



Camelot UK Lotteries Limited

Chairman's & Chief Executive's statements for the year ended 31 March 2015

Company Number: 02822203

About Camelot

Camelot UK Lotteries Limited (Camelot) is the operator of the UK National Lottery. Its 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 Company, 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 delighted to report that the company continues to achieve an unparalleled track record in innovation and long-term, responsible growth. It does this by putting National Lottery players first and through offering a truly integrated multi-channel experience. This has led Camelot to continue to deliver on The National Lottery's promise to be truly life changing – not only for the thousands of people who have won a life-changing prize on a National Lottery game, but also for the countless projects that receive a share of the £34 million, on average, that is raised each and every week for National Lottery Good Cause projects.

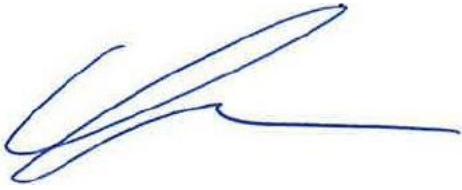
In the year ending 31 March 2015, Camelot achieved record annual ticket sales, exceeding £7 billion for the first time. During this year, National Lottery projects and players shared a record-breaking £5.7 billion – which means that, at the time of writing, Camelot has delivered over £33 billion in much-needed funding for Good Cause projects and over £55 billion to players in the form of prize money.

Alongside this phenomenal growth, Camelot has ensured that social responsibility remains at the heart of everything it does. Despite being the sixth largest lottery in the world in terms of sales, the UK National Lottery is ranked at just 51st in the world in terms of per capita spend – clear evidence of the success of the company's strategy to encourage lots of people to play but to only spend relatively small amounts.

In March 2015, the Culture, Media and Sport Select Committee published its report following its inquiry into society lotteries. We very much welcomed the Committee's support for The National Lottery and its recognition of the effectiveness of the single-operator model on which it is based. We were also pleased that the Committee recognised the importance of maintaining the clear distinction between The National Lottery and society lotteries in general, as well as the growing threat posed to the lotteries sector as a whole by encroachment from gambling operators, including the confusion caused by betting on lotteries. That said, we remain concerned, and still strongly believe in, the need for more rigorous regulations to be applied to larger, umbrella-style lotteries, which return significantly less to society, while seemingly retaining a disproportionate percentage of revenue in operating costs – and we look forward to engaging with the government and Gambling Commission in their further investigations in this area.

And finally, in October 2014, Dianne Thompson retired after 14 years as CEO and 17 years with the company – leaving Camelot UK in the very capable hands of Andy Duncan. I would like to extend my sincere thanks to him, as well as the wider Camelot team, for another outstanding year. I would also like to take the opportunity to wish everyone at Camelot all the

best for the next 12 months as they look to build on The National Lottery's life-changing achievements to date.

A handwritten signature in blue ink, consisting of several fluid, overlapping strokes that form a stylized representation of the name 'Lee Sienna'.

Lee Sienna
Chairman, Camelot Group of Companies
25 June 2015

Chief Executive's Review



In my first year as CEO of Camelot – and in the year we celebrated 20 years of The National Lottery – I am extremely pleased to be able to report on a record performance, in which we grew sales to an all-time high and delivered record combined returns to National Lottery Good Causes and prizes to winners.

During the year ending 31 March 2015, total National Lottery sales increased by 8.1%, taking total sales to £7,277 million – the first time we have surpassed the £7 billion mark. Over the same period, National Lottery Good Causes and players shared a record-breaking £5,712 million.

This breaks down as £1,796 million (excluding investment returns) for Good Cause projects – which means that, at the time of writing, over £33 billion in National Lottery funding has enabled more than 450,000 awards to be made across the UK. This equates to an average of 144 grants for every postcode district – ranging from large-scale legacy projects like London 2012 to small community grants for local parks. Prize money to players totalled £4,043 million – taking the total paid out to date to over £55 billion and the total number of lottery millionaires to more than 3,800.

I am delighted to be able to report that much of the success over the year was down to strong sales of The National Lottery's flagship game, Lotto. Lotto had been in decline for many years before we took the bold decision in 2013 to re-launch it, and the decision has clearly paid off – as the game has now delivered over £250 million more to National Lottery Good Causes than if we had left the game alone.

The record year was also achieved by our success in growing sales of instant play games to an all-time high of £2,628 million, an impressive 22.8% increase on the previous year. This was driven by the launch of over 70 innovative new Scratchcards and online Instant Win games, higher prize payouts and the completion of the company's roll-out of around 10,000 standalone terminals to satisfy untapped demand for National Lottery Scratchcards.

This is all part of our 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 – which has seen total National Lottery sales grow by over 52% in the last decade. So, while retail continues to be the largest National Lottery sales channel – accounting for over 80% of sales – work to transform our digital offering has been many years in the making, and last year saw a key landmark for us with the successful launch of a major new online and mobile platform.

Our work in this area saw total interactive and subscription sales grow to an all-time high of £1,340 million in 2014/15, a 13.9% increase on 2013/14. Our new interactive platform resulted in sales through smartphones and tablets soaring by over 60% on the corresponding period last year, meaning that they now account for 36% of all interactive sales. For the first time ever, National Lottery players can play online Instant Win Games on their mobile – and a third of all sales of these games now come through this channel.

We have a number of exciting initiatives in the pipeline which will ensure that we build on this year's exceptional performance. Earlier this year, we announced a new brand identity for The National Lottery and its games. As part of this, The National Lottery's online Instant Win Games and Scratchcards have been brought together under the umbrella brand 'GameStore' across both digital and retail channels. And we've recently announced, as part of our focus in providing our players with a compelling brand, we will be making further changes to our Lotto game, which will offer players fresh, exciting and enticing prizes – with even more chances to become a millionaire than ever before.

It is also worth reiterating that social responsibility lies at the heart of what we do. Although we have once again celebrated a record year, Camelot is internationally recognised for selling lottery tickets in a socially-responsible way – and it is important to us that this remains the case.

Following Dianne Thompson's departure in October last year after 14 hugely successful years as CEO, I am confident that – with the continued long-term support of the Board, our Chairman, Lee Sienna, and our owner, the Ontario Teachers' Pension Plan – we will continue to deliver even more for winners and society in the years ahead. My thanks therefore go to them for their guidance and backing during my first year at the helm – as well as to my colleagues at Camelot who have put in so much hard work to produce this year's great results.

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

Andy Duncan
Chief Executive, Camelot UK Lotteries Limited
25 June 2015