

2005

Annual report and  
financial statements



# 2005

## 01 Contents

02	Camelot's Role	29	Balance Sheet
03	Chairman's Statement	30	Cash Flow Statement
05	Chief Executive's Review	31	Notes to the Financial Statements
08	Business Review	46	Performance Standards
12	Directors' Report	47	Performance Standards – Interactive
16	Report on Corporate Governance	48	Distributors of National Lottery funding
21	Directors' Remuneration Report	48	Company Addresses
26	Independent Auditors' Report		
28	Profit and Loss Account		

# 2005

## The National Lottery's 10th Birthday



### A day to remember – 6 November 2004: the first National Lottery Day

The National Lottery's 10th Birthday was a unique opportunity to say thank you to players for helping to make so many dreams become a reality.

Over the last 10 years, the variety of Good Causes to have received lottery funding is endless – from iconic landmark projects like **Tate Modern**, to the thousands of smaller awards that have transformed communities and improved the quality of life for millions of people, the length and breadth of the UK.

The National Lottery's 10th Birthday was celebrated at over 800 events and free opening days at lottery-funded venues throughout the nation and regions. The celebrations culminated in a major public event at **Tate Modern** in London on the first ever National Lottery Day on 6 November 2004 (pictured).

**Tate Modern** – which benefited from over £50 million of lottery funding and is now one of the nation's most popular visitor attractions – also hosted the inaugural National Lottery Awards, which honoured the achievements of the nation's favourite Good Causes, as voted for by the public.

Camelot Group plc is the licensed operator of The National Lottery and the crossed fingers logo is the registered trademark of the National Lottery Commission.



### Camelot's role

Camelot is the operator of the UK National Lottery. It employs over 900 staff, the majority of whom work from a head office in Watford, Hertfordshire. Other sites include a sales contact centre in Aintree, a warehouse facility in Northampton, the corporate affairs department in London, and four regional centres across the UK.

The objective of all staff is to maximise returns to Good Causes and Government through lottery games in the most efficient and socially responsible way. This involves creating, marketing and promoting new games, developing and running the lottery infrastructure, providing services for players and winners, and working in partnership with retailers.

### Camelot's partners

As the operator of The National Lottery, Camelot's role is critical to the lottery's success but it is just one element in a partnership of organisations responsible for the differing functions of The National Lottery. They are:

- The Government, empowered by the National Lottery Act 1993, through the Department for Culture, Media and Sport, which appoints and directs:
- The National Lottery Commission which, after a competition against an Invitation to Tender, awards the licence to run The National Lottery and regulates:
- Camelot, the lottery operator, which raises money for:
- Five<sup>1</sup> Good Causes approved by Parliament, which select and allocate funds to 15 distribution bodies<sup>2</sup>. These in turn decide which beneficiaries should receive funding.

### Licence facts

In May 1994 Camelot was awarded a seven-year licence to run the lottery and on 14 November 1994 the first draw-based tickets went on sale. In December 2000 Camelot was awarded the second seven-year licence to run The National Lottery, which commenced on 27 January 2002.

### Breakdown of the lottery pound

Under the terms of Camelot's licence each pound spent on the lottery is allocated, over the seven-year period, as follows:

- 50p is paid to winners in prizes
  - 28p is given to the five Good Causes as set out by Parliament
  - 12p is passed on to Government in lottery duty
  - 5p is paid to National Lottery retailers on all National Lottery tickets sold, with 1% commission on all prizes paid out over £10, up to and including £200
  - 4.5p covers Camelot's operating costs, which comprise of running the lottery network and computer systems, marketing expenses, player and retailer support services, and administration costs
  - 0.5p is Camelot's profit in the second licence, down from just under 1p in the pound in the first licence.
1. In June 2004 two of the existing Good Causes – the Community Fund and New Opportunities Fund – merged to form the Big Lottery Fund.
  2. Funding to the Millennium Commission, one of the original distribution bodies, ceased in August 2001.



I was appointed Chairman of Camelot in September 2004, taking over from Gerry Acher who was Interim Chairman following Michael Grade's departure in May. I would like to take this opportunity to thank Gerry for his support, as well as the continuity and stability he provided during this interim period.

I was fortunate to join at a particularly exciting time for the Company, coinciding with the preparations for The National Lottery's 10th Birthday on 6 November 2004. This, the first ever National Lottery Day, was an opportunity for the nation to celebrate and for us to thank players for the contribution they have made towards the biggest programme of civic and social regeneration seen in the UK.

The success of those anniversary events, celebrated at more than 800 venues across the country, was achieved through close working with the National Lottery Promotions Unit (NLPU), the Department for Culture, Media and Sport (DCMS), the distribution bodies and the many beneficiaries of lottery funding. National Lottery Day will now become an annual celebration of the lottery's achievements, serving as a further reminder of how it has transformed the face of the United Kingdom.

There will be plenty more to celebrate going forward: Camelot's strategy for growth continues to yield positive results ensuring greater returns both for society and those Good Causes. Later in this report, Dianne Thompson will set out the drivers of this performance. Total National Lottery ticket sales increased by 3.3%, which is more than £150 million year on year. As a result, The National Lottery is now experiencing the longest period of sales growth since 1997. Returns to the Good Causes rose by more than 4.6%, taking the total amount raised – including investment returns – to more than £17 billion.

Although a private company, Camelot is a national institution. We are committed to a dialogue with a diverse group of stakeholders, all of whose interests we work hard to safeguard and address. Those stakeholders

include suppliers, retailers, employees, NGOs, Parliament and the 70% of the UK adult population who regularly play National Lottery games – as well as the Good Causes beneficiaries.

Positive public perception of the wider National Lottery brand is crucial to maintaining its success and ensuring the continued flow of funds to Good Causes. While Camelot plays no role in the allocation of National Lottery funding, we will be working with DCMS and the lottery distributors to make the National Lottery Bill's proposals for greater public involvement a top priority. By working together we already have a number of notable successes on this front, including the formation of the NLPU and the retrospective rollout of 10,000 'crossed fingers' blue plaques to lottery-funded projects nationwide. Particular thanks are due to the Secretary of State for facilitating and encouraging closer working with the distribution bodies.

Camelot is also pleased that, in drafting the National Lottery Bill, the Government has taken account of the views of National Lottery stakeholders on the shape of a third lottery licence. Most importantly, the Government has endorsed a single licence approach.

We also welcome the National Lottery Commission's research and consultation on further measures that could improve the next bidding process. Taken together with a new power for the National Lottery Commission (NLC) to offer a lottery licence of up to 15 years in length, we believe that the Government's approach is likely to deliver vigorous competition for the next lottery licence – something Camelot has always advocated and welcomes in helping to ensure that returns to Good Causes are maximised.

Camelot, the NLC and Government face a further crucial challenge if collectively we are to secure the long-term wellbeing of the lottery: The National Lottery potentially faces a major strategic disadvantage against other forms of gaming and gambling in an increasingly aggressive market. We have

a shared interest in maximising returns to Good Causes in a socially responsible way and it is essential that the application of the Government's wider policy and regulatory framework takes account of rapid market developments.

Camelot has already identified a number of policy changes that will help us to continue to maximise returns to the Good Causes. These include a prompt migration to a Gross Profits Tax regime, which is already enjoyed by our main competitors in the gambling industry. We look forward to working with Government and Parliament so that together we can deliver a lottery that continues in good shape for the third licence – whoever the operator might be.

At more than 40% of revenues (through lottery duty and money to the Good Causes), Camelot already returns more to society than any other major lottery operator in the world – while also keeping a tight control of its operating costs. Over the course of the licence, Camelot will run the UK National Lottery on around 4.5% of total sales, making it the most efficient lottery in Europe – including the not-for-profit ones. That is a record I am happy to stand by, and one that I believe will put the company in a good position in the upcoming competition for the third licence.

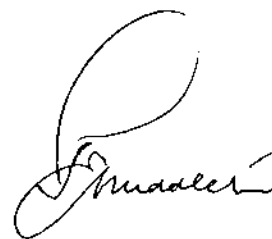
Assuming that the competition and structure of the third licence meet market expectations, the Board fully endorses and supports Camelot's bid for the third licence. We continue to hold discussions with the NLC on its proposals for the licence tender.

Bidding for the licence to operate one of the largest and most successful lotteries in the world is an enormous challenge for any organisation, but having now taken part in two fiercely competitive licensing rounds, Camelot is no stranger to competition. And having built an enviable reputation for operational integrity and player protection, combined with innovative development, I believe we are well-placed to bid.

Preparations are already well underway and I am delighted that Dianne Thompson will remain as Chief Executive, heading up the bid campaign. Phil Smith assumes the new role of Commercial and Operations Director, with a broadened remit which includes player services, security operations, human resources and IT, in addition to his current responsibilities for sales, marketing, new product development and the evolution of new channels of distribution.

Richard Hurd-Wood – who, as Interactive Director, oversaw the launch and subsequent development of The National Lottery into the largest interactive lottery in the world in just two years – joins the Board as Bid and Strategy Director, with responsibility for preparing the third licence bid. In addition, Camelot's Director of Corporate Affairs, Mark Gallagher, joins the Board, responsible for the Company's public affairs and public relations. I also want to pay tribute to Tony Jones – who recently stood down as Operations Director – who played such a major role in establishing Camelot's strategy for growth.

We have a strong team in place. We have established a track record of innovation and a proven ability to buck the international trend of falling lottery sales, of which we are justly proud. Not only is this a tribute to the calibre of the senior management team, but to the hard work and dedication of all Camelot's employees. For my part, I look forward to providing Dianne and her team with the necessary guidance and support to meet the challenges that lie ahead.



**Sir Peter Middleton**  
Chairman



This year Camelot reached three major milestones. We celebrated The National Lottery's 10th Birthday in November. Having returned The National Lottery to growth in 2003/4, we have tripled sales growth in 2004/5, bucking the international trend of falling lottery sales.

But the milestone that I am most proud of is in raising a landmark £17 billion for projects up and down the UK, helped this year by a further 4.6% rise in returns to the Good Causes.

Total sales for the financial year 2004/5 grew to £4,766.1 million – an increase of over £150 million or 3.3% year on year. Camelot has achieved this by pursuing the strategy for growth which I first outlined two years ago. This strategy is based on two main strands. Firstly, 'diversification' – broadening the choice of games on offer to our players. And secondly, 'increasing accessibility' – extending the reach of the lottery via new channels of distribution.

During the year we successfully developed our games portfolio, resulting in continued double-digit growth for non-Lotto ticket sales – up 10.9% year on year, at more than £1,540.8 million. These games now represent 32.3% of the portfolio of National Lottery games, up from 30.1% the previous year. At the same time, year-on-year sales of the main Lotto game remained rock solid at just over £3,225.3 million, helped in part by our first ever Triple Rollover in May 2004.

The choice and variety of National Lottery games has also continued to expand. This year we launched 42 new scratchcard games and successfully continued our policy of pursuing tie-ups with populist third party brands, including our first ever TV tie-in with 'I'm A Celebrity, Get Me Out Of Here!', and the popular board game, 'Scrabble'. Over the past two years we have developed scratchcards into a business with revenue of more than £700 million per year.

October 2004 witnessed the expansion of EuroMillions to include six new countries, with Austria, Belgium, Ireland, Luxembourg,

Portugal and Switzerland joining the founder nations of the UK, France and Spain. As a result, EuroMillions became the world's largest multinational lottery game by total population eligible to play.

Another notable success has been the growth in play of National Lottery games through interactive channels. With Lotto, Instant Win Games and Daily Play already established on the internet, we introduced Lotto on interactive TV via the Sky Active service in April 2004, followed by the introduction of EuroMillions on national-lottery.co.uk and Sky Active in July. In October 2004 we launched Play by Text on all the major UK mobile networks, allowing players, once they have registered, to buy tickets for Lotto, EuroMillions, or Daily Play, just by sending a text message from their mobile phone. This was followed by the rollout of Thunderball on the internet and mobile phones in December.

These innovations have really caught the public imagination and in 2004/5 total interactive sales were £87.5 million – up over 600% on 2003/4. As a result we now run the largest interactive lottery in the world. Over the same period, sales from postal and online subscriptions also rose 38% to £23.9 million.

Despite the remarkable growth in both these areas, retail sales remained by far our largest channel of distribution, accounting for just over £4,654.7 million in sales. We remain committed to supporting our retail partners: in 2004/5, we installed over 20,000 new scratchcard dispensers and 800 new draw-based terminals, taking the total number of National Lottery ticket terminals in-market to over 26,200.

Underlining our ongoing commitment to innovation at retail, we also launched a pilot for our new National Lottery Fast Pay service. Developed in response to customer demand for greater convenience, National Lottery Fast Pay allows players to buy tickets for draw-based games at the supermarket checkout as they pay for their groceries – and is the first service of its kind anywhere in the world.

Following the success of the pilot, in 2005/6 we will be rolling out the scheme to all Tesco stores with a draw-based lottery terminal – and we are also having very positive discussions with other supermarkets.

Together, these innovations helped further boost returns to the Good Causes, which were up 4.6% to more than £1.3 billion – bringing the total raised by our players to £15.3 billion. Combined with the £1.7 billion which has been generated from cumulative interest earned in the National Lottery Distribution Fund, the total for Good Causes since launch in 1994 is now over £17 billion. By the end of March 2005, more than 190,000 individual projects had benefited from lottery grants across the length and breadth of the UK.

There was good news for players as well. This year there was an 11.9% increase in the number of winning tickets, taking the total for this year to 257 million. We also created our 1,700th National Lottery millionaire.

On 6 November we marked The National Lottery's 10th Birthday with the first ever National Lottery Day. This was a unique opportunity to thank our players for their support over the last decade. By playing National Lottery games, they have helped to make so many dreams come true – and through the funds raised for the Good Causes, have contributed towards the transformation of the whole nation. Camelot worked closely with the National Lottery Promotions Unit, the Department for Culture, Media and Sport, the distributors of lottery funding and the individual Good Causes beneficiaries to organise a series of public events at over 800 lottery-funded venues up and down the UK.

The success and scale of the celebrations is testament to the fact that the UK National Lottery is not just one of the most successful lotteries in the world, but with over 70% of the adult population regularly participating, has become part of the very fabric of society. It is not surprising, therefore, that we consider one of the fundamental building blocks of our work to be corporate social responsibility.

In 2004/5 Camelot donated 5.5% of its pre-tax profits to charity, maintaining our status as one of the UK's largest corporate donors. This compares to an average of 0.97% pre-tax profit contribution from the FTSE 100 companies. In particular we have maintained our support of The Camelot Foundation, winner of a National Charity Award in 2004, by contributing a further £2 million to its work to help marginalised and vulnerable young people in society. In total, we have donated £22 million to the Foundation since its establishment in 1996. Camelot employees have also made direct contributions to their communities, with 7% of Camelot employees contributing nearly 1,000 volunteer hours to assist local projects.

Camelot is committed to promoting responsible play and protecting vulnerable groups in society. In line with our Advertising and Sales Promotion Code of Practice, we have continued to ensure that the design, selling and promotion of lottery games do not target vulnerable groups – including those under 16, those on a low income and those likely to play excessively.

It is illegal for lottery tickets to be sold to anyone under 16, and Camelot continues to implement measures to prevent underage sales. Our test purchasing scheme, Operation Child, provides training, awareness and education for retailers and their staff, to ensure that they put in place safeguards to prevent sales to under-16s. The scheme also involves monitoring and sanctions, and if a retailer sells a ticket to a test purchaser on three separate occasions, their terminal is removed and their licence to sell lottery tickets terminated. Camelot is committed to carrying out 10,000 visits per year for the duration of the second lottery licence. During 2004/5 one retailer had its terminal removed because of three sales to a test purchaser. In the six years since Operation Child was launched the percentage of retailers selling on a first test purchase has fallen from just over 26% to just over 12%.





These initiatives have been extended into our interactive activities. Before playing via any of our interactive channels all players must register on the National Lottery interactive system. Players are then authenticated by a third party system which ensures they are 16 or over, live in the United Kingdom or Isle of Man and have a valid UK debit card. These measures and safeguards are among the toughest in the world and have been endorsed by independent experts. Camelot was among the first organisations in the UK to be accredited by GamCare for both the National Lottery website and Sky Active service. Additionally, the children's charity NCH found the National Lottery website to be one of only two, in its test sample, which stopped a young person from illegally registering.

It makes me very proud that all this dedication from Camelot's employees has been recognised outside the company. This year, Camelot has been ranked among the top 30 UK companies in Business in the Community's 2005 Corporate Responsibility Index, leaping 45 places and becoming sector leader in the leisure category. In addition, for the first time, we appeared in the Sunday Times 100 Best Companies to Work For – the definitive guide to the UK's best employers.

I would like to thank all Camelot's employees and my colleagues on the Board for their hard work and exceptional drive in achieving this result. Our achievements this year have been realised not by doing one thing 100% better, but by everyone making a contribution; doing 100 things 1% better. Every single member of Camelot's team, over 900 employees, has played their part in delivering those returns to the Good Causes.

Special thanks are due to Gerry Acher, who more than capably filled the role of Interim Chairman until the arrival of Sir Peter Middleton in September 2004. With both Sir Peter and our new, expanded Board in place, we have now begun work on our bid for the third licence.

I am pleased to confirm that I will be staying on to lead the company during the bid process. I look forward to continuing to work with the dedicated and talented team which has put in so much effort, passion and enthusiasm into successfully delivering against our strategic objectives, building a solid platform for further growth. We all consider the third licence bid to be a challenge, but with a track-record of innovation and operational excellence, it is a challenge which I believe we are well-placed to meet – and one which everyone at Camelot will relish.

*Dianne Thompson*

**Dianne Thompson**  
Chief Executive



### Results and overview of main events.

This review provides further information on the main events that have occurred throughout the financial year 2004/5 and on the Company's financial performance during the year ended 31 March 2005.

I am delighted to report that we have achieved sales growth for the second year in succession. Overall sales are up by 3.3% on last year. We have achieved this by sustaining Lotto sales throughout the year – stemming the expected year-on-year sales decline common to the main game in lotteries throughout the world. We have also achieved a 10.9% increase in non-Lotto sales.

Total sales for the year ended 31 March 2005 were £4,766.1m (2004: £4,614.6m). Within this figure, sales for draw-based games increased by 1.4% and totalled £4,028.3m (2004: £3,973.6m). Sales for National Lottery scratchcards and interactive Instant Win Games also increased by 15.1% to £737.8m (2004: £641.0m).

This year we have focused on extending the reach and accessibility of The National Lottery for players through both the introduction of new ways to play and expanding our existing channels of distribution. We have embedded our internet offering, launched National Lottery games on Sky Active and mobile phones, and increased the number of draw-based terminals available at retail to over 26,200. In addition, we have piloted National Lottery Fast Pay, enabling players to purchase lottery tickets at supermarket checkouts for the first time. In 2003/4 we launched two new draw-based games, Daily Play and EuroMillions, and this portfolio expansion has also driven incremental sales growth.

Amounts payable to the National Lottery Distribution Fund (NLDF) in respect of ticket sales amounted to £1,249.1m (2004: £1,216.2m). The NLDF is the central fund from which the National Lottery Distribution Bodies draw down funds for distributing to the Good Causes. A more detailed explanation of the

NLDF is on page 9, and total cash payments made to the NLDF in the year are shown in the table on page 10. By 31 March 2005, total funds generated by The National Lottery exceeded £17 billion (£15.3 billion raised from direct lottery sales, plus £1.7 billion cumulative interest earned in the NLDF).

The Company's profit before tax was £47.2m compared to £45.5m in the prior year, with profit after tax of £32.4m (2004: £31.4m). Dividends relating to the 2005 financial year were £32.4m (2004: £31.4m), of which £14.7m was paid during the year and the remaining amount, £17.7m, is payable after the year end.

### Draw-Based Games

We are pleased that we have stabilised Lotto sales, arresting the natural decline in the performance of the main game which is experienced in mature lotteries worldwide. There were 25 Rollovers in the Lotto game this year (2004: 27). This included five Double Rollovers (2004: three), one Rollover following a Superdraw (2004: two) and, for the first time, a Triple Rollover. We held five Superdraw events during the year (2004: five), together with an additional £10 million jackpot-only draw to commemorate the 10th Birthday of The National Lottery.

Sales of non-Lotto draw-based games, which comprise Lotto Extra, Lotto HotPicks, Thunderball, Daily Play and EuroMillions (and included Christmas Millionaire Maker in 2003/04) increased by 7.3% to £803.0m (2004: £748.6m). In line with our portfolio diversification strategy, non-Lotto draw-based games now represent 16.8% of the portfolio (2004: 16.2%).

### Scratchcards

We grew National Lottery scratchcard sales by 12.9%, representing the fourth successive year of growth. We have achieved this by continuing to develop both licensed themed games such as 'Scrabble', and premium games like 'Millionaire Celebration'. In addition, we installed over 20,000 new scratchcard dispensers and this, together with strong

marketing support, has ensured that National Lottery scratchcards remain the nation's leading impulse purchase brand with average weekly sales of over £13.5m.

### Interactive

We successfully launched our interactive TV platform on Sky Active in April 2004. This was followed in October 2004 by the launch of 'Play by Text', which enables registered players to enter a range of draw-based games by sending a text message from their mobile phone.

We have some 60,000 players registering each month and the total number of registrations approached one million players by the end of the financial year. Across all new media channels, we have grown sales by over 600% to £87.5m (2004: £12.3m), making the UK National Lottery the largest interactive lottery in the world. We also launched an online subscriptions service during the year and this has contributed to a 38% increase in total sales of National Lottery Subscriptions (postal and online subscriptions) to £23.9m.

### Social reporting

During the year we continued to demonstrate high standards of corporate social responsibility. We have a well-established and independently assured social reporting process which helps to enhance our accountability to all of those who have a stake in The National Lottery. The progress we have made in many areas of social responsibility was acknowledged by a higher ranking in Business in the Community's (BITC) Corporate Responsibility Index compared to the previous year. In 2005, we moved from 73rd to 28th position and became sector leader in the leisure category.

We have an external Advisory Panel for Social Responsibility that is made up of independent specialists with professional expertise in areas of stakeholder concern. The Panel is chaired by a non-executive director and reports to the Board.

### Prizes

Amounts allocated in prizes to players

increased to £2,386.4m (2004: £2,293.7m). The financial year 2004/5 also saw the total number of winning National Lottery tickets rise by more than 27 million to 257 million, an increase of 11.9% (2004: 229 million winning tickets in total).

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

We make extensive efforts to locate the winners of unclaimed draw-based prizes worth £50,000 or more. Around 25 days after the relevant draw we release information on the area where the ticket was purchased. Regular public appeals are then made through the media, either in the area where the major unclaimed prize remains outstanding, or nationally, to encourage the ticket-holder to come forward with their winning ticket and claim their cash before the 180-day deadline expires.

Unclaimed prizes amounted to 2.1% of sales in the financial year and totalled £100.0m (2004: £73.4m, 1.6% of sales). The interest earned on the unclaimed prizes is also paid over to the NLDF.

### National Lottery Distribution Fund (NLDF)

The amount payable to the NLDF from ticket sales increased by 2.7% to £1,249.1m (2004: £1,216.2m). Total payments to the NLDF, which includes unclaimed prizes and other payments, also increased to £1,352m (2004: £1,309m).

The table on the following page gives details of all cash payments made to the NLDF.

### Lottery Duty

Lottery duty has remained at 12% of sales, and totals £572.1m for the year (2004: £553.8m).

### Retailers and retailer commission

Retailer commission for the financial year totalled £245.7m (2004: £242.0m). Improving

retail access has been a key initiative during the year and we now have the highest ever number of trading retailers selling draw-based tickets and scratchcards at over 26,200. The total lottery network now comprises around 28,000 retailers, which includes scratchcard-only terminals.

Retailers' commission is fixed at 5% of all sales plus 1% of prizes paid out over £10, up to and including £200. In addition to paying this commission, we continue to provide all lottery terminal and point-of-sale equipment, maintenance and servicing of the equipment, consumables, telecommunications and training free of charge to all retailers.

#### Terminal and data communication costs

Terminal and data communication costs increased to £105.9m for the year (2004: £100.9m).

The increase of £5.0m against last year is due to the increase in sales, as well as the increased number of trading terminals at retail. Terminal and data communications costs include the cost of maintenance of software, terminals and the communication network, all costs associated with the purchase of National Lottery scratchcards tickets, point-of-sale and other consumables, and depreciation of terminal and data communications equipment.

We continue to understand the importance of providing high levels of systems availability, not only to ensure the satisfaction of players and retailers but also to facilitate sales. I am pleased to report that systems availability continued to be exceptionally high at 99.9% (2004: 99.9%) against a target of 99.5%. There are certain financial penalties incorporated in the Section 5 Licence should the number of lottery outlets fall below the number specified in the licence on a particular quarter-end date. To date no such financial penalties have been incurred.

#### Administrative expenses

Administrative expenses of £160.9m (2004: £163.6m) consist mainly of advertising and marketing expenditure, depreciation and administration costs, which include all staff and facility costs. The decrease of £2.7m against last year reflects efficiencies in both staff and marketing related costs.

Capital expenditure in the year continued to be significant and amounted to £23.5m (2004: £23.3m). We have invested in new channels, a continuing expansion of the terminal network, new scratchcard dispensers and other IT equipment.

#### Donations to The Camelot Foundation

Camelot made cash donations of £2.0m to The Camelot Foundation (2004: £2.0m). Since launch Camelot has donated £22.0m

#### Cash payments to the NLDF:

	Year to 31 March 05 £m	Year to 31 March 04 £m	Total to date £m
<b>Ticket sales*</b>	<b>1,251</b>	<b>1,236</b>	<b>13,835</b>
<b>Unclaimed prizes</b>	<b>100</b>	<b>73</b>	<b>718</b>
<b>Other payments</b>	<b>1</b>	<b>0</b>	<b>792</b>
<b>Total Cash Payments</b>	<b>1,352</b>	<b>1,309</b>	<b>15,345</b>

\*Camelot adopts a full accruals basis of accounting and, therefore, this figure – which relates to cash payments made – differs from that shown on the profit and loss account. The NLDF also benefits from interest arising on its own cash balance and interest arising on certain trust accounts utilised for the payment of prizes and amounts held in trust in respect of future draws.

to The Camelot Foundation.

Other corporate donations to registered charities made in cash during the year amounted to £1.1m (2004: £0.5m) with some further contributions in kind. Camelot remains one of the UK's leading corporate donors, once again contributing circa 5.5% of pre-tax profits last year.

### Taxation

The Corporation Tax charge of £14.8m for the year (2004: £14.1m) represents an effective tax rate of 31.4% (2004: 31.0%).

### 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 under review, including that arising on capital expenditure, was £28.2m (2004: £32.2m).

### Cash flows, cash and debt

Net cash inflows from operations were £59.5m (2004: £32.8m), and interest of £1.5m was received (2004: £1.5m). In addition, there were net cash outflows arising from taxation payments of £13.5m (2004: £17.1m) and cash outflows relating to the payment of dividends of £27.5m (2004: £35.6m). The closing cash balance was £4.5m (2004: £0.3m).

The net cash inflow from operations represents ticket sales less payment of prizes, lottery duty, payments to the NLDF and operating expenditure. Cash is received from retailers net of prizes paid and commission due to retailers. Settlement of retailers' debts is on a weekly basis as are payments due to the NLDF and payments into trust for prizes.

In order to protect prizewinners 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. The interest earned on this account (after expenses of operating the trust) accrues to the benefit of the Good Causes.

At 31 March 2005, Camelot had deposited £20.2m (2004: £21.5m) of funds in trust accounts as an additional reserve for the protection of prizewinners. The interest on these accounts accrues to Camelot. There are certain restrictions over the liquidity of the accounts and as a result Camelot cannot withdraw the amounts until the end of the licence period.

At 31 March 2005 the Company had an undrawn revolving credit facility of £30.0m (2004: £60.0m) secured by a floating charge. There is an additional undrawn overdraft facility of £34.9m (2004: £29.3m) available to the Company. The overdraft facility is subject to annual renewal.


### Interest and exchange rates

Net interest receivable in the year amounted to £0.2m (2004: £0.1m), the average yield on investment being approximately 4.5% (2004: 3.6%). The Company's interest rate exposure is hedged if considered appropriate. Strict controls apply to Treasury operations which are reviewed regularly. The investment policy is approved by the Company's Audit, Risk and Security Committee and the Board. Funds are only deposited within strict parameters with regard to both counterparty and maturity.

The Company does not invest in complex derivatives and under no circumstances will instruments be utilised which result in an unquantified risk being assumed. All of Camelot's major contracts are priced in sterling; therefore the Company has little direct exposure to movements in exchange rates.

### Distributions and dividends

Total paid and proposed dividends for the year amounted to £32.4m (2004: £31.4m). A final dividend of £17.7m (2004: £12.8m) is proposed



Phil Smith  
Commercial and Operations Director

# 2005

## Directors' report and financial statements for the year ended 31 March 2005

The directors of Camelot Group plc present their report together with the audited financial statements for the year ended 31 March 2005.

### Principal activity, business review and future developments

The principal activity of the Company is the operation and promotion of The National Lottery in the United Kingdom. The establishment of the UK National Lottery was enabled by the passing of the National Lottery etc. Act 1993. Camelot operates The National Lottery pursuant to licences granted by its regulator, the National Lottery Commission (NLC) in October 2001, January 2002 and other licences in respect of individual games granted thereafter. The Company expects to pursue this principal activity for the coming year.

The Company has grown sales in the year as forecast by management and directors, and results are therefore in line with expectations. Much of the Company's focus for the forthcoming year will be on enhancing the current portfolio of products, both at retail and over the interactive platform, and seeking further opportunities for distribution.

### Results and Dividends

The financial statements of the Company appear on pages 28 to 45. The Company's profit after tax was £32.4m (2004: £31.4m), as disclosed on the profit and loss account on page 28.

Total paid and proposed dividends for the year amounted to £32.4m (2004: £31.4m) (see note 6 to the financial statements). A final dividend of £17.7m is proposed. These dividends are subject to waivers as disclosed in note 6.

### International Financial Reporting Standards (IFRS)

These financial statements are prepared under UK GAAP (Generally Accepted Accounting Practice).

The Company has chosen to adopt IFRS for the financial year beginning 1 April 2005. Therefore the Company will be reporting its results for the year ending 31 March 2006 and the interim period ending 24 September 2005 under IFRS. The Company is well progressed in achieving the necessary timetable and understanding the impact of these new reporting requirements.

### Related Party Transactions

The Company has entered into contracts of significance with two of its shareholders or their parent and/or subsidiary companies, details of which are given in note 24 to the financial statements.

### Suppliers

The Company's policy is to pay suppliers 30 days after the end of the month in which their invoice is received or within such other credit period as agreed between the parties, providing the obligations of those suppliers are met. These terms are stated on all purchase orders issued by the Company. At 31 March 2005 the Company's trade creditors outstanding represented approximately 41 days' purchases (2004: 42 days).

### Directors

The names of the present directors are:

#### Chairman

**Sir Peter Middleton GCB**  
(appointed 23 September 2004)

#### Independent non-executive directors

**Gerry Acher CBE LVO**  
(Interim Chairman from 15 May 2004 to 22 September 2004)

**Louise Botting CBE**

## Shareholdings

The following share structure is in place:

	Number of Shares 'A' Shares	Number of Shares 'B' Shares	Total % Holding of Shares
Cadbury Schweppes plc	7,750,000	-	20
De La Rue Holdings plc	7,750,000	-	20
Fujitsu Services Limited	5,812,500	1,937,500	20
Thales Electronics plc	7,750,000	-	20
Royal Mail Enterprises Limited	-	7,750,000	20

Further details of the rights and obligations of each class of share are given in note 16 to the financial statements.

### Independent non-executive director (designate)

**David Haines**

### Shareholder-nominated non-executive directors

**John Bennett**

(nominee of Fujitsu Services Limited)

**Michael Clark**

(nominee of Cadbury Schweppes plc)

**Stephen King**

(nominee of De La Rue Holdings plc)

**Ross McInnes**

(nominee of Thales Electronics plc)

**David Mills**

(nominee of Royal Mail Enterprises Limited)

### Executive directors

**Dianne Thompson**

(Chief Executive)

**Phil Smith**

(Commercial and Operations Director)

**Richard Hurd-Wood**

(Bid and Strategy Director)

**Mark Gallagher**

(Director of Corporate Affairs)

Current alternates are as follows:

### Shareholder-nominated non-executive alternate directors

**Louise Fluker**

(alternate to Stephen King,  
De La Rue Holdings plc)

**Tim Robinson**

(alternate to Ross McInnes,  
Thales Electronics plc)

**David Sillitoe**

(alternate to John Bennett,  
Fujitsu Services Limited)

**Mark Thomson**

(alternate to David Mills,  
Royal Mail Enterprises Limited)

### Shareholder-nominated non-executive alternate directors (designate)

**Neil Makin**

(alternate to Michael Clark,  
Cadbury Schweppes plc)

**Shatish Dasani**

(alternate to Stephen King,  
De La Rue Holdings plc)

Under the Company's Articles of Association, each shareholder-nominated director may appoint an alternate.

**Changes to the directors serving during the year ended 31 March 2005 were as follows:**

Michael Grade resigned as Chairman on 14 May 2004. Gerry Acher, independent non-executive director, was appointed as Interim Chairman on 15 May 2004 until a new Chairman was formally appointed to the Board. Sir Peter Middleton was formally appointed to the Board as Chairman on 23 September 2004.

An offer was accepted by David Haines to fill an independent non-executive director role on the Board, and he is currently awaiting clearance through the NLC vetting process.

David Kappler (alternate to Michael Clark representing Cadbury Schweppes plc) resigned from the Board on 13 April 2004.

Neil Makin was nominated by Michael Clark as his new alternate on the Board. However, he is awaiting clearance through the NLC vetting process and therefore has not been formally appointed to the Board.

Robert McGowan (nominee of De La Rue Holdings plc) resigned from the Board on 10 September 2004.

Stephen King replaced Robert McGowan as nominee of De La Rue Holdings plc and he was formally appointed to the Board on 10 September 2004.

Shatish Dasani was nominated by Stephen King as his new alternate on the Board to replace Louise Fluker. However, he has not yet cleared the vetting process and therefore has not been formally appointed to the Board.

**Changes to the directors subsequent to the year under review were as follows:**

Tony Jones, Operations Director, resigned from the Board on 22 April 2005.

Richard Hurd-Wood was appointed as Bid and Strategy Director on 25 May 2005.

Mark Gallagher was appointed as Director of Corporate Affairs on 25 May 2005.

None of the directors has a beneficial interest in, or options to acquire, shares in the Company.

**Insurance for directors and officers**

The Company has in place liability insurance for its directors and officers.

**Political and charitable donations**

In 1996 the Company established The Camelot Foundation. The Camelot Foundation is a registered charity and its focus is to concentrate on work which aims to connect or re-connect highly marginalised young people to the mainstream of UK life. Since its inception the Company has paid a total of £22.0m to The Camelot Foundation, of which £2.0m (2004: £2.0m) has been paid during the year.


The Company made further direct donations to other community and charitable organisations of £1.1m (2004: £0.5m) and in addition made some contributions in kind. The Company made no donations for political purposes during the year ended 31 March 2005 (2004: nil).

**Employees**

The Company's employment policies have been designed to respect the individual and offer career and personal development opportunities regardless of colour, ethnic or racial origin, nationality, disability, sexual orientation or marital status. Full and fair consideration is given to the employment of all individuals. Camelot is a Gold Card Member of the Employers' Forum on Disability.

The Company has an extensive and well-established structure for communicating with employees and has an annual bonus scheme which is payable to all permanent staff. For the year under review, bonuses were based on two key performance criteria: sales and profitability. These bonuses were capped at 25% of base salary. The Company has ceased the operation of a long-term incentive plan with effect from 1 April 2004 as agreed by the Board.





Member-nominated trustees represent the staff in relation to the Camelot Group plc pension fund. During the year the number of member-nominated trustees was increased from two to three. Two member-nominated trustees resigned during the course of the year under review. However, elections have taken place and three new trustees have been appointed.

#### Staff Consultative Forum

Since the establishment of a Staff Consultative Forum (SCF) in September 1999, it continues to be consulted on all significant policy proposals and initiatives affecting staff, and in turn gathers company-wide reactions to such proposals.

#### Place of business – Northern Ireland

The Company is registered as having a place of business in Northern Ireland pursuant to Part XXIII of The Companies (NI) Order 1986.

#### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for keeping proper accounting records which 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 1985. They

are responsible for safeguarding the assets of the Company and taking reasonable steps to prevent and detect fraud and other irregularities. They are also required to ensure that all relevant information is provided to the auditors.

The directors confirm that they have complied with these requirements.

#### Going Concern

After making appropriate enquiries, the directors confirm that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### Corporate Governance

A report on corporate governance is set out on pages 16 to 20.

#### Close company status

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988 and there has been no change in that status since the year end.

#### Auditors

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office. A resolution proposing their reappointment and authorising the directors to determine their remuneration will be put to the members of the Company at its 2005 Annual General Meeting.

By order of the Board



**Gill Marcus**  
Company Secretary  
25 May 2005

# Report on Corporate Governance

Camelot Group plc is not listed on the UK Stock Exchange and, as a result it is not obliged, by law, to comply with the requirements of the Codes of Best Practice in Corporate Governance. However, the Board is committed to business integrity, high ethical values, corporate responsibility and professionalism in all its activities and it has therefore taken a decision to report, as far as it deems appropriate, in line with best practice. This report sets out how the Company complied during the year ended 31 March 2005 with the principles contained in the Combined Code on Corporate Governance published by the Financial Reporting Council in July 2003 (the 'Code'). This report outlines the approach adopted 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 2005, the Board comprised 12 members, notably the Chairman, three executive directors (the Chief Executive, Operations Director and Commercial Director), three independent non-executive directors (one of whom is a designate) and five shareholder nominated non-executive directors (each of whom had a designated alternate). Since the year end, one executive director has resigned and two further executive appointments have been made. This is considered to be an effective size and balance for the Company.

There is a clear delineation of responsibility between the Chairman and the Chief Executive and other executive directors. The Chairman leads the Board, ensuring that each director, particularly 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. The Chief Executive maintains day-to-day management responsibility for the Company's operations, implementing group strategies and policies agreed by the Board.

The Chairman was appointed in September 2004, following the resignation of Michael

Grade as Chairman in May 2004. Gerry Acher served as interim chair until the new chairman was appointed. The Chairman's current other significant commitments are President of the British Bankers Association and Deputy Chairman of United Utilities. The Board considered the Chairman's other obligations upon his appointment, and believe that they do not prevent him from spending sufficient time on Camelot matters.

Regular Board meetings are held during the year (during the year under review) including a specific meeting to direct overall strategy and operations. Board meetings follow a formal agenda covering regular reports from the Chief Executive, Operations Director and Commercial Director. The attendance of directors at the Board and Committee meetings during the year is detailed in the table on page 17.

Each shareholder-nominated director appoints an alternate, who may attend meetings in the absence of his principal. Tim Robinson attended two Audit, Risk and Security meetings on behalf of Ross McInnes. Louise Fluker attended a Board Meeting and an Audit, Risk and Security meeting on behalf of De La Rue plc's principal nominee. Mark Thompson attended a Board meeting on behalf of David Mills.

The Chairman meets with the Board excluding the executive directors immediately before each board meeting, and the shareholder-nominated directors also meet as a group when they feel there are items of importance to them to discuss. A formal document sets out matters specifically reserved for decision by the Board, but all Board members are free to raise other issues at the Board. 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 capital expenditure in excess of £1 million. The Board has delegated certain functions to committees, as set out below. However, the

	Board (6 meetings) No. attended	Audit, Risk and Security Committee (4 meetings) No. attended	Remuneration Committee (5 meetings) No. attended	Nominations Committee (1 meeting) No. attended
Sir Peter Middleton *	3	1	3	1
Dianne Thompson	6	4	4	1
Phil Smith	6	4	-	-
Tony Jones	4	3	-	-
Gerry Acher	6	4	5	1
Louise Botting	6	-	5	1
David Haines (designate)	3	-	-	-
John Bennett	6	4	-	0
Ross McInnes	5	2	-	-
Robert McGowan **	2	1	-	-
Stephen King **	2	2	-	-
Michael Clark	5	-	5	1
David Mills	5	-	3	1

Indicates that the named is not appointed to or invited to attend the Committee shown.

\* Sir Peter Middleton was appointed partway through the year.

\*\* Robert McGowan resigned from the Board on 10 September 2004 and Stephen King replaced him as Board representative.

\*\*\* Cadbury Schweppes plc had no alternate director between April 2004 and September 2004, when Neil Makin was nominated. He has not yet cleared vetting and is therefore director designate.

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.

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

### Audit, Risk and Security Committee

#### Chair:

Gerry Acher CBE LVO

#### Members:

John Bennett, Ross McInnes, Stephen King

#### Usual Attendees:

Sir Peter Middleton GCB, Dianne Thompson, Tony Jones, Phil Smith, and other functional managers for relevant sections of the meeting.

This committee is comprised exclusively of non-executive directors. Executive directors are invited to attend committee meetings, as necessary, to conduct its business. The Head of Business Assurance, the Director of Finance, and representatives of the external auditors are normally invited to attend meetings.

The committee meets four times a year and its duties are as follows:

#### **Audit**

The committee reviews the Company's financial and accounting policies, interim and final results and Annual Report prior to their submission to the Board, together with management reports on accounting and internal control matters. It also reviews the appointment and terms of reference of the external auditors, their management letter, and considers any other matters raised by the auditors. In respect of non-audit services, the committee reviews auditor objectivity by reviewing the scope of work for such services to ensure that their independence is safeguarded. It monitors the effectiveness of the internal audit function. At least once a year, the committee meets separately with the external auditors and Head of Business Assurance without any executive Board members present.

#### **Risk**

This section of the committee meets to assist the Board in fulfilling its responsibilities for managing the risk associated with the business and reviewing the Company's internal controls. It also monitors the framework that is in place throughout the Company to manage risk.

#### **Security**

The Director of Security of Camelot and the Senior Security Officer of De La Rue Holdings plc, who have a wealth of experience in security matters, are normally invited to attend the security section of the meeting. This section approves and ensures adherence to the Company's security policies for operating The National Lottery.

### **Remuneration Committee**

#### **Chair:**

Louise Botting CBE

#### **Members:**

Gerry Acher CBE LVO, Michael Clark, David Mills

The Remuneration Committee is comprised exclusively of non-executive directors, under the chairmanship of an independent non-executive director, Louise Botting. It recommends to the Board the policy on executive directors' remuneration and it determines the terms and conditions of employment of the executive directors. It focuses in particular on the remuneration of the executive directors and the Chairman including pension rights and any compensation payments. Further details are set out on pages 21 to 25.

### **Nominations Committee**

#### **Chair:**

Sir Peter Middleton GCB

#### **Members:**

Gerry Acher CBE LVO, John Bennett, Louise Botting CBE, Michael Clark

Camelot recognises the vital role that non-executive directors play in ensuring high governance standards. The Nominations Committee identifies and evaluates candidates to fill vacancies and these are nominated for approval by the Board as a whole. The Nominations Committee is comprised exclusively of non-executive directors, under the chairmanship of the Chairman of the Board. It meets periodically as required to make recommendations to the Board in respect of the appointment of directors. The committee engages the services of an executive search agency to help draw up a shortlist of suitable candidates if a vacancy arises. In briefing any such agency, the committee monitors the composition and balance of the Board.

### **Nominations Committee (Chairman)**

#### **Chair:**

Louise Botting CBE

#### **Members:**

Gerry Acher CBE LVO, John Bennett, Michael Clark, Stephen King, Ross McInnes, David Mills

When necessary this committee meets to consider and select suitable candidates for the role of Chairman of the Board.

### Advisory Panel for Social Responsibility

Camelot has a panel of independent experts chaired by a non-executive director, Louise Botting, that reviews the Company's Social Report and advises on continuous improvement in the area of corporate social responsibility. Although not a formal Board Committee, the panel reports regularly to the Board.

### Independent Non-Executive Directors

The independent non-executive directors are initially appointed for a three-year term after which, whilst not automatic, their appointment may be extended for another three-year term, and thereafter a further three-year term, subject to mutual agreement and shareholder approval. The 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 their qualifications and experience.

### Relations with shareholders

Camelot is owned by a consortium of shareholders with which it maintains close links. All shareholder companies are represented around the Board table and have direct lines of access to the Chairman, the executive directors, 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 Section 5 Licence and Section 6 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. This system of internal control includes regular compliance audits and reviews, by the Company's Business Assurance department, to help provide such assurance.

### Risk Management and Internal Control

Camelot's risk management framework assists management to identify, assess and manage business risk. To ensure all areas of the Company have a firm understanding of risk, the Business Assurance team lead risk workshops to seek input from Board directors and other managers on perceived risks. This enables risks to be prioritised with action plans to mitigate them. Camelot's directors acknowledge that they are responsible for the Company's systems of internal control and for reviewing their effectiveness. Within Camelot the review of risk and internal controls has become an integrated, embedded management process rather than an isolated year end exercise, and is designed to support management's decision making. Camelot operates under a system of controls which are communicated through various processes, including, but not limited to.

1. A process to ensure tight regulation by a structured, auditable process of internal control, through the establishment of the Audit, Risk and Security Committee. At the Board meeting following an Audit, Risk and Security Committee meeting, the Chairman of the Committee presents key risks to the Board and the Board considers how these risks are being controlled and monitored.
2. The formation of the Risk Management Committee, which meets quarterly to add value to the process at all operational levels throughout the company. This committee provides a forum for sharing strategic decisions that could impact risk management, and for improving the overall company control environment;
3. The establishment of a practical process, which identifies, evaluates and manages all types of risk faced by the Company. This process has been in place for the full financial year and up to the date the financial statements were approved and is continuing. The risk management process and systems of internal control are designed

to manage rather than eliminate the risk of failure to achieve the Company's strategic objectives. It should be recognised that such systems can only provide reasonable and not absolute assurance against material misstatement or loss.

4. The establishment of a risk department, managed by the Head of Business Assurance, reporting to the Audit, Risk and Security Committee. The Head of Business Assurance assists management to identify the risks inherent in the Company's achievement of its strategic objectives. Each identified risk is logged in a risk register and assessed for financial impact and the estimated likelihood of occurrence. The Audit, Risk and Security Committee receives a full report from the Head of Business Assurance at each of its meetings and examines key risks, changes to the register since the last committee meeting, and risks removed since the commencement of the licence.

Security is a key consideration for Camelot and is demonstrated by the rigorous application of security procedures throughout the organisation. The Board is regularly apprised of security issues within the Company through the relevant section of the Audit, Risk and Security Committee.

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.

Having reviewed its effectiveness, the directors are not aware of any significant weakness or deficiency in the Company's system of internal controls during the period covered by this report and accounts. There were no changes in the Company's internal control over financial reporting that occurred during the year ended 31 March 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Compliance

The Board of Camelot is committed to the principles of good governance set out in the Combined Code and has voluntarily 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 Social Report. In adopting the principles and practice of the Code, the Board has taken account of the fact that all the Company's shareholders are represented on the Board; accordingly certain of the Code provisions, relating to a public company's responsibilities to protect shareholder interests and to communicate are not relevant to the Company. Those areas where the Board has chosen to depart from the provisions of the Code are set out below.

In arriving at the appropriate balance for the Board, account has been taken of the participation of shareholders and the broader stakeholder responsibilities of the Company. The Board comprises a non-executive chairman, three independent non-executive directors (one of whom is a designate), five directors who represent shareholders but, by virtue of their shareholder position are not regarded under the Code as independent, and four executive directors.

The Board currently has not appointed a senior independent director. It plans to carry out performance evaluation of the Board and its committees within the current financial year.

The Remuneration Committee and the Audit, Risk and Security Committee comprise only non-executive directors, some of whom are shareholder representatives. The Combined Code does not deem the shareholder representatives as independent.

The Company's Shareholder Agreement governs the process for appointing directors including shareholder representatives. Camelot's executive directors are employed

## 21 Directors' Remuneration Report

under employment contracts with a one-year notice period and the independent non-executive directors are appointed on three-year terms.

### The Remuneration Committee

The Remuneration Committee consists exclusively of non-executive directors and is currently chaired by an independent non-executive director, Louise Botting. The committee is guided by the views of the Chief Executive, who is invited to attend Remuneration Committee meetings, in determining the remuneration for other executive directors of the Company. The Chief Executive does not attend any meetings of the committee at which her own remuneration is discussed. Further details of the Remuneration Committee are set out in the Report on Corporate Governance on page 18.

### Remuneration policy

The Company's remuneration policy is designed to attract, retain and motivate key senior executives with the relevant skills to achieve the Company's business objectives, and to align their interests with those of shareholders by recognising and rewarding good performance. Executive remuneration includes an annual bonus which was capped for the year under review at 25% of annual base salary. This bonus is based on two key company performance criteria: sales and profitability.

The committee aims to ensure that the remuneration packages for executive directors are competitive with other companies of similar size, activities and complexity. It reviews the total remuneration package and the balance of its various elements regularly. The committee also reviews the total remuneration package for the Chairman.

The remuneration package for executive directors incorporates a competitive basic salary, an annual bonus, pension and other benefits. For the year under review executives continued to be eligible for a final payment from the Long-Term Incentive Plan (LTIP).

The Remuneration Committee determines executive directors' packages, and that of the Chairman, for recommendation to the Board as a whole. The committee also monitors the level and structure of remuneration for senior management.

In determining the appropriate levels of remuneration for executive directors, the committee takes independent advice from its formally appointed advisors, Watson Wyatt LLP. The use of external consultants and the choice of consultant is a matter reserved for the committee. Mercer Human Resource Consulting provided pension administration and other company-wide remuneration advice to Camelot throughout the financial year.

The shareholders determine the remuneration for the independent non-executive directors. The Board ratifies the packages. The Chairman of the Company maintains regular contact as necessary with its shareholders on remuneration matters.

Shareholder-nominated directors do not receive any remuneration in respect of qualifying services to the Company.

### Policy on external appointments

The Company recognises the benefits to the individual and to the Company of involvement by executive directors of the Company, as non-executive directors of other companies and charitable and trade associations. The Board is always involved in respect of such appointments.

Dianne Thompson, Chief Executive, as non-executive director of RAC plc received, and retains, an annual fee of £30,000 (2004: £28,500).

## 22 Directors' Remuneration Report

### Directors' Service Contracts

The details of the service contracts of those who served as directors during the year are:

	Contract date	Unexpired term	Notice	Contractual Termination payments
Chairman				
<b>Sir Peter Middleton (appointed 23.09.04)</b>	23.09.04	2 years 5 months	Reasonable notice	-
<b>Michael Grade (resigned 14.05.04)</b>	31.01.02	-	-	-
Executive directors				
<b>Dianne Thompson</b>	03.02.97	N/A	1 year	N/A
<b>Tony Jones (resigned 22.04.05)</b>	11.01.99	N/A	1 year	N/A
<b>Phil Smith</b>	14.01.02	N/A	1 year	N/A
Non-executive directors				
<b>Gerry Acher</b>	11.09.02	5 months	-	-
<b>Louise Botting</b>	01.03.99	2 years 11 months	-	-
<b>David Haines (designate)</b>	01.04.04	2 years	-	-

During the year, Louise Botting's second three-year term as non-executive director expired and was renewed for a further three years.

No executive directors are employed on service contracts with notice periods longer than 12 months.

Currently there is no policy in respect of notice periods and termination payments for non-executive directors who are engaged under contracts of service.



Directors' detailed emoluments (audited)

	Salary /Fees £'000	Pension Supple- ment £'000	Annual bonuses £'000	Benefits in Kind £'000	<b>2005 Total £'000</b>	<b>Compen- sation for loss of office £'000</b>	<b>Pension Contrib- utions<sup>1</sup> £'000</b>	<b>2005 Grand Total<sup>2</sup> £'000</b>	2004 Grand Total <sup>2</sup> £'000
Chairman									
Sir Peter Middleton (appointed 23.09.04)	102	0	0	0	<b>102</b>	<b>0</b>	<b>0</b>	<b>102</b>	0
Gerry Acher (Interim Chairman)	43	0	0	0	<b>43</b>	<b>0</b>	<b>0</b>	<b>43</b>	0
Michael Grade (resigned 14.05.04)	13	0	0	9	<b>22</b>	<b>0</b>	<b>0</b>	<b>22</b>	175
Executive directors									
Dianne Thompson	405	107	86	21	<b>619</b>	<b>0</b>	<b>35</b>	<b>654</b>	608
Tony Jones	245	55	47	20	<b>367</b>	<b>401</b>	<b>13</b>	<b>781</b>	355
Phil Smith	245	55	57	16	<b>373</b>	<b>0</b>	<b>12</b>	<b>385</b>	366
Non-executive directors									
Matthew Taylor (resigned 03.09.03)	0	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	13
Gerry Acher	38	0	0	0	<b>38</b>	<b>0</b>	<b>0</b>	<b>38</b>	39
Louise Botting	38	0	0	0	<b>38</b>	<b>0</b>	<b>0</b>	<b>38</b>	35
David Haines (designate)	30	0	0	0	<b>30</b>	<b>0</b>	<b>0</b>	<b>30</b>	0
	<b>1,159</b>	<b>217</b>	<b>190</b>	<b>66</b>	<b>1,632</b>	<b>401</b>	<b>60</b>	<b>2,093</b>	<b>1,591</b>

1 Contributions to company Money Purchase Schemes.

2 Grand total including company contributions to Money Purchase Schemes.

The total emoluments of the directors including pension contributions were as follows:

	<b>2005 £'000</b>	2004 £'000
Executive directors' salaries and benefits	<b>1,169</b>	1,083
Executive directors' performance-related payments	<b>190</b>	188
Compensation for loss of office	<b>401</b>	0
Non-executive directors' fees	<b>106</b>	87
Former Chairman's salary and benefits	<b>22</b>	175
Interim Chairman's salary and benefits	<b>43</b>	0
Current Chairman's salary and benefits	<b>102</b>	0
Pension contributions	<b>60</b>	58
	<b>2,093</b>	<b>1,591</b>

A former Chairman, Sir George Russell, may receive an additional pension contribution for the next two years at a rate to be determined by the Board. The additional pension contribution for 2005/6 will be £80,000 (2004/5: £80,000).

### Directors' remuneration

The emoluments of the executive directors are determined by a Remuneration Committee consisting exclusively of non-executive directors. The five non-executive directors (and their alternates) nominated by the shareholder companies did not receive any emoluments in respect of their services to Camelot. The emoluments of the other non-executive directors are determined by the shareholders. All emoluments are paid to the directors out of the amount retained by Camelot under the terms of the Section 5 Licence after paying all prizes, duties and contributions to the National Lottery Distribution Fund.

### Annual bonus

The executive directors are eligible for annual bonus subject to the performance of the company against two key performance criteria: sales and profitability.

### Benefits in Kind

Executive directors are entitled to car related, medical and other benefits, which are included in the amounts disclosed in the table on page 23. Michael Grade received £9,226 (2004: £75,000) included as a benefit in the table on page 23, as a payment to a funded unapproved retirement benefits scheme.

### Pension supplements

Tony Jones's and Phil Smith's benefits include supplements of £54,677 and £55,125 respectively, representing the differences between 27.5% of their basic salary pension entitlement and the contributions made by the Company. Dianne Thompson was also entitled to a supplement, amounting to the difference between her pension entitlement of 35.0% of basic salary and the lower contributions made by the Company. This amount of £106,515 is included in the table on page 23.

### Directors' interests in the long-term incentive plan (audited)

The executive directors qualified for the following LTIP amounts in the first and second scheme years:

	Interest in Scheme at 1 April 2004*	Amounts Vested £'000	Interest in Scheme at 31 March 2005	Entitlement fell / falls due
<b>Executive Directors</b>				
<b>Dianne Thompson</b>				
Scheme Year 1	19%	78	-	16 April 2004
Scheme Year 2	31%	Nil	31%	16 April 2005
<b>Tony Jones</b>				
Scheme Year 1	20%	49	-	16 April 2004
Scheme Year 2	31%	Nil	31%	16 April 2005
<b>Phil Smith</b>				
Scheme Year 1	19%	31	-	16 April 2004
Scheme Year 2	31%	Nil	31%	16 April 2005

\* Interests are specified as percentages of base salary at payment date. Scheme years 1 and 2 relate to the years ending 31 March 2003 and 2004 respectively, the payments for which were made in April 2004 and 2005.



### All-employee long-term incentive plan

The all-employee Long-Term Incentive Plan (LTIP) was terminated with effect from April 2005 and final payments due under the scheme were paid at this time. The Remuneration Committee is currently reviewing the provision of an LTIP arrangement for senior executives.

### Chairman and highest paid director

The emoluments of Sir Peter Middleton, the Chairman from 23 September 2004, comprised his fee of £102,045.

The emoluments of Michael Grade, the Chairman until 14 May 2004, comprised his salary of £12,302 (2004: £100,000). Michael Grade's accrued pension contributions within the year amounted to £9,226 (2004: £75,000).

The emoluments of the Chief Executive Dianne Thompson, who was the highest paid director, comprise salary of £405,000 (2004: £375,000), Company pension contributions of £35,235 (2004: £32,625), benefits of £20,967 (2004: £16,739), pension supplement of £106,515 (2004: £98,625) and total bonuses of £85,500 (2004: £85,050).

### Waiver of emoluments

No director waived any emoluments for the year ended 31 March 2005.

### Members of the Remuneration Committee

For details, see page 18.

### Shareholder return

Schedule 7A requires the disclosure of total shareholder return over the last five years, compared to similar groups or indices. Camelot is not a listed or quoted company and its shares are not traded on any financial exchange and accordingly this information is not presented. The directors have no interest in the shares of the Company.

On behalf of the Board

Gill Marcus  
Company Secretary  
25 May 2005

# 26 Independent Auditors' report

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ('the auditable part').

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the unaudited part of the Directors' Remuneration Report and the Report on Corporate Governance.

We also, at the request of the directors (because the company applies the Financial Services Authority listing rules as if it were a listed company), review whether the Report on Corporate Governance reflects the Company's compliance with the seven provisions of the Combined Code specified by the Financial Services Authority for review by auditors of listed companies, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.



## Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2005 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

### **PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
London  
25 May 2005

## Notes:

- (a) The maintenance and integrity of the Camelot Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# Profit and loss account for the year ended 31 March 2005

	Notes	2005 Total £m	2004 Total £m
Lotto		<b>3,225.3</b>	3,225.0
Other Draw-based Games		<b>803.0</b>	748.6
Scratchcards and interactive Instant Win Games		<b>737.8</b>	641.0
<b>Gross ticket sales</b>		<b>4,766.1</b>	4,614.6
Lottery duty		<b>(572.1)</b>	(553.8)
<b>Revenue</b>	1c	<b>4,194.0</b>	4,060.8
<b>Cost of sales</b>			
Prizes		<b>(2,386.4)</b>	(2,293.7)
National Lottery Distribution Fund		<b>(1,249.1)</b>	(1,216.2)
Retailers' commission		<b>(245.7)</b>	(242.0)
Terminal and data communication costs		<b>(105.9)</b>	(100.9)
<b>Gross profit</b>		<b>206.9</b>	208.0
Administrative expenses		<b>(160.9)</b>	(163.6)
Other operating income		<b>1.0</b>	1.0
<b>Operating profit</b>	2	<b>47.0</b>	45.4
Net interest receivable	4	<b>0.2</b>	0.1
<b>Profit on ordinary activities before taxation</b>		<b>47.2</b>	45.5
Tax on profit on ordinary activities	5a	<b>(14.8)</b>	(14.1)
<b>Profit on ordinary activities after taxation</b>		<b>32.4</b>	31.4
Dividends	6	<b>(32.4)</b>	(31.4)
<b>Profit retained for the financial year</b>	17	<b>-</b>	-

The Company has no other recognised gains or losses. All activities are derived from continuing operations.

# Balance sheet as at 31 March 2005

	Notes	2005 Total £m	2004 Total £m
<b>Fixed assets</b>			
Investments	7	0.1	0.1
Tangible assets	8	110.8	117.0
		<b>110.9</b>	117.1
<b>Current assets</b>			
Stocks	9	3.5	2.7
Debtors: amounts falling due within one year	10	45.8	41.2
Debtors: amounts falling due after more than one year	10	17.0	23.3
Amounts held in trust accounts in respect of prizes	12a	115.6	103.0
Amounts held in trust in respect of future draws	12b	22.8	22.5
Amounts held in New Media Trust account	12c	4.0	1.6
Trust reserve accounts	12d	20.2	21.5
Cash at bank and in hand	12e	4.5	0.3
		<b>233.4</b>	216.1
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	14	(283.6)	(264.5)
		<b>(50.2)</b>	(48.4)
<b>Net current liabilities</b>			
		<b>60.7</b>	68.7
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due after more than one year	14	(6.1)	(16.0)
Provision for liabilities and charges	15	(4.6)	(2.7)
		<b>50.0</b>	50.0
<b>Net assets</b>			
<b>Capital and reserve</b>			
Called up share capital	16	38.8	38.8
Capital redemption reserve	17	11.2	11.2
Profit and loss account	17	-	-
		<b>50.0</b>	50.0
<b>Equity shareholders' funds</b>			

The financial statements on pages 28 to 45 were approved by the Board of directors on 25 May 2005 and were signed on its behalf by:

*Dianne Thompson*

Dianne Thompson  
Chief Executive  
25 May 2005

*Phil Smith*

Phil Smith  
Commercial and Operations Director  
25 May 2005

# Cash flow statement for the year ended 31 March 2005

	Notes	<b>2005 Total £m</b>	2004 Total £m
<b>Net cash inflow from operating activities</b>	13a	<b>59.5</b>	32.8
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>1.5</b>	1.5
Interest paid		<b>(1.3)</b>	(1.1)
Interest element of finance lease payments		<b>(0.2)</b>	(0.3)
		<b>-</b>	0.1
<b>Taxation</b>			
Taxation paid		<b>(2.1)</b>	(4.5)
Consortium relief payments	24	<b>(11.4)</b>	(12.6)
		<b>(13.5)</b>	(17.1)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		<b>(24.7)</b>	(23.6)
<b>Acquisitions and Disposal</b>			
Payments to acquire investment in Joint Venture		<b>-</b>	(0.1)
<b>Equity dividends paid</b>			
		<b>(27.5)</b>	(35.6)
<b>Management of liquid resources</b>			
Decrease in term deposits	13b	<b>-</b>	10.0
<b>Financing</b>			
(Decrease)/increase in loans		<b>(3.4)</b>	4.4
Capital element of finance lease payments		<b>(0.6)</b>	(0.6)
		<b>(4.0)</b>	3.8
<b>Decrease in cash</b>	13c,d	<b>(10.2)</b>	(29.7)



# Notes to the financial statements for the year ended 31 March 2005

## 1. Accounting policies

### a) Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards.

A summary of the more important accounting policies is set out below together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year. The directors have reviewed the accounting policies set out in these financial statements and have confirmed that they are the most appropriate to the company's circumstances as required by FRS18 - Accounting Policies.

### b) Group financial statements

The financial statements presented are for Camelot Group plc only. Camelot Group plc has three 100% equity owned subsidiaries and a 26.6% stake in a joint venture. The subsidiaries have not been consolidated as they are dormant and are not material for the purposes of giving a true and fair view. The investment in the joint venture has not been equity accounted as it is not material and has been recorded at historic cost.

### c) Revenue

Draw-based games comprise Lotto and a portfolio of other games where revenue is recognised on a draw by draw basis, at the point at which the draw takes place. Sales for each draw include multidraw and subscription sales that are relevant for that specific draw as well as sales earned via interactive channels. The following games are included within other draw-based games revenue:

Lotto Extra  
Lotto HotPicks  
Thunderball  
Daily Play  
EuroMillions  
Christmas Millionaire Maker

Scratchcards ticket revenue is recognised by pack settlement. A pack of scratchcard tickets becomes settled on the earlier of 30 days after the pack is activated by the retailer or when 60% of the low tier prizes are validated.

Interactive Instant Win Games revenue is derived from wagers placed on the National Lottery website launched on 25 February 2003 and is recognised at the date of purchase.

All revenue is derived from and originates in the United Kingdom. Revenue is disclosed net of Lottery Duty.

### d) Taxation

The charge for taxation is based on the profit for the year. Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

### e) Value added tax

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

#### f) Fixed assets and depreciation

Fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets, at such rates as to write off the cost of these assets in equal instalments either over their expected useful lives or the remaining Section 5 Licence period ending 31 January 2009, whichever period being the shorter. Exceptions to this policy are noted alongside the principal asset categories below. The depreciation basis for the principal asset categories are as follows:

##### **Short leasehold improvements**

The shorter of the lease period and the remaining Section 5 Licence period.

##### **Computer hardware (excluding central gaming systems and interactive hardware)**

The shorter of four years and the remaining Section 5 Licence period.

##### **Central gaming systems**

To the end of the second Section 5 Licence period.

##### **Fixtures and fittings**

The shorter of five years and the remaining Section 5 Licence period.

##### **Lottery terminals**

To the end of the second Section 5 Licence period.

##### **Permanent point-of-sale equipment (PPOS)**

With effect from 26 September 2004, the useful economic life for permanent point-of-sale was revised from the shorter of three years and the remaining Section 5 Licence period to a period covering the remaining Section 5 Licence period. The impact of this change amounted to £1.6m credit to the profit and loss account in the current year.

##### **Other plant and equipment**

The shorter of two to five years and the remaining Section 5 Licence period.

##### **Motor vehicles**

The shorter of the lease period and the remaining Section 5 Licence period.

##### **Interactive hardware and software**

To the end of the second Section 5 Licence period.

##### **Interactive development costs**

The Company has adopted Urgent Issues Task Force (UITF) abstract 29 'Website development costs'. Accordingly, costs relating to the development of the National Lottery website, including design and content development, have been capitalised and transferred from 'Assets under construction' to Plant and Machinery, within tangible assets. These costs will be amortised over the period gaining economic benefit from the expenditure. Planning costs are charged to the profit and loss account as incurred. Interactive development costs that relate to channels other than the website are also capitalised on the same basis.

#### g) Leasing

Operating lease rentals are charged to the profit and loss account as incurred. Tangible fixed assets acquired under finance leases are included in the balance sheet at their equivalent capital value and are depreciated over the shorter of the lease term and their useful life. The corresponding liabilities are recorded as a creditor and the interest element of the finance lease rentals is charged to the profit and loss account.

#### h) Stocks

Stocks consist of scratchcards, consumables (i.e. terminal rolls, play slips and ribbons) and various point-of-sale equipment. Scratchcards are carried on a unit cost basis and are despatched to retailers based on marketing strategy.

Consumables and point-of-sale materials are valued at cost using the first-in first-out method, or at net realisable value, whichever is lower.



#### i) Pensions

The Company operates a defined contribution scheme. The cost of contributions is charged to the profit and loss account in the year to which it relates.

#### j) Cash and liquid resources

In the cash flow statement, cash comprises cash at bank and in hand, overdrafts and overnight term deposits. Liquid resources comprise term deposits maturing within 12 months from inception, other than overnight term deposits.

Camelot interest earning cash for the first Section 5 Licence consisted of the Trust Reserve account, other trust accounts (including the Subscription Trust account), Camelot bank accounts and short-term deposits. From the commencement of the second Section 5 Licence, the Subscription Trust account is no longer classified as Camelot cash. Interest earned on the Subscription Trust Account is split 5% to Camelot and the remaining 95% for the benefit of the National Lottery Distribution Fund.

Interest received on the Operational Trust, Equalisation Trust, EuroMillions Trust and New Media Trust accounts are for the benefit of the National Lottery Distribution Fund.

#### k) Advertising and marketing costs

Advertising and marketing costs are charged to the profit and loss account when they are incurred and in accordance with the Section 5 Licence requirements.

## 2. Operating profit

	<b>2005</b>	2004
	<b>£m</b>	£m
<b>Operating profit is stated after charging:</b>		
Depreciation on owned assets	<b>28.6</b>	25.2
Depreciation on assets held under finance leases	<b>0.8</b>	0.6
Loss on disposal of fixed assets	<b>0.1</b>	-
Employee costs (note 3)	<b>42.9</b>	49.2
Operating lease rentals		
- land and buildings	<b>2.7</b>	2.6
- plant and equipment	<b>21.3</b>	17.2
Auditors' remuneration		
- audit	<b>0.1</b>	0.1
- prize draw attendance	<b>0.6</b>	0.5
- other services	<b>0.2</b>	0.5

## 3. Employee numbers and costs

	<b>2005</b>	2004
	<b>£m</b>	£m
Employee costs (including directors' emoluments):		
Wages and salaries	<b>36.4</b>	42.2
Social security costs	<b>4.4</b>	5.1
Pension costs	<b>2.1</b>	1.9
	<b>42.9</b>	49.2

	<b>2005</b>	2004
	<b>Number</b>	Number
The average monthly number of employees (including executive directors) employed by Camelot Group plc was as follows:		
Retailer services	<b>257</b>	257
Sales and marketing	<b>243</b>	226
Information technology	<b>213</b>	199
Finance, Administration and Other <sup>1</sup>	<b>200</b>	220
Total average number of employees	<b>913</b>	902

## 4. Net interest receivable

	<b>2005</b>	2004
	<b>£m</b>	£m
Interest receivable from bank deposits	<b>1.2</b>	1.1
Other interest receivable	<b>0.3</b>	0.4
Interest receivable and similar income	<b>1.5</b>	1.5
Bank interest payable	<b>(1.1)</b>	(0.6)
Interest payable on finance leases	<b>(0.2)</b>	(0.3)
Other interest payable	<b>-</b>	(0.5)
Interest payable and similar charges	<b>(1.3)</b>	(1.4)
Net interest receivable	<b>0.2</b>	0.1

## 5. Tax on profit on ordinary activities

### a) UK Corporation Tax

	<b>2005</b>	2004
	<b>£m</b>	£m
Current tax on income for the period	<b>12.7</b>	<b>14.8</b>
Prior period adjustments	-	(0.4)
	<b>12.7</b>	<b>14.4</b>
Deferred tax charge/(credit) for the period	<b>2.1</b>	<b>(0.5)</b>
Prior period adjustments	-	0.2
	<b>2.1</b>	<b>(0.3)</b>
<b>Tax on profit on ordinary activities</b>	<b>14.8</b>	<b>14.1</b>

The tax charge is based on a corporation tax rate of 30% for the year ended 31 March 2005 (2004: 30%).

All timing differences have been recognised and are reflected in the deferred tax balance.

### b) Deferred taxation - profit and loss charge/(credit)

	<b>2005</b>	2004
	<b>£m</b>	£m
Timing differences between capital allowances and depreciation	<b>0.5</b>	<b>2.2</b>
Other timing differences	<b>1.6</b>	(2.5)
Deferred taxation charge/(credit)	<b>2.1</b>	(0.3)

There was no deferred tax unprovided.

### c) Reconciliation of current tax charge

	<b>2005</b>	2004
	<b>£m</b>	£m
Profit on ordinary activities before taxation	<b>47.2</b>	45.5

Tax on profit on ordinary activities at the standard rate (30%)	<b>14.1</b>	<b>13.6</b>
---	-------------	-------------

#### Factors affecting charge:

Depreciation on assets not qualifying for capital allowances and other non-allowable items	<b>0.7</b>	<b>0.7</b>
Excess of capital allowances claimed over depreciation	<b>(0.5)</b>	<b>(2.0)</b>
Provisions and other short-term timing differences	<b>(1.6)</b>	2.5
Prior year adjustments	-	(0.4)
<b>Current tax charge</b>	<b>12.7</b>	<b>14.4</b>

## 6. Dividends

	<b>2005</b> <b>£m</b>	2004 £m
First interim dividend paid for aggregate ordinary class 'A' and 'B' shares	<b>14.7</b>	18.6
Proposed final dividend for aggregate ordinary class 'A' and 'B' shares	<b>17.7</b>	12.8
	<b>32.4</b>	31.4

Under a deed of dividend waiver Royal Mail Enterprises Limited irrevocably waived its entitlement to receive the sum of £0.3m from the proposed final dividend for the financial year ended 31 March 2005. Fujitsu Services Limited waived its entitlement to receive their share of this amount and as a result De La Rue Holdings plc, Thales Electronics plc and Cadbury Schweppes plc will each receive an additional £0.1m.

Furthermore Royal Mail Enterprises Limited entered into a deed of dividend waiver which irrevocably waived its entitlement to receive the sum of £28,800 from the proposed final dividend for the financial year ended 31 March 2005. As a result De La Rue Holdings plc, Thales Electronics plc, Cadbury Schweppes plc and Fujitsu Services Limited will each receive an additional £7,200.

## 7. Investments

	<b>2005</b> <b>£m</b>	2004 £m
Investments in Joint Ventures	<b>0.1</b>	0.1

Camelot acquired 33.3% of Services aux Loteries en Europe SCRL ('SLE'), a company incorporated in Belgium on 2 June 2003. The main purpose of SLE is to provide services to lotteries in Europe which participate in the EuroMillions game. During the year, SLE provided further share capital to new EuroMillions participants, reducing Camelot's share to 26.6%.

## 8. Tangible assets

	Assets under construction £m	Short leasehold improvements £m	Plant and equipment £m	Total £m
<b>Cost</b>				
At 1 April 2004	5.2	8.0	184.7	197.9
Additions	13.2	-	10.3	23.5
Transfer to plant and equipment	(6.5)	-	6.5	-
Disposals	-	-	(1.6)	(1.6)
<b>At 31 March 2005</b>	<b>11.9</b>	<b>8.0</b>	<b>199.9</b>	<b>219.8</b>
<b>Accumulated depreciation</b>				
At 1 April 2004	-	8.0	72.9	80.9
Charge for the period	-	-	29.4	29.4
Disposals	-	-	(1.3)	(1.3)
<b>At 31 March 2005</b>	<b>-</b>	<b>8.0</b>	<b>101.0</b>	<b>109.0</b>
<b>Net book value</b>				
<b>At 31 March 2005</b>	<b>11.9</b>	<b>-</b>	<b>98.9</b>	<b>110.8</b>
At 31 March 2004	5.2	-	111.8	117.0

The net book value of plant and equipment held under finance leases is £1.6m (2004: £2.2m). Depreciation charged in the period in respect of these assets was £0.8m (2004: £0.6m). Of the net movement of £0.3m in disposals, £0.2m relates to the expiry of certain finance leases (note 13d).

Additions of £23.5m in the period relate primarily to new central IT systems, permanent point-of-

## 9. Stocks

	<b>2005</b>	2004
	<b>£m</b>	£m
Scratchcard tickets	<b>2.5</b>	<b>1.6</b>
Play slips, terminal rolls and other consumables	<b>1.0</b>	1.1
	<b>3.5</b>	2.7

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

	<b>2005</b>	2004
	<b>£m</b>	£m
Trade debtors	<b>24.3</b>	<b>19.8</b>
Deferred tax (note 11)	<b>0.5</b>	1.2
Prepayments and accrued income	<b>21.0</b>	20.2
	<b>45.8</b>	41.2

Trade debtors primarily represent amounts due from retailers.

## Debtors: amounts falling due after more than one year

	<b>2005</b>	2004
	<b>£m</b>	£m
Other debtors and prepayments	<b>17.0</b>	<b>21.9</b>
Deferred tax (note 11)	-	1.4
	<b>17.0</b>	<b>23.3</b>

Other debtors and prepayments predominantly relate to amounts paid in advance with respect to operating leases for plant and machinery.

## 11. Deferred taxation asset

	Capital allowances	Other	Total
	£m	£m	£m
At 1 April 2004	<b>(2.4)</b>	<b>5.0</b>	<b>2.6</b>
Charge to the profit and loss account (note 5b)	(0.5)	(1.6)	(2.1)
<b>At 31 March 2005</b>	<b>(2.9)</b>	<b>3.4</b>	<b>0.5</b>

## 12. Trust accounts and cash at bank and in hand

In order to protect the interests of prizewinners and players, Camelot has established trust accounts operated by an independent trustee, The Law Debenture Trust Corporation plc. There are a number of trust accounts operated in order to separate funds of an equivalent amount to the amounts to be paid for prizes, amounts received from players in respect of future draws and amounts held in players' interactive accounts.

### a. Amounts held in trust in respect of prizes

#### Operational Trust

Amounts equivalent to prizes payable in respect of sales made are placed into the Operational Trust account. Camelot pays the prizes and is then reimbursed retrospectively from this account. On 31 March 2005, the Company paid prizes of £11.8m which decreased the reported Company cash balance. These amounts were reimbursed from the Operational Trust on 1 April 2005. The balance of any interest arising on this account (after expenses of the trust) is for the benefit of the National Lottery Distribution Fund. The amount recoverable from the Operational Trust account of £101.0m (2004: £93.6m) is shown as a current asset.

#### Equalisation Trust

The purpose of this account is to ensure that sufficient monies are available to pay players of certain fixed prize games in the event prizes exceed the theoretical prize amount up to the maximum payout, as stipulated within the games rules, for any individual draw. All interest income arising on this account is for the benefit of the National Lottery Distribution Fund and any monies remaining in this account will pass over to the National Lottery Distribution Fund at the end of the current Section 5 Licence. The balance on this account is also shown as a current asset.

#### EuroMillions Trust

Camelot and the other participating lotteries have each established a EuroMillions Trust account. This is used for the settlement of all amounts due and for holding amounts in respect of future prizes. The interest on Camelot's EuroMillions Trust account is for the benefit of the National Lottery Distribution Fund. At the end of the current Section 5 Licence if Camelot is not the new licence-holder, any monies remaining in this account will pass over to a successor or, in the event that no successor is appointed, to the National Lottery Distribution Fund.

Amounts held in trust accounts in respect of prizes	2005 £m	2004 £m
Operational Trust	101.0	93.6
Equalisation Trust	10.3	5.4
EuroMillions Trust	4.3	4.0
	<b>115.6</b>	103.0

#### b. Amounts held in trust in respect of future draws

The Subscription Trust account is maintained to safeguard an amount equivalent to monies received from players in respect of future draws, whether by subscription or by using the multidraw facility. Interest earned from the Subscription Trust account in the current licence period is split 5% to Camelot and the remaining 95% for the benefit of the National Lottery Distribution Fund.

	2005 £m	2004 £m
Subscription Trust	22.8	22.5

#### c. New Media Trust account

The New Media Trust account balance at 31 March 2005 is £4.0m (2004: £1.6m). Players who register for Camelot's interactive service have an online wallet into which they deposit funds which they may then utilise to place wagers. All low tier prizes are paid directly into the player's wallet. Players may withdraw funds from their wallet. The New Media Trust account represents an amount equivalent to the aggregate of all players' wallet balances at the balance sheet date.

#### d. Trust Reserve accounts

The purpose of the Trust Reserve is to provide additional security for prizes during and at the end of the Section 5 Licence period, this amount (or the relevant part) will be repayable to Camelot in accordance with the Trust Deed. The amount is entirely recoverable after one year.

The purpose of the EuroMillions Deposit, which was set up during the year ended 31 March 2004, is to provide security to other EuroMillions participants for Camelot's EuroMillions prize payment obligations

Trust Reserve accounts	2005 £m	2004 £m
Trust Reserve	17.9	15.2
EuroMillions Deposit	2.3	6.3
	<b>20.2</b>	21.5



#### e. Cash at bank and in hand

Cash at bank and in hand comprises Camelot bank accounts and short-term deposits and certain other trust accounts. From time to time, guaranteed jackpot prizes (e.g. Superdraws) are also held in trust until the relevant draw is held and the actual prize liability established.

In the case of subscription and multidraw sales, Camelot is reimbursed after the draw to which the funds relate has taken place.

The trust accounts and interest received thereon are subject to first fixed and floating charges in favour of the trustee.

Fixed and floating charges have been given in respect of certain Camelot assets to the trustee and to Camelot's bankers, The Royal Bank of Scotland plc.

Camelot's cash balances can be analysed as follows:

Cash at bank and in hand	<b>2005</b>	2004
	<b>£m</b>	£m
<b>Camelot bank accounts</b>	<b>4.5</b>	0.3

### 13. Notes to the cash flow statement

a.Reconciliation of operating profit to net cash inflow from operating activities	<b>2005</b>	2004
	<b>£m</b>	£m
Operating profit	<b>47.0</b>	45.4
Depreciation	<b>29.4</b>	25.8
Loss on disposal of fixed assets	<b>0.1</b>	-
 Movement in working capital		
(Increase)/decrease in stocks	<b>(0.8)</b>	0.2
Increase in debtors	<b>(0.4)</b>	(8.2)
Increase in amounts held in trusts in respect of prizes	<b>(12.6)</b>	(9.6)
Increase in New Media Trust accounts	<b>(2.4)</b>	(1.6)
Decrease/(increase) in amounts held in Trust Reserve accounts	<b>1.3</b>	(1.3)
Increase in amounts held in Subscription Trust in respect of future sales	<b>(0.3)</b>	(1.5)
Decrease in creditors	<b>(1.8)</b>	(16.4)
<b>Net cash inflow from operating activities</b>	<b>59.5</b>	32.8

#### b. Analysis of changes in cash and liquid resources during the year

Cash	<b>2005</b>	2004
	<b>£m</b>	£m
At 1 April	<b>0.3</b>	39.5
Increase/(decrease) in year	<b>4.2</b>	(39.2)
At 31 March	<b>4.5</b>	0.3
 Liquid resources		
At 1 April	-	10.0
Decrease in year	-	(10.0)
At 31 March	-	-
<b>Total cash at bank and in hand</b>	<b>4.5</b>	0.3

c. Analysis of net debt	At 1 April 2004 £m	Cash flow	At 31 March 2005 £m
Cash at bank and in hand	0.3	4.2	4.5
Overdrafts	(0.7)	(14.4)	(15.1)
		(10.2)	
Finance leases	(2.2)	0.6	(1.6)
Loans	(4.4)	3.4	(1.0)
Net Debt	(7.0)	(6.2)	(13.2)

On the 31 March 2005, the Company paid prizes of £11.8m which decreased the reported Company cash balance. These amounts were reimbursed from the Operational Trust account on 1 April 2005.

d. Reconciliation of net cash flow to movement in net debt	2005 £m	2004 £m
Decrease in cash in the year	(10.2)	(29.7)
Cash outflow from decrease in debt and lease financing	0.6	0.6
Cash inflow from decrease in liquid resources	-	(10.0)
Change in net funds resulting from cash flows	(9.6)	(39.1)
Expiry of existing finance leases	0.2	0.1
New finance leases	(0.2)	(0.1)
Loan repayment / new loans	3.4	(4.4)
Movement in net debt in the year	(6.2)	(43.5)
Net (debt)/funds at 1 April	(7.0)	36.5
Net debt at 31 March	(13.2)	(7.0)

#### 14. Creditors: Amounts falling due within one year

	2005 £m	2004 £m
Bank loans and overdrafts	16.1	5.1
Trade creditors	25.0	24.2
Obligations under finance leases	1.1	0.7
Fixed asset creditors	1.2	1.2
Taxation and Social Security	6.6	7.4
Lottery duty	48.0	47.2
Amounts payable to the National Lottery Distribution Fund	6.7	9.7
Prize liability	93.7	97.1
Equalisation liability	9.7	4.3
Accruals and deferred income	33.2	30.0
Advance receipts for future draws	24.6	24.8
Proposed dividends	17.7	12.8
	283.6	264.5

Advance receipts for future draws represent the multidraw and subscription payments relating to future draws. The prize liability represents unclaimed prizes and at 31 March 2005, Camelot had transferred into the Operational Trust £101.0m to meet these liabilities (2004: £93.6m).

**Creditors: Amounts falling due after more than one year**

	<b>2005</b>	2004
	<b>£m</b>	£m
Obligations under finance leases payable within one to two years	<b>0.3</b>	<b>0.6</b>
Obligations under finance leases payable within two to five years	<b>0.2</b>	<b>0.9</b>
Accruals and deferred income due within one to two years	<b>1.9</b>	<b>10.4</b>
Accruals and deferred income due within two to five years	<b>3.7</b>	4.1
	<b>6.1</b>	16.0

At 31 March 2005 the Company had bank facilities totaling £80.0m (2004: £90.0m). The Company had one (2004: two) revolving credit facility totalling £30.0m (2004: £60.0m) secured by a floating charge. The £30.0m revolving credit facility commenced on 22 January 2004 and expires on 22 January 2007. There is an additional undrawn overdraft facility of £34.9m (2004: £29.3m) available to the Company. The overdraft facility is subject to annual review.

**15. Provisions for liabilities and charges**

	Dilapidations	Vacant Property	Decommissioning	Terminal	Restructuring	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2004	1.3	0.7	0.3	0.4	-	2.7
Profit and loss charge	0.2	0.2	-	0.1	2.7	3.2
Provision utilised	-	(0.4)	-	(0.1)	(0.5)	(1.0)
Release of provision	-	-	(0.3)	-	-	(0.3)
<b>At 31 March 2005</b>	<b>1.5</b>	<b>0.5</b>	<b>-</b>	<b>0.4</b>	<b>2.2</b>	<b>4.6</b>

There were no potential deferred tax liabilities that had not been provided for at 31 March 2005 (2004: nil).

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 agreements.

The vacant property provision is in respect of future rental and service charges of certain premises, held under operating leases, which were vacated during the year ended 31 March 2003.

The decommissioning provision which was released during the year was the current best estimate of the cost of making good certain retailer sites following the removal of network equipment (e.g. satellites and nodes) located on their premises.

The terminal provision comprises amounts in respect of lost or destroyed terminals and associated contractual costs.

The restructuring provision relates to future severance costs resulting from a number of internal restructurings that were announced during the course of the year.

<b>16. Share capital Authorised</b>	£m
<b>At 1 April 2004</b>	
100,000,000 ordinary shares of £1 each, divided into	
'A' shares 29,062,500	29.1
'B' shares 70,937,500	70.9
<b>At 31 March 2005</b>	<b>100.0</b>

<b>Allotted, called up and fully paid</b>	£m
<b>At 1 April 2004</b>	
38,750,000 ordinary shares in issue of £1 each, divided into	
'A' shares 29,062,500	29.1
'B' shares 9,687,500	9.7
<b>At 31 March 2005</b>	<b>38.8</b>

**Analysis of shareholding at 31 March 2005**

	Number of 'A' shares	Number of 'B' shares	Percentage Holding
Cadbury Schweppes plc	7,750,000	-	20
De La Rue Holdings plc	7,750,000	-	20
Fujitsu Services Limited	5,812,500	<b>1,937,500</b>	20
Royal Mail Enterprises Limited	-	<b>7,750,000</b>	20
Thales Electronics plc	7,750,000	-	20
	29,062,500	9,687,500	100

**Rights and Obligations**

**With regards to income:**

- (a) The holders of the 'A' shares shall be entitled as a class to the Relevant Profit for the First Licence period and the period of the interim licence, defined as:
  - (i) the Company's profits available for distribution calculated in respect of all periods ending on or before 31 January 2002, being the last day of the interim licence and determined by reference to interim accounts for the period ending on that day; and
  - (ii) any further amount referable to the period of the First Section 5 Licence and the period of the interim licence.
- (b) Subject to the above, income shall belong to and be distributed amongst the holders of all the 'A' and 'B' Ordinary Shares (pari passu as if the same constituted one class of share).

**With regards to 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 applied:

- (a) firstly in paying to the holders of 'A' shares pro rata between them a sum equal to any arrears of dividend calculated by reference to the Relevant Profit for the First Licence period and the period of the interim licence (as defined above);
- (b) secondly, in paying to the holders of 'A' shares pro rata between them a sum equal to that amount of the Relevant Profit for the First Licence period and the interim licence (as defined above) which has not already been distributed to them since the date of adoption of the articles of association of the Company;
- (c) and, subject thereto, any arrears of dividend and the balance of such assets shall belong to and be distributed amongst the holders of all the 'A' and 'B' ordinary shares (pari passu as if the same constituted one class of share).

**With regards to class consents:**

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

**With regards to voting and other rights:**

In respect of voting and all other rights (other than as provided for in article 5A of the Company's articles of association) the respective classes of all the 'A' and 'B' ordinary shares shall be pari passu as if the holders of all the 'A' and 'B' ordinary shares constituted one class of share.

**17. Reserves**

	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 April 2004	11.2	-	11.2
Retained profit for the year	-	-	-
<b>At 31 March 2005</b>	<b>11.2</b>	<b>-</b>	<b>11.2</b>

**18. Reconciliation of movements in equity shareholders' funds**

	2005 £m	2004 £m
Profit for the year	32.4	31.4
Dividends	(32.4)	(31.4)
Movement in equity shareholders' funds	-	-
Balance at 1 April	50.0	50.0
<b>At 31 March</b>	<b>50.0</b>	<b>50.0</b>

### 19. Financial commitments

Capital expenditure contracted for in the year but not yet incurred amounts to £1.7m (2004: £1.5m) and is all expected to be incurred within one year.

### 20. Contingent liabilities

Fixed and floating charges have been given on certain assets to the trustee and to The Royal Bank of Scotland plc. See note 14 for details.

### 21. Operating leases

	<b>2005 Land and Buildings £m</b>	<b>2005 Plant and Machinery £m</b>	2004 Land and Buildings £m	2004 Plant and Machinery £m
Payments to be made in the following year relating to annual operating lease commitments expiring:				
Within one year	<b>0.1</b>	-	-	-
Between two and five years	<b>2.5</b>	<b>23.5</b>	<b>1.0</b>	<b>21.9</b>
Greater than five years	-	-	1.9	-

### 22. Pension arrangements

The Company operates a defined contribution scheme. Employees who transferred from shareholder companies have continued to participate in their respective shareholder pension plans via an agreed deed of participation. All amounts payable under these schemes are charged to the profit and loss account as they fall due. The total amount charged in respect of pensions to the profit and loss account in 2005 was £2.1m (2004: £1.9m).

### 23. Contingent loan notes

Camelot entered into a contingent loan note arrangement during the course of 2001 with its shareholders. Camelot will issue loan notes to the shareholders in the event that equity shareholder funds fall below £50m and certain cash accounts fall below £25m. Camelot shareholders will subscribe in proportion to their aggregate of class 'A' and 'B' shares, an amount to bring either equity shareholders funds back to £50m or cash accounts back to £25m.

### 24. Related party transactions

Camelot has a number of contracts with its shareholders, their parent and/or their subsidiary companies. The main services provided during the year were:

<b>Fujitsu Services Limited</b>	Terminal maintenance Installation of terminals
<b>Royal Mail Enterprises Limited</b>	National Lottery retailer Distribution of advertising materials

The amounts included in the financial statements for the financial year ended 31 March 2005 (and 31 March 2004) excluding VAT are given below:

	<b>Year ended 31 March 2005</b>	<b>As at 31 March 2005</b>	Year ended 31 March 2004	As at 31 March 2004
	<b>Purchases of revenue items and stock £m</b>	<b>Amount due to related party £m</b>	Purchases of revenue items and stock £m	Amount due to related party £m
Fujitsu Services Limited	<b>4.8</b>	-	4.9	-
Royal Mail Enterprises Limited	<b>11.3</b>	<b>0.7</b>	9.0	-

Royal Mail Enterprises Limited in its capacity as a National Lottery retailer also earned sales and prize commissions of £38.1m (2004: £39.2m).

In addition, the following cash payments were made in respect of consortium taxation relief during the year:

	<b>2005 £m</b>	2004 £m
Cadbury Schweppes plc	<b>2.7</b>	2.7
De La Rue Holdings plc	<b>0.7</b>	4.2
Fujitsu Services Limited	<b>1.2</b>	1.1
Thales Electronics plc	<b>4.2</b>	2.1
Royal Mail Enterprises Limited	<b>2.6</b>	2.5
	<b>11.4</b>	12.6

In addition, a payment of £0.2m was received from De La Rue in respect of interest on a repayment to Camelot of consortium taxation relief.

Also, during the course of the year, Camelot entered into the following transactions with 'Services aux Lotteries en Europe SCRL' (SLE), a company incorporated in Belgium in which Camelot has a 26.6% stake. The purpose of SLE is to provide services to lotteries in Europe which participate in the EuroMillions game.

	<b>2005 £m</b>	2004 £m
Purchases	<b>0.6</b>	0.2
Amounts owed to SLE	-	-
Sales	<b>0.2</b>	0.1
Amounts owed by SLE	<b>0.1</b>	0.1

## **25. Subsidiary undertakings**

Camelot Group plc owns the entire equity share capital of the following dormant companies:

Camelot Lotteries Limited  
National Lottery Enterprises Limited  
CISL Ltd

These subsidiaries have share capital 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 228(2).

	Description of Standard	Target	Year End Actual
<b>General Matters</b>	Payments to Secretary of State	100.00%	100.00%
<b>Computer Systems</b>	Terminal sales availability	99.50%	100.00%
	Terminal validation availability	99.00%	99.96%
<b>Retailer matters</b>	Response to retailer selection request	95.00%	92.69%
	Response to retailer correspondence	95.00%	99.60%
<b>Player service</b>	Response to correspondence by National Lottery Line (NLL)	95.00%	99.73%
	General complaints by players	95.00%	98.87%
	<b>Access to NLL Voice Response System</b>		
	Wednesday (20.00-23.00)	90.00%	100.00%
	Saturday (20.00-23.00)	85.00%	100.00%
	All other times	97.00%	100.00%
	<b>Access to NLL Representative</b>		
	Friday (20.00-23.00)	80.00%	98.32%
	Saturday (20.00-23.00)	80.00%	89.13%
	All other times	90.00%	92.17%
	Failure to opt (FTO%)	<8%	5.11%
<b>Prize payment</b>	Prize claims made in person	92.50%	99.66%
<b>Normal claims</b>	Prize claims made by post	95.00%	99.01%
<b>Claims requiring investigation</b>	<b>Draw-based</b>		
	Resolution of lost, stolen or destroyed tickets	75.00%	80.60%
	Missing exchange	90.00%	95.98%
	Damaged tickets	95.00%	98.93%
	Previously validated	90.00%	93.46%
	<b>Scratchcards</b>		
	Damaged tickets	95.00%	100.00%
	Stolen tickets/packs	92.50%	99.80%
	Previously validated tickets	95.00%	98.37%
	Any other claims investigations	75.00%	98.97%



# Performance Standards – Interactive

	Description of Standard	Target	Year End Actual
<b>System availability</b>	Availability to play games	99.00%	97.52%
<b>Customer contact</b>	Voice contact with customer call centre	80.00%	83.68%
	Abandoned call to customer call centre	<5%	4.05%
	Customer contact via email	80.00%	90.55%
	Mail server performance	<1%	0.09%
	Response to letters	95.00%	100.00%
	Contact resolution (enquiries)	80.00%	98.66%
	Acknowledgement of complaints received in writing	95.00%	100.00%
	Effectiveness of complaint resolution	75.00%	96.34%
	Complaint resolution	90.00%	97.09%
<b>Prize payout</b>	Prizes paid to wallets	100.00%	100.00%
	Prizes paid to bank accounts	99.00%	100.00%
	Prizes payable by cheque	95.00%	100.00%
<b>Resolution of financial disputes</b>	Resolution of disputed prize claims	95.00%	100.00%
	Resolution of financial disputes	75.00%	100.00%

48

# Distributors of National Lottery funding

**Good Causes**  
Good Causes  
Information Line  
0845 275 0000

**Good Causes Website**  
[www.lotterygoodcauses.org.uk](http://www.lotterygoodcauses.org.uk)

**Charities, Health,  
Education and  
Environment  
Big Lottery Fund**  
1 Plough Place,  
London EC4A 1DE  
020 7211 1800

**Sports  
UK Sport**  
40 Bernard Street  
London WC1N 1ST  
020 7211 5100

**Sport England**  
3rd Floor  
Victoria House  
Bloomsbury Square  
London WC1B 4SE  
0845 850 8508

**sportscotland**  
Caledonia House  
No 1 Redheughs Rigg  
South Gyle  
Edinburgh EH12 9DQ  
0131 317 7200

**Sports Council for  
Northern Ireland**  
House of Sport  
2a Upper Malone Road  
Belfast BT9 5LA  
028 9038 1222

**Sports Council  
for Wales**  
Sophia Gardens  
Cardiff CF11 9SW  
029 2030 0500

**Arts  
Arts Council England**  
14 Great Peter Street  
London SW1P 3NQ  
0845 300 6200

**Scottish Arts Council**  
12 Manor Place  
Edinburgh EH3 7DD  
0131 226 6051

**Arts Council of  
Northern Ireland**  
MacNeice House  
77 Malone Road  
Belfast BT9 6AQ  
028 9038 5200

**Arts Council of Wales**  
9 Museum Place  
Cardiff CF10 3NX  
029 2037 6500

**Film Council**  
10 Little Portland Street  
London W1W 7JG  
020 7861 7861

**Scottish Screen**  
249 West George Street  
Glasgow G2 4QE  
0141 302 1700

**Heritage  
Heritage Lottery Fund**  
7 Holbein Place  
London SW1W 8NR  
020 7591 6000

**Millennium  
Millennium  
Commission**  
1 Plough Place  
London EC4A 1DE  
020 7880 2001

**Other organisations  
distributing  
lottery funding  
Awards for All**  
Ground Floor  
St Nicholas Court  
25-27 Castle Gate  
Nottingham NG1 7AR  
0115 934 9304

**The National  
Endowment for  
Science, Technology  
and the Arts (NESTA)**  
Fishmongers' Chambers  
110 Upper Thames Street  
London EC4R 3TW  
020 7645 9500

**National Foundation  
for Youth Music**  
1 America Street  
London SE1 ONE  
020 7902 1060

# Company Addresses

## Camelot Group plc

### Camelot Group plc

Head Office  
Magdalen House  
Tolpits Lane  
Watford WD18 9RN  
01923 425 000  
[www.national-lottery.co.uk](http://www.national-lottery.co.uk)  
[www.camelotgroup.co.uk](http://www.camelotgroup.co.uk)

### National Lottery Line

Avalon House  
Tolpits Lane  
Watford WD18 9RN  
0845 910 0000

### Aintree Sales Contact Centre

Units 2A & 2B  
Olympic Way  
Sefton Business Park  
Aintree  
Liverpool L30 1RD  
0845 966 6768 (Telesales)  
0845 912 5000  
(Subscription telephone sales)

### Press Office

Burleigh House  
357 The Strand  
London WC2R 0HS  
020 7632 5711

### Policy and Public Affairs Unit

Burleigh House  
357 The Strand  
London WC2R 0HS  
020 7632 5700

### Retailer enquiries

Retailer Hotline  
0800 064 9649

### Player enquiries

National Lottery Line  
0845 910 0000  
0845 910 0045  
Minicom facility

### National Lottery Subscriptions

0845 912 5000

### Under-16s sales prevention

Hotline 0870 160 0016

### Social Report feedback

Social Responsibility Manager  
Camelot Group plc  
Tolpits Lane  
Watford WD18 9RN

### Regional Centres Belfast

Lombard House  
10-20 Lombard Street  
Belfast BT1 1RD  
028 9023 9063

### Cardiff

Willow Court  
The Orchards  
Ty-glas Avenue  
Llanishen  
Cardiff CF14 5DZ  
029 2068 9625

### Glasgow

Locard House  
Linnet Way  
Strathclyde Business Park  
Bellshill ML4 3RA  
01698 845 666

### Liverpool

Units 3B  
Olympic Way  
Sefton Business Park  
Aintree  
Liverpool L30 1RD  
0151 236 1796

### Registered office

Tolpits Lane  
Watford WD18 9RN

### Registered in England and Wales

No 2822203

### Auditors

PricewaterhouseCoopers LLP

### Bankers

The Royal Bank  
of Scotland plc

### Financial Advisors

SBC Warburg  
A division of  
Swiss Bank Corporation

### Other addresses

The Camelot  
Foundation  
11-13 Lower Grosvenor Place  
London SW1W 0EX  
0207 828 6085  
[www.camelotfoundation.org.uk](http://www.camelotfoundation.org.uk)

### National Lottery Promotions Unit

1 Plough Place  
London EC4A 1DE  
0207 7211 3991

### National Lottery Commission

101 Wigmore Street  
London W1U 1QU  
0207 016 3400  
[www.natlotcomm.gov.uk](http://www.natlotcomm.gov.uk)

### Department for Culture, Media & Sport

The National Lottery  
Licensing Division  
2-4 Cockspur Street  
London SW1Y 5DH  
0207 211 6200  
[www.culture.gov.uk](http://www.culture.gov.uk)

**Camelot Group plc**  
Head Office  
Camelot Group plc  
Magdalen House  
Tolpits Lane  
Watford WD18 9RN  
01923 425 000  
[www.national-lottery.co.uk](http://www.national-lottery.co.uk)  
[www.camelotgroup.co.uk](http://www.camelotgroup.co.uk)