



# CAMELOT

Amazing starts here...

With support from The National Lottery, Britain remembered those who fell in the First World War  
14-18 NOW: Danny Boyle's *Pages of the Sea*: Folkestone



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

With the help of National Lottery funding, the Footprints Conductive Education Centre in Nottingham aims to enrich the lives of children with disabilities by developing their independence through teaching movement, social, cognitive and education skills.

Camelot UK Lotteries Limited  
Company Number: 02822203



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The 'Global Gardens Project',  
one of the winners in The  
People's Projects 2018.



## About Us

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 have responsibilities to our shareholder, Ontario Teachers' Pension Plan, which has owned Camelot since 2010.

### The National Lottery Family

As the operator, our role is critical to The National Lottery's ongoing success. But we couldn't deliver around £30 million each and every week to Good Causes without working in close partnership with a number of other bodies, each of which plays a key role as part of The National Lottery family:

- **Parliament**, through The National Lottery etc. Act 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 44,000 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.

### The Single-Operator Model

Many countries and states around the world operate a lottery to raise money for the public good.

The UK, like the vast majority of jurisdictions with a lottery, operates a 'single-operator' model, as this has repeatedly been deemed the most efficient way to maximise returns to good causes and society, as well as ensure consistent protection of players, and the fitness and propriety of operation.

The single-operator lottery model maximises player interest and participation. If there are lots of lotteries operating at a similar level, the inevitable consequence is that the money players spend on tickets becomes fragmented across all of the different lotteries available.

As a result, instead of a big singular jackpot, only smaller jackpots would be on offer. These smaller jackpots are not as appealing to players, so fewer tickets would be sold and fewer people would play – resulting in less money being raised for society. We've long maintained that a single lottery offering a jackpot of £10 million will sell more tickets than 10 lotteries each offering a jackpot of £1 million.

The single-operator model also helps to minimise operating costs. Having multiple operators would lead to diseconomies of scale, with operating costs being duplicated across providers. In addition, multiple operators would develop very similar products and end up competing for market share by having to make their offerings more appealing by increasing prize payments to players – at the expense of returns to society.



### Our Licences

In May 1994, the National Lottery Commission (NLC) awarded Camelot a seven-year licence to run The National Lottery. The first draw-based tickets went on sale on 14 November 1994, with the first draw taking place on 19 November.

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.

The Gambling Commission has now begun the process to award the fourth National Lottery licence, with the formal competition expected to launch in 2019/20. We look forward to examining the details of the process as and when they become available.

In the meantime, we will continue to focus on growing National Lottery sales – and delivering even more for our players and the millions of people for whom National Lottery funding is so crucial over the remaining years of this licence period.





## Our Locations

We employ over 750 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.





## Our Mission

# To Change Lives

Thanks to a National Lottery grant of £2.3 million, the Tropical Ravine in Belfast's Botanic Gardens re-opened to the public in 2018 after a huge, three-year restoration project that has transformed the listed building and safeguarded the ravine's significant collection of exotic plants.

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
- clearly communicating the uniqueness of The National Lottery and the extraordinary good that it does



# The National Lottery in Numbers

**£7.2 billion**

total National Lottery sales in 2018/19

– bigger than the combined UK sales of Cadbury, Coca-Cola, Nestlé, Walkers, Heinz, Warburtons and Purina

(Source: When comparing annual sales with 'Britain's Biggest Brands', The Grocer/Nielsen – March 2019)

**66<sup>th</sup>**

with lots of people playing a little, The National Lottery is ranked just 66th in the world in terms of per capita spend, despite being the sixth largest in the world in terms of sales

(Source: La Fleur's World Lottery Almanac 2019)

**£1.6 billion**

generated for Good Causes during the year – around £30 million every week

**565,000**

individual projects across the arts, sport, heritage, health, education, environment and voluntary/charity sectors have now received National Lottery funding

**6 million**

the number of active registered players, making national-lottery.co.uk Europe's largest online lottery in terms of sales and one of the top e-commerce sites in the UK

**70%**

of all funding grants are for £10,000 or less, helping small projects make a big difference in their community

**44,235 retail outlets**

with more than 96% of the UK adult population living or working within two miles of a National Lottery terminal, we're ensuring that The National Lottery is convenient to play

**8 million**

the number of winners that The National Lottery creates a week across its range of games

**£4.1 billion**

awarded in prize money to National Lottery players during the year

**5**

the number of EuroMillions jackpots won in the UK in 2018/19, including the New Year's Day jackpot of £114.9 million which made Frances and Patrick Connolly The National Lottery's fourth biggest-ever winners

**406**

a record number of new millionaires were created in 2018/19, sharing over £1 billion between them

**£5.4 billion**

the annual sales of our retail channel make it the largest National Lottery sales channel, with nearly 75% of total sales coming through in-store terminals

**£16.5 billion**

the amount of Lottery Duty paid to government since launch

**5,350**

the total number of millionaires or multi-millionaires that The National Lottery has now created

**£1.8 billion**

record digital sales during the year, with sales on mobile devices now accounting for 55% of all National Lottery digital sales

**£40 billion**

raised for Good Cause projects, transforming lives and communities across the UK since The National Lottery's launch in 1994

**£303 million**

how much our retail partners earned in sales commission during the year

**£71 billion**

the amount of prize money awarded by The National Lottery since 1994

**£6.5 billion**

the total amount of sales commission earned by our retailers to date

**200**

the average number of National Lottery grants in every UK postcode district

**95%**

of all National Lottery revenue is returned to winners and society – one of the highest percentages of lottery revenue given back in the world

The National Lottery is one of the most cost-efficient major lotteries in Europe, with around only 4% of total revenue spent on operating costs





Sir Hugh speaking at an all-staff event.

# Chairman's Statement

**In this, my first year as Camelot's first independent Chairman since being acquired by Ontario Teachers' Pension Plan in 2010, I am very pleased to report that the company has succeeded in once again growing National Lottery sales. This is further clear evidence that it is making good progress as it continues to implement the outcomes from the comprehensive strategic review of its operations that it carried out in 2017. My sincere thanks go to Camelot's shareholder for its ongoing support and investment throughout this period.**

In the year ending 31 March 2019, Camelot achieved annual ticket sales of over £7.2 billion. As a result, National Lottery projects and players shared over £5.7 billion during the year – with around £30 million delivered each week for Good Causes and a record 406 new millionaires created. The National Lottery has now raised more than £40 billion for Good Causes since its launch in 1994 – far more than the original Government forecast of £1 billion per year.

Under Camelot's stewardship, The National Lottery continues to be a nationwide success story and, with around 60% of 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 now awarded over £71 billion in total prize money to players, creating more than 5,350 millionaires in the process.

Most importantly, The National Lottery continues to return around 95 per cent of all revenue to winners and society, one of the highest percentages of lottery revenue given back in the world. The huge amount of money that it has raised for Good Causes over the past 25 years has now funded more than 565,000 initiatives, making a real difference to people and communities across the UK, and contributing to truly world-class arts, sports and heritage projects.

One such project is the new V&A Dundee, which opened its doors in September 2018 having been made possible thanks to £19.1 million of National Lottery funding. In February, I had the privilege of visiting the museum and seeing first-hand the key

role it is playing in the wider regeneration of the local area, standing as it does at the centre of the £1 billion transformation of the city's waterfront.

My visit followed a Camelot Board meeting in Edinburgh – the first time we have taken the Board out of the office and 'on the road'. The meeting took place in the National Lottery-funded National Museum of Scotland and gave members the opportunity to visit some local Good Cause projects to see for themselves the impact of the extraordinary good that The National Lottery does on a daily basis.

These projects included Gorgie City Farm, a unique outdoor resource offering hands-on educational and learning opportunities; Team United, a football club that supports young people with disabilities to overcome social barriers; and Social Bite, a social enterprise operating cafes and catering services across Edinburgh, Glasgow and Aberdeen that provide a range of support to people affected by homelessness.

The Board also visited some local retailers in the city to hear their thoughts on The National Lottery and understand more about the vital role of Camelot's retail partners in helping it to generate money for Good Causes. It is worth remembering that almost 75% of total National Lottery sales come through Camelot's retail channel – and for many small outlets, so vital to their local communities, the commission earned on National Lottery ticket sales is crucial to the ongoing health of their businesses.

During the year, the Board substantially completed implementing the findings of the 2017/18 externally-facilitated, independent review of the effectiveness of the Board and its committees, as well as the actions arising from a further workshop which took place in September 2018. In addition to my appointment as independent Chairman, the company has further strengthened the governance of its Board with the appointments of Robert Walker as Deputy Chairman and Senior Independent Director in June and Jennelle Tilling as independent non-executive director in September.



## Chairman's Statement (continued)

Robert has an extensive track record of chair positions at large public companies, while Jennelle has over 25 years' consumer marketing, digital and innovation experience with leading global FMCG and food retail brands. Robert and Jennelle have replaced Sir Patrick Brown KCB and Tony Illsley – and my thanks go to both of them for their support and important contributions during their time with Camelot.

David Kelly has now stepped down from the Board to become Chair of our sister company Camelot Lottery Solutions, a leading lottery solutions and technology provider to lotteries around the world. I would like to thank David for his expertise and guidance – since joining the Board in 2014, his in-depth knowledge of internet and technology businesses has played a crucial role in helping The National Lottery's digital products go from strength to strength.

David has been replaced by Gill Whitehead as a new independent non-executive director. Gill has over 20 years' experience in a number of leading companies – including Google, Channel 4, and BBC Worldwide – and has held a number of Board appointments, including Non-Executive Director at the Financial Ombudsman Service. Her extensive experience in digital transformation, data and analytics, and consumer insight – while operating in a heavily-regulated environment – will ensure that innovation continues to be at the forefront of Camelot's strategy, and will further bolster the standard and skillset of the Board.

I am pleased to report that Camelot's success in growing sales for the second successive year following its strategic review has, once again, been underpinned by its commitment to selling tickets in a socially-responsible way. The company's strategy has always been to encourage lots of people to play National Lottery games but to individually spend relatively small amounts. The fact that The National Lottery is ranked just 66th in the world in terms of per capita spend, despite being the sixth largest lottery in the world by sales, underlines the effectiveness of its approach in this area.

As the steward of a national asset, Camelot is also committed to operating to the highest possible standards. It has, for example, already carried

out a great deal of work aimed at preventing problem play and, in 2019/20, will continue to make its player protection activities best-in-class through its work to further reduce excessive play, prevent underage play and promote safe play.

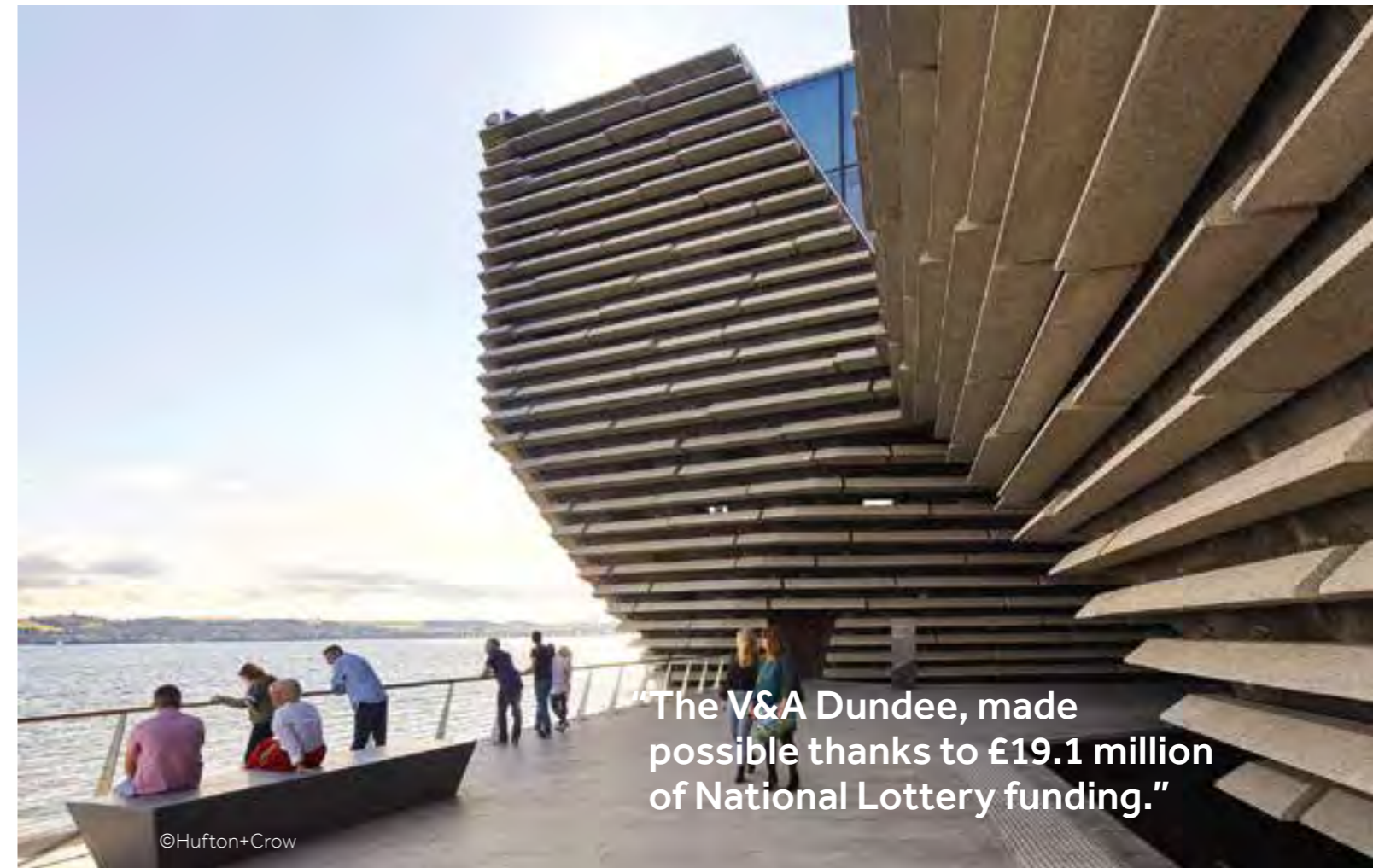
In addition, the company has been making good progress in its work to make The National Lottery's purpose more relevant and visible. It has already launched a new brand strategy that better connects the act of buying a ticket with the life-changing good that The National Lottery makes possible, as well as returning The National Lottery to primetime TV on Saturday nights. In the coming year, Camelot will carry on working in partnership with key partners to continue to highlight The National Lottery's unique role in UK society and the vital contribution of its players.

As Camelot looks to maintain The National Lottery's upward sales trend, it continues to face headwinds that are beyond its control, such as ongoing economic uncertainty and increasing competition from the gambling sector, which benefits from significant taxation advantages compared with The National Lottery.

Of particular concern to Camelot, however, is the threat posed to The National Lottery's long-term health by 'synthetic' national lotteries – society lotteries that operate on a national scale and compete directly with The National Lottery, contrary to the original intention of Parliament.

Unlike Camelot, which must pay 12% Lottery Duty on gross ticket sales and is limited under its licence in terms of how much it can spend on marketing, synthetic national lottery operators are exempt from paying tax on ticket sales and are free to spend significantly more on promoting their products. Camelot therefore finds itself having to compete with these companies on a playing field that is far from level – putting future National Lottery returns to Good Causes, society and the Exchequer at risk.

While Camelot continues to fully support the work that traditional society lotteries – those smaller lotteries set up to raise funds for local causes – are doing, it is of the firm view that the rapid growth of synthetic national lotteries is eroding the 'single national lottery' model on which The National Lottery is based.



**"The V&A Dundee, made possible thanks to £19.1 million of National Lottery funding."**

©Hufton+Crow

This model ensures optimal returns to society by maximising the number of players, minimising operating costs and enabling economies of scope – and has helped to maintain a clear distinction between The National Lottery and society lotteries.

Camelot will therefore continue to press for an appropriate policy and regulatory environment that recognises the distinctiveness of The National Lottery and its purpose, thereby enabling it to flourish for years to come.

Camelot's role in running a national institution can, of course, never be taken for granted and there is still a substantial amount of work to do to build on the further progress made over the year. However, the positive results that the company has already seen under Nigel Railton's leadership – as a result of the strong foundations that it has put in place and the initiatives that it has implemented so far – give me every confidence that the business is in good shape to deliver responsible and sustainable long-term growth over the remainder of this licence period.

On behalf of the Board, I would like to thank Nigel, his management team and all of Camelot's employees for the commitment and tireless work that has underpinned this year's encouraging performance. I look forward to working with them all, as well as my Board colleagues, in the coming year – The National Lottery's 25th birthday year – to celebrate its massive contribution to UK society to date, and to further build on these extraordinary achievements to ensure that The National Lottery's success story continues.

**Rt Hon Sir Hugh Robertson KCMG DL**  
Chairman

27 June 2019



# Chief Executive Officer's Review



Nigel Railton congratulates National Lottery retailer Natalie McKay, proprietor of McKays in Belfast, on helping to raise over £2 million for Good Causes.

Having succeeded in turning around The National Lottery's fortunes in 2017/18, I'm delighted to report that we have achieved further sales growth for the year ending 31 March 2019 – a period in which we created a record number of National Lottery millionaires and saw total returns to Good Causes since 1994 surpass £40 billion.

Our success in growing sales for a second successive year underlines the value of the work we have been carrying out following the wide-ranging strategic review that we conducted in 2017. Although there is much work still to be done, I'm very encouraged that the foundations that we've put in place and the initiatives that we've already implemented are paying off – giving us a great start to The National Lottery's 25th year and a strong platform for further growth over the remaining years of our operating licence.

Total National Lottery ticket sales for the 2018/19 financial year (1 April 2018 to 31 March 2019) were £7,206.8 million – an increase of £255.1 million on the previous year. As a result, we generated £1,654.7 million for Good Causes. 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 £40 billion – some 60 per cent higher than initially forecast by the Treasury at launch 25 years ago.

National Lottery funding has now been awarded to more than 565,000 individual projects, helping to transform lives and communities for the better across the whole of the UK. With the equivalent of 200 grants having been made in every postcode district, almost everyone in the UK has benefited from a National Lottery-funded project. Think of the last time you visited a sports centre, a museum, a park or a theatre – the chances are it has received National Lottery funding.

I believe that it's hugely important to understand how The National Lottery operates regionally, and what it means to people in different areas. Over the past year, senior colleagues and I have travelled throughout the UK to experience The National Lottery's impact first-hand and to learn how it is benefiting people in different areas.

In trips to Scotland, Wales, Northern Ireland and the North West of England, we visited Good Cause projects ranging from boxing clubs and football teams to tropical gardens and city farms. Each is unique, and each has its own story about the difference that National Lottery funding has made to both the individual project and the people who use it.

The visits also gave us an opportunity to visit some of our retail partners. As the people on the front line selling our products, they are crucial to the success of The National Lottery, so it's important to hear their views and get their honest feedback on what we do well and where we could improve.

We were also able to meet with some of our political and policy stakeholders – including members of the Scottish Parliament in Edinburgh and the Minister for Culture, Media and Sport in the Welsh Assembly – as well as editors of leading regional news titles, organisations that really understand the local area and the difference that National Lottery funding has made to the local community.

Over the course of the year, we awarded £4,128.5 million in prizes to players, creating a record 406 new millionaires and a further 125 winners of over £50,000. These included Patrick and Frances Connolly from Northern Ireland, who became Britain's fourth biggest-ever National Lottery winners when they scooped £114.9 million on New Year's Day. The National Lottery has now awarded over £71 billion in prizes and created more than 5,350 millionaires or multi-millionaires since 1994.

Total National Lottery ticket sales up 3.7%

2018/19 £7,206.8m

2017/18 £6,951.7m



## Chief Executive Officer's Review (continued)

Combined with the Lottery Duty we pay to the Government – over £860 million in 2018/19 – and the commission earned by our retail partners, we continue to return almost 95 pence in every pound of revenue to winners and society. This amounted to £6,784.9 million in 2018/19, an increase of £204.6 million on the previous year – making it one of the highest proportions of lottery revenue given back in the world.

Our sales growth in 2018/19 was driven by a number of factors, and it is clear that our ongoing investment and innovation in our digital and retail channels is continuing to pay off. Our work to upgrade our digital capabilities over the last year and to give players an even better experience helped us to grow digital sales over the period by £181.3 million to a record £1,833.5 million.

For example, we've refreshed the design of our online Instant Win Games and introduced a better range and mix of games, launching a higher number of new games in the process. We've also continued to make improvements to The National Lottery's iOS and Android apps – resulting in sales through smartphones and tablets climbing to an all-time high of £1,019.5 million. As a result, sales on mobile devices now account for 55% of all National Lottery digital sales.

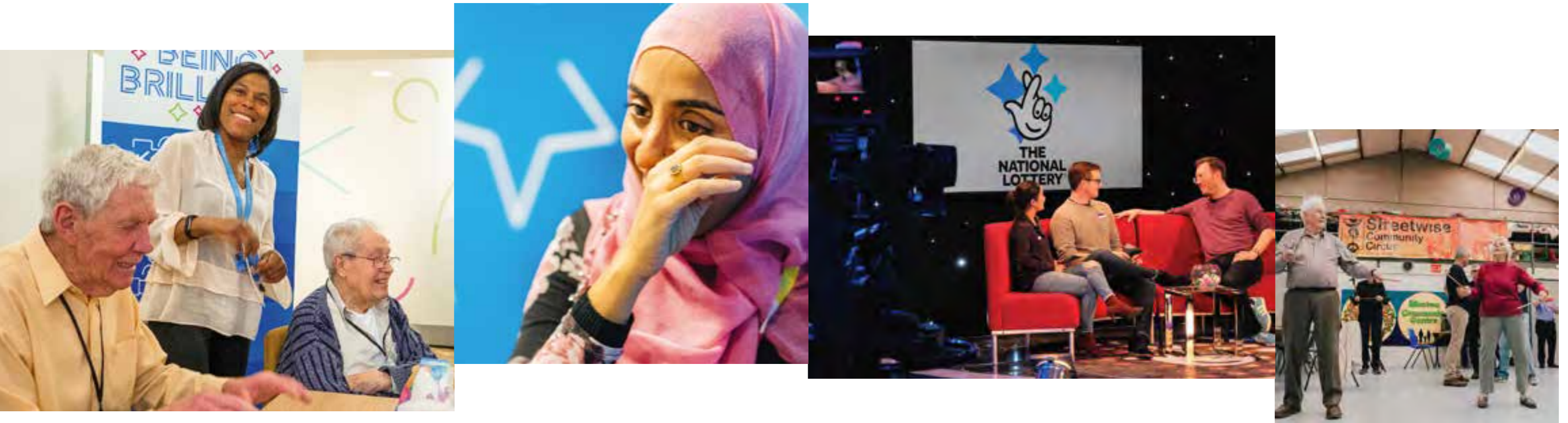
Given the relentless pace of change in digital, we will continue to invest and innovate in our digital presence – especially our mobile platform – to ensure that we carry on improving our customers' journey and experience with enhanced functionality to make playing National Lottery games online as easy and as enjoyable as possible.



**“We continue to return almost 95 pence in every pound of revenue to winners and society.”**

Clockwise from top left: Gorgie City Farm, Edinburgh; Llanrumney Phoenix Boxing Club; Team United, Edinburgh; with Camelot's Chairman, Sir Hugh Robertson, in Belfast; the Tropical Ravine in Belfast's Botanic Gardens





## Chief Executive Officer's Review (continued)

With in-store sales growing by £73.8 million to £5,373.3 million in 2018/19, we also had a strong performance in our retail channel. Accounting for nearly 75% of all sales, retail remains the largest National Lottery sales channel – and I'd like to thank all of our retail partners for their continuing hard work and loyalty in what remain very challenging high street conditions.

As passionate advocates for The National Lottery, they have played a vital part in its achievements to date and will continue to play a crucial role in its future success. We therefore remain fully committed to forging even stronger relationships with them and to giving them all the support they need to help them make the very most of having The National Lottery in their stores.

At the time of our strategic review, we announced plans to increase the size of our sales force, move into discounters and ensure that National Lottery games are available at self-checkout to better serve customers as their shopping habits continue to shift.

And we've delivered on those plans, having doubled the size of our sales force last year and launched initiatives that reflect the constantly-changing retail landscape. Since last summer, we've been

trialling the sale of National Lottery products in a number of Aldi stores, and have started to make National Lottery games available at self-checkouts having recently rolled out this facility to over 550 Asda stores nationwide.

In addition, we've invested in initiatives – such as our innovative 10-point 'Site, Stock, Sell' programme – which have helped our retailers improve their display and merchandising. We've also refreshed the design of our in-store Scratchcards, launched new games more frequently and made further improvements to product availability – all of which have helped our retail partners grow their sales.

Our work to improve The National Lottery's range of in-store Scratchcards, as well as its portfolio of online Instant Win Games, led to record sales of these games. By giving people greater choice and better access to the games they want to play, we succeeded in growing sales across our Instant category to an all-time high of £3,125.0 million, an increase of £290.1 million.

At £4,081.8 million, total sales of draw-based games were marginally down on the previous year. However, both Thunderball and EuroMillions HotPicks performed well, while our brand new Set For Life annuity game, which launched in March 2019, is performing in line with expectations. Although sales of EuroMillions and Lotto were both slightly down – EuroMillions as a result of fewer rollover draws of over £100 million in 2018/19 – Lotto gained momentum in the second half of the year following the changes we made in November 2018 to give players a better winning experience.

By the end of the financial year, these enhancements had already seen the new-look Lotto game create 56 new millionaires – 11 more than would have been made under the old format. On top of that, the game's new 'cascade' mechanic has seen hundreds of thousands of players across the lower cash prize tiers enjoying a share of the jackpot, including more than 290,000 players who have seen their usual £30 prizes for matching just three main numbers boosted to an average of over £140.

Another key outcome from our strategic review was the need to reinvigorate The National Lottery brand to make it and its purpose more relevant and visible. We're delivering on this front too, having made excellent progress during the year on more effectively communicating the uniqueness of

The National Lottery, and raising awareness of the extraordinary good that it does and recognising the all-important contribution of players.

Working with our new advertising agency, adam&eveDDB, we launched our new 'Amazing Starts Here' brand strategy in September 2018. The campaign brings to life the amazing things that The National Lottery makes possible for everyone – be they winners of prizes or one of the huge number of Good Cause projects throughout the UK for whom National Lottery funding is so vital – as a result of someone buying a ticket for one of our games.

In April 2018, we returned to primetime TV with a 90-second results slot on Saturday nights, which features members of the public delivering the Lotto results to the nation during some of ITV's most popular and high-profile entertainment shows. The new format has also been highlighting the huge difference that The National Lottery makes to the UK by showcasing Good Cause projects and, through strands such as The Big Surprise, honouring the local heroes who have made an amazing difference in their local areas with the help of National Lottery funding.

Top right: With support from The National Lottery, Streetwise Community Circus in Belfast aims to make circus skills accessible to people throughout Northern Ireland – irrespective of gender, age, disability, or economic, religious or cultural background.



## Chief Executive Officer's Review (continued)

We've also continued to work more closely with the distribution bodies and other key partners to deliver a clear 'One National Lottery' brand – that better connects The National Lottery's purpose with playing its games – and have some really exciting plans lined up with the other members of The National Lottery family over the coming months to thank players for the enormous contribution they've made over the past 25 years.

As we look to build on the steady progress that we're making across all areas of our business, we remain fully committed to growing sales and maximising returns to Good Causes in a socially-responsible way. For us, that starts with our tens of millions of players. We want them to continue having a positive and enjoyable experience – with lots of people playing, but individually spending relatively small amounts.

But we also have a duty to keep our players safe by preventing them from playing too young or too much. And while the inherent risk of problem play associated with National Lottery products remains very low, we know that, because of our scale, we must continue to do everything we can to reduce consumer harm even further where possible.

To this end, we carried out a thorough review of our approach to player protection in 2018/19 to ensure that we go over and above our licence requirements in fulfilling our responsibilities to consumers. And in the coming year, we'll continue to make our work in this area industry-leading through further activity to promote safe play and tackle problem play, as well as by working closely with partners such as GambleAware – as part of its Safer Gambling Campaign – and GamCare.

But player protection isn't the only focus of our commitment to being a socially-responsible operator. 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 and develop our employees, advise big winners and treat suppliers to how we safeguard data, support our local communities through volunteering and strive to reduce our impact on the environment.

As in previous years, The National Lottery continues to face challenges and threats that are beyond its control. As well as continuing doubts over the strength of the economy, it is coming under increasing pressure from the gambling sector and from 'synthetic' national lotteries, both of which benefit from significant taxation advantages compared with The National Lottery.

Synthetic national lotteries are society lotteries that operate on a national scale and compete directly with The National Lottery, contrary to the original intention of Parliament. Unlike The National Lottery, which is restricted under its licence in terms of how much it can spend on marketing, these companies are free to spend significantly more on promoting their products.

As a result, The National Lottery's 'share of voice' has reduced sharply, and so we're having to find – and spend – considerably more money on marketing just to achieve the same results, as we're now having to compete directly with these other operators. Of the money generated for Good Causes in 2018/19, we obtained approval from the Gambling Commission to deploy £39.0 million for necessary marketing expenditure to support The National Lottery, having demonstrated that Good Causes will receive a strong return on this investment.

The National Lottery's huge success since 1994 has, in part, been because of the clear distinction between it and society lotteries. However, the rapid growth in recent years of synthetic national lotteries has blurred the boundaries – and proposals currently being considered by DCMS risk muddying the water even more.

As well as increasing the current sales and prize limits for society lotteries, which would allow these synthetic national lotteries to offer top prizes similar to existing National Lottery games, the changes being proposed would enable them to spend even more on marketing than they already do. As a result, it will be even easier for them to compete more directly with The National Lottery, therefore jeopardising future returns to Good Causes and society.

We believe that maintaining the existing sales and prize limits for society lotteries would protect The National Lottery from further damaging encroachment, while re-introducing a cap on expenses for synthetic national lotteries would ensure that their marketing spend stays at an appropriate level. We will therefore continue to raise our concerns with the Government, and press for a policy and regulatory environment that will support the long-term health of The National Lottery.

Looking ahead to the coming year, we'll continue to liaise with the Gambling Commission as part of the market engagement process it has been carrying out ahead of the fourth National Lottery licence competition. However, with no details of the proposed structure for the next licence yet published – and with our current licence running until 2023 – our immediate focus will continue to be on growing sales over the next four years, and delivering even more for our players and the millions of people for whom National Lottery funding is so crucial.

In that respect, we'll be looking to build on the encouraging progress that we've made over the last two years. There's no doubt that the activity we've been carrying out as a result of the strategic review in 2017 has played a crucial role in our improved performance and I'm delighted to see this hard work paying off.

While we still have more to do to ensure that we sustain our sales momentum and deliver even more money for Good Causes, we've given ourselves a great platform on which we can build. And, as we look forward to celebrating 25 years of The National Lottery later this year and the massive difference it has made to UK society to date, I'm confident that the innovative plans we have lined up will ensure that The National Lottery continues to enhance the lives of people and communities throughout the UK.

My thanks go to Camelot's Chairman, Sir Hugh Robertson, and former Chairman, Jo Taylor, as well as my Board colleagues, for their guidance and support throughout the year. I would also like to personally thank all of my fantastic colleagues at Camelot, all of whom have played a key role in this year's successes. With their passion and professionalism – not to mention immense pride in the life-changing good that they make possible through their day-to-day work – I have no doubt that they will once again rise to the challenges and opportunities that lie ahead.

Last but not least, I'd like to say a huge thank you to all of our players, who help to transform the UK every time they play one of our games. 'Amazing' really does start with them.



**Nigel Railton**  
Chief Executive Officer

27 June 2019

**“We look forward to celebrating 25 years of The National Lottery later this year and the massive difference it has made to UK society to date.”**



# 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.**





# Our Games and Channels

We believe that offering an appealing and balanced portfolio that offers something for everyone – and making our games as accessible as possible so that people can play anytime, anywhere and on any device – is key to The National Lottery's long-term health, and will help to ensure that we continue to deliver for players and Good Causes in the years to come.

## Our Strategy

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. The National Lottery is ranked just 66th in the world in terms of per capita spend, despite being the sixth largest in the world in terms of sales – underlining the effectiveness of our approach in this area. (Source: La Fleur's World Lottery Almanac 2019)

We also want people to be able to play National Lottery games when they want, where they want – and are therefore committed to a programme of ongoing investment and innovation in our retail and digital channels.

To ensure that we attract the broadest player base possible, we offer a range of distinct games with prizes, chances to win and prices to suit different needs, tastes and pockets. The wide-ranging review of our business that we carried out in 2017 clearly showed that some of our draw-based games had become too similar – and that we needed to offer people a more compelling and varied choice.

After listening to feedback from players, and conducting extensive research and testing, we've carried out a great deal of work to create what we believe is the right portfolio for long-term, sustainable growth – with exciting games that stand out from each other and give people the ability to play their way.

In November, we made changes to Lotto to give players a better winning experience with a prize fund that is more fairly shared, jackpots that will be won more frequently, and bigger, fixed cash prizes at all levels below the jackpot – including a fixed prize of £1 million for matching five main numbers plus the Bonus Ball.



**Our Strategy (continued)**

We also announced in November that we would be running bigger and more frequent special draws on EuroMillions, starting with a huge draw in March in which we made 40 guaranteed UK millionaires. We'll be following this up with another big draw in July, in which we'll be making 20 guaranteed UK millionaires. Special draws guaranteeing lots of £1 million UK winners – together with the big, rolling jackpots that the game offers – build huge levels of player excitement and typically generate over 60% more in sales when compared with standard draws, so are great from a Good Causes perspective.

And in January, we announced the arrival of The National Lottery's first-ever draw-based annuity game, Set For Life, which offers a top prize of £10,000 every month for 30 years. The new game, which launched in March, offers people something completely new and meets a different set of consumer needs – and is the final piece of the jigsaw in terms of our work to enhance our range of draw-based games.

Although Set For Life has only just launched, the feedback from players has been very positive – and we expect the game to lead to an increase in sales and therefore the amount of money we raise for Good Causes.



**56**

millionaires already created by the new-look Lotto game

**Our Games**



Our core millionaire-maker game offers players two chances to become a millionaire – either by scooping the jackpot or matching five main numbers plus the Bonus Ball to win £1 million. Lotto takes place every Wednesday and Saturday, and costs £2.00 to play.



Our huge, rolling jackpot game offers players the biggest jackpots, plus one guaranteed £1 million prize for UK players in every draw with the UK Millionaire Maker. EuroMillions takes place every Tuesday and Friday, and costs £2.50 to play.



Our brand new annuity game offers players the chance to win £10,000 every month for 30 years. Set For Life takes place every Monday and Thursday, and costs £1.50 to play.



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



Our Lotto spin-off game offers 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.



Our EuroMillions spin-off game offers 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.



Our wide range of Instant games offers players a huge choice of Scratchcards and online 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 Instant games create around six winners every single second.





**TOTAL NATIONAL LOTTERY TICKET SALES FOR THE 2018/19 FINANCIAL YEAR (1 APRIL 2018 TO 31 MARCH 2019) WERE £7,206.8 MILLION – AN INCREASE OF £255.1 MILLION ON 2017/18.**

National Lottery retailers Jon and Michaela Maslen-Jones, from Stow-on-the-Wold, were the stars of a TV campaign to promote the Lotto Valentine's Superdraw in February.

**Our Sales Performance in 2018/19**

Total National Lottery ticket sales for the 2018/19 financial year (1 April 2018 to 31 March 2019) were £7,206.8 million – an increase of £255.1 million on 2017/18. Our success in building on last year's sales growth further underlines the value of the work we've been carrying out following our wide-ranging strategic review to ensure that The National Lottery continues to deliver for both players and Good Causes alike.

Our sales growth in 2018/19 was driven by a number of factors, including record digital sales of £1,833.5 million and a strong retail performance with sales growing to £5,373.3 million.

Sales were also boosted by record sales across The National Lottery's range of in-store Scratchcards and online Instant Win Games of £3,125.0 million. This represented an increase of £290.1 million, and followed a number of improvements we've made in terms of product design, range, merchandising, availability and stock management to give people greater choice and better access to the games they want to play.

At £4,081.8 million, total sales of draw-based games were marginally lower than a year earlier. However, both Thunderball and EuroMillions HotPicks performed well – the former benefiting from an additional draw day and the latter having been launched at the beginning of 2018. The launch of the brand new Set For Life game in March 2019 – which offers a top prize of £10,000 a month for 30 years – also helped to boost sales just before the end of the financial year.

Although EuroMillions and Lotto sales were both slightly down – EuroMillions as a result of fewer rollover draws of over £100 million in 2018/19 – Lotto gained momentum in the second half of the year following the changes we introduced in November 2018 to give players a better winning experience. At 31 March 2019, these enhancements have seen the new-look game create 56 new millionaires – with 11 more £1 million winners than would have been made under the old Lotto game – while the new 'cascade' mechanic has seen hundreds of thousands of players across the lower cash prize tiers enjoying a share of the jackpot.



**TOTAL NATIONAL LOTTERY SALES IN 2018/19 WERE BIGGER THAN THE UK SALES OF CADBURY, COCA-COLA, NESTLÉ, WALKERS, HEINZ, WARBURTONS AND PURINA COMBINED**

SOURCE: WHEN COMPARING ANNUAL SALES WITH 'BRITAIN'S BIGGEST BRANDS', THE GROCER/NIELSEN – MARCH 2019





### Our Retail Channel

With sales of £5,373.3 million in 2018/19 – an increase of £73.8 million on last year – retail remains the largest National Lottery sales channel, with nearly 75% of total sales coming through in-store terminals. Our retail partners earned £303.9 million in sales commission during the year, taking the total they've now earned since 1994 to over £6.5 billion.

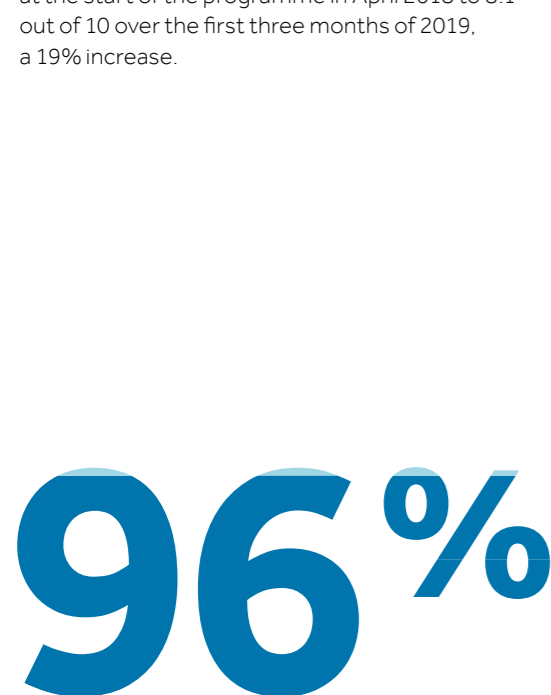
Our network of 44,235 retail outlets throughout the UK ensures that The National Lottery is convenient to play, with more than 96% of the UK adult population living or working within two miles of a National Lottery terminal. And as advocates for The National Lottery, our retail partners have played a huge role in its success to date. Maintaining strong relationships with them is therefore critical to its future health.

Having doubled the size of our sales force last year to better serve our retail estate, we've been able to significantly increase the number of face-to-face visits we make to outlets. Since April 2018, our Retail Sales Team has made more than 210,000 store visits, with each of our retail partners having been visited at least three times during that time.

We've invested in initiatives such as the 10-point 'Site, Stock, Sell' programme – part of our AllStars rewards programme – to help our retailers improve their display and merchandising. As a result, average store scores have risen from 6.8 out of 10 at the start of the programme in April 2018 to 8.1 out of 10 over the first three months of 2019, a 19% increase.

As well as incentivising retailers to raise in-store standards with a bespoke rewards scheme, in which they can earn cash rewards throughout the year, three independent retailers have each won £10,000 in the quarterly Site, Stock, Sell prize draws for their exceptionally-high in-store standards. Since its introduction in April 2018, we've now awarded more than £725,000 in prizes and rewards to retailers through the AllStars programme.

We've also refreshed the design of our in-store Scratchcards, launched new games more frequently and made further improvements to product availability – all of which have helped our retail partners make the most of having The National Lottery in their stores – and have been working on initiatives to better reflect the constantly-changing retail landscape. Since last summer, we've been trialling the sale of National Lottery products in a number of Aldi stores and have been making our games available at self-checkouts having recently rolled out this facility to over 550 Asda stores nationwide.



of the UK adult population live or work within two miles of a National Lottery terminal



| In-Store Standards – scores out of 10 |     |
|---------------------------------------|-----|
| March 2019                            | 8.1 |
| April 2018                            | 6.8 |

Improved in-store display

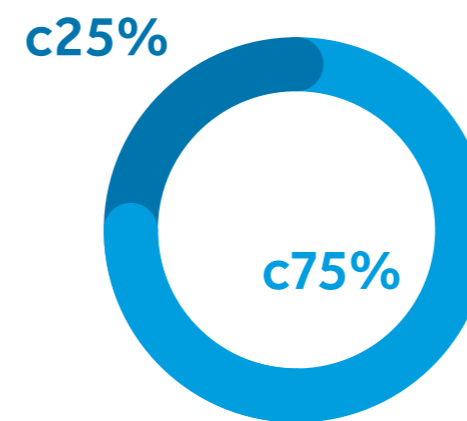
### Our Digital Channels

With record sales of £1,833.5 million in 2018/19, our digital channels now account for over 25% of total National Lottery sales. With over six million active registered online players, 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.

Our work to upgrade our digital capabilities over the last year and to give players an even better experience helped us to grow digital sales by £181.3 million over the period. As well as introducing a better range and mix of games, we've refreshed the design of our online Instant Win Games and launched a higher number of new games, resulting in our best-ever sales in this category.

Our continued investment and innovation in our digital presence – including ongoing improvements to The National Lottery's iOS and Android apps – saw sales through smartphones and tablets climb to an all-time high of £1,019.5 million. As a result, sales on mobile devices now account for 55% of all National Lottery digital sales.

Given the relentless pace of change in digital, we will continue to invest and innovate to ensure that we carry on improving our customers' journey and experience with enhanced functionality to make playing National Lottery games online as easy and as enjoyable as possible.



**ONLINE TICKET SALES**  
**RETAIL TICKET SALES**

**“The AllStars rewards programme is absolutely brilliant! Aside from the chance to win £10,000, the Site, Stock, Sell standards programme really helps drive sales and it's great to get rewarded for doing the right things.”**

Peter Thurlow (above), owner of Wordsworth News in Huddersfield and the winner of £10,000 in the third quarterly Site, Stock, Sell prize draw



# Our Winners

**EVERY WEEK, MILLIONS OF PEOPLE  
WIN ON THE NATIONAL LOTTERY.**

Lotto millionaire Leroy Bagley





The National Lottery creates over eight million winners a week across its range of draw-based and Instants games – and, on average, around 30 millionaires every month. Since its launch in 1994, it has awarded over £71 billion in prize money to players and created more than 5,350 millionaires or multi-millionaires.

#### Our Performance in 2018/19

The National Lottery continued to transform lives in 2018/19, with 937 players winning a prize of £50,000 or more – including a record 406 new millionaires, who shared over £1 billion between them. In total, The National Lottery awarded over £4,128.5 million in prize money over the course of the year.

Builders were the year's luckiest profession, bagging the most £1 million-plus prizes, ahead of drivers and carers – while Cancer beat Taurus and Leo to become the luckiest star sign over the 12 months.

The largest win of the year was an anonymous EuroMillions ticket-holder who won a jackpot of £121.3 million in April to become the country's third biggest-ever winner.

The biggest UK winners to share news of their win in 2018/19 were Frances and Patrick Connolly, from Moira in Northern Ireland, who became The National Lottery's fourth biggest-ever winners after scooping the huge £114.9 million EuroMillions jackpot on New Year's Day. They celebrated with a cup of tea, before writing a list of people to share their good fortune with.

**“This win gives us the chance to really make a difference for our family and friends.”**

**Frances Connolly**



**BUT THE CONNOLLYS WERE JUST 1 OF 5 EUROMILLIONS JACKPOTS WON IN THE UK IN 2018/19...**



### Our Performance in 2018/19 (continued)

Self-employed builder Andrew Clark, from Boston, awarded himself early retirement once he finally discovered he was the winner of a £76 million EuroMillions jackpot from November...after leaving the winning ticket tucked in the visor of his van for six weeks.

And joining Andrew on The National Lottery Rich List was Hereford factory worker Ade Goodchild who, after winning a £71 million EuroMillions jackpot in March, has vowed to treat his family as well as experience all life can offer him.

The year's biggest Lotto publicity winners were Donna and David Stickley from Slough, who became The National Lottery's 5,000th millionaire after scooping the entire jackpot of £21 million in May.

Leroy Bagley from Southsea in Portsmouth joined Donna and David in the Lotto millionaires club in March after scooping a £3.8 million Lotto jackpot. While Leroy could be forgiven for some very grand spending plans, top of his list is looking after the people who really matter to him – his family and friends.

Lottery prankster Charlotte Peart, who joked to her husband that she'd won £250,000 on a Scratchcard, won £1 million for real just three weeks later after scooping the top prize on EuroMillions HotPicks. Her husband Daniel thought it was another wind-up when Charlotte phoned to break the good news – and only realised it was true when she sent him a screenshot of the winning message.

James Evans and his partner JoJo Smith are set to move to Cornwall after winning £3 million on The National Lottery's £250M Cash Spectacular Scratchcard. The couple had always dreamed of moving to Cornwall – now their dream has been fast forwarded as James looks to set up a maintenance business and JoJo a bakery in one of the little seaside villages.



**"I wasn't brought up to be wealthy, but I'm going to have fun learning!"**

**Ade Goodchild**

Clockwise from top left:  
Andrew Clark; Donna  
and David Stickley;  
James Evans and  
JoJo Smith; Charlotte  
and Daniel Peart;  
Ade Goodchild



### National Lottery Gold Playstations

To celebrate passing the 5,000 National Lottery millionaires landmark during the year, some of our biggest winners have been helping us to install limited-edition gold playstations in the shops where they bought their lucky tickets in the hope that their good fortune can rub off on others.

The first gold playstation was unveiled in June at Quix Store in Heywood, Oldham, by Dean and Stella Hardman, who scooped £6.7 million on EuroMillions in 2006. Giving it their own stamp of approval with a gold handprint, the couple wrote a message of luck to all future customers directly onto the playstation.

Store owner Muhannad Rashid was more than happy to see the Hardmans and thanked them for their support: "I am delighted to have a gold playstation and to be a lucky store. It is fantastic to be able to sell National Lottery tickets and help so many Good Causes at the same time – as well as creating lots of lucky winners."

And in December, four of the six 'Catering Girls' (right), who shared a massive £25.4 million EuroMillions win in November 2017, delivered a gold playstation to their local One Stop store in Sandfields, Port Talbot.

Store manager Claire Bentley was delighted to see them back and thanked them for their support: "Not every store can say they've created a millionaire, so to get to see our customers again who won so much with a ticket we sold them is just fantastic. Here's hoping this gold edition playstation will bring us even more luck, so that more local lottery millionaires can join The Catering Girls in the millionaires' club!"





National Lottery

# Good Causes

**EVERY TIME SOMEBODY PLAYS A NATIONAL LOTTERY GAME, THE UK WINS.**



Commonwealth Games gold medallist Rhys McClenaghan  
©Sport Northern Ireland



# National Lottery Good Causes

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 and supporting the most vulnerable in society to preserving the nation’s heritage and 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 £40 billion for Good Causes, funding more than 565,000 projects in the arts, sport, heritage, health, education, environment and voluntary/charity sectors. That’s the equivalent of around 200 lottery grants in every UK postcode district, with every project making a real difference to the lives of people and communities across the UK.

## Our Performance in 2018/19

We generated £1.654.7 billion for Good Causes in 2018/19 – around £30 million, on average, every week. Combined with the Lottery Duty we pay to the Government and the commission earned by our retail partners, we continue to return around 95% of all revenue to winners and society – one of the highest percentages of lottery revenue given back in the world.

With around 70% of all funding grants being for £10,000 or less, The National Lottery is 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.



On Sunday 11 November 2018, tens of thousands of people joined film-maker Danny Boyle to mark the centenary of Armistice Day and the end of the First World War. With support from The National Lottery, *Pages of the Sea* – a unique project commissioned by 14–18 NOW – saw communities gather on 32 beaches around the British Isles to say a collective thank you and goodbye to the millions of men and women who left their home shores, many never to return.



Clockwise from top: 14–18 NOW: Danny Boyle’s *Pages of the Sea*: Porthcurno Beach ©Peter Hall; Roseisle Beach ©Paul Campbell; Porthmeor Beach ©14–18 NOW



### 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

- The National Lottery Community Fund

#### Heritage

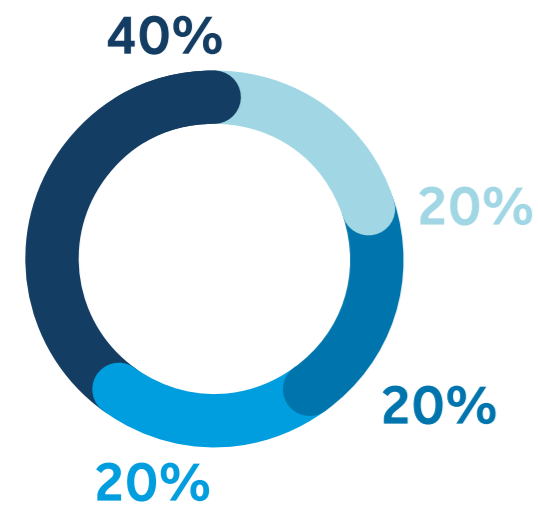
- The National Lottery Heritage Fund

#### Sport

- Sport England
- Sport Northern Ireland
- sportscotland
- Sport Wales
- UK Sport

All of 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 2019, the money we delivered for Good Causes was allocated as follows:



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



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)



The Big Lunch is the UK's annual celebration for neighbours, made possible by The National Lottery. It's a day when neighbours and members of communities can stop what they're doing and come together to share good food, good company and good fun. ©The Big Lunch



## Enriching the Life of the UK

### First World War Centenary

By funding more than 2,200 projects, large and small, The National Lottery has helped millions of people across the UK to remember, explore and mark the centenary of the First World War. So people, from all backgrounds and communities, can discover and share the thousands of First World War stories most important to them.

From Pals battalions, soldiers from Commonwealth nations and conscientious objectors through to women's work, food shortages and the impact of the war on children, the stories have been varied and illustrate the First World War beyond the frontlines.

### Roundabout

Last year, National Lottery players supported over 220 homeless projects with just under £40 million of funding, helping people like Keisha to have a roof over their heads and get their lives back on track. Sheffield-based charity Roundabout, which has received over £400,000 in National Lottery funding, is one such project. It provides shelter, support and life skills to young people who are homeless or at risk of homelessness.

With the support of her case worker at Roundabout, Keisha has been able to turn her life around and now has a place to call home, is back at school and helping to promote the work of Roundabout by visiting other schools in the area.



**“A big thank you to National Lottery players, because if it wasn't for the support and the help from you guys, I wouldn't have had the support I needed and been able to get the resources I needed to do things like school.”**

Keisha



Clockwise from top left:  
 Empire, Faith and War ©The National Lottery Heritage Fund; V&A Dundee ©Hufton+Crow; V&A Dundee ©Hufton+Crow; Weeping Window ©The National Lottery Heritage Fund; Roundabout, Sheffield; Anne and Child ©The National Lottery Heritage Fund



### V&A Dundee

Major National Lottery projects often form part of the wider regeneration of the local area. The landmark V&A Dundee, the first-ever dedicated design museum in Scotland, is one such project – standing as it does at the centre of the £1 billion transformation of the city's waterfront.

Capping Dundee's growing global reputation for artistic innovation and excellence, V&A Dundee was made possible thanks to £19.1 million of National Lottery funding. It opened in September 2018 to rave reviews and is poised to become one of Scotland's most popular attractions in the coming years, with half a million visitors from across the globe expected annually.

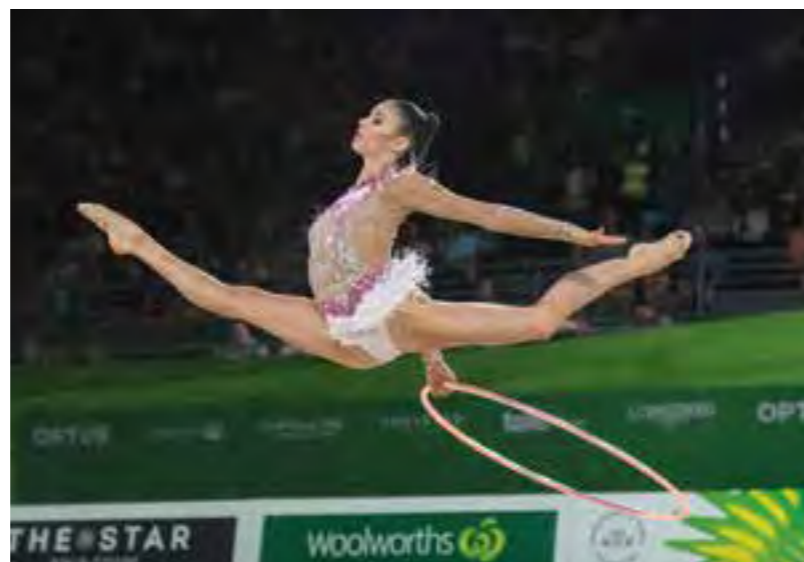


## Enriching the Life of the UK

### Gold Coast 2018

The fantastic performances of the Home Nations at the 2018 Commonwealth Games in Australia in April underline the hugely-positive impact that National Lottery funding continues to have on elite sport and the strength of the high-performance system in the UK. The four Home Nations collectively won 229 medals at Gold Coast 2018, 65 of which were gold. Team England finished second in the medal table, Team Wales ended seventh, Team Scotland came eighth, Team Northern Ireland 20th and the Isle of Man came 34th.

With Birmingham set to host the next Commonwealth Games in 2022, The National Lottery teamed up with sports presenter and former Commonwealth Games gymnast Gabby Logan and athletes from Team England in March 2019 to get locals moving with the launch of the #GetActiveBum challenge. Thanks to a £10 million National Lottery grant, the project will tackle physical inactivity in Birmingham and Solihull, and support groups of people who are less likely to be active, including disabled people, women and those who are less affluent.



Clockwise from top left:  
 Gabby Logan at the launch of #GetActiveBum ©NLPU;  
 Lagan Dragons ©NLPU;  
 Lagan Dragons ©NLPU;  
 Vic Studios ©NLPU;  
 Vic Studios ©NLPU;  
 Commonwealth Games silver medallists Aidan and Michaela Walsh ©Sport Northern Ireland;  
 Commonwealth Games silver medallist Laura Halford ©Team Wales

### Lagan Dragons

Founded with the help of National Lottery funding, Northern Ireland's only dragon boat team for breast cancer survivors gives participants a fun and supportive way to feel emotionally and physically stronger after treatment. Once treatment for cancer is finished, there is still a lot of healing to be done by survivors – but, thanks to Lagan Dragons, women who have overcome the disease have a way to improve their wellbeing.

The club, which now has over 60 members, holds weekly paddling sessions on Belfast's Lagan River which are open to anyone affected directly or indirectly by breast cancer. The sessions give participants a safe and fun environment in which to improve their health and fitness, and an activity to look forward to after the frequent hospital appointments are no longer needed.

### Vic Studios

Vic Studios in Wrexham – an award-winning, community-based social enterprise that aims to help young people build confidence, skills and prospects through music – is a prime example of how a small amount of National Lottery funding can make a huge difference to people's lives. It received around £10,000 in funding, which has enabled it to create an affordable rehearsal and recording facility for vulnerable and disengaged young people from the local area.

As well as being able to buy new equipment, the vital funding has allowed the project to reach more people than ever before as it's been able to provide free activities for young people who wouldn't usually have access to its facilities.

**“It's a vital place for the local music scene and for enriching the lives of young people in Wrexham.”**

**Mike Harmina, Vic Studios Manager**



## The Big Surprise

As part of our work to make The National Lottery and its purpose more relevant and visible – one of the key outcomes from our strategic review – we've returned to primetime TV, with a 90-second results slot on Saturday nights on ITV.

As well as featuring members of the public delivering the Lotto results to the nation during some of ITV's most popular and high-profile entertainment shows, we've been bringing to life the huge difference that The National Lottery makes to the UK through The Big Surprise – honouring the local heroes who have made an amazing difference in their local areas with the help of National Lottery funding:



Knights Wheelchair Basketball Club



### For Giving so Much to Other Families in Need

Ali Waterworth (seated right) is the founder of North Yorkshire-based Ruddi's Retreat, which provides respite holidays for families with seriously-ill young children. Ali started the charity after her own son, Ruddi, developed a rare cancer at six months old. He needed a year of intensive treatment, including three months in America, which took a huge toll on the family. During that time, a charity provided them with a much-needed holiday, which would eventually become the inspiration for Ruddi's Retreat – which has now gone on to provide hundreds of families with short caravan holidays to recharge their batteries.



### For Keeping the History of the Mary Rose Alive

Maurice Young (left) was one of the original divers who helped find the Mary Rose and is now a volunteer at The Mary Rose Museum in Portsmouth, which houses King Henry VIII's favourite ship. Morrie, as he is better known, first became involved with the project in 1966 and, more than 50 years later, still volunteers at the museum. Through his dedication and commitment, many thousands of people hear the tale of this extraordinary ship and learn first-hand about the challenges of finding her in the Solent where she had lain for more than 400 years.



### For Being More than Just a Minibus Driver

Vic Evans (above) is a minibus driver for North Norfolk Community Transport, which provides a vital service to people in the region who are without their own transport and unable to use public transport, either because of ill health, disability or because there is no service meeting their needs. Being the driver could just be a simple job of getting from A to B, but Vic offers so much more to his passengers, providing friendship, care and support for those people who can often feel isolated.

### For Never Missing a Single Domestic or International Event

'Hockey Maker' Hamid O'Toole (left) hasn't missed the opportunity to volunteer at a hockey event over the past two years, putting in over 600 volunteering hours. He's been a real asset to England Hockey, taking on a range of roles to support excited fans as they turn up to cheer on their favourite side. But the real impact has been his increased confidence. He hasn't let his learning difficulties stop him and has grown a lot over his years of service, becoming an invaluable member of the Hockey Maker team.

### For Supporting Disability Sport in Northern Ireland

Basketball coach Jason Kennedy (right) first helped out at Knights Wheelchair Basketball Club thinking that he would just be covering a one-off session. Fast-forward 18 years and Jason is now at the helm of the club – as well as mentoring young players, he's the Head Coach, Club Chairman and ever-reliable taxi driver, ferrying players around the country to compete. Founded in 1990, The Knights gives players with disabilities the opportunity to train and compete, and now supports over 50 players from across Northern Ireland ranging in age from seven to 40.



### For Bringing the People of Brixton Together

Steadman Scott (left) is the founder of Brixton-based community project, Afewee Training Academy. The football and boxing centre was set up by Steadman and his friend Tony Goldring, who were determined to use competitive sport as a way to change lives for the better for local disadvantaged young people. Since the first session in a Crystal Palace park in 1997, the Academy now boasts a number of Premiership players in its alumni, while the boxing club currently has three amateur national champions.



# National Lottery Cinema Day

In September, we teamed up with the British Film Institute (BFI) to launch the first-ever National Lottery Cinema Day – a thank you to National Lottery players for their amazing contribution to British film.

The event saw thousands of players across the UK treated to everything from cinematic classics to recent box office smash hits – as well as new releases and National Lottery-funded titles such as *Bend It Like Beckham* and *Early Man* – at their local participating cinema by using their Lotto ticket for free entry.

The event was a huge success, with 146 venues taking part across the country, including members of the BFI Film Audience Network. From large cinemas, such as Parkway Cleethorpes in Lincolnshire, and intimate spaces, such as Cinema & Co in Swansea, to community spaces, such as Port Logan Village Hall in Dumfries and Galloway, and historic landmarks, such as Campbeltown Picture House in Scotland, a huge array of venues participated to say thank you to National Lottery players. In total, there were more than 300 screens and over 1,000 screenings of films.

Since 1994, our players have helped fund thousands of projects across the British film industry. The National Lottery has now funded the making of over 500 films, winning 15 Oscars and 47 BAFTAs. Thanks to this support, extraordinary films such as *The King's Speech*, *Suffragette*, *Yardie* and *Pride* have all been made possible, and audiences across the UK are able to see a greater range of films through the BFI Film Audience Network.

Our players' contribution doesn't end there though. Their ongoing support enables new film-making talent to be nurtured through nationwide training and development schemes, as well as through educational initiatives in local schools, film clubs and at BFI Academies.

Clockwise from top: BFI Southbank ©Yves Salmon; Idris Elba OBE; the Rio Cinema, Dalston ©Alistair Levy; the Rio Cinema, Dalston ©Alistair Levy; the Rio Cinema, Dalston ©Alistair Levy; BFI Southbank ©Yves Salmon; the Rio Cinema, Dalston ©Alistair Levy



**“A massive thank you to National Lottery players across the UK. When you buy a Lotto ticket, you are directly helping the UK film industry. You help us make films, bring them to new audiences, and train and inspire the next generation of film-makers.”**

**Idris Elba OBE, BFI Governor, award-winning actor and director of the film, *Yardie***



**“We love taking part in #ThanksToYou. It's a great way for us to celebrate our National Lottery Heritage Fund funding, open our doors to new audiences and thank those that play The National Lottery.”**

Jodrell Bank Discovery Centre, which had 1,520 redemptions during the campaign



©Anthony Hollway

## #ThanksToYou

As part of our work to raise public awareness of the extraordinary good that The National Lottery does and to recognise the all-important contribution of players, we ran #ThanksToYou 2018, a campaign to encourage Good Cause projects to say thank you to National Lottery players for supporting a huge range of initiatives in communities across the UK.

All 12 National Lottery distribution bodies were invited to take part in the campaign, which ran in December 2018 and was promoted heavily on millions of National Lottery tickets, and through social media and a three-week media partnership with Global Radio/Heart FM.

Over 430 National Lottery-funded venues and attractions took part in #ThanksToYou 2018, and opened their doors for free or created free offers for anyone with a National Lottery ticket. Offers ranged from free entry to over 100 National Trust properties (through The National Lottery Heritage Fund), a day out at the Eden Project (via The National Lottery Community Fund), free exercise classes at local gyms (thanks to Sport England), and free BFI memberships and behind-the-scenes theatre tours (courtesy of Arts Council England).

With over 18 million opportunities to see the campaign on social media, 240 pieces of print coverage and a reach of 12.6 million through the partnership with Heart FM, #ThanksToYou 2018 proved to be hugely popular – with the overwhelming majority of participants saying that they would like to take part again in 2019.

It also proved to be highly effective in raising awareness of the role of The National Lottery in funding Good Causes: over 90% of heritage venues agreed that #ThanksToYou 2018 had made people more aware of the role played by The National Lottery, while Arts Council England reported that 100% of its respondents thought that the campaign had made people more aware.





## The People's Projects 2018

A collaboration between The National Lottery Community Fund, The National Lottery, ITV and STV, The People's Projects gives the public a say in how National Lottery funding should be put to good use in their local area. Since its launch in 2005, the initiative has awarded around £42 million to 960 community projects across the UK.

In 2018, 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 The Trinity Project (above), which was awarded £49,241 in the Wales region for its 'Global Gardens Project'. The group will be using the money to improve accessibility at its Cardiff allotment and to promote intercultural communication through gardening, cooking and eating – with the aim of bringing together refugees, asylum seekers and the wider community.



In the ITV Central East region, one of the winning entries was Learning for the Fourth Age's 'Baking a Difference' initiative (above), which was awarded £50,000. The project uses the process of baking bread and the pleasure of sharing fresh bread as a way to bring together older people living in care homes and sheltered housing and their local communities. The funding will enable people to be trained to run regular community 'bread and conversation' sessions, in order to reduce loneliness and improve mental wellbeing.

Another winner in 2018 was the Shining Stars ASN Theatre School in Coatbridge (above), which was awarded £43,000 in the STV West region for its 'Shining Stars Community Adventures' project. The volunteer-led group, which provides workshops in drama, musical theatre and dance for children with additional support needs, will use the money to buy a mini-bus to enable them to take young people out to perform at different venues and events across Scotland, as well as taking its Makaton Choir around care homes to perform to residents.

And in the UTV (Ulster) region, one of the three winning initiatives was the Uhub Therapy Centre's Huddle Project in Bangor, which was awarded £50,000. The group delivers a programme in North Down to children with Autism Spectrum Disorder (ASD). This includes a Huddle Club – an after-school drop-in for children with ASD and their siblings. The project will use its award to expand its support across North Down and Ards to help young people with behavioural problems, social or communication needs, and low confidence and self-esteem.





## National Lottery Awards 2018

The National Lottery Awards are the annual search to find the UK's favourite National Lottery-funded projects and people. 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, amazing projects from across the UK came together to celebrate their achievements at 2018's National Lottery Awards. The star-studded event, hosted by Ore Oduba (top right, with award-winner Heritage Ability, photo ©NLP) and broadcast on BBC One, saw actors Lisa Faulkner, David Morrissey and Michael Sheen joined by athletes Rebecca Adlington, David Haye and Duncan Scott to present the awards to this year's winners:

### Arts

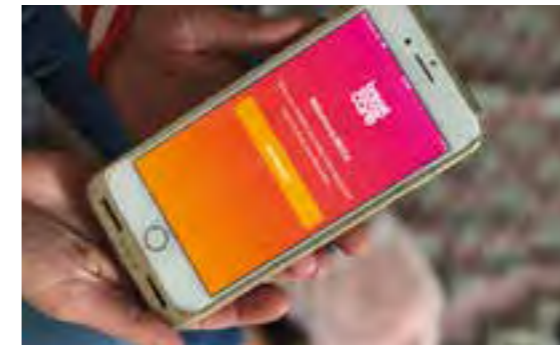
**Hull City of Culture** (middle right, photo ©NLP)

Hull's year as the UK's award-winning City of Culture was a stellar success, putting the city into the national spotlight as it welcomed millions of visitors, and gained a legacy of participation in arts and culture. Its tenure included major investment in a world-class, 365-day cultural programme that offered over 2,800 events and attracted an audience of 5.3 million people, together with infrastructure to accommodate the increased number of visitors.

### Environment

**Polli:Nation** (bottom right, photo ©Polli:Nation)

Polli:Nation is a three-year biodiversity project, educating 28,000 children and their teachers in the UK about the range and role of pollinating insects, and how to help them. With pollinating insects going hungry and losing their natural habitats, many plants, including food crops, are at risk. Polli:Nation is making sure the next generation is able to help by ensuring that the insects are being studied and that spaces in school grounds are being created for pollinators to thrive.



### Health

**BECCA** (top left, photo ©NLP)

The end of breast cancer treatment is often the hardest part. Debilitating long-term side effects, anxieties about the cancer returning and damaged body confidence are just some of the issues people are left with as they leave hospital. To help people cope with this daunting transition, Breast Cancer Care has developed a first-of-its-kind mobile app, BECCA (Breast Cancer Care App), to deliver reliable, trustworthy information and support to empower and equip people to adjust to life beyond breast cancer.

### Education

**Armistice Cantata** (middle left and bottom, photos ©NLP)

Devised by primary school children in Cardiff, Armistice Cantata is a poignant 30-minute production of words and music that commemorates the centenary of the end of the First World War. Forming part of a two-year intergenerational project from Goldies Cymru entitled 'World War One – Our Heritage in Songs and Memories', Armistice Cantata uses the children's own words set to popular tunes from 100 years ago to link primary schools with older people in their communities.







### Heritage

**Heritage Ability** (top left, photo ©Heritage Ability)

For many disabled people, the heritage sites that the rest of the population take for granted can be a struggle to reach and enjoy. The Heritage Ability project by Living Options Devon is helping 20 destinations in the South West of England to become more accessible to people with a variety of disabilities. Seven hundred heritage destination staff have been trained to improve disability and deaf awareness, while a number of innovative measures are being implemented to benefit as many people as possible.

### Sport

**Sheffield Steelkings** (middle left, photo ©NLPU)

The Sheffield Steelkings Para Ice Hockey Club allows people with any lower body disabilities or impairments to play a fast-paced, physical and highly-skilled team sport. With mainstream sports not always possible for players with amputations, paraplegia, spina bifida or cerebral palsy, as well as post-traumatic stress disorder, the club is using the sport to get people back into physical activity, while improving their mental health. Once players get into the club's sledges, limitations are forgotten as they enjoy high-speed freedom of movement.



### Voluntary/Charity

**The Bike Project** (bottom left, photo ©NLPU)

Did you know that there are 27,500 bikes abandoned in London every year? The Bike Project takes unwanted bicycles, fixes them up and donates them to asylum seekers and refugees – people who often face a stark choice between paying for food or public transport. One bike can save £21 a week on bus fares – amounting to £1,000 a year. This enables them to build better lives by making access to food banks, legal advice, healthcare, education and job interviews much easier.



**“It is a real honour to be voted as the first ever ‘Athlete of the Year’ at this year’s National Lottery Awards. Without the support of National Lottery funding, I would never have achieved this much in the pool, so it is amazing to be in the running for an iconic National Lottery Award.”**

**Duncan Scott**

### Athlete of the Year

**Duncan Scott** (above, photo ©NLPU)

At just 21 years of age, Duncan Scott is already a multi-medal winning athlete. Hailing from Glasgow, he brought home six swimming medals – one gold, one silver and four bronzes – from the 2018 Commonwealth Games in Australia, making him the most successful ever Scot at a single games. After returning from the Gold Coast, Duncan went back to South Ayrshire where he first learned to swim to inspire the next generation of swimmers.

### Special Achievement Award

**Something To Look Forward To**

(right, photo ©Something To Look Forward To)

Something To Look Forward To is a family-run charity website that supports thousands of families affected by cancer, especially those struggling emotionally and financially, by providing ‘gifts’ and ‘experiences’ – including restaurant meals, hotel stays and spa days – that have been donated by individuals and businesses. The driving force is Fiona Coldron, who, after having been diagnosed with breast cancer, came up with the concept for the website with her husband Andy when she realised that having ‘something to look forward to’ made all the difference when times were tough.



For full details of 2018's National Lottery Awards winners, please see: [lotterygoodcauses.org.uk/awards](https://lotterygoodcauses.org.uk/awards)



**WE CARE ABOUT THE WAY WE DO BUSINESS.  
AND WHEN IT COMES TO OUR RESPONSIBILITIES,  
WE STRIVE TO BE ON THE FRONT FOOT.**

# Doing Business Responsibly





# Doing Business Responsibly

As the steward of a national asset, we have a duty to operate The National Lottery responsibly.

For us, that 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. It's our job to keep our players safe by preventing them from playing too young or too much.

But player protection isn't 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, advise big winners and treat suppliers to how we safeguard data, support our local communities through volunteering and work to reduce our impact on the environment.

## Playing Our Part – Our Corporate Responsibility Framework



### Safe and Healthy Play

- Create the safest environment to play games
- Promote healthy play in the UK

### Environment

- Water, waste and carbon
- Raising awareness

### Supply Chain

- Modern Slavery Act
- Prompt payment

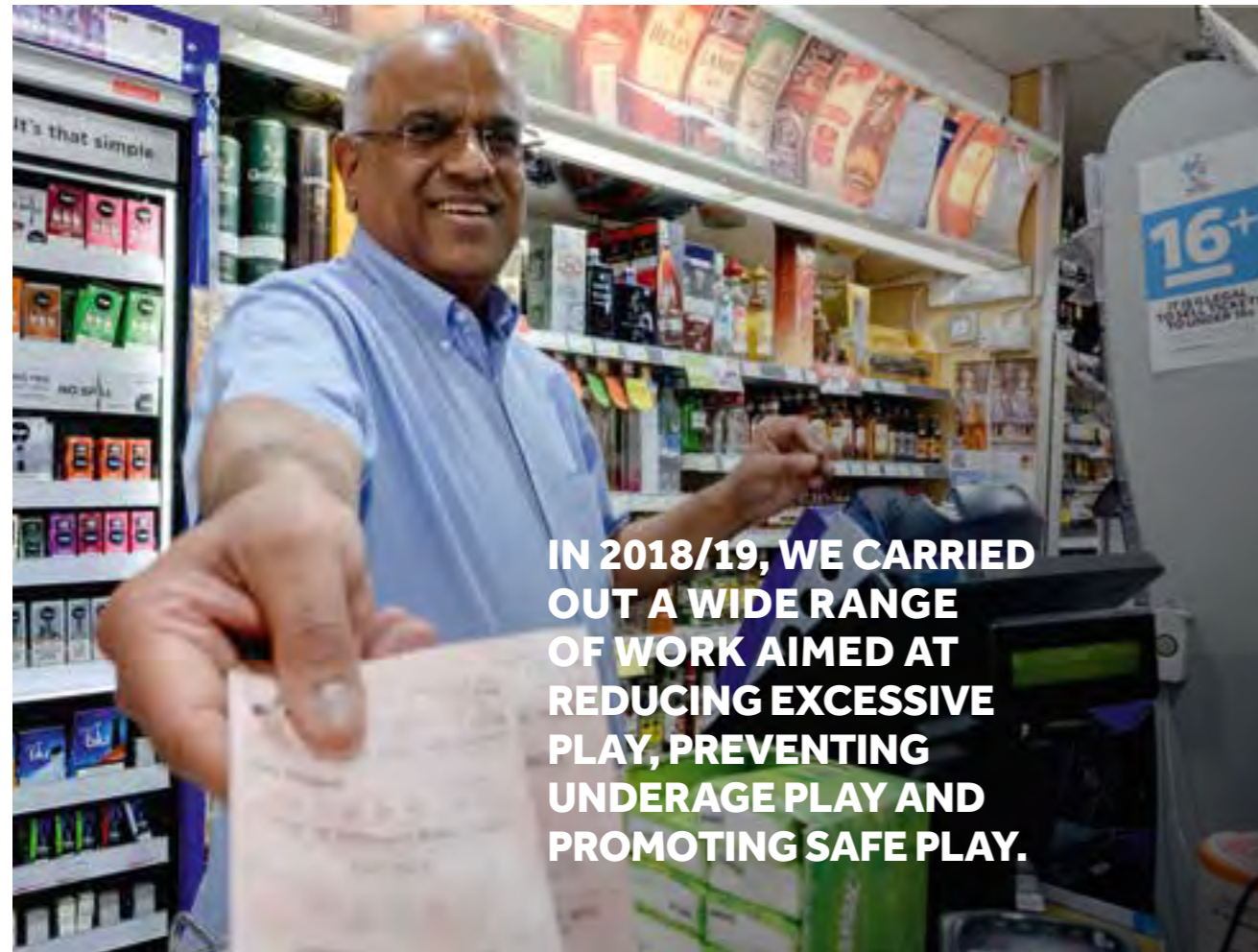
### Community Investment

- Employee volunteering
- Charitable giving

### People

- Inclusion
- Talent, engagement and development





**IN 2018/19, WE CARRIED OUT A WIDE RANGE OF WORK AIMED AT REDUCING EXCESSIVE PLAY, PREVENTING UNDERAGE PLAY AND PROMOTING SAFE PLAY.**

### Introduction

Welcome to this summary of how we've been working to do business responsibly in 2018/19.

Whether it's through our new player protection strategy, the creation of an LGBTQ+ employee network or the introduction of new training to help our Retail Sales Team understand how to spot signs of modern day slavery, corporate responsibility extends across our business – in every team and at every level.

It's been a particularly important year for our work on player protection, with the successful refresh of our Player Protection Strategy. This comprehensive exercise took a year, with numerous Camelot teams involved and a range of external stakeholders consulted, and with its foundation firmly based on a vast amount of research. It is vital to us that we are tackling the appropriate issues, in the right way, and that we have the means to evaluate and understand success and impact.

The review has ensured that our strategy is aligned with best practice, and has given us confidence that we are equipped to realise our ambition of making The National Lottery the safest place to play. It will also ensure our effectiveness as we promote healthy play in the UK.

The coming year will be a critical one for us as we implement the new strategy. But it's also an exciting year – we have a real opportunity to make sure that we're protecting our most vulnerable customers as best we can, and supporting all of our customers to play in a healthy, safe and enjoyable way.

### Player Protection

We want National Lottery players to have a positive and enjoyable experience – with lots of people playing, but individually only spending small amounts. The fact that The National Lottery is ranked just 66th 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. (Source: La Fleur's World Lottery Almanac 2019)

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 even further wherever possible. Player protection, therefore, remains a key priority for us.

All of our employees are fully trained to understand our commitments to player protection and we support them in their day-to-day work. As well as raising awareness of the importance of player protection on a regular and ongoing basis through our internal communications channels, we provide extra training for those in direct contact with consumers and retailers.

All Contact Centre staff, for example, are trained on how to spot signs of potential excessive play and what to do if they do, and also receive monthly player protection knowledge tests.

Training is also key to ensuring that our games are responsibly designed, marketed and advertised. Relevant teams, therefore, receive annual training on responsible game design, which, in 2018/19, was carried out by leading responsible gambling expert Dr Jonathan Parke.

### Reducing Excessive Play in Retail

With over 44,000 shops throughout the UK selling our products, our retail partners play a critical role in helping us to ensure that playing National Lottery games continues to be a safe and enjoyable experience.

Building on the pilot programme we ran in 2017 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, we have continued to develop our approach to reducing excessive play in retail.

This doesn't come without its challenges – with a large and diverse pool of retailers, it's really important for us to get the approach right, backed by appropriate research. We've therefore been working closely with external experts to strengthen our work in this area.

For example, we've worked with GamCare – the UK's national centre for information, advice and practical help regarding the social impact of gambling – to commission focus group research to gain further insight about the effectiveness of direct retailer interventions.

And building on the findings from the 2017 pilot programme, we've been working with the Responsible Gambling Council to develop a training programme for our retail partners, which we began rolling out in January 2019.

The 'Preventing Excessive Play' programme aims to support our retailers in feeling confident and equipped in helping to prevent excessive play. It promotes a consistent approach to responding to a customer if they directly ask for help, and also provides retailers with the appropriate resources to be able to offer further information or support if they are concerned about one of their customers.

We will evaluate and repeat the training programme during 2019/20. In addition, we plan to enable our retail partners to print out responsible play messaging from their National Lottery terminal, giving them a quick and easy way to provide a customer with helpful information.

We will also be working to develop a model to identify high-risk or at-risk retailers – thereby allowing us to adopt a more personalised approach to retailer engagement on excessive play.

# 100%

**of National Lottery retailers have been trained on preventing excessive play**



### Reducing Excessive Play Online

Our work to prevent excessive play isn't limited to our retail channel. With over six million active registered online players, 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. We therefore have a responsibility to identify – and tackle – patterns of behaviour that may amount to excessive play.

To do this, we use the most current thinking on gambling-related harm to identify at-risk and problem players using our online behavioural analytics model, Mercury. We then use online interventions to raise awareness of the responsible gambling tools available to players to help them stay in control of their online playing habits – and so encourage a positive change in behaviour.

Over the summer of 2018, our data scientists began work to refresh Mercury so that it looks at behaviour over a longer period of time and moves away from self-exclusion as a proxy for harm, thereby addressing the problem behaviour directly. These enhancements will enable us to identify problem play online even better and improve the targeting of interventions to make them even more effective.

We'll be launching the updated behavioural analytics model in 2019/20. In addition, we'll be introducing new tools to enable players to manage their play, as well as integrating our range of player protection tools into The National Lottery's mobile apps to save customers having to access them via the full National Lottery website.

We'll also be launching a new series of test and learn interventions to better understand what messaging leads to the most positive changes in player behaviour.

### Preventing Underage Play in Retail

We have a legal and moral responsibility to ensure that National Lottery products – whether that's draw-based or Instant games – are not played by anyone under the age of 16. It's therefore critical that we work closely with our retail partners – all of whom are independent of Camelot – to educate them about when to ask for ID and to highlight their successes.

We also run spot checks on retailers using our mystery shopper programme – Operation Child – to identify any retailers who may be selling National Lottery products to underage customers. Operation Child, which we have been running since 1999, uses young people who are aged 16 or over but who look younger to make sure that retailers are asking for ID where appropriate and not selling to anyone under the age of 16. If a retailer fails a mystery shopping visit on three occasions, their National Lottery terminal will be suspended and is likely to be removed.

To support this year's programme, we introduced a number of measures to reinforce retailer awareness of their responsibilities – including distributing updated leaflets to our entire retail estate, together with supporting materials such as terminal stickers and Refusal Register sheets. Targeting those areas with historically low pass rates, we also emphasised the importance of responsible selling through articles in our bi-monthly retailer magazine, *Jackpot*, and face-to-face visits and telephone calls, and added messaging about responsible play to our new retailer website.

As a result of the measures we have put in place, the programme once again delivered excellent results in 2018. Of the 11,600 mystery shopping visits that took place, 91% of retailers correctly asked for ID as proof of age on the first visit – exceeding our target of 90%. This matches 2017's figure, but is now up 5% on 2015's results.

To ensure that our retail partners continue to achieve high pass rates, we plan to further strengthen the programme in 2019/20 by continuing to focus on boosting retailer awareness and providing training, including distributing a refreshed range of responsible play material to National Lottery outlets and improving the visibility of 16+ age signage.

# 91%

of National Lottery retailers correctly asked for ID as proof of age on the first visit



**“We’re conscious that we always need to comply with the law. I think it’s also important to maintain our store’s reputation in our community. We don’t want to be known for selling products to anybody underage. We appreciate the continual training from our sales reps, and we maintain awareness through that, as well as having continual discussions with our staff.”**

Karim Mawji, Young's Newsagent, Eastcote

### Preventing Underage Play Online

We also have a responsibility to ensure that nobody under the age of 16 plays National Lottery games on our online channels.

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. If, however, it doesn't, the applicant won't be able to access any National Lottery products.



### Player-Facing Communications

In 2018, we launched a project – involving a number of internal stakeholders, as well as our external advertising agency, adam&eveDDB – on player-facing communications in pursuit of our ambition to promote healthy play for all players and to make playing National Lottery games even safer.

In doing so, we'll be looking to minimise the potential contribution of The National Lottery to developing or fostering problem playing behaviour, and improving our ability to detect players who are displaying problem behaviour or who are at risk of developing it. We can then deploy the most effective interventions to support them and prevent risk from materialising.

As part of this work, we've been developing the language to be used in targeted messaging across our digital channels, in recognition of the fact that one-to-one channels present the greatest opportunity to drive changes in behaviour among problem players. We've also been working on producing improved information about the benefits of healthy play, which we will disseminate to all players at scale. Although work on the project is ongoing, we've already updated the Responsible Play section of The National Lottery website.

As we head into 2019/20, we'll be looking to integrate messaging into all of our communications channels. And to help us evaluate the project's output, we're currently considering a number of potential measurements, including player confidence; the number of players using our online responsible play tools; employee capability and awareness relating to player protection; and player perception of The National Lottery brand.

### Designing Games Responsibly

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 do this using our 'Responsible Game Design Process', through which all of our games go. This ensures that they don't overly appeal to vulnerable groups and are fun to play.

As part of the Responsible Game Design Process, we use two tools to assess the level of risk for all of our games:

- GAM-GaRD is an online tool that measures a game's structural and situational characteristics, and assigns risk levels to each characteristic, such as the jackpot value, speed of play and whether there are 'near wins'.
- The Risk Checklist, introduced at the beginning of 2018, is a mechanism that assigns a risk level to the design characteristics of the game, and logs the decisions made. It also prompts us to consider different risks, such as underage appeal.

If we do identify a potential risk – and we're not able to reduce that risk to an appropriate level – we won't launch the game.

Overseeing the whole process is the Responsible Game Design Governance Group, which was established in January 2018 and is made up of representatives from key internal departments from across the business.

During the year, we produced the first of our internal reports to document decisions taken to date, particularly in terms of the Scratchcards or Instant Win Games that either we decided not to go ahead with, made changes to or withdrew from the market. The report also reflects on the lessons learned and successes achieved, as well as making recommendations for future years.

At the end of 2018, with the support of the Responsible Game Design Governance Group, we conducted a materiality review to identify potential areas of issue that should shape our approach and focus for 2019. Tackling concerns associated with structural characteristics emerged as a priority area for both us and our key stakeholders – and will therefore be an important focus for us in the coming year. To help us do this, we plan to conduct an external review of the Responsible Game Design Process in 2019/2020.

## WORLD LOTTERY ASSOCIATION AND EUROPEAN LOTTERIES CERTIFICATION RECOGNISES OUR COMMITMENT TO, AND CONTINUOUS IMPROVEMENT IN, RESPONSIBLE PLAY

### Research and Certification

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

Research is important in guiding our approach to player protection, and helps to ensure that our strategy and programmes are grounded in fact and evidence. At the beginning of 2019, for example, we commissioned leading responsible gambling expert Dr Richard Wood to measure responsible gambling behaviour among National Lottery players using the 'Positive Play Scale', a suite of products and services that focus on promoting healthy playing behaviour.

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 to it and its predecessors on a voluntary basis since their inception, and, in 2018/19, voluntarily increased our contribution from £300,000 to £390,000.

Certification helps us to identify any gaps in our approach and to validate areas of best practice. We were one of the first organisations in the UK to achieve accreditation from GamCare and have attained it every year since 2003. GamCare certification enables people to recognise that the website on which they are playing games has responsible gambling policies in place. We are now one of the first UK operators to sign up to be assessed against GamCare's new safer gambling standard.

We have also received World Lottery Association Responsible Gaming Certification at Level 4 – the highest level – and European Lotteries Responsible Gaming Certification in recognition of our commitment to, and continuous improvement in, responsible play. These certifications cover a range of areas, including game design, reporting and measurement, and player education.

### 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

Player Services Team comprising Winners' Advisors who are responsible for the end-to-end winner experience, which covers four main areas: paying the right person the right amount; paying winners promptly and conveniently; providing sources of relevant advice; and protecting winner anonymity.

For winners of over £1 million, we can also 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.

Over the last year, we have worked in partnership with an external expert, as well as with key stakeholders such as the Gambling Commission, to carry out a review of our player services strategy. One of the key findings was that some winners can feel lost after winning large sums of money, so we've introduced a bespoke concierge service, 'The Fixer', for them.

The Fixer is on hand to help winners of over £1 million with anything they need. The service is completely confidential, and aims to provide winners with experiences and access to events that would not normally be possible.

The review also highlighted a need for greater focus on winner wellbeing. We have, therefore, been looking at how we can more effectively guide winners through the psychological impact of a lottery win and help them avoid the common psychological pitfalls.

As a result, we will be introducing the following enhancements in 2019/20:

- a 'Winner Wellbeing Guide' to help to normalise a set of possible challenges that other winners have experienced (for example, the emotional rollercoaster of a big win, changes in relationships, pre-existing problems and 'what next?');
- follow-up meetings for winners of £5 million or more to help us identify the need for additional wellbeing support, and to offer expert panel and/or life-coaching sessions;
- National Lottery winner community events that will be hosted by certified wellbeing experts, and include life-transformation presentations and take-home materials;
- 'Winners Helping Winners', a council of winners who are willing to sponsor new winners, and share their experiences and advice; and
- access to certified wellbeing experts at any time, with support being provided as and when required.



### Sustainable Supply Chain

Having a good relationship with our suppliers – around 700 of them in 2018/19 – 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.

Our suppliers are managed on a daily basis by our Relationship Managers who are, in turn, supported by our Group Procurement Team. The majority of our expenditure with suppliers is associated with IT and marketing.

We always carry out appropriate due diligence when considering taking on new suppliers, with selections based on a range of factors: quality, completeness and scalability of service; management systems, processes and flexibility; relevant service experience and track record and social considerations; risk transfer and management; and cost and value for money.

We 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 also conducts an annual Supplier Conduct Review with a select subset of around 25 suppliers. The survey, which helps us

to understand how our suppliers manage their own businesses, covers areas such as business ethics, supply chain management, human rights and environmental management, together with broader corporate governance issues. We analyse the responses received and measure them using a predetermined scoring system to identify where improvements can be made.

We review the survey's format each year and update it as necessary to include relevant questions, such as our suppliers' approach to preventing and monitoring risks in modern slavery and human trafficking.

Raising awareness of the issue of modern slavery and human trafficking continued to be a key priority for us in 2018/19. We communicated our commitment to preventing such practices within our supply chain 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 and have repeated relevant 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. We continue to prioritise our Retail Sales Team due to their supplier-facing role.

Over the next year, we will continue to communicate with our retail partners and work closely with our Retailer Forum to explore how we can further raise awareness of modern slavery.

### Sustainable Supply Chain (continued)

We will also communicate with all of our directly-engaged suppliers to better understand who their subcontractors are and to emphasise our expectations in relation to modern slavery and human trafficking. We will do this through a survey, collecting information to identify who our 'tier one' suppliers' sub-contractors are, which services they provide and what due diligence they carry out.

### Information Security

An increasingly digital world provides exciting opportunities for Camelot, but it also brings a degree of risk. In an age when cyber-attacks are commonplace, it is vitally important that we maintain effective data governance to safeguard customer, retailer and employee data.

We follow rigorous security standards and undergo regular independent audits. This year, we successfully completed re-certification to the ISO27001 and WLA:SCS standards, as well as maintaining PCI-DSS compliance. We also completed the General Data Protection Regulation readiness programme ahead of the new regulation coming into effect in May 2018.

In the coming year, we will continue to look to raise the bar of information security in the wider industry, through our Head of Information Security's role as Chair of the World Lottery Association Cybersecurity Working Group, as well as being a key participant in various threat intelligence-sharing and risk management groups.

### Environmental Impact

We are committed to minimising any negative environmental impact from our operations and, where we can, look to increase the positive impact we make. While we know that it is an area on which greater focus is needed, we have been making some progress.

We've widened our scope from reporting just on electricity and gas, and now include water and mileage. And, in the coming year, we're planning to raise greater awareness of environmental issues. For example, we'll be celebrating World Environment Day in 2019/20 – with employees being given the opportunity to volunteer with a variety of projects, all of which will be run by one of our partner charities, The Conservation Volunteers.

In addition, we'll be teaming up with BaxterStorey to learn more about everything they do to minimise their environmental impact in providing our catering services, as well as with Biffa to find out more about recycling and how we can do even more in this area.

Our total carbon footprint in 2018/19 was calculated at 2,176 tCO2e.

| Scope                       | Carbon Footprint |
|-----------------------------|------------------|
| Scope 1 (gas)               | 241 tCO2e        |
| Scope 2 (electricity)       | 1,128 tCO2e      |
| Scope 3 (water and mileage) | 806 tCO2e        |

## Working in Partnership

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 which help to shape our thinking, including:

**Business in the Community** – The Prince's Responsible Business Network – is a business-led membership organisation made up of businesses that understand that the prosperity of business and society are mutually dependent. Through participation in Business in the Community's groundbreaking campaigns and programmes, businesses can collaborate and help to bring about lasting change on a wider scale that benefits both business and society.

**The European Lotteries (EL)** is the umbrella organisation of national lotteries across Europe. EL promotes responsible and sustainable gaming, and provides a proactive and strategic forum for reflection, discussion and collaboration between members.

**The Advisory Board for Safer Gambling** (formerly the Responsible Gambling Strategy Board) aims to minimise gambling-related harm. It acts as the Gambling Commission's expert advisor, and sets the National Responsible Gambling Strategy and the priorities for research, education and treatment.

**The World Lottery Association (WLA)** is a member-based organisation that seeks to advance the interests of state-authorized lotteries.

Our Head of Corporate Responsibility also chairs both the World Lottery Association Responsible Gaming Working Group and the European Lotteries Responsible Gaming & CR Working Group. Participating in these groups allows us to spot emerging trends and highlight best practice, as well as work together to tackle some of the most pressing issues facing vulnerable customers.





# Our People

**OUR COMMITMENT TO DOING BUSINESS RESPONSIBLY ISN'T JUST OUTWARD FACING. WE WANT CAMELOT TO BE A PLACE WHERE OUR PEOPLE CAN THRIVE AND WE WORK HARD TO ENSURE THAT OUR PEOPLE STRATEGY SUPPORTS THIS.**







**IN 2018/19, EVERY CAMELOT EMPLOYEE GENERATED THE EQUIVALENT OF OVER £40,000 A WEEK FOR GOOD CAUSES**

# Our People

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. We therefore put a lot of effort into creating a culture, environment and processes that are inclusive, do what we can to make all staff feel that their voice is heard, and continuously look at how we can enhance our employee offering.

## Employee Forum

Our Employee Forum is a group of passionate, dedicated people from across the business, who have been elected by their peers to represent their views about all aspects of working for Camelot and to get answers to any questions staff may have. The forum enables employees to voice any concerns they may have, feed back on any changes happening within the business, and share new ideas.

Meeting regularly with our Executive Team, the forum discusses current topics or issues, seeks to resolve any problems and, where possible, makes improvements to major company policies that affect employees – all with the aim of ensuring that staff feel heard in decisions or issues that affect them.

In addition, Jennelle Tilling, one of Camelot's independent non-executive directors, has responsibility for engagement with employees.

## Employee Engagement

It's really important to us to know how our people feel about working for Camelot and one of the ways we gauge this is through our annual employee engagement survey.

Over 90% of employees took part in 2018/19's survey, giving us their views on, among other things, what it's like to work at Camelot, our culture and values, leadership, diversity and engagement. Encouragingly, overall engagement has increased from 77% in 2017/18 to 83% in 2018/19, with every business area achieving an engagement score of 70% or higher.

We're really pleased to see these improving levels of engagement, but realise that we have more work to do. However, with so many staff completing the survey, we're confident that we have a really robust set of data that will help us to build on this year's positive results.

Following on from feedback in 2017/18's survey, we've introduced a number of 'getting to know the Exec' sessions, to help employees feel more connected to the Executive Team. We've also continued to develop our employee onboarding process to help our new joiners settle in by giving them an early understanding of the different business functions within Camelot and how they all fit together. In 2019/20, we'll be looking to refresh the onboarding experience – for both new starters and newly-promoted staff.

## Employee Development

One of the key themes to emerge from this year's annual employee engagement survey was the desire to have more opportunities to learn. We've therefore developed an exciting programme of learning with the aim of offering development for all throughout the year.

As part of this, we'll be holding three learning weeks for all employees across all sites, the first of which is being held in May to coincide with both 'Learning At Work Week' and 'Mental Health Awareness Week'. We've also created a learning community made up of employees across the business to ensure that we are listening to their views and iterating our plans based on their feedback.

In addition, we'll be using the Apprenticeship Levy to develop a programme focused on developing management and leadership skills in partnership with an established learning and development provider – and targeted on the areas of most need within the business.

And, after introducing it last year, we've continued our partnership with LinkedIn Learning to ensure that we are offering employees a flexible learning option that enables them to develop their skills and knowledge at their own pace – where they want, when they want.

Employee engagement up 6%

|                |            |
|----------------|------------|
| <b>2018/19</b> | <b>83%</b> |
| 2017/18        | 77%        |



### Employee Development (continued)

Building on last year's launch of a new talent management process to support, develop and retain colleagues, we'll be carrying out further work to ensure that we create an environment that allows us to attract and retain great people. We'll be doing this by specifically focusing on the people experience – a process based on segmenting the employee journey and delivering key activities to improve on what we already offer.

We'll also be building leadership events throughout the year to continue positive engagement, as well as develop people's leadership capabilities. We plan to refresh our Camelot leadership principles, focusing on the key skills and behaviours that are relevant today and in the future.

### 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 2018/19, 220 employees gave 1,215 hours of their time – the equivalent of over 150 working days – to give something back to the local community by volunteering at a wide range of organisations. One such organisation is Watford Mencap, a charity with whom we have been working in partnership since 2017.

Based in the same community as our head office, Watford Mencap does amazing work with people with learning disabilities, and their families and carers. In 2018/19, over 70 of our employees volunteered there to help out on a number of different projects. Our Digital Team, for example, worked with them to develop their website, while our Facilities Team put its skills to good use by building a much-needed shed at the charity's residential care home.

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 £35,000 through match funding, up from £22,000 in 2017/18, and donated more than £5,900 through GAYE, up from £4,000 the year before.

In 2018/19, we also committed to make food bank donations on a quarterly basis. By the end of the financial year, our employees had donated more than 168kg of food.

**“We're hugely grateful to Camelot for the numerous ways they've helped us to support local people with learning disabilities this past year. All of these projects have had a real and direct impact on our charity – but we don't have the luxury of paying for this expertise, nor could we do some of the activities without Camelot's support. On behalf of all of the local people we support, thank you!”**

Carol Tunstall, Fundraising Manager, Watford Mencap



### As a result of their volunteering:

**93.6%**  
felt more connected to National Lottery-funded projects

**57.7%**  
felt prouder to work for Camelot

**41%**  
would recommend volunteering to a colleague

**39.7%**  
plan to do more volunteering

**DURING 2018/19, 220 EMPLOYEES GAVE 1,215 HOURS OF THEIR TIME – THE EQUIVALENT OF OVER 150 WORKING DAYS**



## Diversity and Inclusion

We value a culture that embraces difference and enables people to be themselves, to participate fully and to meet their full potential. Whatever their age, ability or disability, sex, racial/ethnic background, religion or culture, sexual orientation, gender identity, marital or parental status, our employees are important to the success of Camelot.

As part of our wider inclusion strategy, we launched our first women in leadership events during the year and plan to continue these in 2019/20. We also launched our first employee inclusion network – the Camelot LGBTQ+ network.

Set up by employees, the network is made up of staff from across the business, irrespective of whether or not they identify as LGBTQ+, and aims to ensure that everyone who identifies as LGBTQ+ feels completely included at Camelot, that diversity is celebrated, and that employees feel able to bring their whole selves to work without fear of judgement, prejudice or ridicule.

For its first year, the network, which meets on a monthly basis to discuss challenges and raise awareness of associated issues, will focus on raising the visibility of the LGBTQ+ community and, in doing so, ignite a conversation with colleagues, dispel myths, educate about language and celebrate diversity. This will be done in a number of ways, including linking to key events throughout the year, such as LGBTQ+ history month, Pride, Bi-Visibility and Trans-Visibility.

As at 27 June 2019, 38% (three of the eight members) of the Board are female, compared with 14% (one of seven) as at 1 April 2018. Similarly, as at 27 June 2019, 27% (three of the 11 members) of the Executive Team are female, compared with 23% (three of 13) as at 1 April 2018. The gender balance of those in senior management (i.e. the Executive Team and their direct reports from grades 3 to 5) was 64/36% male/female as at 1 April 2018, and 64/36% male/female as at 30 May 2019.

## Gender Pay Gap

Based on our payroll in April 2018, we had a mean gender pay gap of 24.5% and a median gender pay gap of 22.0%. And based on bonuses paid in the year to 5 April 2018, we had a mean gender bonus gap of 75.4% and a median gender bonus gap of 53.9%.

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 men and women at Camelot are paid equally for equal work. While we are pleased that there has been some positive movement in some of our figures for this year, we know that there is still much to do to address our gender pay and bonus gaps, which continue to be primarily driven by the gender mix of our employees.

We remain fully committed to reducing these gaps over the long term and promoting gender diversity at all levels across our business. To this end, we will continue to build on our long-standing measures, as well as on more recently-introduced initiatives that focus on areas including progression for women, balanced shortlists, unconscious bias training, coaching and mentoring, and women and leadership.

## Our Values

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

Following the strategic review we carried out in 2017 and with an almost all-new Executive Team in place, we believed that the time was right to take a fresh look at our values to make sure that they remained relevant for us as a business and were applicable to everyone at every level. So, with wide involvement from across the business as well as our Employee Forum, we've reviewed and reworked our values to more closely reflect our purpose in operating The National Lottery.

# Values

## DELIVERING TOGETHER

We make extraordinary things happen every day. We know we get the best results when we work together – sharing knowledge and expertise and building trust.

## OPERATING WITH INTEGRITY

The nation can count on us to take care of The National Lottery because we do what's right.

## TAKING OWNERSHIP

What we do matters. We make an extraordinary contribution to the nation, and we take great pride in doing the best work possible.

## THINKING DIFFERENTLY

To make extraordinary things happen, we challenge ourselves to innovate and do better every day.

## CELEBRATING SUCCESS

At the heart of The National Lottery are optimism, celebration and giving. We bring that spirit to life in our work.



## Our Board

At 31 March 2019, our Board comprised eight members: an independent Chairman and Deputy Chairman, three independent non-executive directors, two non-executive directors (officers of Ontario Teachers' Pension Plan) and one executive director (the Chief Executive Officer).

### Rt Hon Sir Hugh Robertson KCMG DL Chairman

Sir Hugh was appointed as the independent Chair of Camelot in June 2018. He is also Chair of the British Olympic Association, an organisation he helped lead to its largest-ever medal haul at the Rio 2016 Olympic Games.

He served in Parliament from 2001 to 2015, doubling his majority at both the 2005 and 2010 general elections. He was Minister for Sport and the Olympics during London 2012, an event widely described as the finest Olympic and Paralympic Games of modern times.

He was subsequently Minister for the Middle East, North Africa and Counter Terrorism at the Foreign Office, taking part in the Kerry Middle East Peace Process and the Geneva Peace talks, as well as many other major international negotiations.

Prior to entering Parliament, he worked at Schroder Investment Management and served in the army, seeing active service in Northern Ireland, Cyprus, the first Gulf War and Bosnia. He was made a Privy Counsellor in 2012 and, subsequently, knighted for his work on London 2012 and in the Middle East.



### Robert Walker Deputy Chairman & Senior Independent Director

Robert is currently Chairman of Ei Group and Busy Bees Holdings Ltd. He has an extensive track record of chair positions at large public companies, with recent appointments including Chairman of Travis Perkins, WHSmith, BCA Europe and Williams Lea.

Robert started his career at Procter & Gamble before moving to McKinsey & Company. He then went on to spend more than 20 years at PepsiCo, where he was responsible for the company's beverage businesses in Europe, the Middle East, Africa and Asia, before moving to Severn Trent from 1999 to 2005 – holding the position of Group CEO from 2000 to 2005. He has also held a number of non-executive director roles at a wide range of companies. These have included Wolseley, BAA, Tate & Lyle, Signet Group and Thomson Travel.



### Nigel Railton Chief Executive Officer

Nigel was appointed CEO of Camelot UK Lotteries Limited in 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 2006.



### Jo Taylor Shareholder-Nominated Non-Executive Director

Jo is Executive Managing Director of Ontario Teachers' Pension Plan (OTPP), and is responsible for advancing OTPP's global effectiveness across its entire enterprise. He works closely with other executive team members, and international colleagues, to collectively design and execute the organisation's international investment strategy and associated support requirements.

Jo has more than 35 years of investment experience, including 20 years with 3i Group plc, an international private equity and infrastructure investor. He holds an MBA from Manchester Business School and a BA (Honours) from London University.



### Jane Rowe Shareholder-Nominated Non-Executive Director

Jane is Executive Managing Director and head of Ontario Teachers' Pension Plan's (OTPP) Equities department. Comprised of Private Capital and High Conviction Equities, the department's mission is to deliver growth through investment in both private and publicly-traded entities.

Jane sits on the Investments and Risk Committees of OTPP, and chairs the Investments Division Credit and Counterparty Committee. She serves on the boards of Cadillac Fairview, OTPP's wholly-owned real estate subsidiary, and Arterra Wines Canada.



## Our Board (continued)



### 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 On the Beach, Pure360, Simply Business and Prezola, and acts as a Non-Executive Director at Reach and The Gym Group.

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.

David stepped down from the Board in May 2019.



### 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. Rob was previously Executive Deputy Chairman of Cable & Wireless plc, and a Non-Executive Director and Audit Committee Chairman of Taylor Wimpey plc, Moneysupermarket.com Group plc, Morgan Advanced Materials plc, Intu Properties plc and Prudential plc.

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



### Jennelle Tilling

#### Independent Non-Executive Director

Jennelle has over 25 years' consumer marketing, digital and innovation experience with leading global FMCG and food retail brands. She spent over 17 years working for Yum! Restaurants International in a variety of senior marketing roles – culminating in her serving as the Global Chief Marketing Officer for KFC, responsible for the company's marketing, communications, innovation, digital presence and reputation in over 125 countries.

Jennelle is the Founder and Chief Brand Strategist at London-based brand consultancy Marketing with Insight, and is a Fellow of The Marketing Society and a member of the Marketing Group of Great Britain. She is a member and Past President of Women in Advertising and Communications London, a Leadership Fellow of St George's House, Windsor Castle, and a mentor to The Marketing Academy. Jennelle also holds non-executive director roles at Shaftesbury PLC and Butchies, and is a Board Advisor for Capdesia.



### Gill Whitehead

#### Independent Non-Executive Director

Gill joined the Board in May 2019. She is Google's Senior Director, Client Solutions & Analytics, and leads teams with deep specialisms in data analysis, research, planning, measurement, digital experience, consumer segmentation and insights. She was previously Google's Senior Director, Market Insights EMEA, leading all consumer research and covering 60+ countries.

Prior to joining Google, Gill was an Executive Committee Member and held roles as Director of Audience Technologies & Insight, and Director of Strategy & Corporate Development at Channel 4 Television Corporation. Prior to that, she held a number of senior executive roles at the BBC.

She is a former Non-Executive Director at the Financial Ombudsman Service and at YouView Television Limited. Gill started her career at the Bank of England and then Deloitte Consulting, and is a Fellow of the Institute of Chartered Accountants and a graduate in Econometrics.



The Eden Project was one of hundreds of Good Cause projects that took part in our #ThanksToYou 2018 campaign to thank National Lottery players for supporting a huge range of initiatives in communities across the UK  
©Tamsyn Williams



## Our Executive Team

Our Executive Team, led by the Chief Executive Officer, maintains management 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 Railton**

#### **Chief Executive Officer**

Nigel was appointed CEO of Camelot UK Lotteries Limited in 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 2006.



### **Clare Swindell**

#### **Chief Financial Officer**

Clare joined Camelot in 2017 as CFO, having previously been CFO at dunhumby, where she was also a Board director and member of the Executive Committee. She is responsible for leading our Finance function and for providing oversight over Business Assurance. 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.



### **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 2017 as CIO and also has 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.



### **Neil Brocklehurst**

#### **Commercial Director**

Neil joined Camelot's Executive Team in 2018, and manages our commercial function with responsibilities including e- and m-commerce, draw-based games and Instants portfolio management, and management of the retail and transformation functions. Prior to that, 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.



### **Rachel King**

#### **People Director**

Rachel joined Camelot as People Director (previously Group HR Director) in 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.



## Our Executive Team (continued)



### Matt Ridsdale

#### Director of Corporate Affairs

Matt joined Camelot in 2017 and leads our Corporate Affairs department, which is responsible for enhancing and protecting the reputation of Camelot and The National Lottery, 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.



### Gaby Heppner-Logan

#### Director of Regulatory Affairs

Gaby joined Camelot in 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.



### John Dillon

#### Legal Director and Company Secretary

John is a solicitor and joined Camelot in 1998 as a Legal Adviser, becoming Deputy Head of Legal in 2004, Head of Legal in 2009, Company Secretary in 2010 and Legal Director in 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.



### Mike O'Donohue

#### Chief Data Officer

Mike joined Camelot in 2016 and has spent over 20 years working at the intersection of strategy, behavioural science and advanced analytics – and is passionate about the power of data science to reshape customer experience and organisational decision-making. As Camelot's first Chief Data Officer, Mike has made data a Board-level priority, elevated data-driven decision-making to be a core operating principle, and developed a big data and advanced analytics strategy. He previously worked at British Gas, Tesco and McKinsey & Company.



### Tim Haldenby

#### Chief of Staff

Tim joined Camelot'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 2018 as Chief of Staff, responsible for ensuring that the Executive Team successfully delivers Camelot's plans.



### Andy Nice

#### Transformation Director

Andy joined Camelot 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 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.



### 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.

Duncan left Camelot in April 2019.





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# Strategic Report

## The directors present the Strategic Report of Camelot UK Lotteries Limited (the 'Company' or 'Camelot') for the year ended 31 March 2019.

### Business Review

Camelot delivered a second successive year of growth, with gross ticket sales growing by £255.1m (3.7%). Returns to Good Causes were broadly flat versus the prior year, primarily driven by the mix of games sold.

During the year, Camelot delivered a number of key initiatives, in line with its strategic plan, including:

- the launch of a new master brand strategy, Amazing Starts Here, in September;
- the return of The National Lottery to primetime TV with a new results show on ITV;
- the successful introduction of enhancements to Lotto in November 2018, including bigger cash prizes; and
- the launch of a brand new annuity game, Set For Life, in March 2019.

Following the significant investment in the Retail Sales Team made in the previous year, Camelot continued to focus on delivering excellence in retail and, as a result, saw significant improvements in 'in-store' standards and retailer engagement. The Company was also successful in expanding into important new distribution channels including discounters (Aldi) and self-checkout (Asda).

The Company also benefited from significant growth across its digital channels, with total sales growing by 11.0% to a record £1,833.5m (2018: £1,652.2m). Camelot grew mobile sales to an all-time high of £1,019.5m, with sales through smartphones and tablets now accounting for over 55% of all digital sales.

This year's sales have also been positively impacted by record sales of £3,125.0 million across The National Lottery's range of Scratchcards and online Instant Win Games, following improvements to ensure a wide range of differently-priced products with varying themes, combined with better stock management processes.

The outlook for the next 12 to 24 months however, remains challenging, with household incomes expected to be squeezed and Camelot continuing to face competition from gambling and gaming companies.

### Strategy

Camelot's mission 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.

However, the Company's 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. The Company continues to deliver against its strategic plan across its three key pillars as follows:

#### 1. Delivering brand-led growth

##### a) Continuing to ensure that The National Lottery brand is relevant and visible

Marketing will continue to play an important role in maintaining the relevance of National Lottery games in consumers' minds. In 2018/19, The National Lottery returned to Saturday night television with a 90-second results slot through a partnership with ITV.

Camelot also continued to 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. In 2020, this opportunity will be maximised by using The National Lottery's 25th birthday to celebrate the extraordinary things that playing makes possible.

To support the strategy, Camelot has worked closely with the Gambling Commission to understand the optimum level of marketing required to support The National Lottery brand and portfolio of games. In some cases, Camelot has sought investment from Good Causes to increase the level of available marketing, having demonstrated that Good Causes will receive a strong return on this investment. The total value of funding for marketing received from Good Causes was £39.0m (2018: £18.8m).

##### b) Improving its range of games to create an optimised portfolio of games that offers something for everyone

In November 2018, Camelot delivered exciting changes to Lotto, introducing bigger cash prizes for players, including a fixed prize of £1 million for matching five main numbers and the Bonus Ball. In addition, the jackpot will be won or shared more often, as it is now only allowed to roll five times compared with around 10 rolls previously, while a new 'cascade' mechanic means that the jackpot will be shared across all winning cash prize tiers if nobody matches all six main numbers in a must-be-won draw.

The Company also launched a brand new annuity-style draw-based game, Set For Life, in March 2019. In 2019/20, Camelot will again seek to review and optimise its portfolio of games to ensure that it continues to offer something for everyone.

##### c) Continuing to invest in improving standards and engagement in retail, as well as expanding into new distribution channels in which people are now shopping

Camelot's significant investment in retail, announced in the previous year, will continue as the Company seeks to further improve retail standards and engagement. As the retail landscape changes, Camelot will continue to seek to expand into new distribution channels to keep pace with these changes, including in discounters and at self-checkout terminals.

##### d) Continuing to improve its digital services, to give players an even better mobile and online experience

Digital remains an important source of growth and Camelot will continue to invest in developing a strong mobile platform, combined with enhancing and developing its marketing activities and capabilities for mobile and online players. The Company will also continue to improve its customers' journey and experience, and upgrade its customer relationship management systems.



## Strategic Report (continued)

### Strategy (continued)

#### 2. Putting players at the heart of what it does

Critical to Camelot's strategy is its work to ensure that The National Lottery is the 'safest place to play games and win', and its activity to promote healthy play. This approach is supported by a programme of activities to:

- integrate healthy play messaging into the player journey – this is supported by player-facing tools and communications, and an ongoing programme of GamCare 'Safer Play' workshops and training for retailers;
- continue to accelerate the Company's capability to identify problem players on its digital channels, and introduce new approaches to detecting problem play in retail;
- continue to develop a range of interventions, including self-exclusion; and
- develop a new approach to the measurement of healthy play and the safety of National Lottery games.

Camelot believes that this approach aligns with the perspective of the Gambling Commission and wider opinion-formers, and, in time, will clearly differentiate Camelot and The National Lottery from all other operators.

#### 3. Operating with the highest integrity

Maintaining high levels of trust in the operational integrity of The National Lottery requires continuous improvement and investment. Camelot's overall aim is to continue to assure and improve the operational integrity of the business, and reduce both risk exposure and the likelihood and impact of incidents. To achieve this, there are four requirements:

- continuing to invest in cyber security to maintain the Company's capabilities in the face of evolving threats;
- continuing to invest in the resilience and performance of technology and systems as they reach the end of their lives;
- ongoing improvement in the maturity of the operational processes and controls environment, with the continued automation of certain key processes and investment in data management; and
- embedding operational integrity into all aspects of the way in which Camelot works.

### Key Financial Performance Indicators (KPIs)

The Company's primary financial KPIs are gross ticket sales, returns to Good Causes, profit and operating cash flow. 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. All of these KPIs are monitored on a regular basis by the Executive Team and Board.

The Company's financial performance is discussed below.

#### Gross ticket sales

Gross ticket sales for the year ended 31 March 2019 were £7,206.8m (2018: £6,951.7m).

Within this amount, sales for draw-based games totalled £4,081.8m (2018: £4,116.8m), a decrease of £35.0m. Revenue for EuroMillions was slightly lower than in the previous year as a result of fewer rollover draws of over £100 million in 2018/19.

Sales from Instant (Scratchcards and Instant Win Games) increased by 10.2% to £3,125.0m (2018: £2,834.9m). Scratchcards returned to growth this year, driven in part by Camelot's retail strategy, as well as improvements made to the portfolio of games.

Sales in both retail and digital grew this year, with the majority of the Company's growth coming from its digital channels. As a result, digital sales continue to grow as a proportion of overall sales, in line with Camelot's strategy, accounting for 25.4% of all sales (2018: 23.8%). As part of this, sales through smartphones and tablets now account for over 55% of all digital sales. Camelot operates Europe's largest digital lottery in terms of sales and, with 6.2 million active registered players, national-lottery.co.uk is one of the top e-commerce sites in the UK.

#### Lottery Duty

Lottery Duty has remained at 12% of sales, and totalled £864.8m for the year (2018: £834.2m).

### Key Financial Performance Indicators (KPIs) (continued)

#### Prizes

Total prizes increased to £4,128.5m in 2019 (2018: £3,928.4m). This represents 57.3% of sales (2018: 56.5%). A marginal reduction in draw-based games sales, offset by an increase in Scratchcard sales is the main driver of the increase in prize percentage, as Scratchcard games typically offer a higher prize percentage than draw-based games.

In any lottery, there are prizes which remain unclaimed. If National Lottery 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 game 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 1.7% (2018: 1.8%) of sales and totalled £125.1m (2018: £122.5m).

#### 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 £1,654.7m, representing 23.0% of sales (2018: £1,655.3m; 23.8%) for the year.

This includes £1,529.6m (2018: £1,532.8m) in returns from ticket sales and other payments due from relevant income, as specified in the operating licence, and a further £125.1m (2018: £122.5m) in unclaimed prizes. This amount has been reduced by £39.0m (2018: £18.8m), which has been retained by Camelot for necessary marketing expenditure to support the long-term health of The National Lottery, as agreed with the Gambling Commission.

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 is returned to Good Causes.

Camelot is subject to two profit-capping mechanisms. Where its profits exceed a certain threshold, which depends on sales levels achieved, the additional profits are shared with Good Causes in the form of Secondary Contributions. Secondly, a Profit Alignment Condition, relevant for the 2018/19 and 2019/20 financial years, further stipulates that any profits over a certain threshold are paid in entirety to Good Causes.

Total Secondary Contributions for the year are £5.0m (2018: £7.0m), a decrease of 28.6%. This is based on an 'adjusted profits' calculation as defined under the third licence. The Profit Alignment Condition has not been invoked as profit after tax is below the relevant threshold.

#### Retailers' and other commission

Total sales, validation and other commissions for the year totalled £303.9m, representing 4.2% of total sales (2018: £293.9m; 4.2%). 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 £30 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, the quantum of which is subject to meeting contractual commitments.

#### Net income

Net Income for the year was £683.9m, up 4.2% on the prior year (2018: £656.3m) driven by sales performance.

#### Gaming systems and data communication costs

Gaming systems and data communication costs increased to £125.3m for the year (2018: £121.1m). These 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.



## Strategic Report (continued)

### Key Financial Performance Indicators (KPIs) (continued)

#### Administrative expenses

Administrative expenses were £178.0m (2018: £163.5m), and consisted of advertising and marketing expenditure, depreciation, staff, facilities and all other administrative costs. Included in administrative expenses is a £1.15m fine, paid to the NLDF, which relates to a number of historical licence breaches that occurred and were provided for in prior reporting periods. The increase year on year was primarily driven by an increase in headcount.

#### Finance income and costs

Net finance income during the year amounted to £2.5m (2018: £2.2m). Finance income remained unchanged at £3.5m in the year (2018: £3.5m), and primarily consists of interest receivable from Premier Lotteries UK Limited on a £26.0m loan (2018: £26.0m). The finance costs of £1.0m decreased on the prior year (2018: £1.3m).

The average yield on investment was approximately 0.55% (2018: 0.62%). 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 £83.1m (2018: £84.4m). Profit after taxation for the financial year was £68.0m, circa 1.0% of gross ticket sales (2018: £68.4m). The reduction year on year, despite increased net income, is largely attributable to the increase in administrative expenses, predominantly staff costs.

#### Taxation

The corporation tax charge of £15.1m for the year (2018: £16.0m) represents an effective tax rate of 18.1% (2018: 19.0%). 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 £41.2m (2018: £37.4m).

#### Dividends

The Company's profit for the financial year was £68.0m (2018: £68.4m), as disclosed on the Statement of Comprehensive Income on page 130. As detailed in note 8, total dividends paid in the year under review were £52.2m (2018: £53.1m), 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 (2018: £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 £49.4m as at 31 March 2019 (2018: £33.6m).

The value of property, plant and equipment and intangible assets has decreased to £103.3m in the current year (2018: £112.8m), due to higher depreciation and amortisation as we approach the end of the third licence, despite higher additions year on year.

Current trade and other receivables have remained relatively stable at £445.1m from £447.7m in 2018, mainly due to the funds held to fund future prize payments being relatively stable year on year.

Current trade and other payables have increased to £583.2m from £566.8m in 2018, due to both an increase in gaming-related payments being Lottery Duty payable and advance receipts for future draws, and an increase in trade payables related to the timing of payments.

Non-current financial liabilities and borrowings have decreased to £3.4m (2018: £13.1m) as a number of finance lease arrangements have come to an end.

The cash and cash equivalents balance of £85.6m has increased compared with the prior year (2018: £50.8m), driven by working capital cash flows, as dividend payments remained stable and capex spend increased.

### Key Financial Performance Indicators (KPIs) (continued)

#### 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, 44,235 lottery terminals were in operation across its retail footprint (2018: 44,587).

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 99.99% (2018: 99.96%), ahead of the operating licence target of 99.50%. In addition, system availability for playing games on the internet was 99.95% (2018: 99.85%), ahead of the operating licence target of 99.50%.

#### Cash flows, cash and debt

Net cash generated from operations was £142.0m (2018: £119.8m). The increase was due predominantly to a higher cash impact from movements in working capital than in the prior year.

Cash outflows primarily include dividend payments of £52.2m (2018: £53.1m), net taxation-related payments of £21.5m (2018: £13.3m) (including an element for group relief), £25.0m (2018: £22.4m) of investment in property, plant and equipment and intangible assets, repayments of the principal on finance lease arrangements of £11.0m (2018: £10.5m), as well as interest payments of £1.0m (2018: £1.3m). The closing cash balance was £85.6m (2018: £50.8m).

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, after accounting for trust expenses, is for the benefit of the NLDF.

At 31 March 2019, Camelot had on deposit £9.0m (2018: £9.4m) 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 (2018: £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 was renegotiated in March 2019 and runs until 30th September 2021. The amount drawn down under this facility at 31 March 2019 was nil (2018: nil).



## Strategic Report (continued)

### 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:

#### 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 Field Sales Team has increased the number of visits made to each of the Company's retailers to boost engagement. The retail incentives plan has also 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, through 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 and providing differentiated reasons for players to participate. The Company also proactively engages with Government and the Gambling Commission to protect The National Lottery brand from infringements.

#### 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 has addressed 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, which 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 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, and potentially impact the pace of regulatory approvals and decisions.*

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

#### Licence compliance

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

The Company has a high-integrity culture and has identified accountable people against each of the licence requirements, and reviews and updates this on a regular basis. Licence compliance is also embedded in Company processes and procedures. Business control functions, such as the Regulatory Affairs, Business Assurance, Procurement and Process Governance Teams, monitor compliance through their activities in relation to licence requirements.

### Risks, Uncertainties and Opportunities (continued)

#### 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.*

Camelot is a socially-responsible organisation, maintaining high standards of player protection. The Company has a clear player protection strategy to prevent underage and excessive play. Operation Child metrics are monitored and fed back to retailers and the GC, and action is taken where appropriate with retailers.

#### Key supplier reliance

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

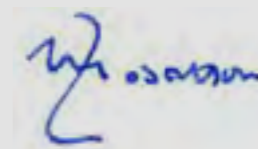
The Company maintains ongoing working relationships with key suppliers and conducts regular supplier reviews to assess operational performance. Management reviews and assesses operational reliance on a regular basis, and creates and maintains continuity plans.

#### 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.

The Strategic Report was approved by the Board of Directors on 27 June 2019 and was signed on its behalf by:



**Rt Hon Sir Hugh Robertson KCMG DL**  
Chairman

Camelot UK Lotteries Limited  
Company Number: 02822203



# Directors' Report

The directors present their report, together with the audited financial statements of Camelot UK Lotteries Limited (the 'Company'), for the year ended 31 March 2019.

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, United Kingdom, WD18 9RN.

## 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 96–103.

## 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** (resigned as Chairman 28 June 2018)  
**Rt Hon Sir Hugh Robertson KCMG DL** (appointed 28 June 2018)

Executive director

**Nigel Railton**

Independent non-executive directors

**Robert Walker** (appointed 28 June 2018)

**Rob Rowley**

**Sir Patrick Brown KCB** (resigned 28 June 2018)

**Tony Illsley** (resigned 28 June 2018)

**David Kelly** (resigned 9 May 2019)

**Jennelle Tilling** (appointed 27 September 2018)

**Gill Whitehead** (appointed 9 May 2019)

Non-executive directors

**Jane Rowe**

**Jo Taylor**

Alternate director

**Ilya Kachko** (alternate to Jane Rowe and 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 (continued)

### 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 expires 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 was broadly flat year on year, this is to be viewed in light of the Company's detailed strategic planning process which forecasts broadly flat sales with growth in 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 of £55.0m was extended in March 2019 and is only due to expire on 30th September 2021. The amount drawn down under this facility at 31 March 2019 was nil (2018: nil).

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 (RCF) and therefore the leverage covenant of 2.0 is not breached.

Taking the maximum RCF utilisation at any point from the last three years of £28.4m, EBITDA would have to fall by circa 90% from its current level and amount projections for this covenant to be breached. 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 principal 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 focused 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 2022.

### Corporate Governance

The report on corporate governance is set out on pages 110–120.

### 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 £7.1m in 2019 (2018: £5.2m), 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 four key performance criteria – sales, returns to Good Causes, profitability and operational integrity – with a fifth 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 its 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, makes further funding of £30.0m 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.

### 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.



## Directors' Report (continued)

### Suppliers

The Company's policy is to pay all fully-approved supplier invoices within 30 days after the end of the month in which the invoice is received. Camelot has paid 72% of its suppliers in line with the agreed terms in the last six months and, on average, invoices are being paid within 39 days of issue. The Company's latest quarterly figures show that only 8% of supplier invoices are paid in excess of 60 days, with 52% being paid in 30 days or less.

Camelot's payment practice and performance are made publicly available, and processes are in place to continually improve these metrics.

### 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 £52.2m (2018: £53.1m), of which £52.2m (2018: £53.1m) was paid to the Company's parent company, Premier Lotteries UK Limited, during the year and £7,000 to Fourmoront Corporation (2018: £7,000). As detailed in note 29, on 30 April 2019, the Company paid further dividends of £10.3m to Premier Lotteries UK Limited. The Company does not recommend payment of a final dividend.

### Donations

During the year, no political donations were made (2018: nil).

### 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.

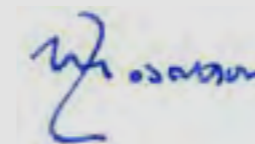
The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' Confirmations

The directors consider that 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 position and performance, business model and strategy.

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 of 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.



By order of the Board  
**Rt Hon Sir Hugh Robertson KCMG DL**  
 Chairman

27 June 2019



# 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 (and, where practicable, the revised edition published in July 2018 which applies to the Company's financial year beginning 1 April 2019). 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 2019, the Board comprised eight members: the Chairman, four additional independent non-executive directors, two non-executive directors (officers 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 (and also for the roles of the Deputy Chairman/Senior Independent Director and the independent non-executive directors).

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.

## Board of Directors (continued)

The Rt Hon Sir Hugh Robertson KCMG DL was appointed to the Board on 28 June 2018 as independent non-executive Chairman in succession to Jo Taylor (who is also Teachers' Executive Managing Director for Global Development). The new Chairman is independent of Teachers'. The Board believes that Sir Hugh's other commitments do not prevent him from spending sufficient time on Camelot matters. Mr Taylor remains on the Board and, together with Jane Rowe (Executive Managing Director and head of Teachers' Equities department), ensures that Board members (and in particular the independent non-executive directors) are regularly informed of Teachers' views about the Company, and that Teachers' is kept informed about the Company to the extent Teachers' requires.

Robert Walker was also appointed to the Board on 28 June 2018 as an independent non-executive director, Deputy Chairman and Senior Independent Director, in which roles he provides a sounding board and support for the Chairman, and serves as an intermediary for the other directors and Teachers'. Sir Patrick Brown KCB and Tony Illsley stepped down from the Board on 28 June 2018.

Jennelle Tilling was also appointed to the Board on 27 September 2018 as an independent non-executive director.

Specific oversight of various aspects of the Company's activities has been allocated by the Board to different Board members (including external relations, operations, finance, risk and audit, digital and technology, marketing, and engagement with the Company's workforce).

Regular Board meetings were held during the year under review. Following a Board meeting in Edinburgh in February, in 2019/20 the Board will hold every other meeting in a different country within the UK. Board meetings follow a formal agenda which includes regular reports from the Chief Executive Officer, matters for which the Board's approval is required (including, in particular, the Company's strategic plan and annual budget, and business cases for new games or game changes), 'deep dives' on business topics of importance and other matters for the Board's information. The Strategic Report for the year can be found on page 96. The attendance

of directors (including alternates) at Board and Committee meetings during the year is detailed in the table on page 112.

At the beginning of each Board meeting, the Chairman meets with the non-executive directors for a private session in the absence of the Chief Executive Officer and other senior management; and, at the end of each meeting, a further private session is held both with and 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 is able to circulate them to the Board via a written statement to the Chairman.

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.

In addition to their attendance at meetings of the Board and of those committees of which they are members, all directors are encouraged to attend meetings of those committees of which they are not members. Attendance of directors at Board and Committee meetings during the year was as follows:



## Report on Corporate Governance (continued)

### Board of Directors (continued)

|                                   | Board<br>(7 meetings)<br>Number attended | Audit, Risk<br>and Security<br>Committee<br>(4 meetings)<br>Number attended | Remuneration<br>Committee<br>(7 meetings)<br>Number attended | Nominations<br>Committee<br>(5 meetings)<br>Number attended |
|-----------------------------------|--|---|--|---|
| Sir Patrick Brown KCB             | 2/2                                      | 1/1   | * (0/1)  | 2/2   |
| Tony Illsley                      | 2/2                                      | * (0/1)   | * (1/1)  | 2/2   |
| David Kelly                       | 5/7                                      | 4/4   | * (4/4)  | ** 3/5  |
| Nigel Railton                     | 7/7                                      | * (4/4)   | * (4/4)  | * (4/5)   |
| Rt Hon Sir Hugh Robertson KCMG DL | 5/5                                      | * (4/4)   | * (3/3)  | ** 3/3  |
| Jane Rowe                         | 7/7                                      | 4/4   | 4/4  | * (5/5)   |
| Rob Rowley                        | 7/7                                      | 4/4   | * (2/4)  | * (2/5)   |
| Jo Taylor                         | 7/7                                      | * (4/4)   | 4/4  | 5/5   |
| Jennelle Tilling                  | 5/5                                      | * (3/3)   | * (3/3)  | * (3/3)   |
| Robert Walker                     | 5/5                                      | ** 2/3  | * (2/3)  | * (2/3)   |

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

\* Indicates that the named individual is not appointed to the Committee, followed (in brackets) by the number of meetings attended as against the number of meetings he/she was entitled to attend while a director.

\*\*Indicates that the named individual was appointed to the Committee part-way through the year, followed by the number of meetings attended as against the number of meetings he/she was entitled to attend (while a director, but whether or not a Committee member) during the entire year.

Under the terms of the third licence, all directors have to be security-vetted before they can be formally appointed to the Board, unless the Gambling Commission has issued a temporary waiver of that requirement in individual cases. Pending this clearance or waiver, those to be appointed are permitted to attend Board and Committee meetings as observers.

Gill Whitehead was appointed to, and David Kelly resigned from, the Board on 9 May 2019.

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

### Audit, Risk and Security Committee

Chair: **Rob Rowley**

Members: **Sir Patrick Brown KCB\***, **David Kelly**, **Rob Rowley**, **Jane Rowe**, **Robert Walker\*\***

\* Until 28 June 2018

\*\* From 28 June 2018

### Usual attendees

The Chief Executive Officer and other functional managers (including the Chief Financial Officer, the Deputy Chief Financial Officer and the Director of Business Assurance) 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 110. 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, for maintaining an appropriate relationship with the Company's external auditors, and ensuring the independence and effectiveness of the internal audit function.

It also reviews the Company's financial and accounting policies, any formal announcements relating to its financial performance, and final financial statements and Annual Report (including significant financial reporting judgements contained in them) 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 final financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

It also reviews the appointment and terms of reference of the external auditors, and their management representation letter, and considers any other matters raised by the external auditors. In respect of non-audit services, the Committee reviews the objectivity of the external auditors by reviewing the scope of work for such services to ensure that their independence is safeguarded. It monitors the effectiveness of the Company's financial controls, and internal control and risk management systems. At least once a year, the Committee meets separately with the external auditors and 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 external auditors is working well and remains satisfied with its effectiveness (taking into consideration relevant UK professional and regulatory requirements). The external audit partner is rotated every seven years and the current partner is in his second 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 2019, and the Committee assesses their effectiveness through this regular interaction. In the event that the Company were to bid for, and be awarded, the fourth licence, the Committee has determined that – subject to any truly exceptional change in circumstances in the meantime – the provision of external audit services would be put out to tender for the subsequent financial year after the outcome of the bid was known.

### 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 (continued)

### Reporting of significant issues (continued)

#### 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(s) 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 2019, 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, and monitor the controls surrounding, compliance with the operating licence granted by the Gambling Commission.

### 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, overseeing the internal control framework, and determining the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. 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 ongoing major change projects and programmes, as well as other principal risks including the mounting threat of competition, GDPR etc. 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 informed of any potential security issues within the Company (including physical, logical and personnel security and disaster planning). It is also responsible for overseeing the activities undertaken by the Company's Chief Information Officer in respect of security, and for reviewing incidents of any major security breaches that are brought to the attention of the Chairman of the Committee immediately they are identified.

### Remuneration Committee

Chair: **Jo Taylor**

Members: **Jane Rowe, Jo Taylor**

The Committee is responsible for establishing a formal and transparent procedure for developing the framework and broad policy for determining the remuneration of the Company's Chief Executive Officer, independent non-executive directors and employees in management with a senior role in the Company. In determining those matters, the Committee is required to review workforce remuneration and related policies, and the alignment of incentives and rewards with culture, and take these, and all other factors which the Committee deems necessary (including different incentives needed in different scenarios), into account.

The Committee is also required to address the need for remuneration arrangements to be clear, simple, proportionate, predictable, aligned to culture and appropriate in the light of reputational and other risks. The objectives of the broad policy are required to ensure a range of outcomes, including supporting the strategy and promoting the long-term sustainable success of the Company, ensuring remuneration is aligned to the Company's purpose, values and long-term strategy, enabling the use of discretion to override formulaic outcomes, and avoiding rewarding poor performance. The Committee met seven times during the year under review.

Willis Towers Watson continues as an advisor to the Company (but not, during this financial year, directly 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 dental scheme, 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\***, Rt Hon Sir Hugh Robertson KCMG DL\*\*

Members: **Sir Patrick Brown KCB\***, **Tony Illsley\***, **David Kelly\*\***, Rt Hon Sir Hugh Robertson KCMG DL, **Jo Taylor**

\* Until 28 June 2018

\*\* From 28 June 2018

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 who have the time to commit to the Company, are of appropriate experience, age, qualifications, background and reputation, will provide constructive challenge, strategic guidance and specialist advice, and will hold management to account.

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 2019, the Committee met five times and its work centred on the search for a new independent Chairman and for two other new independent non-executive directors to join the Board, as well as Board and senior management succession planning. Egon Zehnder advised the Committee in relation to the search for a new independent Chairman, and Odgers Berndtson and the Up Group in relation to the search for two other new independent non-executive directors. None of the search agencies mentioned had any other connection with the Company or any of its directors.



## Report on Corporate Governance (continued)

### Nominations Committee (continued)

As at 27 June 2019, 38% (three of the eight members) of the Board are female, compared with 14% (one of seven) as at 1 April 2018. Similarly, as at 27 June 2019, 27% (three of the 11 members) of the Executive Team are female, compared with 23% (three of 13) as at 1 April 2018. The gender balance of those in senior management (i.e. the Executive Team and their direct reports from grades 3 to 5) was 64/36% male/female as at 1 April 2018, and 64/36% male/female as at 30 May 2019.

### 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. Dr Long returned for a follow-up session with the Chairman and the Board in September 2018. A further action plan was prepared by the Company Secretary and approved by the Chairman in October 2018, following consultation with all members of the Board and review by Dr Long, and progress is being monitored by the Chairman.

In the spring of 2019, the Senior Independent Director, Robert Walker, led a review of the performance of the Chairman.

### 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.

### 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 and Director of Regulatory Affairs. Internal audits and reviews by the Internal Audit function also provide assurance.

### Risk Management and Internal Control

#### Managing Risks

Under its National Lottery operating licence, 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 independently 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 top-down and bottom-up views of risk.

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.

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

#### Risk Management

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 department risk registers (bottom-up). This approach is summarised in the five steps below. The five steps require input from all departments within the Company, and facilitate management's understanding of the risks facing their departments and managing these risks within the risk appetite/tolerance established by senior management and agreed by the Board and ARSC.



## Report on Corporate Governance (continued)

### Risk Management and Internal Control (continued)

#### Roles and Responsibilities (continued)

##### Risk Management (continued)

###### 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 below). 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 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 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.

#### 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 low to extreme 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 Doing Business Responsibly section of this Annual Report on pages 66–77.

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 during the year are set out below.

### Risk Management and Internal Control (continued)

#### Roles and Responsibilities (continued)

##### Risk Management (continued)

**Provision A.3.1** requires that the Chairman is independent. Under the Company's Articles of Association, the Chairman has, until recently, been a member of Teachers' staff 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, on 28 June 2018, the Rt Hon Sir Hugh Robertson KCMG DL was appointed as an independent non-executive director and Chairman of the Board, and, following his appointment, the waiver of provision A.3.1 is no longer required.

**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, in recent years 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 2017/18 financial year, Rob Rowley was appointed Senior Independent Director on an interim basis, and, on 28 June 2018, Robert Walker was appointed as an independent non-executive director, Senior Independent Director and Deputy Chairman. Following these appointments, the waiver of provision A.4.1 is no longer required.

**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

have not been considered to be appropriate since Teachers' acquired the Company in 2010. 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.

However, following the appointment to the Board of the Rt Hon Sir Hugh Robertson KCMG DL and Robert Walker, the waiver of provisions A.4.2 and B.6.3 is no longer required.

**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.



## Report on Corporate Governance (continued)

### Risk Management and Internal Control (continued)

#### Roles and Responsibilities (continued)

##### Risk Management (continued)

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 this provision of the Code with respect to setting the Chairman's remuneration. However, since the appointment of the Rt Hon Sir Hugh Robertson KCMG DL as independent Chairman, this waiver is no longer required, since he is not 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 quarterly 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, and the Company has not put the external audit contract out to tender to date. However, the Board has determined that the external audit contract would be put out to tender if the Company were to bid for, and be awarded, the fourth licence, for the subsequent financial year after the outcome of the bid was known (subject to any exceptional change in circumstances in the meantime).



# 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 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (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 & Accounts (the "Annual Report"), which comprise: the balance sheet as at 31 March 2019; 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.

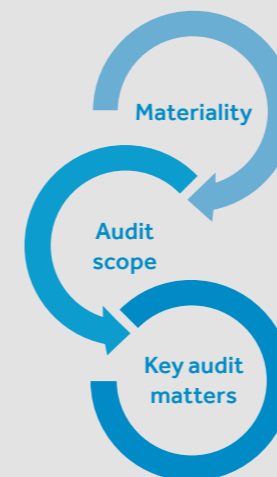
### Basis for Opinion

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 includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Our audit approach



- Overall materiality: £6.8 million (2018: £6.6 million), based on 1% of net income

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

- Financial impact of non-compliance with Licence Requirements; and
- 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 (continued)

### Key Audit Matter

*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 increased focus because non-compliance with the Licence terms could result in legal action, reputational damage, penalties or loss of the Licence to operate the UK National Lottery, 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 Licence and non-compliance could impact its Fourth Licence process. The financial impact of this risk could include changes to liabilities and impact on viability.

*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, obligations and valuation of LTIP provision.

### How our audit addressed the key audit matter

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.

Based on the evidence obtained, while noting the inherent uncertainty with such legal and regulatory matters, we determined the level of provisioning at 31 March 2019 to be appropriate.

Based on our work performed, we concluded that management's assessment appropriately considers and discloses the impact of potential non-compliance.

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.

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, having first considered the historical accuracy of management's forecasting process; and
- The expected forfeitures, which we considered in light of historical levels of management turnover.

Based on our procedures, we noted no exceptions and consider management's approach and assumptions to be reasonable.

### 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>             | £6.8 million (2018: £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 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, Risk and Security Committee that we would report to them misstatements identified during our audit above £340,000 (2018: £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:

### Reporting obligation

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.

### Outcome

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.



## Independent Auditors' Report (continued)

### 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 2019 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 page 102 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 106 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.

### 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 109, 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 pages 112–114 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 108, 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

## Other required reporting

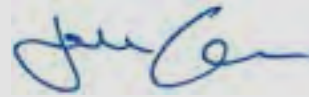
### Companies Act 2006 exception reporting

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  
27 June 2019



## Statement of Comprehensive Income for the year ended 31 March 2019

|   | Note | 2019<br>£m   | 2018<br>£m   |
|---|------|--------------|--------------|
| Gross ticket sales  | 3    | 7,206.8      | 6,951.7      |
| Lottery duty  |      | (864.8)      | (834.2)      |
| Prizes  |      | (4,128.5)    | (3,928.4)    |
| National Lottery Distribution Funds   |      | (1,529.6)    | (1,532.8)    |
| <b>Net income</b>   |      | <b>683.9</b> | <b>656.3</b> |
| Retailers' and other commission   |      | (303.9)      | (293.9)      |
| Gaming systems and data communication costs   |      | (125.3)      | (121.1)      |
| <b>Gross profit</b>   |      | <b>254.7</b> | <b>241.3</b> |
| Administrative expenses   |      | (178.0)      | (163.5)      |
| Other operating income  |      | 3.9          | 4.4          |
| <b>Operating profit</b>   | 4    | <b>80.6</b>  | <b>82.2</b>  |
| Finance income  | 6    | 3.5          | 3.5          |
| Finance costs   | 6    | (1.0)        | (1.3)        |
| <b>Profit before income tax</b>   |      | <b>83.1</b>  | <b>84.4</b>  |
| Income tax  | 7    | (15.1)       | (16.0)       |
| <b>Profit for the financial year and total comprehensive income attributable to owners of the Company after tax</b> |      | <b>68.0</b>  | <b>68.4</b>  |

The results detailed above are all derived from continuing operations.

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

The notes on pages 134 to 161 are an integral part of these consolidated financial statements.

## Balance Sheet as at 31 March 2019

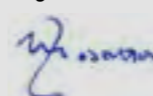
|  | Note | 2019<br>£m   | 2018<br>£m   |
|--|------|--------------|--------------|
| <b>ASSETS</b>                                |      |              |              |
| <b>Non-current assets</b>                    |      |              |              |
| Intangible assets                            | 9    | 51.0         | 46.4         |
| Property, plant and equipment                | 10   | 52.3         | 66.4         |
| Deferred taxation                            | 18   | 4.6          | 3.1          |
| Trade and other receivables                  | 12   | 35.1         | 36.3         |
|  |      | <b>143.0</b> | <b>152.2</b> |
| <b>Current assets</b>                        |      |              |              |
| Inventories                                  | 11   | 1.3          | 1.0          |
| Trade and other receivables                  | 12   | 445.1        | 447.7        |
| Cash and cash equivalents                    | 13   | 85.6         | 50.8         |
|  |      | <b>532.0</b> | <b>499.5</b> |
| <b>Total assets</b>                          |      | <b>675.0</b> | <b>651.7</b> |
| <b>LIABILITIES</b>                           |      |              |              |
| <b>Non-current liabilities</b>               |      |              |              |
| Financial liabilities                        | 16   | 3.4          | 13.1         |
| Trade and other payables                     | 17   | 0.4          | 0.4          |
| Provisions for liabilities and other charges | 19   | 22.1         | 20.4         |
|  |      | <b>25.9</b>  | <b>33.9</b>  |
| <b>Current liabilities</b>                   |      |              |              |
| Financial liabilities                        | 16   | 7.9          | 8.5          |
| Trade and other payables                     | 17   | 583.2        | 566.8        |
| Current income tax liability                 |      | 5.9          | 6.1          |
| Provisions for liabilities and other charges | 19   | 2.7          | 2.8          |
|  |      | <b>599.7</b> | <b>584.2</b> |
| <b>Total liabilities</b>                     |      | <b>625.6</b> | <b>618.1</b> |
| <b>EQUITY</b>                                |      |              |              |
| <b>Capital and reserves</b>                  |      |              |              |
| Share capital                                | 20   | 0.0          | 0.0          |
| Retained earnings                            | 21   | 49.4         | 33.6         |
| <b>Total equity</b>                          |      | <b>49.4</b>  | <b>33.6</b>  |
| <b>Total equity and liabilities</b>          |      | <b>675.0</b> | <b>651.7</b> |

The notes on pages 134 to 161 are an integral part of these consolidated financial statements.

The financial statements on pages 130 to 133 including the accompanying notes were approved by the Board of Directors on 27 June 2019 and were signed on its behalf by:

**Rt Hon Sir Hugh Robertson KCMG DL**

Chairman



Camelot UK Lotteries Limited. Company Number 02822203



## Statement of Changes in Equity for the year ended 31 March 2019

|                                       | Note | Share capital<br>£m | Retained earnings<br>£m | Total equity<br>£m |
|---------------------------------------|------|---------------------|-------------------------|--------------------|
| <b>Balance as at 1 April 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               |
| <b>Comprehensive income</b>           |      |                     |                         |                    |
| Profit for the financial year         |      | 0.0                 | 68.0                    | 68.0               |
| <b>Total Comprehensive Income</b>     |      | 0.0                 | 68.0                    | 68.0               |
| <b>Transactions with owners</b>       |      |                     |                         |                    |
| Dividends paid                        | 8    | 0.0                 | (52.2)                  | (52.2)             |
| <b>Total transactions with owners</b> |      | 0.0                 | (52.2)                  | (52.2)             |
| <b>Balance as at 31 March 2019</b>    |      | 0.0                 | 49.4                    | 49.4               |

At 31 March 2019, the Company has share capital totalling £1,010 (2018: £1,010), as disclosed in note 20 to these financial statements.

The notes on pages 134 to 161 are an integral part of these consolidated financial statements.

## Statement of Cash Flows for the year ended 31 March 2019

|  | Note | 2019<br>Total<br>£m | 2018<br>Total<br>£m |
|--|------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                              |      |                     |                     |
| Cash generated from operations   | 22   | 142.0               | 119.8               |
| Interest received  |      | 3.5                 | 3.5                 |
| Interest paid  |      | (1.0)               | (1.3)               |
| Income tax paid  |      | (13.2)              | (13.0)              |
| Group relief payments  |      | (8.3)               | (0.3)               |
| <b>Net cash from operating activities</b>                                |      | 123.0               | 108.7               |
| <b>Cash flows from investing activities</b>                              |      |                     |                     |
| Purchase of property, plant and equipment                                |      | (3.2)               | (5.0)               |
| Expenditure on intangible assets   |      | (21.8)              | (17.4)              |
| <b>Net cash used in investing activities</b>                             |      | (25.0)              | (22.4)              |
| <b>Cash flows from financing activities</b>                              |      |                     |                     |
| Dividends paid to shareholders – interim                                 |      | (52.2)              | (53.1)              |
| Finance lease principal payments   |      | (11.0)              | (10.5)              |
| <b>Net cash used in financing activities</b>                             |      | (63.2)              | (63.6)              |
| <b>Net increase in cash, cash equivalents and bank overdrafts</b>        |      | 34.8                | 22.7                |
| Cash, cash equivalents and bank overdrafts at the beginning of the year  |      | 50.8                | 28.1                |
| <b>Cash, cash equivalents and bank overdrafts at the end of the year</b> | 13   | 85.6                | 50.8                |

The notes on pages 134 to 161 are an integral part of these consolidated 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 operates in the United Kingdom and Isle of Man.

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

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 IFRS as adopted by the EU. PLIUK is the parent undertaking of the largest group to consolidate these financial statements reporting under IFRS as adopted by the EU. The financial statements of PLUK and PLIUK are available from Magdalen House, Tolpits Lane, Watford, Hertfordshire, United Kingdom, WD18 9RN.

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, 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 2019 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 the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and interpretations issued by IFRS Interpretations Committee (IFRS IC) and the Companies Act 2006 applicable to companies reporting under IFRS; the accounting policies have been consistently applied.

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 IFRS adopted by the EU by 31 March 2019.

Summary of changes in accounting policies

- i) IFRS 15 Revenue and IFRS 9 Financial instruments became effective on 1 January 2018 and were applied by the Company for the first time in the annual financial statements to 31 March 2019.

## 2. Summary of Significant Accounting Policies (continued)

### a) Basis of preparation (continued)

- IFRS 15, 'Revenue from contracts with customers' has been adopted for the first time for the year ended 31 March 2019. This standard 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 impact of IFRS 15 has been assessed by management and it does not have a material impact on the Company's results or assets or liabilities. The majority of the Company's revenue is accounted for under IFRS 9. Additional information has been included for 2019 in the Accounting Policy note related to Gross ticket sales and Net Income.

- IFRS 9, 'Financial instruments' has been adopted for the first time for the year ended 31 March 2019. The new impairment requirements under IFRS 9 have been introduced to rectify a weakness in the superseded standard IAS 39 'Financial Instruments: Recognition and Measurement' in that the old standard allowed for credit losses to be recognised at too late a stage. The original model delayed impairment of a receivable until a credit loss event was identified.

Given that the primary receivables balances of the Company are frequent, recurring receivables with collection terms so short that accurate information about the recoverability of these receivables is known within a few days of an invoice being raised, the forward looking approach proposed under IFRS 9, 'Financial Instruments' does not improve/impact the accuracy of reporting bad debts exposure/impairment losses. Thus, application of IFRS 9 has had no material impact in 2019. Additional information has been included for 2019 in the financial risk management note 15.

- ii) New standards, amendments and interpretations not yet adopted:
- 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 and has not yet been applied in these financial statements. The Company will first apply IFRS 16 in its financial statements for the year ending 31 March 2020.

IFRS 16 requires lessee to recognise a right-of-use asset and a lease liability at the commencement date; a depreciation charge related to the right-of-use assets and an interest expense on the lease liabilities, as compared to the recognition of operating lease expense or rental cost on a straight-line basis over the lease term under prior requirements. This in turn will require amendments to cash flow statement presentation, to segregate the payment of leases into a principal portion presented within financing activities and an interest component presented within operating activities. For short-term leases and leases of low value assets, the Company will continue to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

The Company has chosen the modified retrospective application of IFRS 16 and, consequently, will not restate the comparative information when it first applies IFRS 16. Following the assessment of the impact of IFRS 16, the Company will recognise £39.0m of right-of-use assets and £38.0m of lease liabilities as at 1 April 2019. Upon transition to IFRS 16, lease liabilities are measured at the present value of future lease payments (equal to the operating lease commitments as presented in note 24 operating leases) discounted using the incremental borrowing rates at the date of initial application.



## Notes to the Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

#### a) Basis of preparation (continued)

Other new standards, amendments and interpretations not yet effective. The Company has not early-adopted any standard, amendment or interpretation in the year. A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2019. The directors are currently evaluating the impact of these new standards on the financial statements:

- Annual Improvements to IFRS Standards 2015-2017 Cycle.
- IFRS 9 amendments – Prepayment features with negative compensation.
- IAS 1 and IAS 8 – Definition of material.
- IFRIC 23 – Uncertainty over income tax treatments.

#### b) Critical accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting assumptions, and it also requires management to exercise its judgement and to make estimates in the process of applying the 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 140.

#### Judgements

##### 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.

#### Estimates

##### 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. The provision at 31 March 2019 is £11.6m (2018: £9.9m).

#### 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.

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.

### 2. Summary of Significant Accounting Policies (continued)

#### 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 payout 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 the 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 IFRS 9 Financial Instruments. Net income is recorded and disclosed net of Lottery Duty, prize costs and amounts due to the National Lottery Distribution Fund.

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 in line with the Company meeting its performance obligations. 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 £30 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.



## Notes to the Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

#### j) Operating expenditure

All operating expenses are recorded on a company's income statement as expenses in the period in which they were incurred on an accruals basis.

#### k) 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 4 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 January 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.

#### 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 immediately in the Statement of Comprehensive Income.

#### l) 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.

### 2. Summary of Significant Accounting Policies (continued)

#### l) Property, plant and equipment (continued)

**Plant and equipment and motor vehicles (continued)**  
Fixtures and fittings – the shorter of five years and the period to the end of the third operating licence extension.

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 and five years, or planned replacement date or the period to the end of the third operating licence extension.

Motor vehicles – the shorter of the lease term or the period to the end of the third operating licence extension.

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.

#### m) 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.

#### n) 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.

#### o) 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.

#### p) 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.



## Notes to the Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

#### p) Trade and other receivables (continued)

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.

#### q) 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.

#### r) 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.

#### s) 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, and recognised when the employees have provided the services to which the future benefits relate.

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

### 2. Summary of Significant Accounting Policies (continued)

#### t) 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.

#### u) 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.

#### v) Value added tax

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

#### w) 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.

#### x) 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 (continued)

### 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:

|  | 2019<br>£m     | 2018<br>£m     |
|--|----------------|----------------|
| Draw-based games                               | 4,081.8        | 4,116.8        |
| Scratchcards and interactive Instant Win Games | 3,125.0        | 2,834.9        |
|  | <b>7,206.8</b> | <b>6,951.7</b> |

### 4. Operating Profit

Operating profit is stated after charging the following items:

|   | 2019<br>£m | 2018<br>£m |
|---|------------|------------|
| Other operating income <sup>1</sup>   | 3.9        | 4.4        |
| Marketing expenses <sup>2</sup>   | (77.3)     | (70.1)     |
| Research  | (7.1)      | (5.2)      |
| Amortisation on intangible assets (note 9)  | (17.2)     | (14.0)     |
| Depreciation on tangible assets (note 10)   | (17.3)     | (18.5)     |
| Operating lease rentals <sup>3</sup>  | (14.7)     | (14.0)     |
| Auditors' remuneration – fees payable for the audit of the Company's financial statements | (0.6)      | (0.6)      |
| Auditors' 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.

<sup>2</sup> Marketing is shown net of amounts received from the NLDF during the year of £39.0m (2018: £18.8m) in respect of marketing to support the long-term health of The National Lottery.

<sup>3</sup> Operating lease rentals included within gaming systems and data communication costs on the face of the Statement of Comprehensive Income are reflected in this note.

### 5. Employee Expenses and Numbers

|                          | 2019<br>£m    | 2018<br>£m    |
|--------------------------|---------------|---------------|
| <b>Employee expenses</b> |               |               |
| Wages and salaries       | (44.1)        | (34.9)        |
| Social security costs    | (13.1)        | (11.8)        |
| Other pension costs      | (1.9)         | (1.5)         |
|                          | <b>(59.1)</b> | <b>(48.2)</b> |

|  | 2019<br>Number | 2018<br>Number |
|--|----------------|----------------|
| <b>Monthly average number of Camelot employees</b> |                |                |
| Retailer and consumer services                     | 108            | 118            |
| Sales and marketing                                | 478            | 394            |
| Information technology                             | 156            | 123            |
| Finance, administration and other                  | 41             | 32             |
|  | <b>783</b>     | <b>667</b>     |

|  | 2019<br>£m | 2018<br>£m |
|--|------------|------------|
| <b>Key management personnel compensation</b> |            |            |
| Short-term employee benefits                 | 4.6        | 3.7        |
| Other long-term benefits                     | 1.3        | 1.1        |
| Post-employment benefits                     | 0.3        | 0.4        |
|  | <b>6.2</b> | <b>5.2</b> |

The amounts above include compensation for those members of the UK Executive Board who were employed by Camelot UK during the reporting period. At 31 March 2019, of the 12 members of the UK Executive Board, four members were employed by Camelot Business Solutions Limited (2018: 4). Their remuneration is disclosed in the financial statements of that company. An agreed costs recharge structure was set up between Group companies which is not directly attributable to individuals.

At 31 March 2019, the Board comprised eight members: an independent Chairman, four independent non-executive directors, two non-executive directors (both officers of Teachers') and one executive director (the Chief Executive).



## Notes to the Financial Statements (continued)

### 5. Employee Expenses and Numbers (continued)

|   | 2019<br>£m | 2018<br>£m |
|---|------------|------------|
| <b>Directors' emoluments</b>              |            |            |
| Salaries and short-term employee benefits | 1.6        | 0.9        |
| Long-term incentive plans                 | 0.8        | 0.4        |
| Other pension costs                       | 0.1        | 0.2        |
| <b>Aggregate emoluments</b>               | <b>2.5</b> | <b>1.5</b> |
|   |            |            |
|   | 2019<br>£m | 2018<br>£m |
| <b>Highest paid director's emoluments</b> |            |            |
| Salaries and short-term employee benefits | 1.0        | 0.4        |
| Long-term incentive plans                 | 0.8        | 0.4        |
| Other pension costs                       | 0.1        | 0.1        |
| <b>Aggregate emoluments</b>               | <b>1.9</b> | <b>0.9</b> |

Nigel Railton was the highest paid director in 2018/19. In 2018/19 he received payments of £1.2m for his services as director from Camelot UK and £0.7m for his services as a past director of Camelot Global. Nigel was appointed Chief Executive in November 2017, previously he served as Chief Executive 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.

Andy Duncan was the highest paid director in 2017/18. In 2017/18, he received payments for services of £0.1m whilst serving as a director of the Company and payments of £0.8m as a past director.

At the end of the financial year, no directors (2018: 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

|   | 2019<br>£m   | 2018<br>£m   |
|---|--------------|--------------|
| Interest receivable from bank deposits    | 0.2          | 0.3          |
| Interest receivable on loan due from PLUK | 3.3          | 3.2          |
| <b>Finance income</b>                     | <b>3.5</b>   | <b>3.5</b>   |
| Interest payable on other loans           | (0.5)        | (0.5)        |
| Interest payable on finance leases        | (0.5)        | (0.8)        |
| <b>Finance costs</b>                      | <b>(1.0)</b> | <b>(1.3)</b> |
| <b>Net finance income</b>                 | <b>2.5</b>   | <b>2.2</b>   |

### 7. Income Tax

#### a) UK corporation tax

|   | 2019<br>£m   | 2018<br>£m   |
|---|--------------|--------------|
| Current income tax for the year         | 16.6         | 16.8         |
| Adjustments in respect of prior years   | -            | 0.1          |
| <b>Total current tax</b>                | <b>16.6</b>  | <b>16.9</b>  |
| Deferred income tax charge for the year | (1.6)        | (1.1)        |
| Adjustments in respect of prior periods | 0.1          | 0.2          |
| <b>Total deferred tax</b>               | <b>(1.5)</b> | <b>(0.9)</b> |
| <b>Income tax expense</b>               | <b>15.1</b>  | <b>16.0</b>  |

The income tax charge is based on a corporation tax rate of 19% for the year ended 31 March 2019 (2018: 19%). All taxable temporary differences have been recognised and are reflected in the deferred taxation balance.

#### b) Reconciliation of tax expense

|   | 2019<br>£m  | 2018<br>£m  |
|---|-------------|-------------|
| <b>Profit before income tax</b>   | <b>83.1</b> | <b>84.4</b> |
| Income tax on profit on ordinary activities at the standard rate of 19% (2018: 19%) | 15.8        | 16.1        |
| Non-deductible expenses   | (1.0)       | (0.5)       |
| Adjustments in respect of prior periods   | 0.1         | 0.3         |
| Effect of rate change   | 0.2         | 0.1         |
| <b>Income tax expense</b>   | <b>15.1</b> | <b>16.0</b> |

### 8. Dividends

|  | 2019<br>£m  | 2018<br>£m  |
|--|-------------|-------------|
| Interim dividends paid to shareholders for aggregate ordinary class 'A' shares and class 'C' preference shares | 52.2        | 53.1        |
| <b>Total dividends</b>   | <b>52.2</b> | <b>53.1</b> |

Dividend per share for the year was £51.726 (2018: £52.529). No final dividend was recommended (2018: none).



## Notes to the Financial Statements (continued)

### 9. Intangible Assets

|  | Internally<br>generated<br>£m | Separately<br>acquired<br>£m | Total<br>£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        |
| 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> |

|  | Internally<br>generated<br>£m | Separately<br>acquired<br>£m | Total<br>£m |
|--|-------------------------------|------------------------------|-------------|
| <b>Cost</b>                            |                               |                              |             |
| At 1 April 2018                        | 11.6                          | 100.1                        | 111.7       |
| Additions                              | 3.1                           | 18.7                         | 21.8        |
| At 31 March 2019                       | 14.7                          | 118.8                        | 133.5       |
| <b>Accumulated amortisation</b>        |                               |                              |             |
| At 1 April 2018                        | 8.2                           | 57.1                         | 65.3        |
| Charge for the year                    | 3.3                           | 13.9                         | 17.2        |
| At 31 March 2019                       | 11.5                          | 71.0                         | 82.5        |
| <b>Net book value at 31 March 2019</b> | <b>3.2</b>                    | <b>47.8</b>                  | <b>51.0</b> |

The intangible assets balance represents internally generated and separately acquired assets relating primarily to the development of software. Amortisation is charged to administrative expenses.

Intangible assets include £8.0m (2018: £11.6m) of assets which are under construction.

### 10. Property, Plant and Equipment

|  | Assets under<br>construction<br>£m | Short leasehold<br>improvements<br>£m | Plant and<br>equipment and<br>motor vehicles<br>£m | Total<br>£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  | -           |
| 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        |
| 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> |

|  | Assets under<br>construction<br>£m | Short leasehold<br>improvements<br>£m | Plant and<br>equipment and<br>motor vehicles<br>£m | Total<br>£m |
|--|------------------------------------|---------------------------------------|--|-------------|
| <b>Cost</b>                            |                                    |                                       |  |             |
| At 1 April 2018                        | 2.8                                | 3.2                                   | 230.1  | 236.1       |
| Additions                              | 0.9                                | -                                     | 2.3  | 3.2         |
| Transfers                              | (2.6)                              | -                                     | 2.6  | -           |
| At 31 March 2019                       | 1.1                                | 3.2                                   | 235.0  | 239.3       |
| <b>Accumulated depreciation</b>        |                                    |                                       |  |             |
| At 1 April 2018                        | -                                  | 3.1                                   | 166.6  | 169.7       |
| Charge for the year                    | -                                  | 0.1                                   | 17.2   | 17.3        |
| At 31 March 2019                       | 0.0                                | 3.2                                   | 183.8  | 187.0       |
| <b>Net book value at 31 March 2019</b> | <b>1.1</b>                         | <b>(0.0)</b>                          | <b>51.2</b>  | <b>52.3</b> |

The net book value of plant and equipment and motor vehicles held under finance leases is £9.9m (2018: £16.1m). Depreciation charged in the year in respect of these assets was £6.2m (2018: £6.7m).



## Notes to the Financial Statements (continued)

### 11. Inventories

|   | 2019<br>£m | 2018<br>£m |
|---|------------|------------|
| Scratchcard tickets                             | 0.5        | 0.5        |
| Playslips, terminal rolls and other consumables | 0.8        | 0.5        |
| <b>At 31 March</b>                              | <b>1.3</b> | <b>1.0</b> |

Inventory consumed during the year amounted to £25.5m (2018: £24.1m). No provision has been raised or reversed against the inventory balance in the current year (2018: £nil).

### 12. Trade and Other Receivables

#### a) Non-current assets

|                                   | 2019<br>£m  | 2018<br>£m  |
|-----------------------------------|-------------|-------------|
| Other receivables and prepayments | 0.1         | 0.1         |
| Loan due from Group companies     | 26.0        | 26.8        |
| EuroMillions Deposit              | 9.0         | 9.4         |
| <b>At 31 March</b>                | <b>35.1</b> | <b>36.3</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 was £26.0m at 31 March 2019 (2018: £26.0m). The loan incurs interest at 12.5%. The capital is repayable at the end of the licence extension period. As at 31 March 2019, there was £0.8m interest accrued (2018: £0.8m) in addition to the loan balance outstanding. This is included in current assets as at 31 March 2019.

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 2019, Camelot had on deposit £9.0m (2018: £9.4m) 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

|                                  | 2019<br>£m   | 2018<br>£m   |
|----------------------------------|--------------|--------------|
| Trust receivables                | 376.9        | 379.1        |
| Trade receivables                | 55.4         | 51.5         |
| Accrued income                   | 2.4          | 4.5          |
| Prepayments                      | 8.6          | 10.4         |
| Amounts due from related parties | 1.8          | 2.2          |
| <b>At 31 March</b>               | <b>445.1</b> | <b>447.7</b> |

### 12. Trade and Other Receivables (continued)

Trust receivables comprise the amounts due from the trusts to Camelot for unpaid prizes of £304.9m (2018: £312.1m), together with amounts held in respect of future draws both in the form of advance sales and interactive wallet balances of £72.0m (2018: £67.0m).

Trade receivables primarily represent amounts due from retailers.

As of 31 March 2019, trade receivables of £55.2m (2018: £51.3m) were not yet due for payment in accordance with the normal payment cycle, and retail trade receivables of £0.2m (2018: £0.2m) 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 2019, 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:

|                    | 2019<br>£m | 2018<br>£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.

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

|   | 2019<br>£m | 2018<br>£m |
|---|------------|------------|
| At 1 April                                    | 0.2        | 0.3        |
| Provision for impairment of trade receivables | 0.2        | 0.2        |
| Utilised                                      | (0.1)      | (0.1)      |
| Unused amounts reversed                       | (0.1)      | (0.2)      |
| <b>At 31 March</b>                            | <b>0.2</b> | <b>0.2</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 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.

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 £7.4m (2018: £6.2m) in retailer bonds, the Company does not hold any collateral as security.



## Notes to the Financial Statements (continued)

### 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:

|                          | 2019<br>£m  | 2018<br>£m  |
|--------------------------|-------------|-------------|
| Cash at bank and in hand | 22.6        | 10.6        |
| Short-term bank deposits | 63.0        | 40.2        |
| At 31 March              | <b>85.6</b> | <b>50.8</b> |

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 2019 of 0.30% to 0.80% (2018: 0.15% to 0.70%). Both types of deposit are redeemable on demand.

On 31 March 2019, the Company has extended a £55.0m committed Revolving Credit Facility which runs until 30 September 2021. The amount drawn under this facility at 31 March 2019 was nil (2018: 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 2019, financial assets totalling £59.9m (2018: £30.7m) are held in deposit accounts with banks which have Moody's short-term credit rating of P1 and £3.1m (2018: £9.5m) 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.

### 15. Financial Risk Management

Exposure to credit, interest rate, foreign exchange, 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's investment policy restricts investments to short-term deposits with well-rated banks or Money Market Funds that demonstrate 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 the 31 March 2019, the value of the loan receivable from the Company's immediate holding company, PLUK was £26.0m (2018: £26.0m). Interest on the loans was charged at a fixed rate of 12.5% and therefore there was no exposure to changes in interest rates.

Investments are predominately in floating-rate deposit accounts which are redeemable on demand. The average rate of return on deposit accounts used by the Company during the year was 0.55% (2018: 0.62%).

All investments and borrowings in 2019 and 2018 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 our accounting policy detailed in note 2(x).

Included within administrative expenses in the Statement of Comprehensive Income are £0.1m of net foreign exchange losses (2018: £0.2m losses).



## Notes to the Financial Statements (continued)

### 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 2019, 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 cashflow requirements.

The table below 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.

|                           | Mature in less<br>than 1 year<br>£m | Mature between<br>1 and 2 years<br>£m | Mature between<br>2 and 5 years<br>£m |
|---------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| <b>At 31 March 2018</b>   |                                     |                                       |                                       |
| Finance lease obligations | 8.5                                 | 11.1                                  | 2.0                                   |
| Trade and other payables  | 566.8                               | 0.4                                   | -                                     |
| <b>At 31 March 2019</b>   |                                     |                                       |                                       |
| Finance lease obligations | 7.9                                 | 3.4                                   | -                                     |
| Trade and other payables  | 582.0                               | 0.4                                   | -                                     |

#### e) Capital risk

Camelot's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders. The Company has had access to, but not made, significant borrowing during the year. At 31 March 2019, the Company has finance lease agreements in place, of which £11.3m (2018: £21.6m) was 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

|                           | 2019<br>£m | 2018<br>£m |
|---------------------------|------------|------------|
| Finance lease obligations | 7.9        | 8.5        |

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

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

|                           | 2019<br>£m | 2018<br>£m |
|---------------------------|------------|------------|
| Finance lease obligations | 3.4        | 13.1       |

Of the finance lease obligations held in non-current liabilities, £3.4m (2018: £13.1m) falls due after one year, but in not more than five years. No finance lease obligations fall due after five years (2018: £nil).

Finance leases primarily relate to National Lottery terminals and software.

### 17. Trade and Other Payables

#### a) Current liabilities

|                                   | 2019<br>£m   | 2018<br>£m   |
|-----------------------------------|--------------|--------------|
| Prize liability                   | 331.8        | 335.7        |
| Lottery duty payable              | 87.7         | 76.3         |
| Amounts payable to the NLDF       | 27.3         | 33.4         |
| Advance receipts for future draws | 38.4         | 33.8         |
| Accruals                          | 48.6         | 43.4         |
| Other payables                    | 29.9         | 25.7         |
| Trade payables                    | 14.6         | 7.7          |
| Amounts due to related parties    | 4.9          | 10.8         |
| <b>As at 31 March</b>             | <b>583.2</b> | <b>566.8</b> |

The prize liability represents both unclaimed prizes and amounts planned for future prize payments at 31 March 2019, and the Company had transferred £304.9m into the relevant trust accounts to meet these liabilities (2018: £310.2m). Advance receipts for future draws represent the multi-draw and subscription payments relating to future draws.

Other payables mainly represent deposits received from, and prizes won by players which are held in their interactive wallets. Amounts due to related parties are unsecured, interest-free and repayable on demand.



## Notes to the Financial Statements (continued)

### 17. Trade and Other Payables (continued)

#### b) Non-current liabilities

|          | 2019<br>£m | 2018<br>£m |
|----------|------------|------------|
| Accruals | 0.4        | 0.4        |

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.

### 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 2019, the offset amounts are as follows:

|   | 2019<br>£m | 2018<br>£m |
|---|------------|------------|
| Deferred tax assets:                      |            |            |
| To be recovered after more than 12 months | 4.6        | 3.6        |
| <b>Deferred tax assets</b>                | <b>4.6</b> | <b>3.6</b> |

|   | 2019<br>£m | 2018<br>£m   |
|---|------------|--------------|
| Deferred tax liabilities:                 |            |              |
| To be recovered after more than 12 months | -          | (0.5)        |
| <b>Deferred tax liabilities</b>           | <b>-</b>   | <b>(0.5)</b> |
| <b>Deferred tax assets (net)</b>          | <b>4.6</b> | <b>3.1</b>   |

### 18. Deferred Taxation (continued)

The gross movement on deferred tax is as follows:

|  | Accelerated<br>capital allowances<br>£m | Provisions<br>and accruals<br>£m | Total<br>£m |
|--|---|----------------------------------|-------------|
| 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>  |

|  | Accelerated<br>capital allowances<br>£m | Provisions<br>and accruals<br>£m | Total<br>£m |
|--|---|----------------------------------|-------------|
| At 1 April 2018  | (0.6)                                   | 3.7                              | 3.1         |
| Credit/(charge) to the Statement of Comprehensive Income | 1.0                                     | 0.5                              | 1.5         |
| <b>At 31 March 2019</b>                                  | <b>0.4</b>                              | <b>4.2</b>                       | <b>4.6</b>  |

### 19. Provisions for Liabilities and Other Charges

|  | Terminal and data<br>communication<br>related<br>£m | Property<br>£m | Restructuring<br>£m | Long-term<br>incentive plan<br>£m | Total<br>£m |
|--|---|----------------|---------------------|-----------------------------------|-------------|
| At 1 April 2017                                | 8.7   | 4.5            | -                   | 9.6                               | 22.8        |
| Charge to Statement<br>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> |

|  | Terminal and data<br>communication<br>related<br>£m | Property<br>£m | Restructuring<br>£m | Long-term<br>incentive plan<br>£m | Total<br>£m |
|--|---|----------------|---------------------|-----------------------------------|-------------|
| At 1 April 2018  | 8.6   | 4.0            | 0.7                 | 9.9                               | 23.2        |
| Charge (release) to Statement<br>of Comprehensive Income | 0.4   | (0.1)          | 0.7                 | 3.4                               | 4.4         |
| Utilised in the year                                     | -   | (0.4)          | (0.7)               | (1.7)                             | (2.8)       |
| <b>At 31 March 2019</b>                                  | <b>9.0</b>  | <b>3.5</b>     | <b>0.7</b>          | <b>11.6</b>                       | <b>24.8</b> |



## Notes to the Financial Statements (continued)

### 19. Provisions for Liabilities and Other Charges (continued)

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

|             | 2019<br>£m  | 2018<br>£m  |
|-------------|-------------|-------------|
| Current     | 2.7         | 2.8         |
| Non-current | 22.1        | 20.4        |
|             | <b>24.8</b> | <b>23.2</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 leases 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.

### 20. Share Capital

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

|  | 2019<br>£    | 2018<br>£    |
|--|--------------|--------------|
| <b>Authorised</b>                                  |              |              |
| 1,000 (2018: 1,000) ordinary 'A' shares of £1 each | 1,000        | 1,000        |
| 10 (2018: 10) preference 'C' shares of £1 each     | 10           | 10           |
|  | <b>1,010</b> | <b>1,010</b> |

|  | 2019<br>£    | 2018<br>£    |
|--|--------------|--------------|
| <b>Allotted, issued and fully paid</b>             |              |              |
| 1,000 (2018: 1,000) ordinary 'A' shares of £1 each | 1,000        | 1,000        |
| 10 (2018: 10) preference 'C' shares of £1 each     | 10           | 10           |
|  | <b>1,010</b> | <b>1,010</b> |

### 20. Share Capital (continued)

#### b) Analysis of shareholding at 31 March 2019 and 31 March 2018

|                              | Number of 'A'<br>shares | Number of 'C'<br>preference<br>shares | Percentage<br>holdings |
|------------------------------|-------------------------|---------------------------------------|------------------------|
| Premier Lotteries UK Limited | 1,000                   | 3                                     | 99.3%                  |
| Fourmoront Corporation       | -                       | 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 (2018: £1,000 per share) was distributed to the holders of the 'C' preference shares. The remainder is distributable pro rata amongst 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:

- first in paying to the holders of 'C' preference shares, the sum of £1 in respect of each 'C' Preference share.
- second, to the holders of 'A' ordinary shares pro rata amongst 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 (continued)

### 21. Reserves

|                                    | Note | Retained earnings<br>£m | Total<br>£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> |

|                                    | Note | Retained earnings<br>£m | Total<br>£m |
|------------------------------------|------|-------------------------|-------------|
| At 1 April 2018                    |      | 33.6                    | 33.6        |
| Profit for the financial year      |      | 68.0                    | 68.0        |
| Dividends paid                     | 8    | (52.2)                  | (52.2)      |
| Net increase in shareholder equity |      | 15.8                    | 15.8        |
| <b>At 31 March 2019</b>            |      | <b>49.4</b>             | <b>49.4</b> |

### 22. Cash Generated from Operations

|  | 2019<br>£m   | 2018<br>£m   |
|--|--------------|--------------|
| Profit for the financial year                              | 68.0         | 68.4         |
| Adjustments for:   |              |              |
| - Income tax   | 15.1         | 16.0         |
| - Depreciation and amortisation                            | 34.5         | 32.5         |
| - Loss on disposal of non-current fixed assets             | -            | 1.8          |
| - Interest income  | (3.5)        | (3.5)        |
| - Interest expense   | 1.0          | 1.3          |
|  | 47.1         | 48.1         |
| Changes in working capital:                                |              |              |
| - (Increase) in inventories                                | (0.3)        | (0.1)        |
| - Decrease/(increase) in trade and other receivables       | 3.7          | (113.5)      |
| - Increase in trade and other payables                     | 22.0         | 116.5        |
| - Increase in provisions for other liabilities and charges | 1.5          | 0.4          |
|  | 26.9         | 3.3          |
| <b>Cash generated from operations</b>                      | <b>142.0</b> | <b>119.8</b> |

### 23. Financial Commitments and Contingent Liabilities

At the year end, expenditure relating to the purchase of software development totalling £7.3m was contracted for in the year but not yet incurred (2018: £0.4m).

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 Group has future aggregate minimum lease payments under non-cancellable operating leases that fall due as follows:

|                            | 2019<br>Land and<br>buildings<br>£m | 2019<br>Plant and<br>machinery<br>£m | 2018<br>Land and<br>buildings<br>(Restated)<br>£m | 2018<br>Plant and<br>machinery<br>£m |
|----------------------------|-------------------------------------|--------------------------------------|---|--------------------------------------|
| Within one year            | 4.8                                 | 9.8                                  | 4.0   | 9.5                                  |
| Between two and five years | 9.5                                 | 24.8                                 | 12.4  | 32.3                                 |
| After five years           | 0.2                                 | -                                    | -   | -                                    |
|                            | 14.5                                | 34.6                                 | 16.4  | 41.8                                 |

Operating leases primarily relate to building leases and use of third party satellite communications network contracts. 2018 Land and Building lease payments have been adjusted for the impact of break clauses.

### 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 £1.9m in the current year (2018: £1.5m).

### 26. Contingency Financing

Camelot has a contingency financing arrangement with its ultimate controlling party, Ontario Teachers' Pension Plan Board (Teachers'). Teachers' have 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 (continued)

### 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 the address Avenue de Terveuren 448, Bruxelles, Belgium, 1150.

|                      | 2019<br>£m | 2018<br>£m |
|----------------------|------------|------------|
| Purchases            | 1.2        | 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 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. In the prior year, Camelot Commercial Services Limited (CCSL) did provide commercial services solutions. However, the Company was wound up in June 2018. CBSL provides business services to other Group companies through various departments. Camelot has a finance lease arrangement with a third party to whom they have 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 £26.0m (2018: £26.0m) loan to PLUK (note 12).

|  | 2019<br>Sale of<br>services<br>£m | 2019<br>Amounts due<br>from related<br>party<br>£m | 2018<br>Sale of<br>services<br>£m | 2018<br>Amounts due<br>from related<br>party<br>£m |
|--|-----------------------------------|--|-----------------------------------|--|
| Camelot Global Services Limited          | -                                 | -  | -                                 | -  |
| Camelot Global Lottery Solutions Limited | 0.6                               | 0.1  | 0.6                               | -  |
| Camelot Business Solutions Limited       | 0.6                               | 0.2  | 0.6                               | 0.6  |
| Premier Lotteries UK Limited             | 0.1                               | 27.5   | 0.1                               | 27.4   |

|  | 2019<br>Purchase of<br>services<br>£m | 2019<br>Amounts due<br>to related<br>party<br>£m | 2018<br>Purchase of<br>services<br>£m | 2018<br>Amounts due<br>to related<br>party<br>£m |
|--|---------------------------------------|--|---------------------------------------|--|
| Camelot Business Solutions Limited       | 22.9                                  | 1.6  | 20.5                                  | 1.6  |
| Premier Lotteries UK Limited             | -                                     | 0.3  | -                                     | 1.4  |
| Premier Lotteries Capital UK Limited     | -                                     | 0.7  | -                                     | 2.9  |
| Camelot Global Services Limited          | -                                     | -  | -                                     | -  |
| Camelot Global Lottery Solutions Limited | 11.1                                  | 2.3  | 13.9                                  | 4.0  |

### 27. Related Party Transactions (continued)

The value of sales and purchases in the previous table includes operating expenses allocated between Group companies as well as intercompany recharges that have previously been disclosed separately (mainly payroll-related transactions). During the year, the Company also paid dividends totalling £52.2m (2018: £53.1m). In addition, the following cash payments were made in respect of Group taxation relief during the year:

|  | 2019<br>£m | 2018<br>£m |
|--|------------|------------|
| Premier Lotteries UK Limited             | 1.9        | -          |
| Premier Lotteries Capital UK Limited     | 3.5        | -          |
| Camelot Business Solutions Limited       | 0.3        | -          |
| Camelot Commercial Services Limited      | -          | 0.1        |
| Camelot Global Services Limited          | 1.1        | 0.2        |
| Camelot Global Lottery Solutions Limited | 1.5        | -          |
|  | 8.3        | 0.3        |

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, United Kingdom, WD18 9RN.

### 29. Post Balance Sheet Events

On 30th April 2019, Camelot paid a dividend of £10.3m to its parent undertaking, Premier Lotteries UK Limited.



**Camelot UK Lotteries Limited**  
**Registered and Head Office**  
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Liverpool L34 1BH

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Northampton NN4 7EX

Brettenham House,  
Lancaster Place,  
London WC2E 7EN

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

Limited assurance of the data in the  
Doing Business Responsibly and Our People  
sections of the Annual Report on pages 66–85  
was undertaken by Corporate Citizenship;  
[corporate-citizenship.com](http://corporate-citizenship.com)



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