreach, BT, and Cable and Wireless.

### 6. NEIL BROCKLEHURST COMMERCIAL DIRECTOR

Neil joined the Executive Team in April 2018, and manages our commercial function with responsibilities including brand, marketing and trade communications, creative services, broadcast, and e- and m-commerce. Up until March 2018, he was Managing Director of Camelot Global, where he ran both the European and North American businesses. Neil was also a key part of the team that successfully secured the contract to become the private manager of the Illinois Lottery.

### 10. TIM HALDENBY CHIEF OF STAFF

Tim joined Camelot UK's finance team in 2000 and has worked on a number of key projects, including the successful bid for the third National Lottery licence and the sale of Camelot to Ontario Teachers' Pension Plan in 2010. In 2014, he joined Camelot Global as Head of Strategy before re-joining the UK business in January 2018 as Chief of Staff, responsible for ensuring that the Executive Team successfully delivers Camelot's plans.

### 3. JOHN DILLON LEGAL DIRECTOR

John is a solicitor and joined Camelot in July 1998 as a Legal Adviser, becoming Deputy Head of Legal in 2004, Head of Legal in 2009, Company Secretary in July 2010 and Legal Director in March 2012. John is responsible for Camelot's legal strategy, which includes ensuring that all Camelot Group companies receive the necessary legal advice to identify and mitigate all material legal risks associated with their operations.

### 7. DUNCAN MALYON RETAIL DIRECTOR

Duncan joined Camelot, initially as Sales Director, in April 2009, and is responsible for developing and implementing Camelot's retail strategy and business plans. He has a background in blue chip, large-scale FMCG organisations, where he gained a wealth of experience across all channels – convenience, multiples, forecourts and online. Prior to joining Camelot, Duncan held senior and directorial sales and customer service roles with Coca-Cola, Kraft Foods and Coors Brewers.

### 11. ANDY NICE TRANSFORMATION DIRECTOR

Andy joined Camelot UK in 2017 on a short-term basis to shape and implement our Operational Excellence programme, which has delivered a series of enhancements across a wide range of business functions. He became Transformation Director in December 2017, responsible for devising and managing our Strategic Delivery Plan – a three-year initiative aimed at delivering further improvements across the business, including commercial developments, retail growth and integrity.

### 4. NEIL KELLAR CHIEF INFORMATION OFFICER

Having previously worked for Camelot from 2003 to 2016 – including nine years as IT Director – Neil re-joined the Executive Team in June 2017 as CIO and has recently taken on additional responsibility for a number of Business Operations functions, including our Contact and Distribution Centres, Facilities, and Draw and Winner Services. Neil's earlier career saw him work at a number of blue chip companies, including HSBC, Avis Europe and Daimler Chrysler.

### 8. MIKE O'DONOHUE CHIEF DATA OFFICER

Mike joined Camelot in April 2016 as our first CDO, and is responsible for engaging players through the application of data and insights. He has worked at the intersection of psychology, strategy and marketing analytics for the past 20 years – initially in market research, before spending seven years with McKinsey & Company, helping some of the world's leading businesses. Mike then spent five years at Tesco, looking after various marketing analytics, before joining British Gas.

### 12. RICHARD BATESON SENIOR VICE PRESIDENT, INTERNATIONAL

Richard joined Camelot in 2001 to set up and manage EuroMillions, which successfully launched in 2004 and has grown to become one of the world's largest lottery games. He was appointed to his current role in April 2018, having previously served as Commercial Director. Richard is responsible for developing relationships with our existing partners – such as the EuroMillions community – and for establishing new partnerships with other leading lotteries around the world.



TASS Loughborough  
©Sport England



## OUR BOARD



### JO TAYLOR CHAIRMAN

Jo Taylor joined Ontario Teachers' Pension Plan (Teachers') in 2012 as Head of the London Office for Teachers' Private Capital and, in 2014, was promoted to Senior Managing Director – International. In that role, Jo has responsibility for overseeing the full cycle of origination, analysis, execution, value creation and eventual realisation of private investments in EMEA and Asia-Pacific.

Jo has over 30 years' investment experience, including more than 20 years with 3i Group plc, an international private equity

and infrastructure investor. There he was the Head of Venture, Member of Group Management and Investment Committees, and CEO of US Investment Subsidiaries.

In his career, Jo has worked with many boards, including while in his role at Teachers': Burton's Biscuits, Busy Bees, Helly Hansen, ISS, Ontario Airports Investments Limited and Scotia Gas Networks. Jo holds an MBA from Manchester Business School and a BA (Honours) from London University.

## OUR BOARD



**1. NIGEL RAILTON**  
CHIEF EXECUTIVE OFFICER



**2. JANE ROWE**  
NON-EXECUTIVE DIRECTOR



**3. SIR PATRICK BROWN KCB**  
INDEPENDENT  
NON-EXECUTIVE DIRECTOR



**4. TONY ILLSLEY**  
INDEPENDENT  
NON-EXECUTIVE DIRECTOR



**5. DAVID KELLY**  
INDEPENDENT  
NON-EXECUTIVE DIRECTOR



**6. ROB ROWLEY**  
INDEPENDENT  
NON-EXECUTIVE DIRECTOR



## OUR BOARD

### 1. NIGEL RAILTON CHIEF EXECUTIVE OFFICER

Nigel was appointed CEO of Camelot UK Lotteries Limited in November 2017, having previously been CEO at Camelot Global. He leads our Executive Team and has overall responsibility for the company's day-to-day operations, and the implementation of its strategies and policies, as it seeks to raise as much money as possible for Good Causes. Nigel joined Camelot in 1998 as Financial Controller and became Finance Director in 2003, later joining Camelot's Board in January 2006.

### 4. TONY ILLSLEY INDEPENDENT NON-EXECUTIVE DIRECTOR

Tony began his career with Colgate Palmolive, working in the marketing area, before moving to PepsiCo where he enjoyed roles including Operations Director for Northern Europe, President of PepsiCo Asia Pacific, and President of Walkers Snack Foods. The former Chief Executive of Telewest plc, the broadband cable TV/telecoms operator, Tony left the company in 2000, following the merger with Flextech and launched a portfolio career.

Tony was formerly a Senior Independent Director on the board of easyJet plc and has had a number of Non-Executive Board positions in public and private equity-backed companies.

### 2. JANE ROWE NON-EXECUTIVE DIRECTOR

Jane joined Teachers' in 2010 as Senior Vice-President of Teachers' Private Capital and has since assumed additional responsibilities for the organisation's international Long-Term Equities group. She also sits on the board of Cadillac Fairview, Teachers' wholly-owned real estate subsidiary, and Arterra Wines Canada.

Prior to joining Teachers', Jane held progressively senior roles at Scotiabank and its affiliates. In addition, she received a BComm (Honours) from Memorial University, an MBA from York University's Schulich School of Business and has ICD.D designation from the Institute of Corporate Directors.

### 5. DAVID KELLY INDEPENDENT NON-EXECUTIVE DIRECTOR

David's speciality is leading internet and technology businesses, from start-ups to fast-scaling and established global brands. He is currently Chairman of Pure360, Lovehomeswap.com and MBA & Company, and acts as a Non-Executive Director at Trinity Mirror, On The Beach and Qliro Group in Stockholm. Previously, David was Senior Vice President of Rackspace International, Chief Executive Officer and Founder of mydeco.com, Chief Operating Officer at eBay Inc. (Europe), Chief Operating Officer at lastminute.com, and Operations Director at Amazon.co.uk.

He holds a BA in Computing from Leicester University, and an MBA in Marketing and a PhD in Business Strategy – both from Cass Business School.

### 3. SIR PATRICK BROWN KCB INDEPENDENT NON-EXECUTIVE DIRECTOR

Sir Patrick held various positions in the Department of Transport and the Department of the Environment, becoming Second Permanent Secretary and Chief Executive of the Property Services Agency in 1990. He was Permanent Secretary for the Department of Transport from 1991 to 1997, and became a Non-Executive Director of the Go-Ahead Group plc in 1999 and its Chairman in 2002, until his retirement in 2013. More recently, Sir Patrick was Chairman of the Oil and Gas Authority until 2018.

### 6. ROB ROWLEY INDEPENDENT NON-EXECUTIVE DIRECTOR

Rob joined Reuters in 1978 where he held various senior management positions, including Finance Director from 1990 to 2000. He retired as a director of Reuters Group plc in December 2001. He was previously Deputy Chairman of Cable & Wireless plc, and a Non-Executive Director of Intu Properties plc from 2004 to 2013, Prudential plc and Taylor Nelson Sofres plc.

He is also Non-Executive Director, Senior Independent Director and Chair of the Audit Committee at Greene King plc.



Sports day in Nottinghamshire  
©Sport England





**NATIONAL LOTTERY-FUNDED FILMS HAVE WON A TOTAL OF 68 BAFTAS AND 16 OSCARS – MOST RECENTLY 'I AM NOT A WITCH' WAS AWARDED 'OUTSTANDING DEBUT BY A BRITISH WRITER, DIRECTOR OR PRODUCER' AT THE 2018 BAFTAS. IN TOTAL, OVER £5.6 BILLION OF NATIONAL LOTTERY FUNDING HAS BEEN INVESTED IN FILM, THEATRE, MUSIC, DANCE, LITERATURE AND VISUAL ARTS PROJECTS SINCE 1994.**

Two young ambassadors from Into Film, a National Lottery-funded project which helps young people across the UK to set up film clubs and provides opportunities to learn about film-making in schools, join Oscar-winner Eddie Redmayne on stage at Camelot's 2017 Parliamentary Reception to talk about the huge impact that their film club has had on the lives of disadvantaged young people in their local area.





## CONTENTS

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Strategic Report	80
Directors' Report	88
Report on Corporate Governance	94
Independent Auditors' Report	104
Statutory Financial Statements for the year ended 31 March 2018:	
– Statement of Comprehensive Income	112
– Balance Sheet	113
– Statement of Changes in Equity	114
– Statement of Cash Flows	115
– Notes to the Financial Statements	116



# The directors present the Strategic Report of Camelot UK Lotteries Limited (the 'Company' or 'Camelot') for the year ended 31 March 2018.

**BUSINESS REVIEW**

Camelot's trading performance this year has returned to growth, with sales growing by £26.4m (0.4%) after a decline in the previous year. During the year, Camelot delivered a number of initiatives that have benefited the current year's trading performance, including:

- the launch of a new EuroMillions HotPicks game with two draw days per week;
- the extension of the existing Thunderball game, with an additional draw day on a Tuesday;
- a renewed focus on the retail channel, including doubling the size of the Field Sales team;
- maximising the sales opportunity from exciting EuroMillions events;
- stabilising Lotto through new marketing campaigns, and Scratchcards through TV marketing and an improved product range.

The Company also benefited from record digital sales of £1,652.2m (2017: £1,521.9m), which included the best-ever performance by The National Lottery's range of online Instant Win Games. Mobile sales grew by 13.1% to reach an all-time high of £700.6m, with sales through smartphones and tablets now accounting for well over 40% of all digital sales. Sales through the official National Lottery apps for iPhone and Android set new records, following the launch of a full version of the Android app last year – instantly making National Lottery games available to millions more smartphone users.

This year's sales have also been positively impacted by a high number of statistically-unlikely rollovers in EuroMillions, which Camelot does not expect to re-occur in the next 12 months. The outlook for the next 12 to 24 months, therefore, remains challenging, with household incomes expected to be squeezed and Camelot continuing to compete with gambling and gaming companies.

**STRATEGY**

Camelot's purpose is to change lives – of the winners created through its games, and the people and projects supported by National Lottery funding. The Company achieves this through growing sales in a socially-responsible manner, which, under the aligned model set out in the third licence, maximises returns for National Lottery Good Causes and for Camelot's shareholders. During the year, Camelot conducted an in-depth review of its National Lottery strategy and operations, including its commercial plans to boost sales performance, and its investment in technology and systems. As a result of the review, the Company identified four key areas where it needed to take action:

1. reinvigorating The National Lottery brand to make it more relevant and visible;
2. improving its range of games to create a more balanced portfolio that offers something for everyone;
3. investing significantly in retail to boost engagement and better reflect the changing ways in which people are now shopping; and
4. upgrading its digital services to give players an even better experience.

Marketing will continue to play an important role in maintaining the relevance of National Lottery games in consumers' minds. To this end, Camelot announced that, in April 2018, The National Lottery results would be returning to Saturday night television through a partnership with ITV. Camelot will also work closely with the distribution bodies and other key partners to deliver a clear 'One National Lottery' brand, which more effectively communicates the uniqueness of The National Lottery, raises awareness of the extraordinary good that it does and recognises the all-important contribution of players.

To maximise the opportunity from its portfolio of games, Camelot has already launched a new EuroMillions HotPicks game and introduced a Tuesday Thunderball draw. During 2018, Camelot plans to make improvements to Lotto to further distinguish it from other draw-based games and to support its long-term health. During 2019, the Company plans to launch a new annuity-style draw-based game, a format that has proven popular in other international markets. Both of these initiatives are subject to regulatory approval.

Camelot is investing significantly in its retail channel, including doubling the size of the Field Sales team and making further investment to boost retailer engagement and in-store display. In total, the Company plans to invest £20 million in initiatives aimed directly at the retail channel. As the retail landscape changes, Camelot will seek to expand into new distribution channels to keep pace with these changes, including in discounters and at self-checkout.

Digital remains an important source of growth and Camelot will continue to invest in developing a strong mobile platform. Furthermore, the Company will continue to improve the customer journey for players and upgrade its customer relationship management systems.

This strategy aims to achieve objectives beyond sales growth and maximising returns to society. Camelot is a socially-responsible organisation, maintaining high standards of player protection and corporate governance, as well as safeguarding its position as one of the most cost-efficient major lottery operators in Europe.



### KEY PERFORMANCE INDICATORS (KPIs)

The Company's primary financial KPIs are sales, returns to Good Causes, profit and operating cash flow – all of which are monitored on a regular basis by the Executive Team and Board. In addition, Camelot is required to maintain and report on specific standards of performance on player accessibility, including terminal sales availability and the service provided to players. Failure to meet specific targets can result in a breach of the operating licence. Figures for the current year were submitted to the Gambling Commission as required. The Company's financial performance is discussed below.

#### Gross ticket sales

Gross ticket sales for the year ended 31 March 2018 were £6,951.7m (2017: £6,925.3m).

Within this amount, sales for draw-based games totalled £4,116.8m (2017: £4,023.2m), an increase of £93.6m. Revenue for EuroMillions benefited from having more rollovers during the year than would be expected statistically.

Sales from Instants (Scratchcards and Instant Win Games) reduced by 2.3% to £2,834.9m (2017: £2,902.1m). This was caused by Scratchcards which continue to be impacted by reduced footfall in retail.

Sales in retail declined year on year but digital sales grew by 8.6%. As a result, the digital channel continues to grow as a proportion of overall sales, in line with Camelot's strategy, accounting for 23.8% of sales (2017: 22.0%). Camelot operates Europe's largest digital lottery in terms of sales. With over 11 million registered players, of whom 5.7 million played during the year, national-lottery.co.uk is one of the top e-commerce sites in the UK. An ever-growing proportion of interactive sales come from smartphones and tablets.

#### Lottery Duty

Lottery Duty has remained at 12% of sales, and totalled £834.2m for the year (2017: £831.0m).

#### Prizes

Total prizes reduced to £3,928.4m in 2018 (2017: £3,943.2m). This represents 56.5% of sales (2017: 56.9%). A reduction in Scratchcard sales offset by an increase in draw-based games sales is the main driver of the reduction in prize percentage as Scratchcard games typically offer a higher prize percentage, than draw-based games. Furthermore, variable prize payout draw-based games such as Lotto, paid out less than statistically expected in 2018.

In any lottery there are prizes which remain unclaimed. If prizes are not claimed within 180 days of the draw date for draw-based games, or 180 days after the close of a National Lottery Scratchcard game, they are paid over to the National Lottery Distribution Fund (NLDF).

Camelot continues to make efforts to locate the winners of unclaimed draw-based prizes worth £50,000 or more, either via local or national publicity. Unclaimed prizes, which are paid to the NLDF, for the financial year amounted to 1.8% (2017: 1.9%) of sales and totalled £122.5m (2017: £131.9m). The interest earned on unclaimed prizes is also paid to the NLDF.

#### National Lottery Distribution Fund (NLDF)

The NLDF is the central fund from which the National Lottery distribution bodies draw funds for distribution to Good Causes.

In aggregate, the total raised for Good Causes amounted to £1,655.3m, representing 23.8% of sales (2017: £1,628.0m; 23.5%) for the year. This includes £1,532.8m (2017: £1,496.1m) in returns from ticket sales and other payments due from relevant income as specified in the operating licence, and a further £122.5m (2017: £131.9m) in unclaimed prizes.

The amount of money returned to Good Causes is determined by the mix of games sold, as every game has a different percentage return. Draw-based games return more in percentage terms than Scratchcards and Instant Win Games; as a result, the changing sales mix between these products will result in a change in the percentage of sales that are returned to Good Causes.

Where Camelot's profits exceed a certain threshold, which depends on sales levels achieved, the additional profits are shared with the Good Causes in the form of Secondary Contributions. Total Secondary Contributions for the year are £7.0m (2017: £8.8m), a decrease of 20.5%. This calculation is based on an 'adjusted profits' calculation as defined under the third licence.

#### Retailers' and other commission

Total sales, validation and other commissions for the year totalled £293.9m representing 4.2% of total sales (2017: £299.5m; 4.3%). This includes both commission paid to retailers and bank fees paid on interactive sales transactions.

The commission rate paid to retailers for Scratchcard sales is 6% and 5% for draw-based games. In addition, retailers receive 1% commission for prizes paid out above £10 for Scratchcards and £25 for draw-based games, both up to and including £500. The Post Office is able to validate prizes between £500 and £50,000, for which it continues to receive an annual payment.

#### Gaming systems and data communication costs

Gaming systems and data communication costs increased to £121.1m for the year (2017: £114.0m).

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, together with the depreciation of gaming systems, terminal and data communications equipment.

#### Administrative expenses

Administrative expenses were £163.5m (2017: £159.9m) and consisted of advertising and marketing expenditure, depreciation, staff, facilities and all other administrative costs. The increase year on year was driven by an increase in headcount.

#### Finance income and costs

Net finance income during the year amounted to £2.2m (2017: £1.6m). Finance income grew to £3.5m in the year (2017: £3.1m) and primarily consists of interest receivable from Premier Lotteries UK Limited, on a £26.8m loan (2017: £26.8m). The finance costs of £1.3m decreased on the prior year (2017: £1.5m).

The average yield on investment was approximately 0.62% (2017: 0.30%). Strict controls apply to treasury operations, which are reviewed regularly. The Company's investment policy is approved by Camelot's Audit, Risk and Security Committee and the Board. Funds are only deposited with banks which hold an investment grade credit rating by S&P, Moody's or Fitch, and which meet the Company's treasury policy criteria.

#### Financial performance

The Company's profit before income tax was £84.4m (2017: £87.9m). Profit for the financial year was £68.4m, 1.0% of gross ticket sales (2017: £70.5m). The reduction year on year is largely attributable to the increase in administrative expenses, and gaming systems and data communication costs.

#### Taxation

The corporation tax charge of £16.0m for the year (2017: £17.4m) represents an effective tax rate of 19.0% (2017: 19.8%). Further detail is provided in note 7 of the financial statements.

#### VAT

Sales of lottery tickets are exempt from VAT. Therefore VAT is not normally recoverable on the Company's costs and is a charge against profits. The VAT cost for the year, including that arising on capital expenditure, was £37.4m (2017: £36.4m).

#### Dividends

The Company's profit for the financial year was £68.4m (2017: £70.5m), as disclosed on the Statement of Comprehensive Income on page 112. As detailed in note 8, total dividends paid in the year under review were £53.1m (2017: £66.6m), all of which was paid to the Company's parent company, Premier Lotteries UK Limited (PLUK), during the year and £7,000 to Fourmoront Corporation (2017: £7,000). The upward dividend payment is a financing mechanism to facilitate the term loan repayment from PLUK.



### Financial position at the year end

The Balance Sheet reflects the continuing financial stability of the business. Net assets were £33.6m as at 31 March 2018 (2017: £18.3m).

The value of property, plant and equipment and intangible assets has decreased to £112.8m in the current year (2017: £124.7m), due to a reduction in additions year on year, and higher depreciation and amortisation.

Current trade and other receivables have increased to £447.7m from £336.0m in 2017, mainly due to higher amounts receivable from the EuroMillions and Lotto Raffle Trusts and the Euro Fidelity Booster (which holds the UK share of the EuroMillions booster fund). All of these funds are held to fund future prize payments. The cash and cash equivalents balance of £50.8m has increased compared with the prior year (2017: £28.1m) due to lower dividend payments, reduced capex spend and lower tax payments. Non-current financial liabilities and borrowings have decreased to £13.1m (2017: £21.2m) as a number of finance lease arrangements have come to an end. Current trade and other payables have increased to £566.8m from £442.7m in 2017, primarily due to an increase in prize liability.

### Our investment in technology

During the current year, Camelot has maintained the infrastructure to run The National Lottery and, at the end of the financial year, 44,587 lottery terminals were in operation across its retail footprint (2017: 45,296).

The Company is committed to delivering new games, developing existing games, including new ways to play, and increasing one-to-one player communications. To meet these commitments, the Company continues to invest significant amounts in technology and in back office systems to support these initiatives and drive operational efficiencies.

Terminal sales availability, a key performance indicator monitored monthly by the Company's regulator, was 99.96% (2017: 99.95%), ahead of the operating licence target of 99.50%. In addition, system availability for playing games on the internet was 99.85% (2017: 99.90%), ahead of the operating licence target of 99.50%.

### Cash flows, cash and debt

Net cash generated from operational activities was £119.8m (2017: £88.6m). The increase was due predominantly to a higher cash impact resulting from movements in working capital than in the prior year. Cash outflows primarily include dividend payments of £53.1m (2017: £66.6m), net taxation-related payments of £13.3m (2017: £18.4m), £22.4m (2017: £26.1m) of investment in property, plant and equipment and intangible assets, repayments of the principal on finance lease arrangements of £10.5m (2017: £10.5m), as well as interest payments of £1.3m (2017: £1.5m). The closing cash balance was £50.8m (2017: £28.1m).

Cash flow from operating activities represented ticket sales less prize payments, Lottery Duty, payments to the NLDF, and operating expenditure. Cash is received from retailers net of prizes paid by them and commission due to them. Settlement of retailers' debts is on a weekly basis, as are payments due to the NLDF and payments into trust for the benefit of players.

In order to protect prize winners and players, Camelot has set up certain trust accounts operated by The Law Debenture Trust Corporation plc, which acts as an independent trustee. An amount equivalent to prizes is deposited into a trust account on a weekly basis, as well as monies taken in advance and money held by interactive players in their online wallets. This money is held in trust until paid as a prize, or entered into a draw, and is under the control of the Trustees until this time. Interest earned on these accounts is primarily for the benefit of the NLDF.

At 31 March 2018, Camelot had on deposit £9.4m (2017: £7.5m) of funds in a restricted cash trust account as a reserve for the protection of prize winners. Although Camelot cannot currently withdraw these amounts until the end of the third operating licence period, the interest on these accounts accrues to Camelot.

Camelot holds a Surety Bond with HCC International Insurance Company PLC to the value of £21.0m. The provisions for Camelot to be able to satisfy its security for players' funds obligations under the licence, by way of a Surety Bond, are set out in Condition 19.3 of the licence.

The Company maintains a £55.0m committed Revolving Credit Facility, which runs until 6 August 2019. The amount drawn down under this facility at 31 March 2018 was nil (2017: nil). This facility will be renegotiated in 2018/19.

### RISKS, UNCERTAINTIES AND OPPORTUNITIES

The third operating licence provides Camelot with significant opportunities, as well as some significant risks and uncertainties, and these are embedded in the Company's enterprise risk management framework, further details of which are provided in the Report on Corporate Governance. The Company identifies its top risks and mitigations as follows:

#### Player Engagement

*The relevance of The National Lottery brand within the fabric of society has declined and, unless this is restored, will lead to a decline in sales and returns to Good Causes.*

As outlined earlier in the Strategic Report, the Company will address this risk through investing in the portfolio of games, and by ensuring it continues to optimise its marketing activity plan, advertising and promotions, and leveraging its retail network.

#### Corporate Reputation

*The reputation of The National Lottery and Camelot could be damaged through actions that are perceived to be dishonest, disrespectful or incompetent, leading to a loss of potential business or reduction in sales.*

The Company has a dedicated Corporate Affairs team bringing together Corporate Communications, Consumer Communications, and Policy & Public Affairs. This allows early sight of potential issues, and ensures that swift and appropriate action is taken to deliver consistent and robust external communications. The Company promotes its positive achievements and activities through events, speeches, press conferences and press releases.

#### Regulatory Relationship

*If Camelot fails to ensure regulatory compliance and maintain an effective working relationship with the Gambling Commission (GC), it could lead to the imposition of increased restrictions and compliance requirements on the Company.*

The Company maintains regular senior management meetings between Camelot and the GC, and through engagement between key business control functions (such as Business Assurance), Commercial functions and the GC. The Company also proactively shares performance data, as well as strategic plans and proposals requiring approval, so it is able to work effectively with the GC and be held to account.

#### Key Supplier Reliance

*Camelot suffers service disruption or an operational failure due to the inability of suppliers to provide it with their service.*

The Company maintains ongoing working relationships with key suppliers and conducts regular supplier reviews to assess operational performance. Management reviews and assesses operational reliance on a regular basis, and creates continuity plans where needed.



## STRATEGIC REPORT

### Licence Compliance

*Failure to comply with the third licence results in significant financial penalties and reputational consequences.*

The Company has identified accountable person(s) against each of the licence requirements, and reviews and updates this on a regular basis. Control functions, such as the Business Assurance and Procurement & Governance teams, monitor compliance through their activities in relation to licence requirements.

### Retailer Environment

*Disenfranchised retailers lead to poor in-store execution, lack of confidence and poor support for The National Lottery brand, allowing competitors to enter into the retail space.*

The Company has doubled the size of the Field Sales team and continues to invest in the retail channel to boost retailer engagement and in-store display. The Company has also removed the premium rate telephone line, introduced a new retail incentives plan, and given visibility to retailers of their sales performance and contribution to Good Causes.

### Competitor Threat

*Increased competition from large-scale society lottery operators and from other gaming suppliers, in online and mobile channels, leading to a reduction in sales and returns to Good Causes.*

The Company offers clear and exciting brand propositions with effective marketing campaigns showcasing the scale of The National Lottery in providing differentiated reasons for players to play. The Company also proactively engages with the Government and the GC to protect The National Lottery brand from infringements.

### Cyber Attack

*The risk that unauthorised access to its systems or data from either an external or internal source leads to reputational and/or commercial damage and potential regulatory penalties.*

The Company complies with the ISO 27001 Information Security Standard and World Lottery Association Standards. Similar to other organisations, the Company continuously monitors the cyber landscape, and assesses and deals with emerging threats.

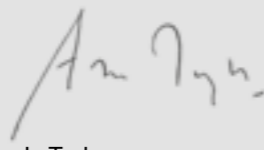
### Player Protection

*Failure to proactively address responsible play would have a detrimental effect on the reputation of the Company and lead to commercial impacts as a result of reduced confidence from the Gambling Commission in the Company's ability to prevent excessive and underage play.*

The Company has a clear player protection plan to prevent underage and excessive play, which covers: research, employee training, retail, game design, digital, advertising and marketing, treatment referral, player education, stakeholder engagement, and reporting and certification. Operation Child metrics are monitored and fed back to retailers and the GC, and action is taken where appropriate with retailers.

The Company is now looking in even greater detail at how it can further strengthen its work in this area.

The Strategic Report was approved by the Board of Directors on 28 June 2018 and was signed on its behalf by:



**Jo Taylor**  
Chairman

Camelot UK Lotteries Limited  
Company Number: 02822203



The directors present their report together with the audited financial statements of Camelot UK Lotteries Limited (the 'Company') for the year ended 31 March 2018.

The Company is a private limited company, limited by shares, and is incorporated and domiciled in the UK. The address of the registered office is: Camelot UK Lotteries Limited, Tolpits Lane, Watford, Hertfordshire, WD18 9RN, United Kingdom.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company is the operation of The National Lottery in a socially responsible manner for the benefit of a number of good cause areas: arts, education, environment, health, heritage, sport and voluntary/charity (the 'Good Causes'). The establishment of The National Lottery was enabled by the passing of The National Lottery etc. Act 1993 (as amended). Camelot operates The National Lottery pursuant to an operating licence granted by its regulator, the Gambling Commission.

The third operating licence was granted on 1 February 2009 to run until 31 January 2019, with a possible extension for a period of up to five years. In the 2011/12 financial year, the National Lottery Commission, (subsequently merged with the Gambling Commission), granted an extended licence through to 31 January 2023, a four-year extension. This had an impact on intangible assets and property, plant and equipment as economic lives have been lengthened where they previously ran to the end of the third operating licence on 31 January 2019.

The Company expects to pursue this principal activity for the foreseeable future. The Company's performance is discussed in the Strategic Report set out on pages 80–86.

**SHAREHOLDINGS**

The following share structure was in place at the beginning and end of the year under review:

	Number of 'A' shares	Number of 'C' preference shares	Total % holding of shares
Premier Lotteries UK Limited	1000	3	99.3%
Fourmoront Corporation	–	7	0.7%

Further details of the rights and obligations of each class of share are given in note 20 to the financial statements.

The Company's ultimate shareholder is Ontario Teachers' Pension Plan Board (Teachers').

**DIRECTORS**

The names of the directors who served during the year and up to the date of signing the financial statements were:

Chairman  
**Jo Taylor**

Executive directors  
**Andy Duncan** – resigned 21 June 2017  
**Nigel Railton** – appointed 21 November 2017

Independent non-executive directors  
**Rob Rowley**  
**Sir Patrick Brown KCB**  
**Tony Illsley**  
**David Kelly**

Non-executive director  
**Jane Rowe**

Alternate director  
**Ilya Kachko** – (alternate to Jane Rowe)  
(also appointed alternative to Jo Taylor)

Company Secretary  
**John Dillon**

**INSURANCE FOR DIRECTORS AND OFFICERS**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

**GOING CONCERN**

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

The wider economic climate increases the credit and financial liquidity risk of the Company. However, management has assessed the controls in place to minimise Camelot's exposure to this increased level of risk, which are set out in note 15.

Therefore, after making appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least one year from the date that the financial statements are signed. For this reason, they continue to adopt the going concern basis in preparing the financial statements.



## DIRECTORS' REPORT

### VIABILITY ASSESSMENT

Taking account of the Company's current position and principal risks, the directors have assessed the prospects of the Company for the purposes of provision C.2.2 of the UK Corporate Governance Code over the next three years. The directors have considered the period to be appropriate, having considered the Company's licence to operate the National Lottery (which is expressed to expire on 31 January 2023), and its historic and expected future performance in the context of the Company's three-year strategy. The three-year strategy is reviewed and approved by the Board.

The Company's business model has proved to be strong. Although profit fell year on year, the Company has undertaken a detailed strategic planning process which forecasts growth in sales, profit and cash generated over the next three years. These forecasts are underpinned by a detailed and deliverable execution plan which is reviewed by the Board at each of its meetings.

The Company is operating comfortably within the loan covenants of interest cover and gearing ratios, and the directors consider that this will continue over the review period. The Company's Revolving Credit Facility is due to expire on 6 August 2019, by which time the company plans to have either extended this facility or have in place alternative facilities and/or cash in hand such that it can continue to operate as a going concern.

A number of sensitivities were run to stress test the three-year cash flow forecasts and, even in downside scenarios, the Company remains comfortably within its loan covenants. Due to the timing of Lottery Duty payments, the Company does not expect to utilise the Revolving Credit Facility at quarter end and therefore the leverage covenant of 2.0 is not breached. Taking the maximum utilisation at any point from the last three years of £28.4m, the rolling 12-month EBITDA would have to fall to £14m (from its current level of £114.2m) in order for this covenant to be breached, a fall of circa 90% versus current projections. The three-year forecast also shows negligible (or positive) interest charges and therefore interest cover is not expected to breach the covenant of 2.0.

The Board confirms that it carries out a robust assessment of the principal risks and uncertainties facing the Company, including those that could threaten the business model, future performance, solvency and liquidity of the Company. The Board also monitors the Company's risk management and internal control systems.

The assessment and monitoring is carried out on a rolling basis, with senior management reviewing and updating the Company's key risk register quarterly, which is then reviewed by the Audit, Risk and Security Committee at every meeting. The Committee is also informed of, and considers, all material risks and internal control systems issues (including, for example, any significant control failings). Among the identified key risks are cyber security, regulation, competition and compliance with the licence. The Company continues to invest heavily in safeguarding IT infrastructure, with the security of player information and funds being a key priority. The Chairman of the Committee reports the proceedings of the Committee to the full Board and copies of minutes of the Committee are distributed to all members of the Board who are not Committee members.

Revocation of the Company's licence to operate The National Lottery would clearly be catastrophic and the Company is very clearly focussed on mitigating the risks of committing any licence breach which could form the basis of such revocation.

Taking into account the Company's current performance, the existence and unexpired period of the Company's licence to operate The National Lottery, the existence of the three-year strategy, and the principal risks and uncertainties facing the Company, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 March 2021.

## DIRECTORS' REPORT

### CORPORATE GOVERNANCE

The report on corporate governance is set out on pages 94–103.

### RESEARCH

To secure the long-term success of The National Lottery and to ensure continued sales growth alongside increasing returns to Good Causes, the Company has continued to spend on research during the year. The Company's spend totalled £5.2m in 2018 (2017: £2.8m), primarily in the area of brand and market research.

### EMPLOYEES

The Company continues to place a high priority on ensuring that its employment policies respect the individual, and offer career and personal development opportunities regardless of racial or ethnic origin, gender, age, religion, nationality, disability, sexual orientation or marital status. Full and fair consideration is given to the employment of all individuals and reasonable adjustments are made to accommodate the disabilities of Camelot employees, whether those disabilities arose before or during their employment with the Company.

The Company's Employee Forum extends across all employees in Camelot UK Lotteries Limited and Camelot Business Solutions Limited. It continues to be consulted on all significant policy proposals and initiatives affecting staff and, in turn, gathers group-wide reactions to such proposals.

The Company believes that delivering consumer and player satisfaction is key to its success, and strives to reward the contribution made by motivated and high-performing staff. Reward mechanisms, including performance-related pay and an annual bonus scheme, continue to support this. For the year under review, bonuses will be paid on three key performance criteria: profitability, returns to Good Causes and operational excellence, with a fourth element awarded based on performance against objectives for senior management. When reflecting on-target performance, these bonuses start from 5% of base salary, increasing for senior management.

Employees pay contributions into the Company Personal Pension Plan, a defined contribution scheme. In line with UK legislation, the Company auto-enrols employees into the pension scheme. The first payroll deductions for automatically-enrolled employees were made in January 2014.

Camelot has an extensive and well-established structure for communicating with employees through a variety of channels, including internal publications, Company-wide email, webcasts, cascades and the Company's intranet site. This is also the medium through which the Company communicates economic and financial factors which impact the Company's performance.

### FINANCIAL RISK MANAGEMENT

The Company has a clear and specific investment policy which is followed for all cash deposits placed to mitigate against short and long-term cash flow risk. It continually monitors its banking facilities and has access to a £55.0m Revolving Credit Facility. During the next financial year, the cash flow forecasts anticipate utilising a minimum level of available facilities, while ensuring that sufficient headroom is maintained and that all interest and loan liabilities are met. Camelot has a contingency financing arrangement with its ultimate controlling party, Teachers', which, in aggregate with its parent company Premier Lotteries UK Limited (PLUK), makes further funding of £30m available. In addition, Camelot has an established process, set out in The National Lottery Retailer Agreement, which ensures exposure to retailer bad debt is minimised as detailed in note 15. Camelot is, therefore, confident that it has appropriately mitigated the additional credit and financial risks.

The Company is exposed to certain levels of credit, interest rate, foreign exchange and liquidity risks that arise in the normal course of business. Details of these risks are disclosed in note 15.



## DIRECTORS' REPORT

### RELATED PARTY TRANSACTIONS

During the current financial year, the Company has had transactions of significance with its parent company and fellow UK group entities. Details of related party transactions are given in note 27 to the financial statements.

### SUPPLIERS

The Company'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 Company.

### INDEPENDENT AUDITORS

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

### DIVIDENDS

As detailed in note 8, total dividends paid in the year under review were £53.1m (2017: £66.6m), of which £53.1m (2017: £66.6m) was paid to the Company's parent company, Premier Lotteries UK Limited, during the year and £7,000 to Fourmoront Corporation (2017: £7,000). The Company does not recommend payment of a final dividend.

## DIRECTORS' REPORT

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware;
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information; and
- they consider that the Annual Report, including the financial statements, taken as a whole, is fair, balanced and understandable.



By order of the Board  
**Jo Taylor**  
Chairman

28 June 2018



## REPORT ON CORPORATE GOVERNANCE

While not required by law, Camelot UK Lotteries Limited has undertaken, so far as it is practical having regard to its corporate structure, to comply with the principles of good governance and code of best practice as set out in 'The UK Corporate Governance Code' (the 'Code'), published by the Financial Reporting Council in April 2016. The Board's commitment to business integrity, high ethical values, corporate responsibility and professionalism in all of its activities remains undiminished following the Company's transition from plc to limited company status in July 2010.

This report outlines the approach adopted in relation to the principles contained within the Code and provides an explanation of any current departure from the provisions of the Code.

### BOARD OF DIRECTORS

At 31 March 2018, the Board comprised seven members: the Chairman (an officer of Teachers'), four independent non-executive directors, one non-executive director (an officer of Teachers') and one executive director (the Chief Executive Officer).

There is a clear delineation of responsibility between the Chairman and the Chief Executive Officer which is set out formally in a written description of the role of the Board and written descriptions for the Chairman's and the Chief Executive Officer's roles. The Chairman leads the Board, ensuring that each director, particularly each of the non-executive directors, is able to make an effective contribution. He monitors, with assistance from the Company Secretary, the information distributed to the Board to ensure that it is sufficient, accurate, timely and clear. Board papers are sent to directors in good time before Board meetings. These cover key areas of the Company's affairs including overall strategy, key commercial partnerships, approval of budgets, major capital expenditure programmes, significant transactions and financing issues. The Board approves all major capital and revenue expenditure over specified amounts, which vary depending on the nature of the expenditure. The Chief Executive Officer maintains day-to-day management responsibility for the Company's operations, implementing Company strategies and policies agreed by the Board.

The Chairman, Jo Taylor, is also Teachers' Regional Managing Director for Europe, the Middle East and Africa. The Board believes that Mr Taylor's role does not prevent the Chairman from spending sufficient time on Camelot matters. In addition, the Chairman's role at Teachers' ensures that Board members (and in particular the independent non-executive directors) are regularly informed of Teachers' views about the Company. However, during the year Teachers' determined to seek a new independent non-executive director to join the Board and take over the role of Chairman. The Nominations Committee of the Board has been leading the search with a view to an appointment being made in the early part of the 2018/19 financial year. It is anticipated that Mr Taylor will remain on the Board following the appointment of the new Chairman.

Regular Board meetings were held during the year under review. Board meetings follow a formal agenda covering regular reports from the Chief Executive Officer. The attendance of directors (including alternates) at the Board and Committee meetings during the year is detailed in the table on page 95.

At the end of each Board meeting, the Chairman meets with the non-executive directors for a private session with the Chief Executive Officer in the absence of other senior management, and then without the Chief Executive Officer. The written description of the role of the Board sets out matters specifically reserved for decision by the Board, but all Board members are free to raise other issues at Board meetings. Where directors have concerns that cannot be resolved about the running of the Company, or a proposed action, these are recorded in the Board minutes. Upon resignation, a non-executive director with any such concerns can circulate them to the Board via a written statement to the Chairman.

## REPORT ON CORPORATE GOVERNANCE

The Board has delegated certain functions to committees, as set out below. However, the Board takes direct responsibility for the review and monitoring of key areas, such as risk management. All directors have access to the Company Secretary, who is responsible for ensuring that Board procedures are followed. There is a procedure in place enabling any director, in the furtherance of his or her duties, to seek independent professional advice at the Company's expense.

Andy Duncan resigned as Chief Executive Officer on 21 June 2017; and Nigel Railton was appointed as acting Chief Executive Officer on the same date, and permanently as Chief Executive Officer and formally to the Board as a director on 21 November 2017.

Attendance of directors (including alternates where they have attended in place of their principal) at Board and Committee meetings during the year was as follows:

	Board (7 meetings) Number attended	Audit, Risk and Security Committee (4 meetings) Number attended	Remuneration Committee (7 meetings) Number attended	Nominations Committee (5 meetings) Number attended
Sir Patrick Brown KCB	7/7	4/4	- (1/7)	5/5
Tony Illsley	7/7	- (3/4)	- ([7]/7)	5/5
Ilya Kachko (alternate)	1/7*	1/4**	1/7**	
David Kelly	7/7	4/4	- ([1]/7)	- (1/5)
Nigel Railton	7/7	- (3/4)	- (6/7)	- (1/5)
Jane Rowe	7/7	3/4	6/7	- (4/5)
Rob Rowley	7/7	4/4	- ([1]/7)	- (1/5)
Jo Taylor	6/7	- (4/4)	6/7	5/5

\* As alternate for Jo Taylor

\*\* As alternate for Jane Rowe

The table shows the number of meetings attended by a director as against the number of meetings he/she was entitled to attend.

- Indicates that the named individual is not appointed to the Committee shown, followed (in brackets) by the number of meetings attended.

All directors have to be security vetted before they can be formally appointed to the Board. This is a requirement of the Gambling Commission. Pending this clearance, those to be appointed are permitted to attend Board and Committee meetings as observers.

During the year under review, the Board delegated its authority to the following committees:



## REPORT ON CORPORATE GOVERNANCE

### AUDIT, RISK AND SECURITY COMMITTEE

Chair

**Rob Rowley**

Members

**Sir Patrick Brown KCB**

**David Kelly**

**Rob Rowley**

**Jane Rowe**

#### Usual attendees

The Chief Executive Officer and other functional managers for relevant sections of the meeting, and representatives of the Company's external auditors and Teachers'. The composition and independence of the Board is discussed on page 94.

The Committee met four times in the year under review. Its duties are as follows:

#### AUDIT

The Committee is responsible for ensuring that the system and standards of internal control within the Company, and in particular of the financial reporting, are to the highest standards, and for ensuring that the interests of the Company's shareholders are safeguarded. The Committee is also responsible for considering how the Company should apply its financial reporting and internal control principles, and for maintaining an appropriate relationship with the Company's external auditors. It also reviews the Company's financial and accounting policies, financially-relevant press releases, final financial statements and Annual Report prior to their submission to the Board, together with management reports on accounting and internal control matters. Where requested by the Board, the Committee provides advice on whether the Annual Report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

It also reviews the appointment and terms of reference of the external auditors, and its management representation letter, and considers any other matters raised by the auditors. In respect of non-audit services, the Committee reviews the objectivity of the auditors by reviewing the scope of work for such services to ensure that its independence is safeguarded. It monitors the effectiveness of the internal audit function. At least once a year, the Committee meets separately with the external auditors and, if considered appropriate by the Committee, the Director of Business Assurance, without any executive Board members present. The Committee is also responsible for reporting to the Board on how it has discharged its responsibilities.

PricewaterhouseCoopers LLP ('PwC') have been the Company's external auditors since 1993. The Committee considers the relationship with its auditors is working well and remains satisfied with its effectiveness. The audit partner is rotated every seven years and the current partner is in his first year following handover from his predecessor. The external auditors attend all Committee meetings, of which there were four in the financial year ended 31 March 2018, and the Committee assesses its effectiveness through this regular interaction.

#### REPORTING OF SIGNIFICANT ISSUES

As part of its work, the Committee focused on the following significant accounting areas in relation to the financial statements:

##### Revenue recognition

Camelot's revenue recognition policy, set out in note 2(d) to the financial statements, is reviewed annually, to ensure it properly reflects the nature of transactions and is in accordance with accounting standards. Internal controls are designed to mitigate against revenue being recorded in the incorrect period. PwC performed detailed audit procedures on revenue recognition and the relevant internal controls, and reported its findings to the Committee. Having reviewed the policy and considered the controls in place, the Committee has concluded that the timing of revenue recognition continues to be in line with IFRSs requirements.

## REPORT ON CORPORATE GOVERNANCE

### Provisions

In accounting for provisions, judgement is required to assess the probability of outcome, maturity and level of risk. Judgement and estimation is required in the provision methodology and, for certain provisions, consideration of external information on which to base the provision. Details of the accounting policy relating to provisions are set out in note 2(r) to the financial statements. Provisions made and the basis on which they have been calculated are disclosed in note 19. The Committee has confirmed the appropriateness of accounting policies relating to provisions, as well as those provisions held at 31 March 2018, in particular those relating to long-term incentive plans. PwC performed detailed audit procedures on provisions, including the appropriateness of any assumptions and reliance on external information, and reported its findings to the Committee.

### Capitalised assets

The Company continues to make significant investment in capital assets. The Committee has reviewed the appropriateness of capitalisation decisions adopted by management, and concluded that current processes are sufficient to ensure capitalised assets are correctly captured and reported. Assets are capitalised in accordance with IFRSs, as set out in the accounting policies disclosed in note 2 to the financial statements.

### Licence compliance

The Committee has also continued to focus on the controls surrounding compliance with the operating licence granted by the Gambling Commission. This has driven a significant investment in improving controls across the business. The programme of work put in place by the Company to improve the operational control and change management environment has now been completed, but the Committee will continue to monitor these matters closely.

### RISK

The Committee assists the Board in fulfilling its responsibilities for managing the risk associated with the business and markets within which the Company operates. The two core responsibilities of the Committee in respect of risk are to ensure an appropriate framework is provided for managing risks throughout the Company, and to provide an appropriate forum through which the detailed status of risk management is reported to the Board.

During the year the Committee spent time discussing the risks associated with the various on-going major change projects and programmes; in particular those relating to the programme to improve operational control and change management, as well as the mounting threat of competition. The Committee discusses significant issues with management both independently and as a result of external audit procedures.

### SECURITY

The Committee is responsible for approving and ensuring adherence to a set of security policies for the implementation and operation of The National Lottery. The Committee is regularly apprised of any potential security issues within the Company (including physical, logical and personnel security and disaster planning). Any major security breaches are brought to the attention of the Chairman of the Committee immediately once they are identified.

### REMUNERATION COMMITTEE

Chair

**Jo Taylor**

Members

**Jane Rowe**

**Jo Taylor**

The Committee is responsible for establishing the framework and broad policy for the remuneration of the Company's Chief Executive Officer, independent non-executive directors and employees in management with a senior role in the Company. The Committee is responsible for reviewing its own performance, constitution and terms of reference at least once a year to ensure that it is operating at maximum effectiveness, and recommending any changes it considers necessary to the Board for approval.

Willis Towers Watson continues as formal advisor to the Remuneration Committee and, in the course of the year, advised the Company in relation to staff remuneration and ad hoc support to the HR team. Willis Towers Watson Health & Benefits (part of Willis Towers Watson) acts as the Company's brokers for its Employee Assistance Programme, Life Assurance, PHI and PMI benefits, and is also the provider of the Company's occupational health/managed care service (the support link between PHI and PMI claims).



### NOMINATIONS COMMITTEE

Chair  
**Jo Taylor**

Members  
**Sir Patrick Brown KCB**  
**Tony Illsley**  
**Jo Taylor**

Camelot recognises the vital role that non-executive directors play in ensuring high governance standards. The Committee is responsible for adopting a formal, rigorous and transparent procedure for the recommendation of new directors, and for considering and recommending suitable candidates for appointment by the C preference shareholders. The Committee is required to consider candidates from a wide range of backgrounds, paying due regard to the Board's diversity policy. This policy recognises the importance of diversity; records the Company's commitment to promoting equality of opportunity within its organisation, as well as for its players, retailers and wider society; and also confirms the Company's commitment to have due regard to the benefits of diversity on the Board, and the making of appointments based on merit, measured against objective criteria and the aptitude, skills and ability individuals can bring to the business. The Committee is comprised exclusively of non-executive directors, under the chairmanship of the Chairman of the Board.

During the financial year ended 31 March 2018, the Committee's work centred on the appointment of a permanent replacement for Andy Duncan as Chief Executive Officer, the search for a new non-executive director to join the Board as an independent Chairman, and the search for new independent non-executive directors to join the Board to replace Sir Patrick Brown KCB and Tony Illsley (who it is anticipated will step down from the Board in the course of 2018).

### BOARD EFFECTIVENESS REVIEW

An externally-facilitated review of the Board and its committees was undertaken during 2017 (a year earlier than previously anticipated, following discussion with the Gambling Commission). The review was facilitated by Dr Tracy Long of Boardroom Review Limited.

Dr Long's work included: one-to-one confidential interviews with all Board members and the Company Secretary; observation of the Board and its committees; review of materials relating to the governance and work of the Board and its committees; and production of a written report (discussed by Dr Long with the individuals interviewed, and then with the Board collectively at its meeting in December 2017, and the Commission, also in December 2017), summarising Dr Long's independent view of the strengths of the Board and its committees, the challenges they face, areas of focus, and some recommendations and priorities.

A summary plan to implement the findings of Dr Long's report was approved by the Board at its meeting in February 2018, and progress is being monitored by the Chair and reported to the Board on a regular basis. Dr Long will return for a follow-up session with the Chairman (anticipated to be in the autumn of 2018).

### CORPORATE RESPONSIBILITY ADVISORY GROUP

Camelot has appointed a panel of independent experts and members of the Company's leadership team, chaired by the Commercial Director, which meets four times a year to discuss continuous improvement in the area of corporate responsibility.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors are independent of both management and the shareholders, and are initially appointed for a three-year term. Thereafter, while not automatic, their appointment may be extended for further terms, subject to mutual agreement and shareholder approval. The independent non-executive directors have full access to management, and are encouraged to stay fully abreast of the Company's business through site visits and meetings with senior management.

Appropriate induction briefings are available to all directors on appointment and subsequent training is offered, as necessary, taking into account qualifications and experience.

It is anticipated that two of the four current independent non-executive directors will step down from the Board in 2018, once suitable replacements have been identified.

### RELATIONS WITH SHAREHOLDERS

The Group's ultimate parent undertaking and controlling party is Teachers' (note 1). The Company maintains close links with Teachers' which has representatives on the Board and also has direct lines of access to the Chairman, the Chief Executive Officer, the independent non-executive directors and the Company Secretary.

### LICENCE COMPLIANCE

The directors are responsible for establishing an adequate system of control so that assurance is provided over compliance with the provisions of the third operating licence and Section 6 game licences and any other provisions imposed by or under any statute which relate to the running of The National Lottery or the promotion of any constituent lottery. The system of internal control includes the reporting of regulatory matters to the Audit, Risk and Security Committee by the Director of Business Assurance. Internal audits and reviews by the Internal Audit function (which sits in Camelot Business Solutions Limited) also provide assurance.

### RISK MANAGEMENT AND INTERNAL CONTROL

#### Managing Risks

Under its Gambling Commission licence requirements, Camelot is required to establish and maintain an effective system of corporate governance, internal control and risk management.

Business Assurance provides independent and objective assessment to Camelot to support its strategic aims, through improving the integrity and effectiveness of the organisation's risk management, control, compliance and governance processes.

Business Assurance comprises Internal Audit, Compliance and Risk & Insurance functions and is led by the Director of Business Assurance who reports to the Chair of the Audit, Risk and Security Committee.

The purpose of the Risk & Insurance function is to ensure that the Company maintains an enterprise risk management (ERM) process that demonstrates the effective risk management process, effective corporate governance process and compliance with Gambling Commission licensing requirements.

The key outputs from the Risk & Insurance function are the principal risk registers and the department risk registers to give a view of top-down and bottom-up view of risk.

In the past year, the Company has taken significant steps to enhance the ERM framework, improving its ability to achieve its strategic objectives. This included redefining Company risk appetite and tolerance as part of the review and refresh of risk policies and processes. Within Camelot, the review of risk and internal controls is an integrated, embedded management process rather than an isolated year-end exercise, and is designed to support management's decision-making.



## REPORT ON CORPORATE GOVERNANCE

### Roles and Responsibilities

#### Board of Directors

Oversight of the ERM process to ensure that it is used to help inform, develop and achieve the strategic objectives of the Company. At the Board meeting following an Audit, Risk and Security Committee meeting, the Chair of the Committee presents key risks to the Board which reviews how these risks are being controlled and monitored, if those directors who are not members of the Committee have not attended the Committee meeting.

#### Audit Risk and Security Committee (ARSC)

Reviewing management's identification of the significant risks (principal risks) of the Company in accordance with the ERM policy, and the controls in place and planned to mitigate exposures. The ARSC considers the Company's key risk profile, and the actions taken and controls in place or planned to mitigate exposures.

#### The Compliance and Risk Committee (CRC)

The CRC is a sub-committee of the Executive Committee, where the risk appetite and tolerance statement is proposed, the overall risk position of the Company is considered, the effectiveness of the current process is assessed and changes are driven forward. The CRC meets prior to each ARSC meeting to review and assess the Company's key risks for communication to the Executive and then ARSC. This Committee also provides a forum for sharing strategic decisions that could impact risk management, and for improving the overall Company control environment.

#### Risk Owners

Risk Owners are typically the managers responsible for the Company's functions/operational teams and are responsible for ensuring that the ERM process is followed.

#### Risk Management Process

The ERM process and systems of internal control are designed to manage, rather than eliminate, risk and to ensure that the Company's strategic objectives are achieved. The high level of risk awareness in Camelot, together with risk reporting to the Board, allows the Board to ensure that focused steps are taken to address risk exposures.

The ERM process applies the principle of identifying risk from a strategic, operational and external perspective (top-down), along with an understanding of the functional risk registers (bottom-up). This approach is summarised in the five steps below. The five steps require input from all business units within the Company, and facilitate management's understanding of the risks facing their business units and managing these risks within the risk appetite/tolerance established by senior management and agreed by the Board and ARSC.

#### 1. Risk Identification

Risks are identified by each function, classifying risks into eight main risk categories under a common taxonomy (see **Risk Categories and Risk Appetite** section). Each identified risk is recorded in a risk mitigation plan and assessed for impact on the organisation and likelihood of occurrence.

#### 2. Risk Assessment and Measurement

Risk assessment includes consideration of: a) the likelihood of the risk and b) the impact of the risk occurring on the achievement of the Camelot's objectives within a specified timeframe.

#### 3. Risk Response and Action

For each identified risk the business unit/function should establish a "response" to manage the risk based upon the agreed risk appetite and tolerance for that risk category.

#### 4. Monitoring

Risk and response activities should be monitored by the Risk Owner on a regular basis to ensure that their risks remain within tolerance.

#### 5. Reporting

The Board, ARSC and CRC require the results of the Company-wide ERM process to be periodically reported to them in their oversight capacity, and to gain assurance that risks are being proactively managed (and mitigated) within the approved risk tolerance levels.

## REPORT ON CORPORATE GOVERNANCE

### Risk Categories and Risk Appetite

All risks identified are allocated to one or more of the risk categories below:

- Strategic
- Financial
- Commercial
- Operations
- Security (including information security)
- People
- Legal and Regulatory
- Reputation and Brand

The Company's risk appetite, which has been set by the Board, clearly articulates the amount of acceptable risk within which departments can operate. This risk appetite provides direction and boundaries for consistent, measured, risk-aware decision-making throughout the business, and guides the Company in taking the right level of risk. A scale of one to four illustrates the range of risk appetite, as well as risk tolerance, across each of the eight categories of risk. For example, the Company may take more risk in the pursuit of commercial objectives than it would with respect to legal or regulatory requirements.

### Internal Control

There were no changes in the Company's internal control over financial reporting that occurred during the year that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Board of Camelot is committed to the principles of good governance set out in the UK Corporate Governance Code and has adopted those that are relevant to its circumstances. In doing so the Board has been mindful of the broad stakeholder responsibilities of the Company arising from the operation and promotion of The National Lottery, alongside its responsibility to its shareholders. More details of how Camelot consults with its stakeholders are set out in the separate Corporate Responsibility Report, which is available on Camelot's website.

In adopting the principles and practice of the Code, the Board has taken account of the fact that the Company's principal shareholder is represented on the Board. Accordingly the Board considers that many of the Code's provisions relating to a public company's responsibilities to protect shareholders' interests and to communicate to shareholders are not relevant to the Company and it believes that robust governance has been maintained appropriately in the context of its ownership. Those areas where the Board has chosen to depart from the provisions of the Code are set out below.

**Provision A.3.1** requires that the Chairman is independent. Under the Company's Articles of Association, the Chairman is appointed by the C preference shareholders and is therefore not considered to be independent under the terms of the Code. The Gambling Commission has waived the requirement of condition 14.2 of the third operating licence that the Company should comply with this provision of the Code since Teachers' acquired the Company in 2010. However, during the year Teachers' determined to seek a new independent non-executive director to join the Board and take over the role of Chairman. The Nominations Committee of the Board has been leading the search with a view to an appointment of an independent Chairman being made in the early part of the 2018/19 financial year.

**Provision A.4.1** requires one of the independent non-executive directors to be the senior independent director. Due to the limited size of the Board it has not been deemed necessary to appoint a senior independent director. The Gambling Commission has waived the requirement of condition 14.2 of the third operating licence that the Company should comply with this provision of the Code since Teachers' acquired the Company in 2010. However, during the year Teachers' determined to appoint one of the independent non-executive directors as senior independent director (Rob Rowley on an interim basis, with the intention that one of the new non-executive directors joining the Board in the 2018/19 financial year will fulfil that role on a permanent basis).



**Provisions A.4.2 and B.6.3** require the non-executive directors, at least annually and on such other occasions as are deemed appropriate, led by the senior independent director (see above on provision A.4.1), to be responsible for the performance evaluation of the Chairman, taking into account the views of the executive directors. Because Camelot's C preference shareholders have the exclusive right to appoint or remove the Chairman, and otherwise have sufficient means to evaluate his performance, these provisions are not appropriate. The Gambling Commission has waived the requirement of condition 14.2 of the third operating licence that the Company should comply with provisions A.4.2 and B.6.3 of the Code.

**Provision B.7.1** states that all directors of FTSE 350 companies are to be subject to annual election by shareholders, and all other directors should be subject to re-election by the shareholders at the first AGM after their appointment and at three-yearly intervals thereafter. Because Camelot's C preference shareholders have the exclusive right to appoint or remove each of the Company's directors and (in the case of the requirement in relation to annual election) it is not a FTSE 350 company, these provisions are not appropriate. The Gambling Commission has waived the requirement of condition 14.2 of the third operating licence that the Company should comply with provision B.7.1 of the Code.

**Provision C.1.3** requires directors to report in annual and half-yearly financial statements that the business is a going concern. Given the Company's existing reporting obligations, it being owned ultimately by a single shareholder and the high degree of oversight of its operations by the Gambling Commission, it is not appropriate for the directors to report on a half-yearly basis. The Gambling Commission has waived the requirement of condition 14.2 of the third operating licence that the Company should comply with provision C.1.3 of the Code.

**Provisions E.2.1 to E.2.4** state that the Board should hold an AGM to communicate with investors and to encourage their participation. The Company is effectively owned by one shareholder, which has determined that the Company will not hold an AGM. The Gambling Commission has waived the requirement of condition 14.2 of the third operating licence that the Company should comply with these provisions of the Code.

**Provisions D.2.1 and C.3.1** relate to the composition of the Remuneration and Audit Committees respectively. The provisions set out that the Remuneration and Audit Committees should comprise independent non-executive directors only. The Remuneration Committee comprises two non-executive directors who are employees of Teachers' and therefore are not deemed to be independent under the terms of the Code (though they are independent of management). Under the Company's Articles of Association, the right to appoint the members of the Remuneration Committee is reserved exclusively to the C preference shareholders and so provision D.2.1 is not relevant to the Company.

- The Audit, Risk and Security Committee comprises three independent non-executive directors and one non-executive director who is not deemed to be independent under the terms of the Code; she is, however independent of management. Neither the executive director nor any other member of Camelot staff is a member of these committees. This structure has been agreed by the Board as a whole which believes that the Remuneration and Audit Committees are appropriately resourced. The Gambling Commission has waived the requirement of condition 14.2 of the third operating licence that the Company should comply with these two provisions of the Code.

- In addition, provision D.2.2 requires the Remuneration Committee to have delegated responsibility for setting remuneration for all executive directors and the Chairman. The terms of reference of the Remuneration Committee prevent the Chairman, who is a member of the committee as appointed by the C preference shareholders, from setting his own remuneration, which is a matter for discussion by the Board. The Gambling Commission has waived the requirement of condition 14.2 of the third operating licence that the Company should comply with provision D.2.2 of the Code with respect to setting the Chairman's remuneration. It is anticipated that this waiver will no longer be required once a new independent non-executive director has joined the Board as Chairman, since he or she will not be a member of the Remuneration Committee.

The Gambling Commission's waivers referred to above are subject to two conditions:

- the Commission must be promptly notified by the Chairman, or his nominee, if a Board decision is taken which is voted against by two or more of the independent non-executive directors; and
- any proposed changes to the Company's Board structure require the Commission's prior written consent.

Furthermore, the Chairman meets the Chair of the Gambling Commission twice a year to discuss performance.

Provision C.3.7 of the Code no longer requires FTSE 350 companies to put the external audit contract out to tender at least every 10 years. The Company has not put the external audit contract out to tender to date.

The Board retains the ability to do so at any time, taking due account of any recommendation by the Audit, Risk and Security Committee, and the Company will consider whether or not to do so in respect of future financial years.



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAMELOT UK LOTTERIES LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

In our opinion, Camelot UK Lotteries Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the balance sheet as at 31 March 2018; the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which include the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### OUR AUDIT APPROACH

#### Materiality

- Overall materiality: £6.6 million (2017: £6.6 million), based on 1% of net income

#### Audit scope

- One legal entity, whose operations are solely in the UK and the audit is conducted by one team.

#### Key audit matters

- Capitalisation of assets.
- Financial impact of non-compliance with Licence requirements.
- Provisions – (Long-Term Incentive Plan).

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

#### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAMELOT UK LOTTERIES LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### KEY AUDIT MATTER

### HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

#### Capitalisation of assets (refer to notes 9 and 10)

There has been significant investment by the Company in the infrastructure to run The National Lottery, including spend on technology and back office systems to support gaming.

We focused on this area given the significance of the amounts and the judgement which is involved in assessing whether the criteria for the capitalisation of the assets has been met particularly pertaining to the accuracy of the costs capitalised and their existence.

#### How our audit addressed the key audit matter

We obtained a detailed list of internally generated and acquired intangible assets capitalised during the year and agreed this to amounts recorded in the general ledger, confirming there were no reconciling items.

We tested a sample of capitalised additions, agreeing the amounts capitalised to supporting documentation, such as invoices for accuracy, and considering whether the capital nature of spend is supported. We discussed the sample with management, obtaining further evidence as to the nature of the project and their assessment of the capitalisation principles against the relevant accounting standards.

We applied our understanding of new and existing projects to challenge management as to whether the development of new systems supersedes or impairs any of the existing intangible assets on the balance sheet. We also evaluated the appropriateness of remaining useful economic lives and carrying values of the intangible assets.

#### Financial impact of non-compliance with licence requirements (refer to note 17)

The Company operates The UK National Lottery pursuant to an operating Licence granted by its regulator, the Gambling Commission.

This Licence requires the Company to comply with its terms and confirm a number of statements to the Gambling Commission as part of its regulatory reporting.

This is an area of increasing focus because non-compliance with the Licence terms could result in legal action, reputational damage, penalties or loss of the Licence to operate, all of which would have an adverse impact on the Company and is prevalent across all financial statement assertions.

In addition the Company is nearing the end of its third license.

The financial impact of this risk could include changes to liabilities and impact on viability.

We considered ongoing discussions and correspondence with the Gambling Commission and whether there is any material exposure.

We considered any changes to provisions, contingencies and disclosures in light of any Gambling Commission findings.

We considered the impact of non-compliance in our viability work.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS  
OF CAMELOT UK LOTTERIES LIMITED  
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Provisions – Long-Term Incentive Plan  
(refer to note 19)**

The Company operates a Long Term Incentive Plan ("LTIP") for senior management which gives rise to a material provision and the calculation of future payments requires judgement.

The elevated risk is applicable to the completeness, existence and valuation of the LTIP provision.

We obtained management's calculation of the provision and agreed the closing provision to the general ledger. We tested the arithmetical accuracy within the provision calculation.

We tested the reconciliation of the movements in the provision for accuracy. The current year charge was agreed to the underlying calculation supporting the provision. For historic plans, we checked whether the inputs were accurate, whilst for new plans, the key features were agreed back to the plan rules and employee agreements to substantiate the rights and obligations.

We agreed the utilisation of the provision to bank payments made during the year to validate the completeness, valuation and existence of the provision at the balance sheet date.

We considered the reasonableness of key assumptions in the provision including:

The expected achievement of performance vesting conditions, by agreeing to management's internal forecasts and plans. Furthermore, we obtained evidence to confirm adequate historical accuracy in management's forecasting process; and

The expected forfeitures, which we checked for appropriateness based on historical levels of management turnover.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS  
OF CAMELOT UK LOTTERIES LIMITED  
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**How we tailored the audit scope**

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

**Materiality**

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall materiality</b>	£6.6 million (2017: £6.6 million)
<b>How we determined it</b>	1% of net income
<b>Rationale for benchmark applied</b>	We have applied this benchmark as it is our understanding that net income is the principal measure monitored by the Company's shareholder in assessing the financial performance of the Company

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £328,000 (2017: £328,000), as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

**Going concern**

In accordance with ISAs (UK) we report as follows:

<b>Reporting obligation</b>	<b>Outcome</b>
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAMELOT UK LOTTERIES LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06) and ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

### The directors' assessment of the prospects of the company and of the principal risks that would threaten the solvency or liquidity of the company

As a result of the directors' voluntary reporting on how they have applied the UK Corporate Governance Code (the "Code"), we are required to report to you if we have anything material to add or draw attention to regarding:

- The directors' confirmation on pages 85 and 86 of the Annual Report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 90 of the Annual Report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report in respect of this responsibility.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAMELOT UK LOTTERIES LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## Other Code Provisions

As a result of the directors' voluntary reporting on how they have applied the Code, we are required to report to you if, in our opinion:

- The statement given by the directors, on page 93, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the company obtained in the course of performing our audit.
- The section of the Annual Report on page 96 describing the work of the Audit, Risk and Security Committee (ARSC) does not appropriately address matters communicated by us to the ARSC.

We have nothing to report in respect of this responsibility.

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 93, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

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.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS  
OF CAMELOT UK LOTTERIES LIMITED**  
**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**OTHER REQUIRED REPORTING**

**Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



**Jonathan Lambert** (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

London  
28 June 2018



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £m	2017 £m
Gross ticket sales	3	6,951.7	6,925.3
Lottery duty		(834.2)	(831.0)
Prizes		(3,928.4)	(3,943.2)
National Lottery Distribution Funds		(1,532.8)	(1,496.1)
<b>Net income</b>		<b>656.3</b>	<b>655.0</b>
Retailers' and other commission		(293.9)	(299.5)
Gaming systems and data communication costs		(121.1)	(114.0)
<b>Gross profit</b>		<b>241.3</b>	<b>241.5</b>
Administrative expenses		(163.5)	(159.9)
Other operating income		4.4	4.7
<b>Operating profit</b>	4	<b>82.2</b>	<b>86.3</b>
Finance income	6	3.5	3.1
Finance costs	6	(1.3)	(1.5)
<b>Profit before income tax</b>		<b>84.4</b>	<b>87.9</b>
Income tax	7	(16.0)	(17.4)
<b>Profit for the financial year and total comprehensive income attributable to owners of the Company</b>		<b>68.4</b>	<b>70.5</b>

The results detailed above are all derived from continuing operations.

The Company has no recognised income or expense other than that shown above.

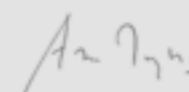
The notes on pages 116 to 143 are an integral part of these financial statements.

## BALANCE SHEET AS AT 31 MARCH 2018

	Note	2018 £m	2017 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	9	46.4	44.8
Property, plant and equipment	10	66.4	79.9
Deferred income tax assets	18	3.1	2.2
Trade and other receivables	12a	36.3	34.5
		<b>152.2</b>	<b>161.4</b>
<b>Current assets</b>			
Inventories	11	1.0	0.9
Trade and other receivables	12b	447.7	336.0
Cash and cash equivalents	13	50.8	28.1
		<b>499.5</b>	<b>365.0</b>
<b>Total assets</b>		<b>651.7</b>	<b>526.4</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities	16b	13.1	21.2
Trade and other payables	17b	0.4	1.4
Provisions for liabilities and other charges	19	20.4	20.5
		<b>33.9</b>	<b>43.1</b>
<b>Current liabilities</b>			
Financial liabilities	16a	8.5	10.8
Trade and other payables	17a	566.8	442.7
Current income tax liability		6.1	9.2
Provisions for liabilities and other charges	19	2.8	2.3
		<b>584.2</b>	<b>465.1</b>
<b>Total liabilities</b>		<b>618.1</b>	<b>508.1</b>
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	20	0.0	0.0
Retained earnings	21	33.6	18.3
<b>Total equity</b>		<b>33.6</b>	<b>18.3</b>
<b>Total equity and liabilities</b>		<b>651.7</b>	<b>526.4</b>

The notes on pages 116 to 143 are an integral part of these financial statements.

The financial statements on pages 112 to 115 including the accompanying notes were approved by the Board of Directors on 28 June 2018 and were signed on its behalf by:



Jo Taylor  
Chairman

Camelot UK Lotteries Limited  
Company Number: 02822203



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Note	Share capital £m	Retained earnings £m	Total equity £m
<b>Balance as at 1 April 2016</b>		0.0	14.4	14.4
<b>Comprehensive income</b>				
Profit for the financial year		0.0	70.5	70.5
<b>Total Comprehensive Income</b>		0.0	70.5	70.5
<b>Transactions with owners</b>				
Dividends paid	8	0.0	(66.6)	(66.6)
<b>Total transactions with owners</b>		0.0	(66.6)	(66.6)
<b>Balance as at 31 March 2017</b>		0.0	18.3	18.3
<b>Comprehensive income</b>				
Profit for the financial year		0.0	68.4	68.4
<b>Total Comprehensive Income</b>		0.0	68.4	68.4
<b>Transactions with owners</b>				
Dividends paid	8	0.0	(53.1)	(53.1)
<b>Total transactions with owners</b>		0.0	(53.1)	(53.1)
<b>Balance as at 31 March 2018</b>		0.0	33.6	33.6

At 31 March 2018, the Company has share capital totalling £1,010 (2017: £1,010), as disclosed in note 20 to these financial statements.

The notes on pages 116 to 143 are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 Total £m	2017 Total £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	22	119.8	88.6
Interest received		3.5	3.1
Interest paid		(1.3)	(1.5)
Income tax paid		(13.0)	(16.0)
Group relief payments		(0.3)	(2.4)
<b>Net cash from operating activities</b>		108.7	71.8
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(5.0)	(11.1)
Expenditure on intangible assets		(17.4)	(15.0)
<b>Net cash used in investing activities</b>		(22.4)	(26.1)
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders - interim		(53.1)	(66.6)
Finance lease principal payments		(10.5)	(10.5)
<b>Net cash used in financing activities</b>		(63.6)	(77.1)
<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts</b>		22.7	(31.4)
Cash, cash equivalents and bank overdrafts at the beginning of the year		28.1	59.5
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	13	50.8	28.1

The notes on pages 116 to 143 are an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Camelot UK Lotteries Limited ('the Company') operates and promotes The United Kingdom National Lottery. The Company principally operates in the United Kingdom and Isle of Man.

The Company is a private limited company incorporated and domiciled in the UK. The address of its registered office is Camelot UK Lotteries Limited, Tolpits Lane, Watford, Hertfordshire, WD18 9RN, United Kingdom.

Its immediate parent is Premier Lotteries UK Limited (PLUK), a subsidiary of Premier Lotteries Capital UK Limited (PLCUK), itself a subsidiary of Premier Lotteries Investments UK Limited (PLIUK). PLUK is the parent undertaking of the smallest group to consolidate these financial statements reporting under IFRSs as adopted by the EU. PLIUK is the parent undertaking of the largest group to consolidate these financial statements reporting under IFRSs as adopted by the EU. The financial statements of PLUK and PLIUK are available from Magdalen House, Tolpits Lane, Watford, Hertfordshire, WD18 9RN, United Kingdom.

The Company's ultimate parent undertaking and controlling party is Ontario Teachers' Pension Plan (Teachers'), the financial statements of Teachers' are publicly available at [www.otpp.com](http://www.otpp.com). The Company maintains close links with Teachers' who have representatives on the Board and also have direct lines of access to the Chairman, the Chief Executive Officer, the Independent Non-executive Directors and the Company Secretary.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements for the year ended 31 March 2018 are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### a) Basis of preparation

The financial statements of Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS Interpretations Committee and the Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Further information on the Company's financial risk management is given in note 15.

The Company's accounting policies were selected by management considering all applicable IFRSs adopted by the EU by 31 March 2018.

#### i) Adoption of new and revised standards in 2017/18:

No new accounting standards, or amendments to accounting standards that are effective for the year ended 31 March 2018, have had a material impact on the Company.

#### ii) New standards, amendments and interpretations not yet adopted:

Standards and interpretations which are not yet effective and have not been early adopted by the Company are listed opposite.

## NOTES TO THE FINANCIAL STATEMENTS

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for the annual period beginning on 1 April 2018. The impact of IFRS 15 has been assessed by management and is not expected to have a material impact on the Company's results or assets and liabilities. The majority of the Company's revenue is accounted for under IAS39.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39, 'Financial Instruments', that relates to the classification and measurement of financial instruments. The standard is effective for the annual period beginning on 1 April 2018. Management have assessed the impact of the standard and found that it will not be material given the nature of the company's financing arrangements.

- IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for the annual period beginning on 1 April 2019. The full impact of IFRS 16 is currently being reviewed by management.

#### b) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs 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 Company'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 and in the provisions section on page 122.

#### Intangible assets

The Company capitalises intangible assets in line with IAS 38. Forecast cash flow information and estimates of future earnings are used 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. All impairment charges are recognised in the Statement of Comprehensive Income.

#### Long-term incentive plans

Provisions are made for the Company's long-term incentive plan (bonus scheme for senior management) (LTIP) in line with the Company's performance criteria when the Company has a present legal or constructive obligation to incur this cost.

#### c) Segmental reporting

The Company 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 Company is therefore outside the scope of IFRS 8 'Operating Segments' and as such has not presented operating segment disclosures.

#### d) Gross ticket sales

Gross ticket sales comprise the wagers placed across a portfolio of games that include draw-based games, Scratchcards and interactive Instant Win Games.



## NOTES TO THE FINANCIAL STATEMENTS

For draw-based games, income is recognised on a draw-by-draw basis, at the point the draw takes place. Where players wager in advance, this income is deferred and only recognised in the Statement of Comprehensive Income once the draw has taken place.

Scratchcards ticket income is recognised at the point of settlement by the retailer with the retailer having the option to pay Camelot for the pack upon the point the pack is opened or they can opt to settle the pack using an average ticket approach. Therefore settlement is deemed to be the earlier of:

- Payment by the retailer,
- When 60% of the lower value prizes have been claimed; or
- 30 days from the opening of a pack of tickets.

Interactive Instant Win Games income is derived from wagers placed on The National Lottery website and is recognised on the date of purchase as the game is played instantly.

### e) Lottery Duty

Lottery Duty is 12% of gross ticket sales.

### f) Prizes

The draw-based games developed and managed by the Company operate under a prize pool mechanism under which a predetermined percentage of the ticket sales is allocated to prizes. The liability for prizes won is recognised in full at the time of the draw.

To the extent that the actual prizes won on the Lotto and EuroMillions draws vary from the predetermined prize percentage, the relevant prize is carried forward under a rollover to subsequent draws.

Scratchcard prizes are recognised as a percentage of ticket sales in line with the theoretical prize pay-out for that game.

Interactive Instant Win Game prizes are based on the actual prizes won for each individual game, at the point at which the sale occurs.

If prizes remain unclaimed for 180 days from either the draw date for draw-based games or the close of a Scratchcard or interactive Instant Win Game, they are paid to the National Lottery Distribution Fund. These amounts are not charged to the Statement of Comprehensive Income as they are already included as a prize liability. The amount causes a reduction in the prize liability on the balance sheet. There is also an equal reduction in the Operational Trust receivable balance, the account in which money in respect of prizes is held and from which the payment for unclaimed prizes is made.

### g) National Lottery Distribution Fund

The National Lottery Distribution Fund (NLDF) is the central fund from which the National Lottery distribution bodies draw down funds for distributing to Good Causes.

Amounts charged to the Statement of Comprehensive Income represent:

- The amounts arising due to the respective bodies based on cumulative accounting sales less Lottery Duty, prizes and commissions. The amounts recognised are calculated in line with the method set out in the third operating licence under which the Company has operated during the year; and
- The profits to be shared with the NLDF as a result of Camelot achieving certain profit targets. This distribution of profits is known as Secondary Contributions and the payments to be made are as set out in the third operating licence.

### h) Net income

Income arises across a portfolio of games that includes draw-based games, Scratchcards and interactive Instant Win Games.

All income is 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 costs and amounts due to the National Lottery Distribution Fund.

## NOTES TO THE FINANCIAL STATEMENTS

Other operating income primarily comprises an operating fee receivable from retailers who lease terminals in the estate. The operating fee income is recognised on a straight-line basis over the term of the operating lease. Income is only recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

### i) Retailers' and other commissions

The commission rate paid for Scratchcard sales is 6% and 5% for draw-based games. In addition, retailers receive 1% commission for prizes paid out above £10 for Scratchcards and £25 for draw-based games, both up to and including £500. The Post Office is able to validate prizes between £500 and £50,000 for which it continues to receive an annual payment.

Amounts charged to the Statement of Comprehensive Income represent commissions arising due to:

- retailers based on sales and in-store prize payments to date
- our agent in respect of 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 National Lottery using the interactive channel; and
- other sales-related commissions.

### j) Intangible assets

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

#### Internally generated intangible assets

Costs relating to the development of software and The National Lottery website, including design and content development, are capitalised as intangible assets only when the future economic benefits expected to arise are deemed probable and the costs can be reliably measured. Development costs not meeting these criteria are expensed in the Statement of Comprehensive Income as incurred. Capitalised development costs are amortised on a straight line basis over the period gaining economic benefit from the expenditure once the related product is available for use. Research costs are charged to the Statement of Comprehensive Income as incurred. Interactive development costs that relate to channels other than the website are also capitalised on the same basis. Assets under construction are not amortised until they are brought into use. Amortisation is usually over either four years or to the end of the third licence.

#### Separately acquired intangible assets

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 third operating licence period throughout which benefit is anticipated to be derived from the asset. The third operating licence extension runs to 2023.

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

Central gaming software, Interactive software and Enterprise Resource Planning software – the period to the end of the third operating licence extension or planned replacement date if earlier

Other software – the shorter of four years and the period to the end of the third licence extension



## NOTES TO THE FINANCIAL STATEMENTS

### Impairment of intangible assets

Intangible assets are assessed annually for indicators of impairment. If indicators exist, the Company will assess whether an impairment is required using forecast cash flow information and estimates of future earnings with reference to their useful economic lives. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. All impairment charges are recognised in the Statement of Comprehensive Income.

### **k) Property, plant and equipment**

Property, plant and equipment is stated at cost less depreciation. The cost of property, plant and equipment includes the estimated cost of removing and disposing of the terminal assets held at retailer sites. Assets under construction are not depreciated until they are brought into use.

Depreciation is provided on all property, plant and equipment on a straight line basis to write off the cost of these assets in equal instalments either over their expected useful lives or the third licence extension period which runs to 2023 and has been applied prospectively.

The depreciation basis for the principal asset categories are as follows:

Short leasehold improvements – the shorter of the lease period and the period to the end of the third operating licence extension

### Plant and equipment and motor vehicles

Computer hardware (excluding central gaming) – the shorter of four years, or in the case of leased assets the lease period, and the period to the end of the third operating licence extension

Central gaming systems, Interactive hardware and Enterprise Resource Planning hardware – the period to the end of the third operating licence extension or planned replacement date if earlier, or the lease term for leased assets and associated costs

Fixtures and fittings – five years

Media screens – three years

Lottery terminals – the period to the end of the third operating licence extension, the lease term, or planned replacement date if earlier

Permanent point-of-sale equipment (PPOS) – the shorter of two to five years and the period to the end of the third operating licence extension

Other plant and equipment – between two to five 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. If an asset's carrying amount is greater than its estimated recoverable amount, the carrying amount is immediately written-down.

### **l) 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 Company. All other leases are classified as operating leases.

Separately acquired software and 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 asset 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.

### **m) 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.

### **n) Inventories**

Inventories consist of Scratchcards and consumables (i.e. terminal rolls, playslips and ribbons). Scratchcards are carried on a unit cost basis and are expensed when the Company recognises the net income for that stock. Consumables 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

Amounts held in Trust represent unpaid prizes.

When a player claims a prize from the Trust, the prize payment is made by Camelot and then claimed back from the Trust. This is deemed to be a third party transaction between Camelot and the Trust. As such, amounts reflect a receivable due from the Trust.

### **p) Trade and other payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

### **q) Financial instruments**

Exposure to credit, interest rate, currency and liquidity risks that arise in the normal course of the Company's business are minimised by Camelot's policies and controls, as disclosed in note 15.

The following policies for financial instruments have been applied in the preparation of the Company's financial statements.

### **Cash and cash equivalents**

For the purpose of preparation of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and in hand, short-term deposits with an original maturity period of three months or less and certain amounts classified as borrowings, as detailed below.

Bank overdrafts that are an integral part of the Company's cash management are included in cash and cash equivalents where they have a legal right of set-off against positive cash balances. If the cash position after the set-off of the overdrafts amounts to a net overdraft, these amounts are classified as borrowings, but are still classified as cash and cash equivalents for the purposes of the Statement of Cash Flows.

### **Borrowings**

Borrowings comprise amounts drawn down against the Company's bank facilities, amounts (other than trade payables) due to parent undertakings and any bank overdrafts as defined above. They are recognised initially at fair value, net of transactions costs incurred. Transaction costs are charged to operating profit in the period 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.



## NOTES TO THE FINANCIAL STATEMENTS

### r) Provisions

Provisions are recognised where the Company has legal or constructive present obligations as a result of past events, that will probably require an outflow of resources to settle, and this outflow can be reliably measured, as detailed below.

Provisions are made for the cost of decommissioning terminals and communications equipment held at retailer sites, and the disposal of these assets. A further provision comprises amounts in respect of lost or destroyed terminals.

The dilapidation provision is the current best estimate of the cost of bringing certain premises, held under operating leases, back to their original state as required by the lease agreement.

Provisions for restructuring costs are recognised where it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be readily estimated. Provisions are not recognised for future operating losses.

Provisions are made for the Company's long-term incentive plan (bonus scheme for senior management) (LTIP) in line with the Company's performance criteria.

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

### s) Pensions

The Company operates the Company Personal Pension Plan, a defined contribution scheme. The cost of contributions is charged to the Statement of Comprehensive Income in the year to which it relates.

### t) Current and deferred income tax

Current income tax is recognised based on the amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided in full, using the liability method, on temporary differences that arise between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding tax base. A temporary difference is a taxable temporary difference if it will give rise to taxable amounts in the future when the asset or liability is settled. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be offset. Deferred income tax assets and liabilities recognised are not discounted. Deferred income tax liabilities and assets are classified as non-current irrespective of the expected timing of the reversal of the underlying taxable temporary difference. Current income tax assets and liabilities are shown separately on the face of the Balance Sheet.

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

### u) Value added tax

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

### v) Share capital and dividend recognition

Ordinary shares, ordinary preference shares and ordinary redeemable shares are shown as equity. Final dividends to the Company's shareholders are recognised when the dividend is approved by the Company's shareholder, and for an interim dividend when the dividend is paid.

## NOTES TO THE FINANCIAL STATEMENTS

### w) Foreign currency

#### 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 financial statements are presented in GBP sterling (£m), rounded to £0.1m, which is the Company's functional and the Company's presentation currency.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the trading are recognised in the Statement of Comprehensive Income. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within administrative expenses.



## NOTES TO THE FINANCIAL STATEMENTS

### 3. GROSS TICKET SALES

The Group is operated and managed as a single business segment in one geographical area, the United Kingdom and Isle of Man, across a portfolio of games aimed to maximise the reach of The National Lottery. Gross ticket sales by type of game are analysed as follows:

	2018 £m	2017 £m
Draw-based games	4,116.8	4,023.2
Scratchcards and interactive Instant Win Games	2,834.9	2,902.1
	<b>6,951.7</b>	<b>6,925.3</b>

### 4. OPERATING PROFIT

Operating profit is stated after charging the following items:

	2018 £m	2017 £m
Other operating income <sup>1</sup>	4.4	4.7
Marketing expenses <sup>1</sup>	(70.1)	(82.1)
Research	(5.2)	(2.8)
Amortisation on intangible assets (note 9) <sup>2</sup>	(14.0)	(16.4)
Depreciation on tangible assets (note 10) <sup>2</sup>	(18.5)	(12.3)
Operating lease rentals – property	(4.1)	(4.0)
Auditor's remuneration – fees payable for the audit of the Company's financial statements	(0.6)	(0.6)
Auditor's remuneration – other	(0.1)	-

<sup>1</sup> Other operating income primarily comprises an operating fee receivable from retailers who lease Compact Lottery Terminals (CLT) in the estate. The operating fee income is recognised on a straight-line basis over the term of the operating lease. Income is only recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Marketing is now shown net of amounts received from the NLDF during the year in respect of marketing. In the previous financial year, marketing expenses were shown gross, with the income received from the NLDF disclosed as 'Other operating income'.

<sup>2</sup> Amortisation and depreciation included within gaming systems and data communication costs on the face of the Statement of Comprehensive Income are shown separately in this note.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. EMPLOYEE EXPENSES AND NUMBERS

	2018 £m	2017 £m
<b>Employee expenses</b>		
Wages and salaries	(34.9)	(25.9)
Social security costs	(11.8)	(9.6)
Other pension costs	(1.5)	(1.5)
	<b>(48.2)</b>	<b>(37.0)</b>

	2018 Number	2017 Number
<b>Monthly average number of Camelot employees</b>		
Retailer and consumer services	118	108
Sales and marketing	394	320
Information technology	123	131
Finance, administration and other	32	40
	<b>667</b>	<b>599</b>

	2018 £m	2017 £m
<b>Key management personnel compensation</b>		
Short-term employee benefits	3.7	2.0
Other long-term benefits	1.1	0.1
Post-employment benefits	0.4	0.2
	<b>5.2</b>	<b>2.3</b>

At 31 March 2018, the Board comprised seven members: the Chairman (an officer of Teachers'), four independent non-executive directors, one non-executive director (an officer of Teachers') and one executive director (the Chief Executive Officer).

The amounts above include compensation for those members of the UK Executive Board who were employed by Camelot UK during the reporting period. Four members of the UK Executive Board are employed by Camelot Business Solutions Limited (CBSL) (2017: 3). Their remuneration is disclosed in the financial statements of that company. An agreed costs recharge structure has been set up between group companies which is not directly attributable to individuals.



## NOTES TO THE FINANCIAL STATEMENTS

### 5. EMPLOYEE EXPENSES AND NUMBERS (CONTINUED)

	2018 £m	2017 £m
<b>Directors' emoluments</b>		
Salaries and short-term employee benefits	0.9	1.0
Long-term incentive plans	0.4	0.1
Other pension costs	0.2	0.1
<b>Aggregate emoluments</b>	<b>1.5</b>	<b>1.2</b>
	2018 £m	2017 £m
<b>Highest paid director's emoluments</b>		
Salaries and short-term employee benefits	0.4	0.8
Long-term incentive plans	0.4	0.1
Other pension costs	0.1	0.1
<b>Aggregate emoluments</b>	<b>0.9</b>	<b>1.0</b>

Andy Duncan was the highest paid director in both years. In 2018 he received payments for services of £0.1m while serving as a director of the Company and payments of £0.8m as a past director.

Nigel Railton was appointed Chief Executive Officer in November 2017. Previously, Nigel served as Chief Executive Officer of Camelot Global. During the financial year 2017/18, he received payments from Camelot Global of £0.6m, of which £0.4m was recharged to Camelot UK for services provided. He also received payments of £0.3m from Camelot UK.

At the end of the financial year, no directors (2017: none) were members of the Group money purchase pension scheme.

During the year, Dianne Thompson received long-term incentive plan payments which are paid by and disclosed in the financial statements of Camelot Business Solutions Limited. She did not act as a director of CBSL nor of CUKL during the year.

Long-term incentive plans (LTIP) have been in place since 2009 and run through to 2022. Both short-term and long-term incentive plans follow industry best practice with stretching targets and measurable performance.

### 6. FINANCE INCOME AND COSTS

	2018 £m	2017 £m
Interest receivable from bank deposits	0.3	0.1
Interest receivable on loan due from PLUK	3.2	3.0
<b>Finance income</b>	<b>3.5</b>	<b>3.1</b>
Interest payable on other loans	(0.5)	(0.4)
Interest payable on finance leases	(0.8)	(1.1)
<b>Finance costs</b>	<b>(1.3)</b>	<b>(1.5)</b>
<b>Net finance income</b>	<b>2.2</b>	<b>1.6</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 7. INCOME TAX

a) UK corporation tax	2018 £m	2017 £m
Current income tax for the year	16.8	18.2
Adjustments in respect of prior years	0.1	(0.2)
<b>Total current tax</b>	<b>16.9</b>	<b>18.0</b>
Deferred income tax charge for the year	(1.1)	(0.4)
Adjustments in respect of prior periods	0.2	(0.2)
<b>Total deferred tax</b>	<b>(0.9)</b>	<b>(0.6)</b>
<b>Income tax expense</b>	<b>16.0</b>	<b>17.4</b>

The income tax charge is based on a corporation tax rate of 19% for the year ended 31 March 2018 (2017: 20%). All taxable temporary differences have been recognised and are reflected in the deferred taxation balance.

### b) Reconciliation of tax expense

	2018 £m	2017 £m
<b>Profit before income tax</b>	<b>84.4</b>	<b>87.9</b>
Income tax on profit on ordinary activities at the standard rate of 19% (2017: 20%)	16.1	17.6
Non-deductible expenses	(0.5)	0.1
Adjustments in respect of prior periods	0.3	(0.4)
Effect of rate change	0.1	0.1
<b>Income tax expense</b>	<b>16.0</b>	<b>17.4</b>

### 8. DIVIDENDS

	2018 £m	2017 £m
Interim dividends paid to shareholders for aggregate ordinary class 'A' shares and class 'C' preference shares	53.1	66.6
	53.1	66.6

Dividend per share for the year was £52.529 (2017: £65.941). No final dividend was recommended (2017: none)



## NOTES TO THE FINANCIAL STATEMENTS

### 9. INTANGIBLE ASSETS

	Internally generated £m	Separately acquired £m	Total £m
<b>Cost</b>			
At 1 April 2016	9.6	72.3	81.9
Additions	1.1	13.9	15.0
Disposals	-	(0.8)	(0.8)
At 31 March 2017	10.7	85.4	96.1
<b>Accumulated amortisation</b>			
At 1 April 2016	4.4	30.5	34.9
Charge for the year	2.3	14.1	16.4
Disposals	-	-	-
At 31 March 2017	6.7	44.6	51.3
<b>Net book value at 31 March 2017</b>	<b>4.0</b>	<b>40.8</b>	<b>44.8</b>

	Internally generated £m	Separately acquired £m	Total £m
<b>Cost</b>			
At 1 April 2017	10.7	85.4	96.1
Additions	0.9	16.5	17.4
Disposals	-	(1.8)	(1.8)
At 31 March 2018	11.6	100.1	111.7
<b>Accumulated amortisation</b>			
At 1 April 2017	6.7	44.6	51.3
Charge for the year	1.5	12.5	14.0
Disposals	-	-	-
At 31 March 2018	8.2	57.1	65.3
<b>Net book value at 31 March 2018</b>	<b>3.4</b>	<b>43.0</b>	<b>46.4</b>

The intangible assets balance represents internally generated and separately acquired assets relating to the development of software and assets purchased separately, such as software licences that do not form an integral part of related hardware. Amortisation is charged to administrative expenses. Intangible assets include £11.6m (2017: £8.7m) of assets which are under construction.

## NOTES TO THE FINANCIAL STATEMENTS

### 10. PROPERTY, PLANT AND EQUIPMENT

	Assets under construction £m	Short leasehold improvements £m	Plant and equipment and motor vehicles £m	Total £m
<b>Cost</b>				
At 1 April 2016	0.2	3.2	219.8	223.2
Additions	11.1	-	-	11.1
Transfers	(9.3)	-	9.3	-
Disposals	-	-	(3.2)	(3.2)
At 31 March 2017	2.0	3.2	225.9	231.1
<b>Accumulated depreciation</b>				
At 1 April 2016	-	2.5	139.4	141.9
Charge for the year	-	0.3	12.0	12.3
Disposals	-	-	(3.0)	(3.0)
At 31 March 2017	-	2.8	148.4	151.2
<b>Net book value at 31 March 2017</b>	<b>2.0</b>	<b>0.4</b>	<b>77.5</b>	<b>79.9</b>

	Assets under construction £m	Short leasehold improvements £m	Plant and equipment and motor vehicles £m	Total £m
<b>Cost</b>				
At 1 April 2017	2.0	3.2	225.9	231.1
Additions	5.0	-	-	5.0
Transfers	(4.2)	-	4.2	-
Disposals	-	-	-	-
At 31 March 2018	2.8	3.2	230.1	236.1
<b>Accumulated depreciation</b>				
At 1 April 2017	-	2.8	148.4	151.2
Charge for the year	-	0.3	18.2	18.5
Disposals	-	-	-	-
At 31 March 2018	-	3.1	166.6	169.7
<b>Net book value at 31 March 2018</b>	<b>2.8</b>	<b>0.1</b>	<b>63.5</b>	<b>66.4</b>

The net book value of plant and equipment and motor vehicles held under finance leases is £16.1m (2017: £24.4m). Depreciation charged in the year in respect of these assets was £6.7m (2017: £6.1m).

All tangible fixed assets are initially recognised as assets under construction and are transferred to plant and equipment and motor vehicles once the project is complete.



## NOTES TO THE FINANCIAL STATEMENTS

### 11. INVENTORIES

	2018 £m	2017 £m
Scratchcard tickets	0.5	0.3
Playslips, terminal rolls and other consumables	0.5	0.6
<b>At 31 March</b>	<b>1.0</b>	<b>0.9</b>

Inventory consumed during the year amounted to £24.1m (2017: £23.7m). No provision has been raised against the inventory balance in the current year (2017: nil).

### 12. TRADE AND OTHER RECEIVABLES

#### a) Non-current assets

	2018 £m	2017 £m
Other receivables and prepayments	0.1	0.2
Loan due from Group companies	26.8	26.8
EuroMillions Deposit	9.4	7.5
<b>At 31 March</b>	<b>36.3</b>	<b>34.5</b>

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

The loan due from the Company's parent remained stable at £26.8m at 31 March 2018 (2017: 26.8m). The loan incurs interest at 12.5% and is repayable at the end of the licence extension period. As at 31 March 2018, there was £0.8m interest accrued.

The EuroMillions deposit provides security to other EuroMillions participants for Camelot's EuroMillions prize payment obligations. This amount (of the relevant part) will be repayable to Camelot in accordance with the Trust Deed and will remain on deposit until the end of the third operating licence term. At 31 March 2018, Camelot had on deposit £9.4m (2017: £7.5m) of funds in a restricted cash trust account as a reserve for the protection of EuroMillions prize winners. Although Camelot cannot currently withdraw these amounts until the end of the third operating licence extension period, the interest on these accounts accrues to Camelot.

#### b) Current assets

	2018 £m	2017 £m
Trust receivables	379.1	280.5
Trade receivables	51.5	41.7
Accrued income	4.5	8.6
Prepayments	10.4	4.7
Amounts due from related parties	2.2	0.5
<b>At 31 March</b>	<b>447.7</b>	<b>336.0</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trust receivables comprise the amounts due from the Trusts to Camelot for unpaid prizes of £312.1m (2017: £215.4m), together with amounts held in respect of future draws both in the form of advance sales and interactive wallet balances of £67.0m (2017: £65.1m).

Trade receivables primarily represent amounts due from retailers. During the year, there has been a reclassification of retailer bonds of £6.2m (2017: £6.3m) from trade receivables to other payables (note 17a). In prior years, the retailer bonds have been offset by amounts due from retailers within trade receivables. However, the classification has been reassessed and, going forward, the retailer bonds will be classified separately in other payables.

As of 31 March 2018, trade receivables of £51.3m (2017: £40.9m) were not yet due for payment in accordance with the normal payment cycle, and retail trade receivables of £0.2m (2017: £0.3m) were impaired and provided for. The recoverability of trade receivables held with multiple retailers is assessed on the retailers' level of credit risk and impaired accordingly. Balances due from independent retailers are impaired when the debt becomes more than one week past due.

Other trade receivable balances that are past due are considered impaired when it is deemed uneconomical to pursue recoverability of the debt. At 31 March 2018, no other trade receivables were considered impaired or provided for.

Amounts due from related parties are unsecured, interest-free and repayable on demand.

The ageing analysis of past due but not impaired or provided for trade receivables is as follows:

	2018 £m	2017 £m
7 days to 3 months	0.1	0.1
3 to 6 months	-	-
More than 6 months	-	-
<b>At 31 March</b>	<b>0.1</b>	<b>0.1</b>

The credit risk policy that the Group operates means that Camelot minimises its exposure to past due debt. Details of the credit risk policy are provided in note 14 and note 15.

The carrying amounts of the Group's trade and other receivables are denominated in GBP sterling. Amounts due from fellow subsidiaries are interest-free and repayable on demand.

Movements on the Group provision for impairment of trade receivables are as follows:

	2018 £m	2017 £m
At 1 April	0.3	0.3
Provision for impairment of trade receivables	0.2	0.2
Utilised	(0.1)	(0.1)
Unused amounts reversed	(0.2)	(0.1)
<b>At 31 March</b>	<b>0.2</b>	<b>0.3</b>

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 receivable mentioned above. With the exception of £6.2m (2017: £6.3m) in retailer bonds, the Company does not hold any collateral as security.



## NOTES TO THE FINANCIAL STATEMENTS

### 13. CASH AND CASH EQUIVALENTS

Cash at bank and in hand comprise Camelot bank accounts and short-term deposits. Fixed and floating charges have been given in respect of certain Camelot assets to the Trustee and to Camelot's syndicated lenders. Camelot's cash balances can be analysed as follows:

	2018 £m	2017 £m
Cash at bank and in hand	10.6	12.2
Short-term bank deposits	40.2	15.9
At 31 March	50.8	28.1

Amounts held in short-term bank deposits comprise amounts held in either deposit accounts or Money Market Funds with interest earned rates at 31 March 2018 of 0.15% to 0.70% (2017: 0.40% to 0.80%). Both types of deposit are redeemable on demand.

On 8 July 2010, the Company entered into a £55.0m committed Revolving Credit Facility which runs until 6 August 2019 with the option (at no cost) to extend maturity for a further three years. The amount drawn under this facility at 31 March 2018 was nil (2017: nil).

### 14. CREDIT QUALITY OF FINANCIAL ASSETS

External credit ratings are obtained for each trade receivable counterparty at the point the Company starts to trade with that retailer to confirm the creditworthiness of the retailer. See note 15 for details on the Company's credit control policy for trade receivables.

External credit ratings are obtained for banks where the Company holds cash and short-term bank deposits. At 31 March 2018, financial assets totalling £30.6m (2017: £15.0m) are held in deposit accounts with banks which have Moody's short-term credit rating of P1 and £9.5m (2017: £0.9m) was held in deposit accounts with banks which have a Moody's short-term credit rating of P2. Money Market Funds used during this and the preceding year each have Moody's credit ratings of AAA. Cash at bank and the trust accounts are held with Royal Bank of Scotland plc which has a Moody's short and long-term rating of P2 and A3 respectively.

None of the financial assets that are not yet due have been renegotiated in the last year.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 15. FINANCIAL RISK MANAGEMENT

Exposure to credit, interest rate, currency, liquidity and capital risks arise in the normal course of the Company's business. The likely impact of these risks on the Company's performance is deemed to be immaterial and therefore no sensitivity analysis has been presented in these financial statements:

#### a) Credit risk

Credit insurance is held for the vast majority of the Company's multiple store retailers and 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 Company starts to trade with that retailer. If the uninsured credit risk exposure is significant, Camelot will request a bond 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 Company's credit policy for late payments.

Camelot has reviewed its established credit policy and debt collection processes to ensure they are appropriate and address the additional exposures to increased credit risk the current economic climate brings. Management is confident that the current arrangements minimise the Company'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 Company 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.

#### b) Interest rate risk

The Company's £55.0m Revolving Credit Facility allows short-term borrowings at floating rates of interest. Restrictive covenants on the level of leverage and interest cover exist on this facility.

At 31 March 2018, the value of the loan receivable from the Company's immediate holding company, PLUK, was £26.8m (2017: £26.8m). Interest on the loan was charged at a fixed rate of 12.5% and therefore there was no exposure to changes in interest rates.

Investments are predominately in fixed-rate deposit accounts which are redeemable on demand. The average rate of return on deposit accounts used by the Company during the year was 0.62% (2017: 0.30%).

All investments in 2018 and 2017 were denominated in GBP sterling.

#### c) Foreign exchange risk

The Company is exposed to foreign exchange risk on purchases that are denominated in a currency other than sterling (£). The currency giving rise to this risk is primarily Euros (€). During the year, the Company did not participate in any 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 the Company's accounting policy detailed in note 2(w).

Included within Administrative expenses in the Statement of Comprehensive Income are £0.2m net foreign exchange losses (2017: £0.1m gains).



## NOTES TO THE FINANCIAL STATEMENTS

### 15. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### d) Liquidity risk

Liquidity risk is the risk that the Company 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 Company, together with a prudent level of headroom to allow for cash flow variations.

In addition to its own free cash flow, the Company has a £55.0m syndicated Revolving Credit Facility disclosed in note 13. This facility, which was undrawn at 31 March 2018, contains covenants including a maximum level of leverage and a minimum level of interest cover, both of which the Company has met. The undrawn level of this facility, together with the Company's cash balances, are the key measures of the Company's liquidity. The Company'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 Company'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 opposite analyses the Company'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.

## NOTES TO THE FINANCIAL STATEMENTS

	Mature in less than 1 year £m	Mature between 1 and 2 years £m	Mature between 2 and 5 years £m
<b>At 31 March 2017</b>			
Finance lease obligations	10.8	18.1	3.1
Trade and other payables	442.7	1.4	-
<b>At 31 March 2018</b>			
Finance lease obligations	8.5	11.1	2.0
Trade and other payables	566.8	0.4	-

#### e) Capital risk

The Company has had significant borrowing requirements during the year. At 31 March 2018, the Company has finance lease agreements in place, of which £21.7m (2017: £32.0m) is outstanding at the end of the year. The Company has in place sufficient capital resources through its trading and banking facilities to continue in operational existence for the foreseeable future (note 26).

### 16. FINANCIAL LIABILITIES

#### a) Current liabilities: amounts falling due within one year

	2018 £m	2017 £m
Finance lease obligations	8.5	10.8

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

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

	2018 £m	2017 £m
Finance lease obligations	13.1	21.2

Of the finance lease obligations held in non-current liabilities, £13.1m (2017: £21.2m) falls due after one year, but in not more than five years. No finance lease obligations fall due after five years (2017: £nil).

Finance leases primarily relate to National Lottery terminals and software.



## NOTES TO THE FINANCIAL STATEMENTS

### 17. TRADE AND OTHER PAYABLES

#### a) Current liabilities

	2018 £m	2017 £m
Prize liability	335.7	227.0
Lottery Duty payable	76.3	73.2
Amounts payable to the NLDF	33.4	29.8
Advance receipts for future draws	33.8	45.4
Accruals	43.4	18.7
Other payables	25.7	28.3
Trade payables	7.7	18.6
Amounts due to related parties	10.8	1.7
<b>As at 31 March</b>	<b>566.8</b>	<b>442.7</b>

Other payables mainly represent deposits received from, and prizes won by, players which are held in their interactive wallets. During the year, there has been a reclassification of retailer bonds of £6.2m (2017: £6.3m) from trade receivables (note 12a) to other payables. In prior years, the retailer bonds have been offset by amounts due from retailers within trade receivables. However, the classification has been reassessed and, going forward, the retailer bonds will be classified separately in other payables.

The prize liability represents both unclaimed prizes and amounts planned for future prize payments at 31 March 2018, and the Company had transferred £310.2m into the relevant trust accounts to meet these liabilities (2017: £213.6m). Advance receipts for future draws represent the multi-draw and subscription payments relating to future draws.

Amounts due to related parties are unsecured, interest-free and repayable on demand.

#### b) Non-current liabilities

	2018 £m	2017 £m
Accruals	0.4	1.4

Non-current accruals represent the effect of spreading rent-free periods over the term of the rental period. The liability will be released over the lease term..

## NOTES TO THE FINANCIAL STATEMENTS

### 18. DEFERRED TAXATION

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 2018, the offset amounts are as follows:

	2018 £m	2017 £m
Deferred tax assets:		
To be recovered after more than 12 months	3.6	3.7
To be recovered within 12 months	-	-
<b>Deferred tax assets</b>	<b>3.6</b>	<b>3.7</b>

	2018 £m	2017 £m
Deferred tax liabilities:		
To be recovered after more than 12 months	(0.5)	(1.5)
To be recovered within 12 months	-	-
<b>Deferred tax liabilities</b>	<b>(0.5)</b>	<b>(1.5)</b>
<b>Deferred tax assets (net)</b>	<b>3.1</b>	<b>2.2</b>

The gross movement on deferred tax is as follows:

	Accelerated capital allowances £m	Provisions and accruals £m	Total £m
At 1 April 2016	(1.9)	3.6	1.7
Credit/(charge) to the Statement of Comprehensive Income			
-effect of changes in the rate of taxation	0.1	(0.2)	(0.1)
-current year credit	0.3	0.3	0.6
<b>At 31 March 2017</b>	<b>(1.5)</b>	<b>3.7</b>	<b>2.2</b>
At 1 April 2017	(1.5)	3.7	2.2
Credit/(charge) to the Statement of Comprehensive Income	0.9	-	0.9
<b>At 31 March 2018</b>	<b>(0.6)</b>	<b>3.7</b>	<b>3.1</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 19. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

	Terminal and data communication related £m	Property £m	Restructuring £m	Long-term incentive plan £m	Total £m
At 1 April 2016	8.3	4.4	3.3	9.2	25.2
Charge to Statement of Comprehensive Income	0.4	0.1	-	1.3	1.8
Utilised in the year	-	-	(3.3)	(0.9)	(4.2)
<b>At 31 March 2017</b>	<b>8.7</b>	<b>4.5</b>	<b>-</b>	<b>9.6</b>	<b>22.8</b>

	Terminal and data communication related £m	Property £m	Restructuring £m	Long-term incentive plan £m	Total £m
At 1 April 2017	8.7	4.5	-	9.6	22.8
Charge to Statement of Comprehensive Income	0.9	0.7	0.7	2.6	4.9
Utilised in the year	(1.0)	(1.2)	-	(2.3)	(4.5)
<b>At 31 March 2018</b>	<b>8.6</b>	<b>4.0</b>	<b>0.7</b>	<b>9.9</b>	<b>23.2</b>

Provisions have been classified between current and non-current as follows:

	2018 £m	2017 £m
Current	2.8	2.3
Non-current	20.4	20.5
	<b>23.2</b>	<b>22.8</b>

Terminal and data communications related provisions include: a provision for the cost of decommissioning existing terminals and communications equipment held at retailer sites, and disposing of these assets at the end of the third licence extension period; and amounts in respect of lost or destroyed terminals and associated contractual costs. This provision will be fully utilised by the end of the third licence extension period.

Property provisions comprise the 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. In addition, in accordance with IAS 37, Camelot has fully provided for the onerous lease obligations related to two lease contracts which extend until 2023.

The restructuring provision relates to future severance costs resulting from the internal restructuring which are expected to be paid within 12 months of the balance sheet date.

The long-term incentive plan provision relates to future amounts payable to senior management in line with the Group's performance criteria when the Group has a present legal or constructive obligation to incur this cost.

## NOTES TO THE FINANCIAL STATEMENTS

### 20. SHARE CAPITAL

a) Authorised and allotted share capital as at 31 March:

	2018 £	2017 £
<b>Authorised</b>		
1,000 (2017: 1,000) ordinary 'A' shares of £1 each	1,000	1,000
10 (2017: 10) preference 'C' shares of £1 each	10	10
	<b>1,010</b>	<b>1,010</b>

	2018 £	2017 £
<b>Allotted, issued and fully paid</b>		
1,000 (2017: 1,000) ordinary 'A' shares of £1 each	1,000	1,000
10 (2017: 10) preference 'C' shares of £1 each	10	10
	<b>1,010</b>	<b>1,010</b>

b) Analysis of shareholding at 31 March 2018 and 31 March 2017

	Number of 'A' shares	Number of 'C' preference shares	Percentage holdings
<b>Premier Lotteries UK Limited</b>	1,000	3	99.3%
<b>Fourmoront Corporation</b>	-	7	0.7%
	<b>1,000</b>	<b>10</b>	<b>100.0%</b>

c) Rights and obligations

**Income:**

In the current year, a fixed dividend of £1,000 per share (2017: £1,000 per share) was distributed to the holders of the 'C' preference shares. The remainder is distributable pro rata among the ordinary 'A' shareholders.

**Capital:**

On a return of assets on liquidation, reduction of capital or otherwise, the surplus assets of the Company remaining after payment of its liabilities shall be distributed:

(a) first in paying to the holders of 'C' preference shares, the sum of £1 in respect of each 'C' Preference share  
(b) second, to the holders of 'A' ordinary shares pro rata among them.

**Class consents:**

Except with the prior consent or approval in writing of the holders of all of the relevant class of shares, the Company shall not modify or vary the rights attaching to any class of its shares (unless the modification or variation affects all classes of shares similarly).

**Voting and other rights:**

In respect of the election of directors, the holders of 'C' preference shares are entitled to receive notice of and to attend, speak and vote at all general meetings of the Company at which a director is to be elected and shall have one vote per 'C' preference share held with respect to the election of any director. In respect of any other general meeting of the Company, the 'C' preference shares are entitled to receive notice of and to attend and speak but not vote.

The holders of 'A' ordinary shares are entitled to receive notice of and to attend, speak and vote at all general meetings of the Company save that, in respect of a general meeting at which a director is to be elected, the 'A' ordinary shareholders shall not be entitled to participate in such part of the meeting as relates to the election of a director and shall have no right to vote on such election.



## NOTES TO THE FINANCIAL STATEMENTS

### 21. RESERVES

	Note	Retained earnings £m	Total £m
At 1 April 2016		14.4	14.4
Profit for the financial year		70.5	70.5
Dividends paid	8	(66.6)	(66.6)
Net increase in shareholder equity		3.9	3.9
<b>At 31 March 2017</b>		<b>18.3</b>	<b>18.3</b>

	Note	Retained earnings £m	Total £m
At 1 April 2017		18.3	18.3
Profit for the financial year		68.4	68.4
Dividends paid	8	(53.1)	(53.1)
Net increase in shareholder equity		15.3	15.3
<b>At 31 March 2018</b>		<b>33.6</b>	<b>33.6</b>

### 22. CASH GENERATED FROM OPERATIONS

	2018 £m	2017 £m
Profit for the financial year	68.4	70.5
Adjustments for:		
- Income tax	16.0	17.4
- Depreciation and amortisation	32.5	28.7
- Loss on disposal of non-current fixed assets	1.8	1.0
- Interest income	(3.5)	(3.1)
- Interest expense	1.3	1.5
	48.1	45.5
Changes in working capital:		
- Inventories	(0.1)	0.1
- Trade and other receivables	(113.5)	76.2
- Trade and other payables	116.5	(101.3)
- Provisions for other liabilities and charges	0.4	(2.4)
	3.3	(27.4)
<b>Cash generated from operations</b>	<b>119.8</b>	<b>88.6</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 23. FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

At the year end, capital expenditure relating to purchase of property, plant and equipment totalling £0.4m (inclusive of VAT) was contracted for in the year but not yet incurred (2017: £1.2m).

Other than those noted above, there are no significant contingent liabilities pertaining to the Group or the Company.

In the course of doing business as a regulated entity, the risk can arise of potential legal or regulatory non-compliance action against Camelot. Where deemed necessary, the Company will obtain advice and make financial provisions as appropriate.

### 24. OPERATING LEASES

At the balance sheet date, the Company has future aggregate minimum lease payments under non-cancellable operating leases that fall due as follows:

	2018 Land and buildings £m	2018 Plant and machinery £m	2017 Land and buildings £m	2017 Plant and machinery £m
Within one year	4.0	9.5	5.3	7.1
Between one and five years	12.4	32.3	19.3	6.5
After five years	8.4	-	7.9	-
	24.8	41.8	32.5	13.6

Operating leases primarily relate to building leases and use of third party satellite communications network contracts.

### 25. PENSION ARRANGEMENTS

In line with UK legislation, the Company auto-enrols employees into the Group Personal Pension Plan which is accounted for as a defined contribution pension scheme. All amounts payable under these schemes are charged to the Statement of Comprehensive Income as they fall due, and totalled £1.5m in the current year (2017: £1.5m).

### 26. CONTINGENCY FINANCING

Camelot has a contingency financing arrangement with its ultimate controlling party, Ontario Teachers' Pension Plan Board (Teachers'). Teachers' has made available to the Company, in aggregate with its parent company PLUK, further funding up to £30.0m in one amount or in a series of amounts which may, at their option, be (in each case) either in the form of equity, loans or other instruments or securities.

An obligation to make such contribution only exists where:

- the continued operation of Camelot's business and/or the financial soundness of its parent is threatened;
- provided that the Company can demonstrate that the underperformance is not attributable to regulatory change;
- no default whatsoever is continuing, or forecast to continue or occur for the balance of the term of any of the financing arrangements to which its parent and/or the Company is a party to, other than a default which would be remedied by the receipt and application of the contribution.

Since the aggregate of the commitment became available, there is no obligation or liability to provide any further contribution to either company. Furthermore, obligations under this arrangement will terminate upon termination of the third operating licence extension period.

## NOTES TO THE FINANCIAL STATEMENTS

### 27. RELATED PARTY TRANSACTIONS

The Group is controlled by PLUK (incorporated in the UK), which owns 99.3% of the Company's shares. The Group's ultimate UK parent is PLIUK. The Group's ultimate controlling party is the Ontario Teachers' Pension Plan Board.

During the course of the year, Camelot entered into the following transactions with 'Services aux Loteries en Europe SCRL' (SLE), a société cooperative à responsabilité limitée incorporated in Belgium. Camelot has an investment in SLE (see note 12). 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: Avenue de Terveuren 448, Bruxelles, Belgium, 1150.

	2018 £m	2017 £m
Purchases	1.0	1.0
Amounts due to SLE	-	-
Sales	0.1	0.1
Amounts due from SLE	-	-

Camelot transacted with fellow subsidiary related parties, Camelot Global Services Limited (CGSL), Camelot Global Lottery Solutions Limited (CGLSL), Camelot Commercial Services Limited (CCSL), Camelot Business Solutions Limited (CBSL), Premier Lotteries Capital UK Limited (PLCUK) and Premier Lotteries UK Limited (PLUK) during the year. CGSL provides consultancy advice to international lottery operators, while CGLSL is principally focused on managing a programme of projects to generate revenue for the Group companies. CCSL did provide commercial services solutions; however, the company has been wound up as at signing date. CBSL provides business services to other Group companies through various departments. Camelot has a finance lease arrangement with a third party to whom it has assigned the software developed within the Group under this arrangement.

Amounts due to and from related parties are unsecured in nature and are due on demand. Amounts due from related parties below include the £26.8m (2017: £26.8m) loan to PLUK (note 12).

	2018 Sale of services £m	2018 Amounts due from related party £m	2017 Sale of services £m	2017 Amounts due from related party £m
Camelot Global Services Limited	-	-	2.9	-
Camelot Global Lottery Solutions Limited	0.6	-	-	-
Camelot Business Solutions Limited	0.6	0.6	1.1	-
Premier Lotteries UK Limited	0.1	27.4	0.3	27.3

	2018 Purchase of services £m	2018 Amounts due to related party £m	2017 Purchase of services £m	2017 Amounts due to related party £m
Camelot Business Solutions Limited	20.5	1.6	17.7	0.9
Premier Lotteries UK Limited	-	1.4	0.1	-
Premier Lotteries Capital UK Limited	-	2.9	-	-
Camelot Global Services Limited	-	-	0.5	-
Camelot Global Lottery Solutions Limited	13.9	4.0	13.5	0.8

## NOTES TO THE FINANCIAL STATEMENTS

### 27. RELATED PARTY TRANSACTIONS (CONTINUED)

The value of sales and purchases in the table above includes operating expenses allocated between Group companies, as well as inter-company recharges that have previously been disclosed separately (mainly payroll-related transactions).

During the year, the Company also paid dividends totalling £53.1m (2017: £66.6m). In addition, the following cash payments were made in respect of Group taxation relief during the year:

	2018 £m	2017 £m
Premier Lotteries UK Limited	-	1.3
Premier Lotteries Capital UK Limited	-	0.6
Camelot Commercial Services Limited	0.1	0.1
Camelot Global Services Limited	0.2	0.2
Camelot Global Lottery Solutions Limited	-	0.2
	0.3	2.4

Information regarding compensation paid to key management is disclosed in note 5. All related party transactions are based on normal financial terms.

### 28. SUBSIDIARY UNDERTAKINGS

Camelot owns the entire equity share capital of the following dormant companies, all incorporated in the UK:

**Camelot Lotteries Limited**  
**National Lottery Enterprises Limited**  
**CISL Limited**

These subsidiaries have share capital, equal to the net assets, of £5 in total. This amount represents Camelot's cost of investment in these subsidiaries. They are not material for the purpose of giving a true and fair view for these financial statements and therefore have not been consolidated in accordance with Companies Act 2006 s.393. These companies are exempt from individual filing with the registrar by virtue of s.448A of the Companies Act 2006. The registered office for these companies is Magdalen House, Tolpits Lane, Watford, WD18 9RN, United Kingdom.



**Camelot UK Lotteries Limited**  
**Registered and Head Office**  
Tolpits Lane,  
Watford WD18 9RN

Unit 5, Tiger Court, Kings Drive,  
Kings Business Park,  
Prescot, Knowsley,  
Liverpool L34 1BH

Brettenham House,  
Lancaster Place,  
London WC2E 7EN

**Registered in England and Wales**  
**Company number: 02822203**  
Incorporated and domiciled in the UK

**Independent Auditors**  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London WC2N 6RH

**Bankers**  
The Royal Bank of Scotland PLC  
London Corporate Service Centre  
PO Box 39952  
2 1/2 Devonshire Square  
London EC2M 4XJ

**Front cover photograph**

Supported by The National Lottery, The Big Lunch is the UK's biggest annual get together for neighbours. In 2017, 9.3 million people took to their streets, gardens and neighbourhoods to join in for a few hours of community, friendship and fun at over 90,000 events. ©Eden Communities

**Pictured right**

BFI's open-air film screening in Herne Hill, London ©BFI

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