



Camelot UK Lotteries Limited

Chairman's & Chief Executive's statements for the year ended 31 March 2014

Company Number: 02822203

About Camelot

Camelot UK Lotteries Limited (Camelot) is the operator of the UK National Lottery and aims to serve nations' dreams across the globe, while maintaining a flourishing UK National Lottery at its heart.

Camelot's overarching objective is to maximise returns to National Lottery Good Causes through selling lottery products in an 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. As a profit-making Group, Camelot also aims to maximise returns to its shareholder.

Camelot's partners

As the operator of The National Lottery, Camelot's role is critical to the lottery's success. Other bodies, however, also play a key role:

- the Government, empowered by the National Lottery Act etc 1993 (as amended), through the Department for Culture, Media and Sport;
- the Gambling Commission (formerly the National Lottery Commission) which, after a competition against an Invitation to Tender, awards the operating Licence to run The National Lottery. It is also responsible for regulating The National Lottery;
- the 12 lottery distribution bodies which decide which beneficiaries should receive lottery funding.

Licence facts

In May 1994, the National Lottery Commission (NLC) awarded Camelot a seven-year Licence to run The National Lottery and, on 14 November 1994, the first draw-based tickets went on sale. In December 2000, Camelot was awarded the second seven-year Licence, which commenced on 27 January 2002 and expired on 31 January 2009. In August 2007, Camelot was awarded a third Licence to operate The National Lottery, which started on 1 February 2009 and was due to run to 2019. However, in March 2012, Camelot's Licence was extended by four years, to 2023, following the NLC's agreement to Camelot's proposal to deliver around £1.7 billion in additional lottery funding to society.

Chairman's Statement



As Chairman of Camelot, I am once again pleased that the company, now in its 20th year of operation, continues to deliver on The National Lottery's promise to be truly life-changing – both for the thousands of people who have won a life-changing prize on a National Lottery game and for the countless projects that receive a share of the £33 million that is raised each and every week for National Lottery Good Causes.

In the year ending 31 March 2014, Camelot raised £1,751.1 million¹ for these Good Cause projects – an impressive figure in light of the continuing economic difficulties. This means that, at the time of writing, Camelot has delivered over £31 billion in vital lottery funding since the introduction of The National Lottery for that very purpose in 1994.

The 2013/14 financial year also saw Camelot achieve its second-highest ever sales. This was a great achievement considering that sales in 2012/13 were helped to an all-time high by an unprecedented set of circumstances that saw a one-off, record-breaking EuroMillions draw on the night of the Opening Ceremony for the London 2012 Olympic and Paralympic Games, and three exceptional, extended roll series on the EuroMillions game.

Last year also saw the launch of the new Lotto game in October – the first changes to The National Lottery's flagship game in almost 20 years. This resulted in a very strong second six months of the financial year. After years of steady sales decline – and therefore diminishing returns to the Good Causes – I am pleased to report that Lotto is back in year-on-year growth and delivering more money for National Lottery-funded projects. These changes were years in the making – and their immediate and continued success is testament to the hard work of the entire Camelot team.

Last year's performance once again underlines the effectiveness of Camelot's ongoing focus on innovation and diversification – an approach that has continued into the new financial year with the recent launch of a brand new web and mobile platform which will transform the way people play National Lottery games. At the same time, Camelot has ensured that social responsibility remains at the heart of everything it does. This report reinforces that continuing commitment to responsible operation – and provides clear evidence of the company's second-best ever sales performance.

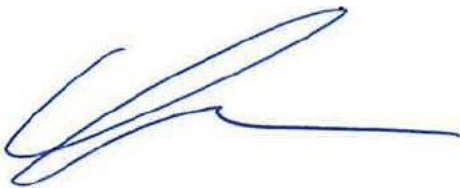
In July 2014, the Culture, Media and Sport Select Committee announced that it would be launching a short inquiry into society lotteries. This was a welcome development, given that the Department for Culture, Media and Sport's proposed consultation on the minimum returns that society lotteries should give to their chosen beneficiaries has not yet come to fruition, despite being announced in 2012. As we have said all along, we believe that the

Government is right to explore different ways of ensuring that all lotteries deliver the maximum benefit to their beneficiaries. We therefore look forward to participating fully in the forthcoming inquiry.

On a final note, and as announced in April, Dianne Thompson, Camelot's Group Chief Executive, has decided to retire in October after 14 years as Group CEO and 17 years with the company. During this time, she has led the company to become one of the world's most successful lottery operators, fought and won two licence competitions, secured a four-year extension to the current licence to 2023, raised billions of pounds for National Lottery projects, and helped to make a truly life-changing difference to people and communities across the UK.

Dianne will be leaving the business in the very capable hands of Andy Duncan (who will become CEO of the UK business) and Nigel Railton (who will become CEO of the global business), and she will truly leave a lasting legacy, with the group in the best possible position to build on her achievements. On behalf of the Board, I would once again like to thank Dianne for her dedication, drive and unrivalled business acumen over the past 14 years.

I would also like to congratulate the team at Camelot for 20 remarkable years and wish them all the best for another ambitious year ahead, full of exciting plans to continue making a life-changing difference for National Lottery players and UK society alike.



Lee Sienna
Chairman, Camelot Group of Companies
18 September 2014

¹ Figures do not include investment returns on National Lottery balances which are reported separately.

Chief Executive's Review



This review of the year is very important to me for two reasons. Firstly, because I am writing it as we approach the historic 20th anniversary of The National Lottery; and, secondly, because it will be my final review as Group Chief Executive of Camelot. Both of these occasions provide the opportunity to pause and reflect not only on the last year, but also on the life-changing difference The National Lottery has made to the fabric of life in the UK over the last 20 years.

Since its launch in 1994, The National Lottery has truly become a part of everyday life in the UK. Its crossed fingers logo is recognisable to 95% of the population and around 70% of adults now play one or more of its games. For the majority of people, it is all about the chance of winning – and we have paid out a massive £52 billion in prize money to date. However, The National Lottery's overarching purpose is to deliver money for Good Cause projects, so our players should be hugely proud of the fact that, at the time of writing, they have now raised over £31 billion in National Lottery funding. This huge amount of money has been used to fund more than 430,000 individual awards across the UK – an average of 138 lottery grants for every postcode district.

Camelot has been the sole operator of The National Lottery since its launch and, having been with the company for 17 years and led it for the last 14, I can tell you that it really has surpassed all expectations. When The National Lottery was originally proposed, it was predicted that, once fully developed, it could raise up to £1 billion a year for Good Cause projects. However, 20 years on, we have delivered an amazing £12 billion over and above that initial prediction.

Recording our second-highest ever sales of £6,730.9 million in 2013/14 – in a year in which we did not have the feel-good factor of London 2012 and had far less EuroMillions Rollover luck – was an excellent achievement. Sales very nearly matched the exceptional figure of £6,977.9 million set in Olympics year, and almost certainly would have done so had there been a repeat of the phenomenal, one-off sales boosts that the EuroMillions game enjoyed from London 2012 and three extended roll series in 2012/13.

This meant that, in the year ending 31 March 2014, Camelot raised £1,751.1 million¹ – more than £33 million each and every week and almost £70 per UK household – for National Lottery-funded projects and paid out £3,636.6 million in prizes to players. Both achievements clearly show that we are continuing to fulfil The National Lottery's promise to be truly life-changing.

Sales in 2013/14 were buoyed by a very strong second six months as a result of the changes we made to reinvigorate our flagship game, Lotto. These changes were designed to reverse the long-term sales decline that Lotto had been experiencing, so I am delighted to

be able to confirm that the launch of the new game has seen it back in year-on-year growth – which, of course, also means that money for Good Cause projects has increased.

As well as strong growth in Lotto, Camelot succeeded in growing sales of instant play games to a record £2,141.1 million in 2013/14, an increase of 3.8% on the year before. This was driven by the launch of 73 exciting new Scratchcards and online Instant Win games offering a range of different play-styles and price points – with even higher prize payouts.

Building on this success in our Instants category, in January this year, we announced the rollout of 10,000 standalone Scratchcard terminals. These terminals are in addition to our 37,000 full National Lottery terminals and will enable us to satisfy untapped demand specifically for Scratchcards and, as a result, help us deliver millions of pounds in additional funding to Good Cause projects each year. Accounting for 83% of all sales, retail remains our largest sales channel. Our retail partners have been crucial to The National Lottery's success over the last 20 years and will play an equally key role in the next 20. It is vitally important, therefore, that we continue to identify and capitalise on viable opportunities within this all-important sector.

We are also pursuing an ongoing programme of digital transformation across all channels to ensure that The National Lottery continues to adapt and thrive in an ever-changing digital landscape and in the face of ever-increasing competition. Most recently, this has seen us launch an entirely new online platform which is revolutionising the way players interact with our games across all devices – especially on mobiles where, for the very first time, players are now able to play our Instant Win Games.

Initiatives such as these form part of Camelot's strategy for long-term, responsible growth – an approach based on offering players an enhanced and regularly-refreshed range of games, and focusing on innovation to better reflect people's changing lifestyles and shopping habits. The effectiveness of this strategy is underlined by the fact that we have grown total National Lottery sales by over 45% in the last decade, but have done so in a socially-responsible way. The UK National Lottery is ranked just 53rd in the world in terms of per capita spend, despite being the sixth largest lottery in the world in terms of sales – clear evidence of the success of our approach of encouraging lots of people to play but to individually spend relatively small amounts.

We have also continued to demonstrate our commitment to being a leading social business – in both social and environmental terms. In addition to our well-established, award-winning responsible play strategy, Camelot recently became the first lottery in the world to be awarded the Carbon Trust Standard. The certification recognises our ongoing achievements in reducing greenhouse gas emissions year on year, as a result of improvements we have made in energy efficiency and to our transport fleet. Further details on our work in this area, including our current social responsibility report, can be found on our dedicated corporate responsibility website: www.playingourpart.com.

I am therefore fully confident that I am leaving the company in the strongest possible position for the future – with a vibrant and flourishing UK National Lottery remaining at its heart. In my successors, Andy Duncan, who will be leading the UK business, and Nigel Railton, who will be heading up the Global Team – and backed by the continued long-term support of our Chairman, Lee Sienna, and our owner, the Ontario Teachers' Pension Plan – I leave the group in very talented, experienced and committed hands. Under their leadership, I know that the business – soon to be two businesses – will continue to thrive.

I have always said that running Camelot has been my dream job, and I will look back over the last 17 years with great fondness and pride. I feel privileged to have worked with such

hardworking and passionate colleagues, who have always put National Lottery players – and the Good Cause projects we ultimately support – at the heart of everything we do. My sincere and heartfelt thanks go to these colleagues, as well as to the Board and Chairman for their continued guidance and backing.

Through the energy, passion and creative drive of the whole Camelot team, we have grown sales, and therefore revenues for National Lottery-funded projects, over the long term. I have no doubt that

this will endure, with The National Lottery continuing to deliver on its promise to be truly life-changing – for players, the Good Causes and UK society as a whole for the next 20 years and beyond.

A handwritten signature in black ink that reads "Dianne Thompson". The signature is written in a cursive, flowing style.

Dianne Thompson CBE

Chief Executive, Camelot Group of Companies

18 September 2014

¹ Figures do not include investment returns on National Lottery balances which are reported separately.