STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

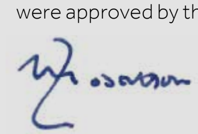
	Note	2021 £m	2020 £m
Gross ticket sales	3	8,373.9	7,905.1
Lottery Duty		(1,004.9)	(948.6)
Prizes		(4,854.7)	(4,505.0)
National Lottery Distribution Funds		(1,786.8)	(1,730.0)
Net income		727.5	721.5
Retailers' and other commission		(285.0)	(312.7)
Gaming systems and data communication costs		(125.6)	(126.2)
Gross profit		316.9	282.6
Administrative expenses		(228.8)	(190.8)
Other operating income		6.8	3.9
Operating profit	4	94.9	95.7
Finance income	6	3.4	3.7
Finance costs	6	(3.1)	(4.4)
Profit before income tax		95.2	95.0
Income tax	7	(17.1)	(16.9)
Profit for the financial year and total comprehensive income attributable to owners of the Company after tax		78.1	78.1

The results detailed above are all derived from continuing operations.
The notes on pages 212 to 240 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 MARCH 2021

	Note	2021 £m	2020 £m
ASSETS			
Non-current assets			
Intangible assets	9	40.2	43.5
Property, plant and equipment	10	19.3	31.3
Right-of-use assets	11	23.3	35.8
Deferred taxation	19	10.2	8.0
Trade and other receivables	13	36.8	36.9
		129.8	155.5
Current assets			
Inventories	12	1.4	1.7
Trade and other receivables	13	574.2	537.7
Current income tax receivable		-	0.1
Cash and cash equivalents	14	185.2	181.4
		760.8	720.9
Total assets		890.6	876.4
LIABILITIES			
Non-current liabilities			
Financial liabilities	17	10.5	21.5
Trade and other payables	18	2.5	0.3
Provisions for liabilities and other charges	20	17.8	21.5
		30.8	43.3
Current liabilities			
Financial liabilities	17	11.3	47.7
Trade and other payables	18	762.0	732.9
Current income tax liability		1.9	-
Provisions for liabilities and other charges	20	6.6	5.2
		781.8	785.8
Total liabilities		812.6	829.1
EQUITY			
Capital and reserves			
Share capital	21	0.0	0.0
Retained earnings	22	78.0	47.3
Total equity		78.0	47.3
Total equity and liabilities		890.6	876.4

The notes on pages 212 to 240 are an integral part of these financial statements.
The financial statements on pages 208 to 211, including the accompanying notes, were approved by the Board of Directors on 24 June 2021 and were signed on its behalf by:



Sir Hugh Robertson KCMG PC DL
Chairman

Camelot UK Lotteries Limited
Company Number: 02822203

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Note	Share capital £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2019		**0.0**	**49.4**	**49.4**
Comprehensive income				
Profit for the financial year		-	78.1	78.1
Total Comprehensive Income		**-**	**78.1**	**78.1**
Transactions with owners				
Dividends paid	8	-	(80.2)	(80.2)
Total transactions with owners		**-**	**(80.2)**	**(80.2)**
Balance as at 31 March 2020		**0.0**	**47.3**	**47.3**
Comprehensive income				
Profit for the financial year		-	78.1	78.1
Total Comprehensive Income		**-**	**78.1**	**78.1**
Transactions with owners				
Dividends paid	8	-	(47.4)	(47.4)
Total transactions with owners		**-**	**(47.4)**	**(47.4)**
Balance as at 31 March 2021		**0.0**	**78.0**	**78.0**

At 31 March 2021, the Company has £1,000 of ordinary 'A' class share capital (2020: £1,000) and £10 of preference 'C' class share capital (2020: £10), as disclosed in note 21 to these financial statements.

The notes on pages 212 to 240 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 Total £m	2020 Total £m
Cash flows from operating activities			
Cash generated from operations	23	**137.3**	198.7
Interest received		**3.4**	3.7
Interest paid		**(3.1)**	(4.4)
Income tax paid		**(14.0)**	(20.6)
Group relief payments		**(8.7)**	(3.9)
Net cash from operating activities		**114.9**	**173.5**
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(2.3)**	(2.0)
Expenditure on intangible assets		**(13.9)**	(13.7)
Net cash used in investing activities		**(16.2)**	**(15.7)**
Cash flows used in financing activities			
Dividends paid to shareholders – interim		**(47.4)**	(80.2)
Revolving credit facility (repayment)/drawdown		**(35.0)**	35.0
Principal lease payments		**(12.5)**	(16.8)
Net cash used in financing activities		**(94.9)**	**(62.0)**
Net increase in cash, cash equivalents and bank overdrafts		**3.8**	**95.8**
Cash, cash equivalents and bank overdrafts at the beginning of the year		**181.4**	85.6
Cash, cash equivalents and bank overdrafts at the end of the year	14	**185.2**	**181.4**

The notes on pages 212 to 240 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

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

Its immediate parent is Premier Lotteries UK Limited (PLUK), a subsidiary of Premier Lotteries Capital UK Limited (PLCUK), itself a subsidiary of Premier Lotteries Investments UK Limited (PLIUK). PLUK is the parent undertaking of the smallest group to consolidate these financial statements reporting under international accounting standards in conformity with the requirements of the Companies Act 2006. PLIUK is the parent undertaking of the largest group to consolidate these financial statements reporting under international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements of PLUK and PLIUK are available from Magdalen House, Tolpits Lane, Watford, Hertfordshire, United Kingdom, WD18 9RN.

The Company's ultimate parent undertaking and controlling party is Ontario Teachers' Pension Plan (Teachers'), headquartered in Canada. The financial statements of Teachers' are publicly available at www.otpp.com. The Company maintains close links with Teachers', which has representatives on the Board and also have direct lines of access to the Chairman, the Chief Executive, the independent non-executive directors and the Company Secretary.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements for the year ended 31 March 2021 are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with both international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For more information on how the directors have assessed viability, refer to the Viability Assessment section in the Directors Report on page 182. The Company, therefore, continues to adopt the going concern basis in preparing its financial statements. Further information on the Company's financial risk management is given in note 16.

The Company's accounting policies were selected by management considering all applicable international accounting standards as at 31 March 2021.

i) Adoption of new and revised standards in the year:

There were no new accounting standards, or amendments to accounting standards that are effective for the year ended 31 March 2021, having a material impact on the Company.

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

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2021. The Company has not early-adopted any standard, amendment or interpretation in the year. The directors are currently evaluating the impact of these new standards on the financial statements but their adoption is not expected to have a material impact on the annual financial statements, and they will be planned for adoption in line with when they are effective.

2. Summary of Significant Accounting Policies (continued)

a) Basis of preparation (continued)

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

The new standards, amendments and interpretations are:

Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities (effective for 31 March 2022 year end).

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform – Phase 2' (effective for 31 March 2022 year end).

b) Critical Accounting Judgements and Estimates

The preparation of financial statements in conformity with applicable international accounting standards requires the use of certain critical accounting assumptions, and it also requires management to exercise its judgement and to make estimates in the process of applying the Company's accounting policies. The areas requiring a higher degree of judgement, or areas where assumptions and estimates are significant to the financial statements, are discussed below and in the provisions section in note 2(s).

Judgements

The Directors have concluded that no critical judgements, apart from those involving estimates (which are dealt with separately below), have been made in the process of applying the Company's accounting policies.

Estimates

Long-term incentive plans
Provisions are made for the Company's long-term incentive plan (bonus scheme for senior management) (LTIP) in line with the Company's performance criteria when the Company has a present legal or constructive obligation to incur this cost. The provision at 31 March 2021 is £9.9m (2020:£12.4m). This provision would be £3.5m higher as at 31 March 2021 if all upside targets were considered achievable and no employees in the scheme left the Company during the performance period. A new scheme linked to the outcome of a successful bid for the fourth licence to operate The National Lottery was issued to certain employees during 2020. In accordance with the relevant accounting standards, no provision for this scheme has been raised in the year, given the inherent uncertainty around whether the Company will be successful in its bid.

Climate Change
Climate change is a global challenge and an emerging risk to businesses, people and the environment across the world. The Company has a role to play in limiting warming by improving its energy management, reducing its carbon emissions and working with its suppliers to reduce the impact of the goods and services that they provide. In the Company's view, climate change doesn't represent a material estimation uncertainty. For further details, see the "Environmental Impact" section on pages 137 to 139.

c) Segmental reporting

The Company does not publicly trade its equity or debt securities and is not in the process of issuing equity or debt securities in public securities markets. The Company is, therefore, outside the scope of IFRS 8 'Operating Segments' and, as such, has not presented operating segment disclosures.

d) Gross ticket sales

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of Significant Accounting Policies (continued)

e) Lottery duty

Lottery duty is 12% of gross ticket sales.

f) Prizes

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

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

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

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

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

g) National Lottery Distribution Fund

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

Amounts charged to the Statement of Comprehensive Income represent:

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

h) Net Income

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

All income is derived from and originates in the United Kingdom and the Isle of Man. The presentation of net income is consistent with common practice within the gaming industry and is accounted for under IFRS 9 Financial Instruments. The Company reports the gains and losses on gaming activities as Net Income. Gross ticket sales comprise the wagers placed across the portfolio of games. Once the game takes place and the outcome is known, Net Income is recognised as gross ticket sales net of Lottery Duty, prize costs and amounts due to the National Lottery Distribution Fund.

i) Retailers' and Other Commissions

The commission rate paid for Scratchcard sales is 6% and 5% for draw-based games. In addition, retailers receive 1% commission for prizes paid out above £10 for Scratchcards and £30 for draw-based games, both up to and including £500. The Post Office is able to validate prizes between £500 and £50,000, for which it continues to receive an annual payment.

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

- retailers based on sales and in-store prize payments to date;
- our agent in respect of fees paid for the processing of debit card payments which arise when players load or unload money to and from their interactive wallet to enable them to participate in The National Lottery using the interactive channel; and
- other sales-related commissions.

j) Gaming Systems, Data Communication Costs and Administrative Expenses

All gaming systems, data communication costs and administrative expenses are recorded on the Company's Statement of Comprehensive Income as expenses in the year when they were incurred on an accruals basis.

2. Summary of Significant Accounting Policies (continued)

k) Other Operating Income

Other operating income primarily comprises an operating fee receivable from retailers who lease terminals in the estate and income from insurance claims.

Income is only recognised to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured. The operating fee income is recognised on a straight-line basis over the term of the operating lease in line with the Company meeting its performance obligations.

l) Intangible Assets

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

Internally generated intangible assets
Costs relating to the development of software and The National Lottery website, including design and content development, are capitalised as intangible assets only when the future economic benefits expected to arise are deemed probable and the costs can be reliably measured. Development costs not meeting these criteria are expensed in the Statement of Comprehensive Income as incurred.

Capitalised development costs are amortised on a straight-line basis over the period gaining economic benefit from the expenditure once the related product is available for use. Research costs are charged to the Statement of Comprehensive Income as incurred. Interactive development costs that relate to channels other than the website are also capitalised on the same basis. Assets under construction are not amortised until they are brought into use. Amortisation is usually over either four years or to the end of the original third licence extension which ran to January 2023. Management have considered the impact of extending the amortisation period to the end of the new third licence extension date of July 2023 and have concluded that the impact would not be material to the financial statements.

Separately acquired intangible assets
Intangible assets purchased separately, such as software licences that do not form an integral part of related hardware, are capitalised as intangible assets at cost and amortised over their useful economic life. Costs associated with maintaining software are charged to the Statement of Comprehensive Income as incurred.

Amortisation is provided on all intangible assets at such rates as to write off the cost of these assets in equal instalments, either over their expected useful lives or the remaining original third operating licence period throughout which benefit is anticipated to be derived from the asset. The original third operating licence extension ran to January 2023. Management have considered the impact of extending the amortisation period to the end of the new third licence extension date of July 2023 and have concluded that the impact would not be material to the financial statements.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of Significant Accounting Policies (continued)

m) Property, Plant and Equipment

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

Depreciation is provided on all property, plant and equipment on a straight-line basis to write off the cost of these assets in equal instalments, either over their expected useful lives or the original third licence extension period which ran to January 2023 and has been applied prospectively. Management have considered the impact of extending the depreciation period to the end of the new third licence extension date of July 2023 and have concluded that the impact would not be material to the financial statements.

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

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

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

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

Fixtures and fittings – the shorter of five years and the period to the end of the original third operating licence extension.

Media screens – the shorter of three years and the period to the end of the original third operating licence extension.

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

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

Other plant and equipment – between two and five years, or planned replacement date or the period to the end of the original third operating licence extension.

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

n) Leases and Right-of-Use Assets

At the beginning of an arrangement, the Company assesses whether it is or contains a lease. An agreement is or contains a lease if it transfers the right to control the use of an asset identified by a period of time in exchange for consideration. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company once again assesses if an agreement is or contains a lease only if the terms and conditions of the agreement change.

For an agreement that contains a lease component and one or more additional lease components or other components that are not leases, the Company will distribute the consideration for the agreement to each component of the lease based on the independent relative price of the lease component.

This is based on the price that a lessor or a similar supplier would charge an entity separately for this component or one that is similar and uses observable information and the contractual terms of the agreement.

The Company has opted not to apply the subsequent recognition and measurement requirements indicated in IFRS 16 to short-term leases and those in which the underlying asset has a low value, recognising the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

Initial recognition
At the commencement date, the Company recognises a right-of-use asset and a lease liability.

The right-of-use asset is measured at cost which includes:

(a) the initial measurement of the lease liability measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease. If that cannot be readily determined, the Company uses the incremental borrowing rate.

2. Summary of Significant Accounting Policies (continued)

n) Leases and Right-of-Use Assets (continued)

Initial recognition (continued)

The Company has adopted the portfolio basis of determining discount rates for assets of similar characteristics and applied the following rates on initial recognition:

Property portfolio –5.5% discount rate

Plant, Equipment and Vehicles portfolio – 11.0% discount rate

These are considered the incremental borrowing rates for these portfolios;

(b) the lease payments made before or after commencement, less the lease incentives received if material;

(c) any initial direct costs incurred by the Company.

Subsequent measurement of the right-of-use asset
Right-of-use assets are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided on all right-of-use assets on a straight line basis to write off the cost of these assets in equal instalments over the term of their lease or the remaining term of the original third operating licence extension, if shorter. Management have considered the impact of extending the depreciation period to the end of the new third licence extension date of July 2023 and have concluded that the impact would not be material to the financial statements.

If an asset's carrying amount is greater than its estimated recoverable amount, the carrying amount is immediately written-down.

Subsequent measurement of the lease liability
The lease liability is measured:

(a) increasing the carrying amount to reflect the interest on the lease liability;

(b) reducing the carrying amount to reflect the lease payments made; and

(c) measuring the carrying amount again should any changes in the lease be made.

Interest on the lease liability is charged to finance costs in the Statement of Comprehensive Income.

Operating leases
Leases which are either short term or low value are classified as operating leases. Operating lease rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term. Operating lease incentives are recognised as a reduction in the rental expense over the lease term.

o) Inventories

Inventories consist of Scratchcards and consumables (ie terminal rolls, playslips and ribbons). Scratchcards are carried on a unit cost basis and are expensed when the Company recognises the net income for that stock. Consumables are valued at the lower of cost, calculated on the first-in, first-out basis, or net realisable value. Provisions are made for obsolete or slow-moving stock.

p) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit loss. Trade and other receivables are considered credit impaired when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is credit impaired. The carrying amount of the asset is reduced through the use of a loss allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Income within 'administrative expenses'. When a trade receivable subsequently becomes uncollectible, it is written off against the loss allowance account, in the period in which this is identified. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the Statement of Comprehensive Income. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of Significant Accounting Policies (continued)

p) Trade and Other Receivables (continued)

In order to protect prize-winners and players, Camelot has set up certain trust accounts operated by The Law Debenture Trust Corporation plc ('the Trust'), which acts as an independent trustee. An amount equivalent to prizes is deposited into a trust account on a weekly basis, as well as monies taken in advance and money held by interactive players in their online wallets. This money is held in trust until paid as a prize, or entered into a draw, and is under the control of the trustee until this time. When a player claims a prize from the Trust, the prize payment is made by Camelot and then claimed back from the Trust. This is deemed to be a third-party transaction between Camelot and the Trust. As such, amounts held in trust reflect the receivable due from the Trust. Interest earned on these accounts, after accounting for trust expenses, is for the benefit of the NLDF.

q) Trade and Other Payables

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

r) Financial Instruments

Exposure to credit, interest rate, currency and liquidity risks that arise in the normal course of the Company's business are minimised by Camelot's policies and controls, as disclosed in note 16.

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

Cash and cash equivalents
For the purpose of preparation of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and in hand, short-term deposits with an original maturity period of three months or less that are subject to insignificant changes in fair value and certain amounts, classified as borrowings, as detailed below. Short-term deposits invested in Money Market Funds are stated at fair value through profit and loss.

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

Borrowings
Borrowings comprise amounts drawn down against the Company's bank facilities, amounts (other than trade payables) due to parent undertakings and any bank overdrafts as defined above. They are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

s) Provisions

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

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

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

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

2. Summary of Significant Accounting Policies (continued)

s) Provisions (continued)

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

Other provisions primarily relate to provisions for future legal costs where there is a present obligation to incur this cost.

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

t) Pensions

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

u) Current and Deferred Income Tax

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

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

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

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

v) Value Added Tax (VAT)

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

w) Share Capital and Dividend Recognition

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

x) Foreign Currency

Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in GBP sterling (£m), rounded to £0.1m, which is the Company's functional and the Company's presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses are presented within administrative expenses in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Summary of Significant Accounting Policies (continued)

y) Non-GAAP Reconciliation

The following non-GAAP measures are used in the Annual Report and Accounts, and are reconciled to the Statement of Comprehensive Income ('SOCI') as follows:

	2021 £m	2020 £m
Returns to or Amounts generated for Good Causes		
National Lottery Distribution Fund per the SOCI	1,786.8	1,730.0
plus additional amounts paid to NLDF	0.6	-
plus unclaimed prizes that would have been previously recognised within Prizes	100.1	123.1
Returns to or Amounts generated for Good Causes	1,887.5	1,853.1
Returns to Society		
Amounts generated for Good Causes as above	1,887.5	1,853.1
plus Lottery Duty per the SOCI	1,004.9	948.6
Returns to Society	2,892.4	2,801.7
Returns to winners and society		
National Lottery Distribution Fund per the SOCI	1,786.8	1,730.0
plus Lottery Duty per the SOCI	1,004.9	948.6
plus retailer commission included in Retailers' and other commission in the SOCI	275.9	307.1
plus Prizes per the SOCI	4,854.7	4,505.0
Returns to winners and society	7,922.3	7,490.7
Percentage of gross ticket sales	95%	95%
The percentage of total revenue spent on Operating costs is calculated as follows		
Gaming System and data communication costs per the SOCI	125.6	126.2
plus Administrative expenses per the SOCI	228.8	190.8
less Other operating income per the SOCI	(6.8)	(3.9)
Operating Costs	347.6	313.1
Percentage of gross ticket sales	4%	4%
Total Funds payable to Good Causes during the year as published on the Gambling Commission's website		
Consists of: Returns to or Amounts generated for Good Causes as above	1,887.5	1,853.1
less Amounts received from the NLDF in respect of marketing for the long-term health of The National Lottery on an accruals basis (note 4)	(59.2)	(56.6)
less Other adjustments under the Licence	(3.9)	(3.2)
plus/(less) Adjustment to recognise the amount below on a cash rather than accruals basis	7.0	(5.0)
Total Funds payable to Good Causes during the year as published on the Gambling Commission's website	1,831.4	1,788.3

3. Gross Ticket Sales

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

	2021 £m	2020 £m
Draw-based games	4,690.7	4,537.1
Scratchcards and interactive Instant Win Games	3,683.2	3,368.0
	8,373.9	7,905.1

4. Operating Profit

Operating profit is stated after crediting/(charging) the following items:

	2021 £m	2020 £m
Other operating income [1]	3.6	3.9
Other operating income: Insurance claim income	3.2	-
Marketing expenses [2]	(104.7)	(83.8)
Research	(4.4)	(7.2)
Amortisation on intangible assets (note 9)	(17.2)	(18.4)
Depreciation on property, plant and equipment (note 10)	(14.8)	(13.1)
Depreciation on right-of-use assets (note 11)	(12.6)	(14.3)
Operating lease rentals [3]	-	(0.5)
Auditors' remuneration – fees payable for the audit of the Company's financial statements	(0.5)	(0.6)

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

[2] Marketing is shown net of amounts received from the NLDF during the year of £59.2m (2020: £56.6m) in respect of marketing to support the long-term health of The National Lottery.

[3] Operating leases relate to low-value assets and are included within Administrative Expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Employee Expenses and Numbers

	2021 £m	2020 £m
Employee expenses		
Wages and salaries	66.2	54.8
Social security costs	7.3	6.3
Other pension costs	3.0	2.8
	76.5	63.9

	2021 Number	2020 Number
Monthly average number of Camelot employees		
Retailer and consumer services	122	119
Sales and marketing	562	517
Information technology	181	169
Finance, administration and other	174	155
	1039	960

Employee numbers and costs include some employees who perform, or partly perform, services for a fellow Group company. An agreed cost recharge structure for these costs is in place.

	2021 £m	2020 £m
Key management personnel compensation		
Short-term employee benefits	6.3	6.0
Other long-term benefits	1.7	0.9
Post-employment benefits	0.5	0.5
	8.5	7.4

The amounts above include compensation for all 12 members of the UK Executive Board employed by Camelot UK during the year.

5. Employee Expenses and Numbers (continued)

	2021 £m	2020 £m
Directors' emoluments		
Salaries and short-term employee benefits	2.4	1.8
Long-term incentive plans	1.7	0.1
Other pension costs	0.1	0.1
Payments to past directors	1.8	-
Aggregate emoluments	6.0	2.0

	2021 £m	2020 £m
Highest-paid director's emoluments		
Salaries and short-term employee benefits	1.1	1.1
Long-term incentive plans	1.7	0.1
Other pension costs	0.1	0.1
Aggregate emoluments	2.9	1.3

At 31 March 2021, the Board comprised eight members: the Chairman, four independent non-executive directors, one non-executive director (an officer of Teachers') and two executive directors (the Chief Executive and Chief Financial Officer).

Nigel Railton was the highest-paid director in 2021. In 2021, he received payments of £2.9m for his services as director from Camelot UK Lotteries Limited (2020: £1.3m). The long-term incentive plan (LTIP) payment of £1.7m, received by Mr Railton in April 2020, is the final payment under an LTIP that was awarded in 2011, with a performance assessment period from 1 April 2011 to 31 March 2019.

Payments to past directors of £1.8m are amounts paid to Andrew Duncan. These relate to a final payment of £1.6m under an LTIP that was awarded in 2011 and a payment of £0.2m under an LTIP that was awarded in 2015 which were agreed as part of Mr Duncan's severance agreement with the Company in 2017.

At the end of the financial year, no directors (2020: none) were members of the Group money purchase pension scheme.

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

Long-term incentive plans (LTIP) have been in place since 2009 and run through to 2024. Both short-term and long-term incentive plans follow industry best practice, with stretching targets and measurable performance.

6. Finance Income and Costs

	2021 £m	2020 £m
Interest receivable from bank deposits	0.1	0.4
Interest receivable on loan due from PLUK	3.3	3.3
Finance income	3.4	3.7
Interest payable on other loans	(0.5)	(0.8)
Interest payable on leases	(2.6)	(3.6)
Finance costs	(3.1)	(4.4)
Net finance income/(costs)	0.3	(0.7)

Interest payable on leases relates to £2.6m interest on leases brought on to the Balance Sheet due to IFRS 16 (2020: £3.4m) and £nil interest on leases existing pre-IFRS 16 (2020: £0.2m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Income Tax

a) UK corporation tax

	2021 £m	2020 £m
Current income tax for the year	19.6	20.3
Adjustments in respect of prior years	(0.3)	-
Total current tax	19.3	20.3
Deferred income tax charge for the year	(2.1)	(2.7)
Adjustments in respect of prior years	(0.1)	(0.1)
Changes in applicable tax rate	-	(0.6)
Total deferred tax	(2.2)	(3.4)
Income tax expense	17.1	16.9

The rate of UK corporation tax reflected in these financial statements is 19% (2020: 19%). In the Spring Budget 2021, the government announced that, from 1 April 2023, the corporation tax rate would increase to 25% (rather than the current rate of 19%, as previously enacted following the Spring Budget 2020). This new law was not substantively enacted by 31 March 2021. As the proposal to increase the rate to 25% has not been substantively enacted at the Balance Sheet date, its effects are not included in these financial statements for deferred tax purposes. However, it is likely that the overall effect of the change, had it been substantively enacted by the Balance Sheet date, would be to reduce the tax expense for the year by £3.3m and to increase the deferred tax asset by £3.3m. All taxable temporary differences have been recognised and are reflected in the deferred taxation balance.

b) Reconciliation of tax expense

	2021 £m	2020 £m
Profit before income tax	95.2	95.0
Income tax on profit on ordinary activities at the standard rate of 19% (2020: 19%)	18.1	18.1
Permanent adjustments	(0.6)	(0.5)
Adjustments in respect of prior years	(0.4)	(0.1)
Effect of rate change	-	(0.6)
Income tax expense	17.1	16.9

8. Dividends

	2021 £m	2020 £m
Interim dividends paid to shareholders for aggregate ordinary class 'A' shares and class 'C' preference shares	47.4	80.2
	47.4	80.2

Dividend per share for the year was £46,952 (2020: £79,362). No final dividend was recommended (2020: none).

9. Intangible Assets

	Internally generated £m	Separately acquired £m	Total £m
Cost			
At 1 April 2019	14.7	118.8	133.5
Additions	0.7	13.0	13.7
Disposals	-	(1.3)	(1.3)
At 31 March 2020	15.4	130.5	145.9
Accumulated amortisation			
At 1 April 2019	11.5	71.0	82.5
Charge for the year	1.3	17.1	18.4
Impairment	-	2.8	2.8
Disposals	-	(1.3)	(1.3)
At 31 March 2020	12.8	89.6	102.4
Net book value at 31 March 2020	2.6	40.9	43.5

	Internally generated £m	Separately acquired £m	Total £m
Cost			
At 1 April 2020	15.4	130.5	145.9
Reclassification*	-	(23.9)	(23.9)
Additions	0.2	13.7	13.9
Disposals	(0.6)	(9.1)	(9.7)
At 31 March 2021	15.0	111.2	126.2
Accumulated amortisation			
At 1 April 2020	12.8	89.6	102.4
Reclassification*	-	(23.9)	(23.9)
Charge for the year	0.9	16.3	17.2
Disposals	(0.6)	(9.1)	(9.7)
At 31 March 2021	13.1	72.9	86.0
Net book value at 31 March 2021	1.9	38.3	40.2

The intangible assets balance represents internally generated and separately acquired assets relating primarily to the development of software. No assets were impaired in the year (2020: £1.3m). Amortisation and impairment are charged to administrative expenses. Intangible assets of nil net book value were disposed of during the year following a management review of assets no longer in use.

Intangible assets include £7.0m (2020: £3.1m) of assets which are under construction.

*In 2020, assets with a cost of £47.1m and a net book value of £9.9m held under finance leases were transferred from Property, Plant and Equipment (Note 10) into Right-of-Use Assets (Note 11) upon implementation of IFRS 16. The underlying leased assets transferred were however made up of both Intangible Assets and Property, Plant and Equipment. Accordingly, both the Intangible Assets (Note 9) and Property, Plant and Equipment (Note 10) have been adjusted to correctly reflect the nature of the assets transferred to Right-of-Use Assets in 2020. As the relevant assets have no net book value remaining, this reclassification has no impact on Right-of-Use Assets (Note 11), the Balance Sheet or amounts of amortisation and depreciation charged to the profit and loss account in either 2020 or 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Property, Plant and Equipment

	Short leasehold improvements £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2019	3.2	236.1	**239.3**
Transfer to right-of-use assets	-	(47.1)	**(47.1)**
Additions	-	2.0	**2.0**
At 31 March 2020	3.2	191.0	**194.2**
Accumulated depreciation			
At 1 April 2019	3.2	183.8	**187.0**
Transfer to right-of-use assets	-	(37.2)	**(37.2)**
Charge for the year	-	13.1	**13.1**
At 31 March 2020	3.2	159.7	**162.9**
Net book value at 31 March 2020	**-**	**31.3**	**31.3**

	Short leasehold improvements £m	Plant and equipment £m	Total £m
Cost			
At 1 April 2020	3.2	191.0	**194.2**
Reclassification*	-	23.9	**23.9**
Additions	-	2.8	**2.8**
Disposals	-	(4.2)	**(4.2)**
At 31 March 2021	3.2	213.5	**216.7**
Accumulated depreciation			
At 1 April 2020	3.2	159.7	**162.9**
Reclassification*	-	23.9	**23.9**
Charge for the year	-	14.8	**14.8**
Disposals	-	(4.2)	**(4.2)**
At 31 March 2021	**3.2**	**194.2**	**197.4**
Net book value at 31 March 2021	**-**	**19.3**	**19.3**

The net book value of plant and equipment held under leases at 1 April 2019 was £9.9m, which was transferred to Right-of-use assets upon implementation of IFRS 16. Plant and equipment of nil net book value were disposed of during the year following a management review of assets no longer in use.

Plant and equipment includes £1.2m (2020: £0.8m) of assets which are under construction.

*In 2020, assets with a cost of £47.1m and a net book value of £9.9m held under finance leases were transferred from Property, Plant and Equipment (Note 10) into Right-of-Use Assets (Note 11) upon implementation of IFRS 16. The underlying leased assets transferred were however made up of both Intangible Assets and Property, Plant and Equipment. Accordingly, both the Intangible Assets (Note 9) and Property, Plant and Equipment (Note 10) have been adjusted to correctly reflect the nature of the assets transferred to Right-of-Use Assets in 2020. As the relevant assets have no net book value remaining, this reclassification has no impact on Right-of-Use Assets (Note 11), the Balance Sheet or amounts of amortisation and depreciation charged to the profit and loss account in either 2020 or 2021.

11. Right-of-Use Assets

	Properties £m	Plant and equipment and motor vehicles £m	Total £m
Cost			
At 1 April 2019	-	-	**-**
Implementation of IFRS 16 at 1 April 2019	17.5	32.4	**49.9**
Additions	0.2	-	**0.2**
At 31 March 2020	17.7	32.4	**50.1**
Accumulated depreciation			
At 1 April 2019	-	-	**-**
Charge for the year	4.6	9.7	**14.3**
At 31 March 2020	4.6	9.7	**14.3**
Net book value at 31 March 2020	**13.1**	**22.7**	**35.8**

	Properties £m	Plant and equipment and motor vehicles £m	Total £m
Cost			
At 1 April 2020	17.7	32.4	**50.1**
Additions	0.1	-	**0.1**
At 31 March 2021	17.8	32.4	**50.2**
Accumulated depreciation			
At 1 April 2020	4.6	9.7	**14.3**
Charge for the year	4.6	8.0	**12.6**
At 31 March 2021	9.2	17.7	**26.9**
Net book value at 31 March 2021	**8.6**	**14.7**	**23.3**

The right-of-use assets balance represents properties and plant and equipment and motor vehicles assets following the implementation of IFRS 16 in 2020. Assets with a net book value of £9.9m were transferred in from Property, plant and equipment at 1 April 2019.

Depreciation of £7.5m (2020: £9.2m) is charged to administration expenses and £5.1m (2020: £5.1m) is charged to Gaming Systems and data communication costs. Of the total depreciation charge, £2.1m (2020: £ 3.8m) relates to those assets capitalised prior to 1 April 2019 and £10.5m (2020: £10.5m) to those brought onto the Balance Sheet due to IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Inventories

	2021 £m	2020 £m
Scratchcard tickets	0.7	0.7
Playslips, terminal rolls and other consumables	0.7	1.0
At 31 March	1.4	1.7

Inventory consumed during the year amounted to £26.1m (2020: £25.3m). No provision has been raised or reversed against the inventory balance in the current year (2020: £nil).

13. Trade and Other Receivables

a) Non-current assets

	2021 £m	2020 £m
Loan due from Group companies	26.0	26.0
EuroMillions Deposit	10.8	10.9
At 31 March	36.8	36.9

The loan due from the Company's parent was £26.0m at 31 March 2021 (2020: £26.0m). The loan incurs interest at 12.5%. The capital is repayable at the end of the third operating licence extension period which is 31 July 2023. As at 31 March 2021, there was £0.8m interest accrued (2020: £0.8m) in addition to the loan balance outstanding. This is included in current assets as at 31 March 2021. Expected credit loss on the loan due from Group companies is considered immaterial.

The EuroMillions deposit provides security to other EuroMillions participants for Camelot's EuroMillions prize payment obligations. This amount will be repayable to Camelot in accordance with the Trust Deed and will remain on deposit until the end of the third operating license term. At 31 March 2021, Camelot had on deposit £10.8m (2020: £10.9m) of funds in a restricted cash trust account as a reserve for the protection of EuroMillions prize winners. Although Camelot cannot currently withdraw these amounts until the end of the third operating licence extension period, the interest on these accounts accrues to Camelot.

b) Current assets

	2021 £m	2020 £m
Trust receivables	536.6	516.7
Trade receivables	24.5	12.1
Accrued income	0.3	0.3
Prepayments	9.2	5.2
Amounts due from related parties	3.6	3.4
At 31 March	574.2	537.7

Trust receivables comprise the amounts due from the Trust to Camelot for unpaid prizes of £443.2m (2020: £438.7m), together with amounts held in respect of future draws both in the form of advance sales and interactive wallet balances of £93.4m (2020: £78.0m).

Trade receivables primarily represent amounts due from retailers. The increase on 2020 is due to the change in weekday that the financial year ends on.

As of 31 March 2021, trade receivables of £24.5m (2020: £11.9m) were not yet due for payment in accordance with the normal payment cycle. The recoverability of trade receivables held with multiple retailers is assessed on the retailers' level of credit risk and a credit loss allowance is recognised accordingly. Balances due from independent retailers are credit impaired when the debt becomes more than one week past due.

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

13. Trade and Other Receivables (continued)

The ageing analysis of gross trade receivables and credit loss allowance is as follows:

	2021 £m	2020 £m
Current	24.8	12.2
7 days to 3 months	-	0.1
Credit loss allowance	(0.3)	(0.2)
At 31 March	24.5	12.1

The credit risk policy that the Company operates means that Camelot minimises its exposure to past due debt. No trade receivables are more than 30 days past due (2020: £nil). Details of the credit risk policy are provided in note 15 and note 16.

Movements on the Company's credit loss allowance are as follows:

	2021 £m	2020 £m
At 1 April	0.2	0.2
Credit loss allowance recognised during the year	0.4	0.2
Utilised	(0.2)	(0.2)
Unused amounts reversed	(0.1)	-
At 31 March	0.3	0.2

All movements in the credit loss allowance have been included in administrative expenses in the Statement of Comprehensive Income.

The other classes within trade and other receivables do not contain credit impaired assets.

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. With the exception of £6.7m (2020: £7.1m) in retailer bonds, the Company does not hold any collateral as security.

14. Cash and Cash Equivalents

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

	2021 £m	2020 £m
Cash at bank and in hand	27.6	92.6
Short-term bank deposits	157.6	88.8
At 31 March	185.2	181.4

Amounts held in short-term bank deposits comprise amounts held in either deposit accounts, Money Market Funds or 32-day notice accounts with interest earned rates at 31 March 2021 of 0.00% to 0.27% (2020: 0.27% to 0.60%). Deposit accounts and Money Market Funds are redeemable on demand.

The Company has a £55.0m committed Revolving Credit Facility, which runs until 31 October 2022 having been extended in March 2021 from its previous termination date of 30 September 2021. The amount drawn under this facility at 31 March 2021 was £nil (2020: £35.0m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Credit Quality of Financial Assets

External credit ratings are obtained for each trade receivable counterparty at the point at which the Company starts to trade with that retailer to confirm the creditworthiness of the retailer. See note 16 for details on the Company's credit control policy for trade receivables.

External credit ratings are obtained for banks where the Company holds cash and short-term bank deposits. At 31 March 2021, financial assets totalling £59.9m (2020: £45.6m) are held in deposit accounts with banks which have Moody's short-term credit ratings of P1; £82.7m (2020: £43.2m) are held in Money Market Funds which have Moody's credit ratings of AAA; and £15.0m (2020: £nil) is held in a 32-day notice account with a bank which has a Moody's short-term credit rating of P1. Cash at bank and the trust accounts are held with Royal Bank of Scotland plc, which has a Moody's short and long-term rating of P1 and A2 respectively.

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

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

16. Financial Risk Management

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

a) Credit risk
Credit risk primarily arises from short-term credit extended to retailers. Credit insurance is held for the vast majority of the Company's multiple store retailers, and management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers at the point at which the Company starts to trade with that retailer. If the uninsured credit risk exposure is significant, Camelot will request a bond as collateral to protect against any future payment default. This is held for a minimum of two years, during which period payment patterns are monitored. Amounts invoiced to retailers are collected within three working days. If a retailer fails to make payment on the due date, the retailer's terminal is suspended until the debt is cleared. Retailer agreements set out the Company's credit policy for late payments. Further information on expected credit losses is given in note 2(o) and note 13.

Camelot continues to review its established credit policy and debt collection processes during the uncertain economic climate due to the Covid-19 pandemic. Reviews ensure that the policies and processes are appropriate and address any additional exposures to increased credit risk. Management is confident that the current arrangements minimise the Company's exposure in this area, although this continues to be closely monitored.

At the Balance Sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each class of financial assets in the Balance Sheet.

The Company's investment policy restricts investment to short-term money market deposits or Money Market Fund deposits, and only with counterparties that have strong credit quality and a strong capacity for timely payment of short-term deposit obligations. Further information on credit quality of financial assets is given in note 15.

The carrying value of financial assets approximates to fair value.

b) Interest rate risk
The Company's £55.0m Revolving Credit Facility allows short-term borrowings at floating rates of interest (base rate plus 1.5%). Restrictive covenants on the level of leverage and interest cover exist on this facility. At 31 March 2021, the facility was undrawn (2020: £35.0m).

At 31 March 2021, the value of the loan receivable from the Company's immediate holding company, PLUK, was £26.0m (2020: £26.0m). Interest on the loan was charged at a fixed rate of 12.5% and, therefore, there was no exposure to changes in interest rates.

Short-term bank deposits are predominately in fixed-rate deposit accounts which are redeemable on demand. The average rate of return on deposit accounts used by the Company during the year was 0.08% (2020: 0.54%).

Short-term bank deposits in 2021 and 2020 were predominately denominated in GBP Sterling.

16. Financial Risk Management (continued)

c) Foreign exchange risk
The Company is exposed to foreign exchange risk on purchases that are denominated in a currency other than Sterling (£). The currency giving rise to this risk is primarily Euros (€). During the year, the Company did not participate in any derivative or hedging contracts due to the minimal volume and value of foreign transactions. Transactions denominated in foreign currencies are accounted for in line with our accounting policy detailed in note 2(x).

Included within Administrative expenses in the Statement of Comprehensive Income are £0.1m net foreign exchange losses (2020: £0.1m gains).

d) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. This risk is managed to ensure that sufficient funding and liquidity is available to meet the expected needs of the Company, together with a prudent level of headroom to allow for cash flow variations.

In addition to its own free cash flow, the Company has a £55.0m syndicated Revolving Credit Facility disclosed in note 14. This facility, of which £nil was drawn down at 31 March 2021 (2020: £35.0m), contains covenants, tested quarterly, including a maximum level of leverage of less than or equal to 2.00 and a minimum level of interest cover of greater than or equal to 2.00, both of which the Company has met. The undrawn level of this facility, together with the Company's cash balances, are the key measures of the Company's liquidity. The Company's cash is subject to regular daily, weekly and monthly cycles that are factored into long-range cash flow forecasts, which are regularly updated and reviewed by management.

These forecasts determine adequacy of the Company's liquidity facilities, and the timing of drawings and repayments under the above facilities.

Liquidity is centralised through cash pooling arrangements and any surplus cash is deposited with well-rated banks or Money Market Funds, typically for a term of between one day and three months depending on projected cash flow requirements.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the Balance Sheet date to the contractual maturity date. The amounts disclosed are contractual undiscounted cash flows.

	Mature in less than 1 year £m	Mature between 1 and 2 years £m	Mature between 2 and 5 years £m	Mature in greater than 5 years £m
At 31 March 2020				
Revolving Credit Facility	35.0	-	-	-
Lease liabilities	15.3	13.1	11.1	-
Trade and other payables	732.9	0.3	-	-
At 31 March 2021				
Revolving Credit Facility	-	-	-	-
Lease liabilities	13.1	11.2	0.6	-
Trade and other payables	762.0	2.5	-	-

Included in amounts under lease liabilities are amounts in respect of properties, plant and equipment and motor vehicle leases following implementation of IFRS 16 on 1 April 2019.

e) Capital Risk
The Company defines capital as total equity. Camelot's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders. The Company has had access to significant credit facilities during the year as disclosed in note 14. The Company has in place sufficient capital resources through its trading and banking facilities to continue in operational existence for the foreseeable future (note 26).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Financial Risk Management (continued)

f) Financial assets and liabilities at amortised cost and fair value

The total carrying amount of Financial assets at amortised cost is £704.3m (2020: £707.6m), comprising Cash and cash equivalents of £102.5m (2020: £138.2m) plus Trade and other receivables (excluding prepayments) of £601.8m (2020: £569.4m).

The total carrying value of Financial assets at fair value through profit and loss is £82.7m (2020: £43.2m), comprising Cash and cash equivalents, specifically Money Market Funds. These Money Market Funds are classified as Level 1 under the fair value hierarchy defined in IFRS 13 'Fair Value Measurement.' The Directors believe that the carrying value equates to the fair value.

The total carrying amount of Financial liabilities at amortised cost is £740.5m (2020: £757.9m), comprising Trade and other payables (excluding advance receipts) of £718.7m (2020: £688.7m) plus Financial liabilities as disclosed on the Balance Sheet of £21.8m (2020: £69.2m).

17. Financial Liabilities

a) Current liabilities: amounts falling due within one year

	2021 £m	2020 £m
Borrowings (Revolving Credit Facility)	-	35.0
Lease liabilities	11.3	12.7
At 31 March	11.3	47.7

The carrying value of current financial liabilities approximates to fair value. Borrowings comprise £nil (2020: £35.0m) drawn down on the Company's Revolving Credit Facility. The whole £35.0m movement in Borrowings in the year relates to cash movements. Refer to the movement schedule for lease liabilities in note (c) and the maturity analysis of financial liabilities in note 16(d).

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

	2021 £m	2020 £m
Lease liabilities	10.5	21.5

Of the lease liabilities held in non-current liabilities, £10.5m (2020: £21.5m) fall due after one year, but in not more than five years. No lease liabilities fall due after five years (2020: £nil). Refer to the movement schedule for lease liabilities in note (c) and the maturity analysis of financial liabilities in note 16(d).

c) Lease liabilities

	Properties £m	Plant and equipment and motor vehicles £m	Total £m
The Statement of Financial Position includes the following amounts related to leases:			
At 1 April 2019	-	11.3	11.3
Non-Cash Movements			
Adjustment due to adoption of IFRS 16	17.0	22.5	39.5
Additions	0.2	-	0.2
Interest expense related to lease liabilities	0.9	2.7	3.6
Cash Movements			
Repayment of lease liabilities (including interest)	(4.8)	(15.6)	(20.4)
At 31 March 2020	13.3	20.9	34.2

17. Financial Liabilities (continued)

c) Lease liabilities (continued)

	Properties £m	Plant and equipment and motor vehicles £m	Total £m
The Statement of Financial Position includes the following amounts related to leases:			
At 1 April 2020	13.3	20.9	34.2
Non-Cash Movements			
Additions	0.1	-	0.1
Interest expense related to lease liabilities	0.7	1.9	2.6
Cash Movements			
Repayment of lease liabilities (including interest)	(5.3)	(9.8)	(15.1)
At 31 March 2021	8.8	13.0	21.8

The total cash outflow for leases in 2021 was £15.1m (2020: £20.2m). As outlined in note 2, extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). No leases contain a residual value guarantee clause. Please refer to note 2 for the information on the adoption of IFRS 16 and to note 11 for disclosure on the Right-of-use assets.

18. Trade and Other Payables

a) Current liabilities

	2021 £m	2020 £m
Prize liability	460.1	479.1
Lottery Duty payable	93.8	68.6
Amounts payable to the NLDF	27.9	32.8
Advance receipts for future draws	45.8	44.5
Accruals	51.7	39.1
Other payables	51.8	40.4
Trade payables	28.6	23.2
Amounts due to related parties	2.3	5.2
At 31 March	762.0	732.9

The Prize liability represents both unclaimed prizes and amounts planned for future prize payments at 31 March 2021, and the Company had transferred £443.2m into the relevant trust accounts to meet these liabilities (2020: £438.7m). Advance receipts for future draws represent multi-draw and subscription payments relating to future draws.

Other payables mainly represent deposits received from, and prizes won by, players which are held in their interactive wallets. It also includes retailer bonds of £6.7m (2020: £7.1m). Amounts due to related parties are unsecured, interest-free and repayable on demand.

b) Non-current liabilities

	2021 £m	2020 £m
Accruals	2.5	0.3

Non-current accruals represent long-term staff incentives and the effect of spreading maintenance payment-free periods over the term of the service contract. The liability will be released over the contract term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Deferred Taxation

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current taxation assets with current taxation liabilities. At 31 March the offset amounts are as follows:

	2021 £m	2020 £m
Deferred tax assets:		
To be recovered after more than 12 months	10.2	8.0
Deferred tax assets	**10.2**	8.0

	2021 £m	2020 £m
Deferred tax liabilities:		
To be settled after more than 12 months	-	-
Deferred tax liabilities	**-**	-
Deferred tax assets (net)	**10.2**	8.0

The gross movement on deferred tax is as follows:

	Accelerated capital allowances £m	Provisions and accruals £m	Total £m
At 1 April 2019	0.4	4.2	4.6
Credit to the Statement of Comprehensive Income	2.6	0.2	2.8
Changes in applicable tax rate	0.1	0.5	0.6
At 31 March 2020	**3.1**	**4.9**	**8.0**

	Accelerated capital allowances £m	Provisions and accruals £m	Total £m
At 1 April 2020	3.1	4.9	8.0
Credit/(charge) to the Statement of Comprehensive Income	2.5	(0.3)	2.2
At 31 March 2021	**5.6**	**4.6**	**10.2**

20. Provisions for Liabilities and Other Charges

	Terminal and data communication related £m	Property £m	Restructuring £m	Long-term incentive plan £m	Other £m	Total £m
At 1 April 2019	9.0	3.5	0.7	11.6	-	**24.8**
Transferred upon adoption of IFRS 16	-	(0.5)	-	-	-	**(0.5)**
Charge to Statement of Comprehensive Income	0.3	0.2	(0.1)	2.9	0.1	**3.4**
Additions	0.9	-	-	-	0.5	**1.4**
Utilised in the year	-	-	(0.3)	(2.1)	-	**(2.4)**
At 31 March 2020	**10.2**	**3.2**	**0.3**	**12.4**	**0.6**	**26.7**

	Terminal and data communication related £m	Property £m	Restructuring £m	Long-term incentive plan £m	Other £m	Total £m
At 1 April 2020	10.2	3.2	0.3	12.4	0.6	**26.7**
Charge to Statement of Comprehensive Income	-	-	-	2.4	0.1	**2.5**
Additions	0.5	-	-	-	-	**0.5**
Utilised in the year	-	(0.1)	(0.1)	(4.9)	(0.2)	**(5.3)**
At 31 March 2021	**10.7**	**3.1**	**0.2**	**9.9**	**0.5**	**24.4**

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

	2021 £m	2020 £m
Current	**6.6**	5.2
Non-current	**17.8**	21.5
	24.4	26.7

Terminal and data communications-related provisions include: a provision for the cost of decommissioning existing terminals and communications equipment held at retailer sites, and disposing of these assets at the end of the original third licence extension period; and amounts in respect of lost or destroyed terminals and associated contractual costs. This provision will be fully utilised by the end of the original third licence extension period. Non-cash additions of £0.5m are recognised in property, plant and equipment.

Property provisions comprise the dilapidation provision which is the current best estimate of the cost of bringing certain premises, held under leases, back to their original state as required by the lease agreements. On 1 April 2019, in accordance with IAS 37, the amount includes a provision for the onerous lease liabilities related to a leases contract which extends until 2023. This is included in the lease liabilities for 2020 and 2021.

The restructuring provision relates to severance costs.

The long-term incentive plan provision relates to future amounts payable to senior management in line with the Company's performance criteria when the Company has a present legal or constructive obligation to incur this cost. Payments under the schemes disclosed above are expected to be made from each year until 2023.

Other provisions primarily relate to provisions for future legal costs where there is a present obligation to incur this cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Share Capital

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

	2021 £	2020 £
Authorised		
1,000 (2020: 1,000) ordinary 'A' shares of £1 each	**1,000**	1,000
10 (2020: 10) preference 'C' shares of £1 each	**10**	10
	1,010	1,010

	2021 £	2020 £
Allotted, issued and fully paid		
1,000 (2020: 1,000) ordinary 'A' shares of £1 each	**1,000**	1,000
10 (2020: 10) preference 'C' shares of £1 each	**10**	10
	1,010	1,010

b) Analysis of shareholding at 31 March 2021 and 31 March 2020

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

c) Rights and obligations

Income:
In the current year, a fixed dividend of £1,000 per share (2020: £1,000 per share) was distributed to the holders of the 'C' preference shares. The remainder is distributable pro rata among the ordinary 'A' shareholders.

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

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

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

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

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

22. Reserves

	Note	Retained earnings £m	Total £m
At 1 April 2019		49.4	**49.4**
Profit for the financial year		78.1	**78.1**
Dividends paid	8	(80.2)	**(80.2)**
Net decrease in shareholders' equity		(2.1)	**(2.1)**
At 31 March 2020		**47.3**	**47.3**

	Note	Retained earnings £m	Total £m
At 1 April 2020		47.3	**47.3**
Profit for the financial year		78.1	**78.1**
Dividends paid	8	(47.4)	**(47.4)**
Net increase in shareholders' equity		30.7	**30.7**
At 31 March 2021		**78.0**	**78.0**

23. Cash Generated from Operations

	2021 £m	2020 £m
Profit for the financial year	**78.1**	78.1
Adjustments for:		
- Income tax	**17.1**	16.9
- Depreciation, amortisation and impairment	**44.6**	48.5
- Finance income	**(3.4)**	(3.7)
- Finance costs	**3.1**	4.4
	61.4	66.1
Changes in working capital:		
- Decrease/(Increase) in Inventories	**0.3**	(0.4)
- Increase in trade and other receivables	**(34.2)**	(95.3)
- Increase in trade and other payables	**34.5**	148.1
- (Decrease)/Increase in provisions for other liabilities and charges	**(2.8)**	2.1
	(2.2)	54.5
Cash generated from operations	**137.3**	198.7

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. Financial Commitments and Contingent Liabilities

At the year end, expenditure relating to the purchase of software development totalling £8.5m was contracted for in the year but not yet incurred (2020: £7.9m).

A contingent liability of £13.6m exists between the Company and Camelot Business Solutions Limited (CBSL) whereby, in the event that Camelot is awarded the Fourth National Lottery Licence, the Company will reimburse CBSL for all of CBSL's general business development activity undertaken prior to 1 April 2020 (2020: £nil).

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

25. Pension Arrangements

In line with UK legislation, the Company auto-enrols employees into the Group Personal Pension Plan, which is accounted for as a defined contribution pension scheme. All amounts payable under these schemes are charged to the Statement of Comprehensive Income as they fall due, and totalled £3.0m in the current year (2020: £2.8m).

26. Contingency Financing

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

An obligation to make such contribution only exists where:

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

Once the aggregate of the commitment has been made available, there is no obligation or liability for Teachers' to provide any further contribution to either Company. Furthermore, obligations under this arrangement will terminate upon termination of the Third Licence.

27. Related Party Transactions

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

During the course of the year, Camelot entered into the following transactions with 'Services aux Loteries en Europe SCRL' (SLE), a société cooperative à responsabilité limitée incorporated in Belgium. Camelot has an investment in SLE (see note 13). The main purpose of SLE is to provide services to lotteries in Europe which participate in the EuroMillions game. The head office is located in Belgium at Herrmann-Debrouxlaan 44-46, 1160 Oudergem, Belgium.

	2021 £m	2020 £m
Purchases	1.6	1.3
Amounts due to SLE	-	-
Sales	0.1	0.1
Amounts due from SLE	-	-

27. Related Party Transactions (continued)

Camelot transacted with fellow subsidiary related parties, Camelot Global Services Limited (CGSL), Camelot Global Lottery Solutions Limited (CGLSL), Camelot Business Solutions Limited (CBSL), Premier Lotteries Capital UK Limited (PLCUK) and Premier Lotteries UK Limited (PLUK) during the year. CGSL provides consultancy advice to international lottery operators, while CGLSL is principally focused on managing a programme of projects to generate revenue for the Group companies. CBSL performs business development activity and, from 1 April 2020, acts as agent for Camelot to prepare a bid for the Fourth National Lottery Licence, on behalf of Camelot.

Amounts due to and from related parties are unsecured in nature, and are due on demand. Amounts due from related parties below include the £26.0m (2020: £26.0m) loan to PLUK (note 13).

	2021 Sale of services £m	2021 Amounts due from related party £m	2020 Sale of services £m	2020 Amounts due from related party £m
Camelot Global Services Limited	-	-	-	-
Camelot Global Lottery Solutions Limited	0.6	-	0.3	-
Camelot Business Solutions Limited	-	2.5	-	1.9
Premier Lotteries UK Limited	-	27.0	-	27.5

	2021 Purchase of services £m	2021 Amounts due to related party £m	2020 Purchase of services £m	2020 Amounts due to related party £m
Camelot Business Solutions Limited	13.2	-	-	0.8
Premier Lotteries UK Limited	-	-	-	1.1
Premier Lotteries Capital UK Limited	-	0.7	-	2.1
Camelot Global Services Limited	-	-	-	-
Camelot Global Lottery Solutions Limited	12.4	1.5	9.0	1.2

The value of sales and purchases in the table above includes operating expenses allocated between Group companies, as well as intercompany recharges (mainly payroll-related transactions).

During the year, the Company also paid dividends totalling £47.4m (2020: £80.2m) In addition, the following cash payments were made in respect of group taxation relief during the year:

	2021 £m	2020 £m
Premier Lotteries UK Limited	1.4	-
Premier Lotteries Capital UK Limited	2.8	-
Camelot Business Solutions Limited	3.0	1.3
Camelot Global Lottery Solutions Limited	1.5	2.6
	8.7	3.9

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. Subsidiary Undertakings

Camelot Lotteries Limited
National Lottery Enterprises Limited
CISL Limited

These subsidiaries have share capital, equal to the net assets, of £5 in total. This amount represents Camelot's cost of investment in these subsidiaries. They are not material for the purpose of giving a true and fair view for these financial statements, and therefore have not been consolidated in accordance with the Companies Act 2006 s.393. These companies are exempt from preparing individual financial statements under s394A and from individual filing with the registrar by virtue of s.448A of the Companies Act 2006. The registered office for these companies is Magdalen House, Tolpits Lane, Watford, United Kingdom, WD18 9RN.

29. Post-Balance Sheet Events

On 30 April 2021, Camelot paid a dividend of £62.0m to its parent undertaking, Premier Lotteries UK Limited.