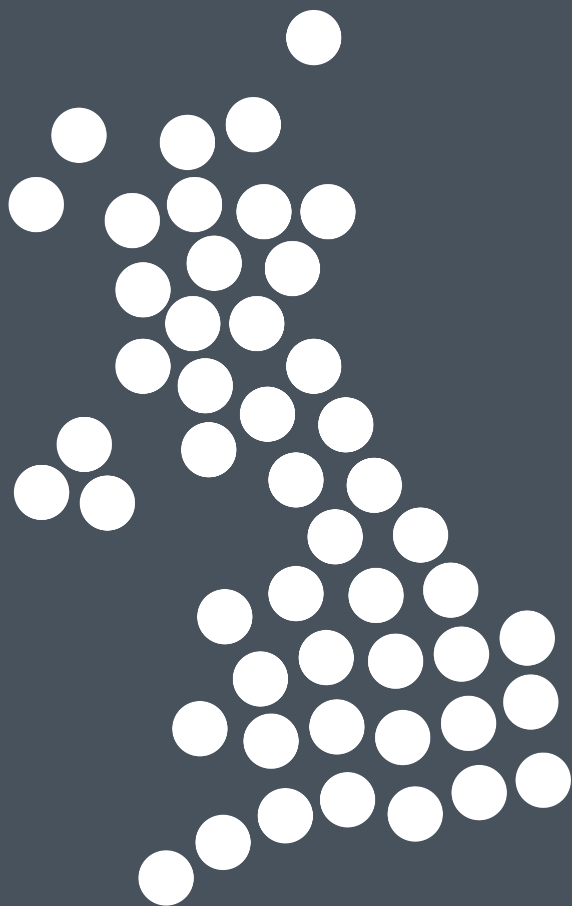
National Lottery Commission



# **National Lottery Commission** Annual Report and Accounts

# 2012/2013

Ensuring a fair Lottery for the nation

# National Lottery Commission Annual Report and Accounts 2012/2013

Report and Accounts presented to Parliament pursuant to Section 14(3) and Paragraph 11(4) of Schedule 2A of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998 and the National Lottery Act 2006)

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## Contents



## Vision

**A National Lottery that delivers increased funds for good causes and enjoyment for the nation.**

## Mission Statement

We secure public trust and enthusiasm for the National Lottery through the exercising of our statutory duties:

- to ensure that the National Lottery is run, and every lottery that forms part of it is promoted, with all due propriety;
- to ensure that the interests of every participant in a lottery that forms part of the National Lottery are protected; and
- subject to the first two duties, to do our best to secure that the proceeds of the National Lottery are as great as possible.

# Chair's Foreword

*During the period of this Annual Report the National Lottery has turned 18, the £30 billion mark for good causes since launch has been reached and now over £30 million is regularly raised every week. The financial year 2012/2013 was the fourth full year since the start of the Third Licence, and each year since 2009 has seen increases in returns, taking them to record levels.*

This positive result for good causes was reflected in an increase of returns of 7.5% to £1.95 billion during 2012/2013. A strong sales performance from our operator Camelot yields increased returns, given the alignment of incentives which was a feature of the Third Licence.

The sheer scale of these numbers and the wide-ranging benefits they bring is why the National Lottery is such a great national asset. The benefits of the National Lottery were spectacularly reaped in the 2012 London Games, when the success of the Olympics and Paralympics owed much to the generosity of players, in contributing to funding both the athletes themselves, and the facilities that they and the spectators enjoyed.

The National Lottery Commission (the Commission) was set up, as the independent regulator, to protect both the interests of Lottery players and the integrity of the Lottery, and to maximise the billions of pounds raised for good causes. We have continued to deliver these statutory responsibilities through our regulatory activities in 2012/2013. Our work does not end once the Licence is awarded. We license individual games, monitor compliance with the licence including controls on excessive and underage play, and ensure that the correct amounts are returned to good causes from the Lottery proceeds. During the last year we have continued to develop our capacity to monitor and drive performance, through tools that provide insights into the environmental and market challenges and opportunities for the Lottery, and the robustness of the operator's business strategy.

In making decisions within our regulatory remit, we hold in our minds the three pillars of propriety and fairness, player protection, and returns to good causes.

## Refreshing Lotto

The Commission considers proposals that come to us from the operator, taking into account evidence and analysis from the Executive team. One of the key decisions we faced during 2012/2013 was the proposal from Camelot to refresh Lotto. Along with the National Lottery, the core game Lotto also turned 18, during which time it has raised £16.8 billion for good causes, with players winning over £28 billion. A refreshed game is now on the horizon.

We have approved, in principle, an enhancement to Lotto, following a proposal from Camelot. Most lottery games tend to decline over time and Lotto has been no exception. The Commission has been challenging Camelot, as the commercial operator, on its plans to address this decline as promised in its Third Licence application. The refreshed game is the result and Commissioners have noted Camelot's forecasts of improved returns from the game. Its success is vital to the portfolio going forward.

We will continue to monitor the development of the game ahead of launch, with a particular interest in the communication of the changes. It is important to us that any changes are clear and transparent to players, both to serve their needs, and to provide an environment in which returns to good causes can grow.

Our continuing progress towards better regulation through a proportionate and risk-based approach means that we can delegate many routine decisions to the Executive, and improve the speed of access to the market for the operator through class licence and relaxations. Nevertheless, the Commission reserves to itself all proposals that take the Lottery into new territory through novel game proposals, or which raise contentious issues. In addition, we set the strategic direction for the Commission and maintain oversight of all regulatory operations.

## Our operation in Birmingham and looking further ahead

A key focus has been to make a success of our relocation to Birmingham, sharing office space and services with the Gambling Commission. We have delivered efficiencies and maintained the momentum of our key functions, despite the loss of a considerable range of experience among our original London-based staff. Most of the efficiency savings in the relocation are now being realised with more to follow over the next few years as the exceptional costs of the move and redundancies are taken out of the budget.

This is particularly relevant now that the final stage of the proposed merger between the National Lottery Commission and the Gambling Commission is progressing through Parliament.

We welcome the potential benefits from synergies and savings that the merger should bring. Over the last year the National Lottery Commission Board has been transferring knowledge to the Gambling Commission Board, and two of our Commissioners, Mary Chapman and Robert Foster, have also now been appointed to the Gambling Commission Board to provide continuity of National Lottery expertise at that level. This is particularly important given that we have responsibilities that go beyond those of a traditional regulator that the Gambling Commission does not currently share.

## Lastly

Given the forthcoming merger, this will be my last foreword as Chair of the National Lottery Commission.

It has been a privilege over the last eight years to regulate such a hugely popular institution which provides life-changing opportunities both to players and those who receive funding for thousands of good causes across the whole country. Who can forget the success of the Olympics and Paralympics last summer? A large part of our Olympic success was due to National Lottery funding to the tune of £2.175 billion.

I am sure that the next few years will be as challenging and demanding for the new merged body as I have experienced in my tenure. I extend my best regards to Philip Graf who will be taking on the role of Chair of the new merged body and wish him and all our colleagues at the Gambling Commission every success.

Finally I would like to thank my fellow Commissioners, Chief Executive Mark Harris and all those who have worked for the National Lottery Commission over the last eight years for their skill, expertise, professionalism and support during my time as Chair. Together we have dealt with some substantial challenges, yet at the same time seen a very substantial increase in returns to good causes, as well as the success of many wonderful projects across the UK as a result of National Lottery funding. The Lottery has become a major feature of the landscape, for players and for communities. Long may it continue.

Dr Anne Wright CBE
**Chair of the National Lottery Commission**

# Chief Executive's report

## The new challenge for Lotto

*The National Lottery has been running for 18 years during which billions of pounds have been won by players and raised for good causes. The National Lottery Commission's vision is that the Lottery delivers increased funds for good causes and enjoyment for the nation. This is central to our approach to considering proposals from Camelot for the introduction of new games, the revision of existing games and making changes to the ways in which the Lottery is played and run more generally.*

We have had a busy year considering a variety of proposals from Camelot. These have included changes to the scope of class licences for scratchcards and interactive instant win games, as well as administrative changes to make the Lottery run more effectively. The most significant proposal in the year was to make major changes to the main Lotto game to bring it up to date and make it more exciting.

Change to a game such as Lotto, which has formed the core of the National Lottery since its launch in 1994, is always challenging, but the inescapable fact is that Lotto has been in steady decline for a long time and needs to be refreshed if it is to continue to form a major part of the portfolio. Camelot recognised this in its bid for the Third Licence but has delayed making changes in the face of the current recession. It has, however, closely monitored the position of the existing game and the views of players and concluded that the time is right to rejuvenate the game. It submitted a comprehensive licence application, setting out the changes it proposed to make and the detailed work and research it had undertaken which informed its proposals.

We undertook extensive work to evaluate Camelot's proposals to ensure the changes to the game will pose no threat to the propriety of the National Lottery, that player protection will be maintained, and that returns to good causes will continue to be maximised. The arrangements introduced in the Third Licence ensure that Camelot's incentives are aligned with the interests of the good causes, as its returns for operating the National Lottery are directly related to the returns generated for good causes.

The Commission does not take proposals for changes to core products, such as Lotto, lightly. We examined very carefully the evidence put forward by Camelot to justify the changes it proposed to the game. In particular, we have considered carefully the considerable player research undertaken by Camelot to establish players' appetite for the improved design of the game. We also looked closely at the issue of player comprehension and received assurance from Camelot on consumer understanding work already undertaken and the resource and planning to be applied to the matter in the run-up to launch.

We were satisfied that the game needs to be changed if it is to continue to play a major part in the National Lottery and is to be sustainable in the long term. In particular, whilst we recognise that there are risks associated with such a change, we were satisfied that the game is likely to increase returns to good causes, whilst providing players with an enhanced game that meets their expectations of Lotto. We continue to work closely with Camelot to finalise the regulatory approvals and consents so that the game can be launched later this year.

## Assessing Camelot's commercial performance

We continue to execute a strategic approach to understanding and challenging Camelot's commercial performance. This includes a framework and information base, which supports our assessment of Camelot's performance in board to board meetings and six monthly performance reviews.

We recognise that our role is not to second guess Camelot's commercial judgement but rather to understand its performance and forward planning in context. We need to reflect on recent trends but also be satisfied that returns to good causes are sustainable both in the medium and longer term.

Our model seeks to understand:

- **Operator sustainability** – that the Operator is not, or unlikely to be in the future, in financial difficulty.
- **Maximisation of returns to good causes** – that the Operator has, and is likely in the future, to make the maximum amount of money for good causes possible, given the environment. This involves analysis of performance through a number of different lenses – looking forward as well as at the past. It includes understanding how opportunities are being optimised, challenging future plans, reflecting on the overall marketplace, as well as the degree of progress achieved, taking into account population or earnings growth and past expressed expectations.
- **Long term National Lottery value** – ensuring that, from a player perspective, the bond with the National Lottery remains strong and from a potential investor perspective the Lottery remains in a healthy, attractive state.

It is all about checking that past performance has been as strong as possible and taking proactive steps to ensure that the future remains equally positive.

From the last year we would note the following:

- That there are no signs of financial difficulty associated with the Operator;
- That, overall, returns to good causes have grown;
- Part of this growth came from a substantial unclaimed prize (£64m) and part as a result of additional terminals at retail (the result of the Commission's investment in Camelot's licence extension proposal);
- This means that on a like for like basis growth is positive but has increased at a lower rate than sales. This shows that even with increased sales, given current higher overall prize payouts to players, it will be challenging to maintain growth for returns to good causes at levels seen in recent years; and

- There still remains a significant player base that trusts the National Lottery, providing a firm base for the future.

## Smarter player protection

Our role of maximising returns to good causes can only take place once our first two objectives have been fulfilled. These require us to ensure that the National Lottery (including all the games that form part of it) is run with all due propriety and that players are protected. The latter is a particularly important issue for us when we consider proposals by the Lottery operator, Camelot.

A continuing theme over the last year has been requests from Camelot for relaxations to scratchcards and instant win games. These included requests to increase the number of higher priced games available at any one time on the website and to introduce a new £10 scratchcard.

When considering these proposals the Commission has looked carefully at the potential impact on players and we have pressed Camelot to provide complementary enhancements to player protection tools. This has included smarter monitoring and increased communication with players. Such requirements are important, as they enable us to better understand the impact of any changes and identify whether any corrective action is required. In addition, this evidence will clearly inform future considerations of this complex and growing part of the Lottery game portfolio.

We have also maintained the work we undertake with Camelot to guard against retailers who attempt to defraud players of the prizes to which they are entitled. Camelot has comprehensively reviewed its arrangements over the past year, and has provided assurance to the Commission that the steps that it has taken have reduced the risk of such fraud going undetected, whilst maintaining prize winners' rights to anonymity and the need for easily accessible arrangements to check whether a ticket is a winner. We are working with Camelot to introduce further improved arrangements over the coming year, and are also considering whether there is more we can do together to encourage prize winners to claim the prizes due to them.

## Research into underage play

The Commission is committed to ensuring that appropriate steps are taken by Camelot to guard against children under 16 playing the Lottery – good examples of this include the 9,000 annual mystery shopping visits to retailers and the stringent online registration controls. We research the prevalence of play annually to help us understand if the desired outcome is being achieved. We publish that research and last year demonstrated that, while not complacent, the Lottery has been successful in keeping underage play at the lowest rate ever recorded (7% of the children we surveyed reported playing a National Lottery game in the past week compared to 10% in 2011).

We continually try to understand the data better and we added a new question in 2012 to establish (for those children who play) who actually hands over money to the retailer. It is clear that in the majority of cases where children consider they 'play' National Lottery products, it is their parents who actually hand over the money. This provides further comfort that it is not, in the main, an unsupervised activity.

## Better regulation

Along with all the activities we deal with on a day-to-day basis, we also strive to embed a better regulation culture across the Commission. We have reviewed our arrangements for enforcement of licence conditions. We have improved the visibility of our rationale for assessing the risk associated with breach of a licence condition and the proportionality of any subsequent regulatory actions we take.

By applying and continuously developing our risk assessment tool, we regularly assess our activities to better target our limited resources and focus on what matters most. Along with the targeting of work on the areas of greatest risk, we have also focused our efforts on the delivery of outcomes and we continue to follow the published enforcement policy to ensure the consequences of any non-compliance are transparent.

Our commitment to transparency is further demonstrated on our website where we publish a wide range of corporate and regulatory information.

In addition, we will work with Camelot over the coming year to discuss what further changes we might make to our approach to address any unintended impacts on its own business processes and ensure that our requirements are proportionate in the light of desired outcomes, risk assessment and past performance.

## Move to Birmingham

This has been our first full operational year at Birmingham following our co-location with the Gambling Commission in preparation for the merger of the two commissions.

We lost 80% of our London staff in the move, which necessitated the recruitment of a significant number of new staff. I have been very pleased to see the new team meeting a number of regulatory challenges effectively whilst learning both from departing staff and through working closely together. The team has dealt with a myriad of issues – not least the challenges of licensing Camelot's proposal for the rejuvenation of Lotto – and we have benefited from a fresh outlook applied to an effective transfer of knowledge. I am very grateful both to the staff who remained with us and also to those who left for the efforts that they have made to transfer their knowledge fully and effectively.

I am also very grateful to our new staff, for the enthusiasm and hard work that they have applied to making the transition a success. And we are all grateful to the Gambling Commission and its staff for making us welcome in Birmingham and providing the support services necessary for our continued operation in the run up to merger.

The fast developing experience of staff in our licensing, compliance and consumer protection teams, coupled with the establishment of shared services wherever possible, also now ensures a solid base for a smooth merger with the Gambling Commission. We have supported arrangements to transfer the knowledge of our Commissioners and senior staff to colleagues at the Gambling Commission.

We have also reviewed our organisational structures and staffing levels throughout the year to make sure that we will slot very smoothly into the merged organisation once the merger actually takes place. The new arrangements have delivered significant savings already, to the benefit of good causes, and whilst there will be transitional costs and a need to further review resource levels once the merger has taken place, the merged organisation will be well placed to continue the effective oversight of the National Lottery over the coming years. We are confident that, with no changes proposed to the regulatory regime itself, the merged organisation will be able to continue to protect the benefits the National Lottery brings to the nation as a whole, and to players and good causes in particular.

Along with the Chair, I anticipate that this will be my last annual report for the Commission as its Chief Executive, as the merger is expected to have taken place by next year. I have thoroughly enjoyed my 14 years as the Commission's Chief Executive, not only because of the satisfaction in meeting the diverse challenges of regulating the National Lottery, but also by leading and being part of a dedicated and highly professional team that works closely together to meet those challenges.

I have had the privilege of working with many very able and dedicated people and my thanks go to all of them for the support, help, wise advice and hard work they have given. I hope they have all enjoyed their involvement with the National Lottery as much as I have.

Following an extremely strong and effective Third Licence competition and all the changes that have followed on from that, I am confident that the National Lottery is very well placed to continue its success for the remainder of the current licence period. Through the provisions we have put in place to enable a strong competition for the Fourth Licence I also feel secure about the long term future of our National Lottery.

Mark Harris
**Chief Executive**

**For more detail on our work visit our website at www.natlotcomm.gov.uk or call us on 0121 230 6750.**

# Key Facts from the year 2012/2013

## During 2012/2013 the National Lottery Commission:

- Agreed in principle to a major set of proposals from Camelot to rejuvenate the core National Lottery game, Lotto
- Co-ordinated research with the Gambling Commission for the Department for Culture, Media and Sport (DCMS) to assess the impact of society lotteries on the National Lottery's ability to generate funding for good causes
- Approved Camelot implementing new software that would prevent overseas residents playing National Lottery products online – National Lottery terms and conditions are clear that players are only allowed to play National Lottery games online when they are physically in the UK or Isle of Man
- Approved the launch of a new £10 scratchcard with a £4m jackpot, subject to enhanced key performance indicators (KPI) monitoring for player protection impact
- Monitored Camelot's performance, through a mix of internal reporting to Commissioners, one Board (Commission) to Board (Camelot) meeting, and two presentations to Commissioners by Camelot's Managing Director and his team
- Published underage gambling research which shows that the number of children aged 11-15 who claim to play the National Lottery has reduced
- Approved a set of enhanced monitoring tools for interactive instant win games as part of game relaxations in that area
- Undertaken a knowledge transfer programme with the Gambling Commission Board ahead of the proposed merger
- Validated the payment of £1.94 billion to the DCMS to share amongst the UK's good causes, a 7.3% increase on last year
- This included the validation of payments raised specifically for the London 2012 Olympic and Paralympic games, with the £750m target achieved[1]
- Analysed almost £7 billion worth of sales transactions through our independent verification systems and ensured that the correct amount was paid to winners and good causes
- Agreed 8 changes to the licence to ensure that it remains fit for purpose
- Performed necessary checks relating to the £3.7 billion in prize money won by players

[1] The London 2012 Olympics and Paralympics received £2.175 billion overall in National Lottery funding, £750 million of which came from a series of specifically designated games.

# Priorities for 2012/2013

– protecting players and safeguarding the National Lottery

As part of our commitment to working transparently we set out in our annual reports our priorities for the previous year and updates on those priorities.

| Objective | Update |
|---|---|
| To deliver the best possible outcome for the National Lottery by securing the optimum performance from the operator. | Returns to good causes have improved again and we continue to develop improved assessment tools to ensure we fully understand the context of the performance. |
| To work with our partners to protect the Nation's interests in the benefits that the National Lottery provides. | The Commission considered carefully and approved Camelot's proposal for a major change to the core game Lotto. Camelot forecasts that this approval will bring increased benefits to good causes over the long-term. |
| To contribute to the development and implementation of proposals for the merger of the National Lottery Commission and the Gambling Commission to ensure that the National Lottery is secure for the future. | We continue to work closely with the Gambling Commission and DCMS to make sure that any potential merger is smooth and efficient and protects the important work the National Lottery Commission does as well as the specific role the National Lottery plays.<br><br>This has included an extended knowledge transfer process and the appointment of two Commissioners to the ongoing Gambling Commission board. |
| To regulate efficiently and effectively, embedding our new structure and people within our developing regulatory approach, knowledge base and culture | We have undertaken further reviews of our structure, while implementing a programme of events to communicate our regulatory approach to the new team. |

**In our recent business plan we have refined our approach while retaining the previous central core and set out the following strategic objectives for 2013/2014:**

1. To deliver the best possible outcome for the National Lottery by using our powers to secure the optimum performance from the Licensee.
2. To work with our partners to protect the Nation's interests in the benefits that the National Lottery provides.
3. To contribute towards the implementation of the proposed merger of the National Lottery Commission and the Gambling Commission, to ensure a smooth transition and protect the National Lottery's future.
4. To regulate efficiently and effectively, continuing to develop our skills and regulatory approach.

# Commissioners' biographies

Dr Anne Wright CBE

Mark Harris

Mary Chapman

Robert Foster

**Dr Anne Wright CBE** was appointed as Chair of the Commission in October 2005. She is a member of the Commission's Remuneration Committee and the Regulating with Excellence Reference Group. She was Chair of the School Teachers Pay Review Body until 31 March 2011 at the end of her term of office. Her former non-executive roles include the Board of English Partnerships and the Armed Forces Pay Review Body. Her former executive posts include Chief Executive of the Ufi/learndirect and Vice-Chancellor of the University of Sunderland. Former voluntary roles include Chair of Trustees for Youth Music Theatre UK. Anne has been a member of the Bar Standards Board since January 2012, and joined the newly-reconstituted Nursing and Midwifery Council as a Board member in May 2013.

**Mark Harris** was appointed as the National Lottery Commission's Chief Executive in April 1999 and a Commissioner in 2007. Under his executive lead, the Commission has worked with the operator (Camelot) to introduce a wider games portfolio, develop innovative new playing channels, and ensure the National Lottery is leading the way in preventing underage and excessive play. Mark acted as Senior Responsible Owner and a member of the Project Board throughout the licence competition and transition. He previously worked in public sector audit, and on strategic development within the NHS and the Audit Commission. Mark holds a law degree and is a qualified public sector accountant and is a companion of the Chartered Institute of Management. He is a graduate of the Cabinet Office's Top Management Programme and is an alumni of the Ashridge Business School.

**Mary Chapman** was appointed in January 2008. She is the Chair of the Remuneration Committee and a member of the Commission's Regulating with Excellence Reference Group. She is a non-executive director of the Royal Mint, Chairman of the Institute of Customer Service, a council member of the Girls' Day School Trust, of Brunel University and the Archbishops' Council of the Church of England. She was formerly Chief Executive of the Chartered Management Institute and the founding Chief Executive of Investors in People UK. Her earlier career was in marketing management with L'OREAL UK Group companies. In March 2013 Mary was appointed to the Gambling Commission Board in advance of the merger between the two commissions.

**Robert Foster** was appointed as a Commissioner for the National Lottery Commission in April 2005 and was Chairman of the project board which was responsible for overseeing the licence competition and transition. He was, until September 2004, Chief Executive of the Competition Commission. He has also held a number of senior posts in Whitehall including responsibility for the Department for Business, Innovation and Skills' innovation expenditure and science policy in the Cabinet Office. He is a chartered engineer and previously was an engineering manager in the telecommunications industry. He is Chair of Equinox Care, a mental health and substance misuse charity, and has had a number of other non-executive director appointments including the Jersey and Guernsey Competition Regulatory Authorities, and Vice-Chair of King's College Hospital NHS Foundation Trust. He is also a member of the Advisory Council of Oxford Capital Partners, a venture capital company supporting spin-offs from university scientific research.

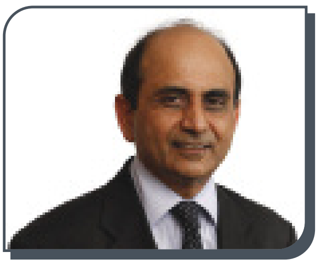
In March 2013 Robert was appointed to the Gambling Commission Board in advance of the merger between the two commissions

**James Froomberg** was appointed as a National Lottery Commissioner in January 2008. He sits on the Commission's Audit and Remuneration committees. He is a leisure and property industry director with more than 20 years' experience in the private, public and consultancy sectors, and a trustee of Young Enterprise. He was previously a member of the government's Casino Advisory Panel, the Commercial Director of British Waterways, the Director of Corporate Development at Wembley plc and a KPMG Partner, leading its UK leisure, tourism, property and PFI consultancy business.

**Deep Sagar** became a Commissioner of the National Lottery Commission in September 2007. He is the Chair of the Commission's Audit Committee and was also a member of the Project Board. He combines non-executive work with consultancy. Among his other roles currently are Chair of LEASE and of Flood Risk Management Wales. His main background is as a senior manager in multinationals like Coca-Cola.

**Sarah Thane CBE** Sarah Thane CBE was appointed as a National Lottery Commissioner in September 2005. She chairs the Commission's Regulating with Excellence Reference Group and sits on the Audit Committee. Sarah was formerly Advisor, Content and Standards at Ofcom, and Director of Programmes and Advertising at the ITC. As a consultant, she advised, among others, the BBC Trust. Sarah is a magistrate in West Suffolk; a Fellow and former Chair of the Royal Television Society, and was awarded an Honorary Doctoral Degree from the Birmingham City University in 2010.

James Froomberg



Deep Sagar

Sarah Thane CBE

# Appendix A: National Lottery sales performance 2012/2013

for the year ended 31 March 2013

| Sales | 2012/2013 £ millions | 2011/2012 £ millions |
|---|---|---|
| Lotto | **2,345.0** | 2,475.0 |
| Lotto Plus 5 | **78.7** | 101.7 |
| Thunderball | **314.0** | 330.6 |
| Scratchcards (including Interactive Instant Win Games (IIWGs)) | **2,062.0** | 1,725.8 |
| Hotpicks | **193.4** | 199.8 |
| Daily Play | **–** | 4.3 |
| EuroMillions | **1,984.0** | 1,666.1 |
| **Total** | **6,977.1** | 6,503.3 |
| Prizes capable of being won by players (including unclaimed prizes) | **3,697.6** | 3,379.4 |

| Payments to the National Lottery Distribution Fund and Olympic Lottery Distribution Fund (NLDF/OLDF) | | |
|---|---|---|
| Primary Contribution (Note 1) | **1,762.1** | 1,705.3 |
| Unclaimed prizes (Note 2) | **181.3** | 106.3 |
| Interest from Trust Accounts | **–** | 0.5 |
| Other miscellaneous payments (Note 3) | **0.5** | 0.5 |
| **Total** | **1,943.9** | 1.812.6 |

| Other payments | | |
|---|---|---|
| Lottery duty | **837.2** | 780.5 |
| Retailers' commission | **315.6** | 296.3 |

Note 1: Amount payable on sales figures less adjustments such as the National Lottery.

Note 2: Includes an unclaimed top tier EuroMillions prize of £63,837,543.60.

Note 3: Expected 2012/2013 adjustments for secondary contribution, ancillary activities figure.

# Appendix B: Section 5 Licence variations

for the year ended 31 March 2013

| Date | Condition | Effect of the variation |
|---|---|---|
| Signed and effective on 16 May 2012 | Condition 19, Schedule 1 definitions of 'Applicable Cash Sum', 'Full Cash Sum', Partial Cash Sum' and 'Guaranteed Sum' | Changes arising from the amendments to the way funds are held by Camelot for application in certain specified circumstances |
| Signed and effective on 21 May 2012 | Schedule 10, Part 3, 1.1 (C) | Allows Camelot to continue to offset oversized ticket costs against Minimum Marketing Expenditure if this were to be produced digitally until 31 August 2012. |
| Signed and effective on 28 May 2012 | Schedule 8, Part 3, 7.1(b), (c) and (d) and &7.2(d). | Aligns the licence to the fact that Primary Contribution and Unclaimed prizes are to be paid on the Wednesday but interest, at base +1%, is only attributable to Primary Contribution payments (not unpaid payments). |
| Signed and effective 1 January 2013 | Schedule 4 Part 1 (a)<br>Schedule 5 Table 1 | New BBC broadcast agreement commencing 1 January 2013. |
| Signed and effective from 17 January 2013 | Condition 14.4 | A variation to clarify the requirements regarding the publication of annual reports and accounts. |
| Effective 30 January 2013 | Condition 28.4 | To reflect the new address for the National Lottery Commission. |
| Signed 30 January 2013 and effective 1 February 2013 | Condition 8.1(b) table detailing retailers prize payment commission | New Post Office agreement commencing on 1 February 2013. |
| Signed 13 December 2012 and effective 1 April 2013 | Condition 11 Schedule 10 Part 1 Paragraph 1.4 (a)<br>Condition 11 Schedule 10 Part 2 Paragraph 1.2 (b) | A variation to reflect a new protocol in regards to the minimum marketing expenditure requirements effective from 1 April 2013. |

# Appendix C: Licence Breaches
for the year ended 31 March 2013

**No licence breaches recorded 2012/2013.**

# Appendix D: Camelot Performance Standards
for the year ended 31 March 2013

| 2012/2013 | Standard | Achieved |
|---|---|---|
| **Payments to the Secretary of State** | | |
| Payment to NLDF | No late payments | **100%** |
| **Computer Systems** | | |
| Terminal availability to sell tickets | 99.5% availability | **99.74%** |
| Terminal availability to validate tickets | 99% availability | **99.03%** |
| **Players Services (NLL, ICC and Subs)** | | |
| **Voice contact** | | |
| Calls to the Contact Centre | 70% of all calls answered within 30 seconds | **70.8%** |
| Abandoned calls to the Contact Centre | Less than 5% abandoned calls | **5.5%** |
| **Written Correspondence** | | |
| Responses to emails | 80% of emails to be answered within 8 hours | **84.2%** |
| Responses to letters | 80% of letters to be answered within 5 working days | **92.3%** |
| **Complaints** | | |
| Resolution of Player complaints | 95% of complaints to be answered within 10 working days | **97.4%** |
| **Quality** | | |
| Resolution of Player complaints and enquiries | 80% of contacts resolved at first attempt | * |
| Customer Satisfaction Surveys offered | 80% of player calls to be offered a customer satisfaction survey | * |
| Customer Satisfaction Surveys completed | 25% of player customer satisfaction surveys completed | * |
| Customer Satisfaction Score | 80% average score on player customer satisfaction survey | * |
| Accuracy | 300 player accuracy checks to be carried out each month | **Yes** |

* Player survey measures were introduced for the financial year 2012/2013. An overhaul of the Contact Centre systems took place in November 2012, which resulted in some reporting difficulties between periods 8 – 12. The data for the full financial year is incomplete for four standards.

| 2012/2013 | Standard | Achieved |
|---|---|---|
| **Prize Payment** | | |
| Claims paid by cheque within 1 hour of winners visiting a Regional Centre (including interactive) | 92.5% within 1 hour (remaining 7.5% in 20 working days) | **99.83%** |
| Prize claims made in person (including interactive) within 1 hour where the claim is settled through CHAPS | 92.5% within 1 hour (remaining 7.5% in 20 working days) | **99.82%** |
| Postal claims (including interactive) | 95% within 5 working days (remaining 5% in 20 working days) | **100%** |
| Resolution of claims in respect of damaged tickets for draw-based games | 95% within 20 working days (remaining 5% in 30 working days) | **100%** |
| Resolution of claims in respect of previously validated tickets for draw-based games | 90% within 20 working days (remaining 10% in 40 working days) | **97.13%** |
| Resolution of claims in respect of missing multi-draw exchange tickets for draw-based games | 90% within 20 working days (remaining 10% in 40 days) | **100%** |
| Resolution of claims in respect of lost, stolen and destroyed tickets for draw-based games | 75% within 20 working days | **99.54%** |
| Resolution of scratchcard claims in respect of damaged tickets | 95% within 20 working days (remaining 5% in 30 working days) | **100%** |
| Resolution of scratchcard claims in respect of stolen tickets/packs | 92.5% within 20 working days (remaining 7.5% in 40 working days) | **99.8%** |
| Resolution of scratchcard claims in respect of previously validated tickets | 95% within 20 working days (remaining 5% in 40 working days) | **97.77%** |
| Resolution of any other claims for draw-based games and scratchcard games | 75% within 20 working days (remaining 25% in 40 working days) | **99.91%** |

# Appendix E: NLC performance standards

for the year ended 31 March 2013

| Correspondence | Standard | Achieved |
|---|---|---|
| All correspondence acknowledged within 5 working days | 98% | **96.6%** |
| Substantive response to simple complaints and enquiries within 10 working days | 95% | **98.1%** |
| Response to correspondence requiring investigation within 20 working days | 95% | **87.1%*** |

* Note on achievement. Although the standard was not met it did improve from 70.3% in the previous year. We continue to strive to achieve while also considering the appropriateness of the standard given the impact of third parties.

| Equal opportunities analysis 2012/2013 | | |
|---|---|---|
| **Other** | **Standard** | **Achieved** |
| Cumulative sickness absence (Civil Service average 8 working days per year) | 7 | **0.5** |
| Return to work interviews completed within five working days | 95% | **Not Collected** |
| Staff turnover rate | Not applicable | **13.2%** |

| NLC prompt payment analysis 2012/2013 | | | | |
|---|---|---|---|---|
| **Total number of invoices** | **Number paid within 30 days** | **Percentage paid within 30 days** | **Number paid within 40 days** | **Percentage paid within 40 days** |
| 254 | 202 | 80% | 229 | 90% |

## Sustainability

We have not included any details on sustainability, as organisations occupying less than a total of 1,000m$^2$ of floor area or with fewer than 250 FTE staff are exempt from providing this information.

## Commissioners

### *Dr Anne Wright CBE*

Appointed as a Commissioner in May 2005 then elected as Chair in October 2005, and appointed by the Secretary of State in October 2006 for a term of four years. Re-appointed for a further term of four years with effect from October 2010.

### *Mary Chapman*

Appointed in January 2008 for a term of four years and re-appointed in January 2012 for a further term of four years.

### *Robert Foster*

Appointed in April 2005 for a term of five years and Chair of the Project Board. Re-appointed in April 2010 for a further term of four years.

### *James Froomberg*

Appointed in January 2008 for a term of four years and re-appointed in January 2012 for a further term of four years.

### *Deep Sagar*

Appointed in September 2007 for a term of four years and re-appointed in September 2011 for a further term of four years.

### *Sarah Thane CBE*

Appointed in September 2005 for a term of four years and re-appointed in September 2009 for a further term of four years.

### *Mark Harris*

Chief Executive and appointed as Commissioner from October 2007 for a term of four years. Re-appointed for a further term of four years with effect from October 2011.

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## Registered address

Victoria Square House
Victoria Square
Birmingham B2 4BP

## External auditors

### *The Comptroller and Auditor General*

National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP

## Internal auditors

### *BDO LLP*

Emerald House
East Street
Epsom
Surrey KT17 1HS

## Bankers

### *The Government Banking Service*

HM Revenue & Customs
1st Floor, West Wing
Somerset House
Strand
London WC2R 1LB

## Solicitors

### *Herbert Smith*

Exchange House
Primrose Street
London EC2A 2HS

## Background

The National Lottery Commission (the Commission) is established as an executive Non-Departmental Public Body and is governed by the National Lottery etc. Act 1993 (as amended), inter alia, by the National Lottery Act 1998 and the National Lottery Act 2006.

## Functions, duties and powers

The National Lottery etc Act 1993 (as amended), gives the Commission the following:

**(a) Functions**

- by licence to authorise a person to run the National Lottery (Section 5); and
- by licence to authorise a person to promote lotteries as part of the National Lottery (Section 6).

**(b) Summary of duties**

- that the National Lottery is run, and every lottery that forms part of it is promoted, with all due propriety;
- that the interests of every participant in a lottery that forms part of the National Lottery are protected; and
- subject to the above two duties, the Commission will do its best to secure that the net proceeds of the National Lottery are as great as possible.

**(c) Powers**

- to vary any condition granted under Section 5 or 6 with the licensee's consent where required;
- to seek an injunction against the Section 5 or 6 licensee if it has, or is likely to, contravene a condition of its licence;
- to revoke a licence granted under Section 5 or 6 if the Commission is satisfied that the licensee no longer is, or never was, a fit and proper body to run the National Lottery or promote lotteries as part of the National Lottery; and
- to impose a financial penalty on the licensee if the Commission is satisfied that the licensee has contravened a condition of its licence under Section 5 or 6.

## Commission membership

There are seven Commissioners including the Chief Executive. All Commissioners are appointed by the Secretary of State for Culture, Media and Sport, who also determines their remuneration. Commissioners have corporate responsibility for ensuring that the Commission fulfils the aim and objectives set out in legislation and complies with any statutory or administrative requirements for the use of public funds.

In accordance with amendments in the National Lottery Act 2006, the current Chair of the Commission was appointed by the Secretary of State to serve as Chair for a four-year term.

The 2006 Act also permitted the Secretary of State to appoint additional Commissioners over and above a minimum membership of five Commissioners, including the appointment of two executives as Commissioners.

## Chief Executive

The Chief Executive, who is also a Commissioner, is appointed on an open-ended contract. Should the contract be terminated, this would be done in line with the procedures set out in the Civil Service Management Code.

## Register of Interests

The Commission maintains a Register of Interests to record any declaration of financial and other interests of Commissioners, their close family members and senior staff of the Commission that may conflict with their management responsibilities. The Register of Interests is open for inspection at the Commission's offices upon request and is available on the Commission's website. During 2012/2013 no directorships or other significant interests were held by Commissioners or Directors which may have conflicted with their management responsibilities.

## Management Commentary

### Results for the year

The accounts have been prepared in accordance with the Accounts Direction given by the Secretary of State for Culture, Media and Sport with the consent of HM Treasury in accordance with the National Lottery etc. Act 1993 (as amended). Total comprehensive net expenditure for the year amounted to £2.8 million (£5.0 million in 2011/2012). The decrease in net expenditure between the years is mainly as a result of redundancy costs in 2011/2012 totalling £0.8m that were not repeated in 2012/2013. A further £0.7m reduction in staff costs was evidenced as a result of the relocation to Birmingham and the full year effect of the shared services agreement whilst accommodation costs also fell by £0.5m.

The Statement of Financial position at 31 March 2013 shows net liabilities of £429k (31 March 2012, £411k net assets). This reflects existing liabilities falling due in future years that may only be met by future Grants-in-aid from the sponsoring department, DCMS. This is because, under the normal conventions applying to Parliamentary control over income and expenditure, such grants may not be issued in advance of need. Grant-in-aid for 2013/2014, taking into account the amount required to meet the Commission's liabilities falling due in that year, has already been approved by DCMS.

The movement from a net asset position in 2011/2012 to a net liability position in 2012/2013 can be attributed to tight cash management within the Commission during 2012/2013. At the end of 2011/2012, the Commission held £1.48m in cash balances. By the end of 2012/2013 this had fallen to £0.15m subsequently giving rise to the net liability position.

The net liabilities include £241k of pension liabilities relating to a former Director General of the Office of the Lottery (OFLOT), which represents a long-term liability to the Commission, and which will not be required to be met in full in the short term.

### Review of activities

The review of the Commission's activities during the period is included within the main annual report narrative, on page 11.

The Commission recorded no breaches during 2012/2013 (none in 2011/2012).

## Pension liabilities

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme. Bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ, by payment of contributions calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole. For new entrants from 1 October 2002 the pension options include a money purchase stakeholder scheme, and from 30 July 2007 an additional option was introduced called nuvos, which is a 'whole career' scheme.

The Commission has a pension liability for a former Director General of OFLOT. The liability for this pension passed from DCMS to the Commission. Full disclosure can be found in the remuneration report and in Note 3.

## Equal opportunities

The Commission is committed to a policy of equal opportunities for all job applicants and employees. It does not discriminate against staff or eligible applicants for posts on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religion, disability, age or sexual orientation. The Commission ensures that staff are treated equally and fairly and that decisions on recruitment, selection, training, promotion and career management are based solely on objective and job-related criteria. It does not tolerate any form of discrimination, harassment or victimisation. All staff are required to co-operate in making this policy work effectively.

The Commission publishes its Single Equality Scheme which shows how the Commission is proactively integrating equal opportunities across all parts of its business activities. This is available on the Commission's website.

## Investors in People (IiP)

The Commission has achieved IiP accreditation and was re-accredited in May 2009.

## Disability policy

The Commission achieved the Positive About Disability Standard in January 2004.

## Staff communication

Staff are kept informed about the work of the Commission and developments that may impact on its aims and objectives by regular briefing sessions and discussions, supplemented by a regular staff newsletter.

## Payment performance

The Commission adheres to the government's Better Payment Practice Code, which is to settle all valid bills within 30 days of the invoice date, or any other specified terms, inclusive of credit card and cheque payments as applicable. In the financial year to 31 March 2013 the Commission settled 80 percent of invoices within 30 days (90 percent in 2011/2012). No interest was paid during 2012/2013 (£Nil in 2011/2012) under the Late Payment of Commercial Debts (Interest) Act 1998.

## Sickness absence

During the year the average number of days lost due to sickness absence was 0.5 compared to the Civil Service average of 8 days. (In 2011/2012, the average was 7.2 days compared with the Civil Service average of 8.7 days).

## Disclosure of information to auditors

The Comptroller and Auditor General is the external auditor for the Commission's accounts. The external auditor's remuneration in 2012/2013 was set at £21.5k (£21.5k 2011/2012). The external auditors did not undertake any non-audit work during the year. To the extent of my knowledge, as Accounting Officer for the Commission:

- There is no relevant audit information of which the Commission's auditors are unaware; and
- I have taken all possible steps to make myself aware of any information of relevance to the Commission's auditors and to make them aware of it.

Mark Harris
**Chief Executive**

26 June 2013

# Remuneration Report

This report covers the 12 months ended 31 March 2013 and sets out the policy and disclosures in relation to the remuneration of the Commissioners and senior managers of the Commission.

## Remuneration policy

Salary and other terms and conditions for each grade of the Commission's staff are set:

- to reflect the need to recruit, maintain and motivate suitably qualified people to exercise their different responsibilities;
- to reward people equitably for their contribution to the fulfilment of the organisation's objectives; and
- in line with Government policy and guidance on public sector pay.

The Chief Executive's remuneration is determined by the Remuneration Committee and is set out in a contract that is subject to DCMS approval.

## Remuneration committee

The members of the Remuneration Committee were Mary Chapman (Chair), Anne Wright and James Froomberg.

## Chief Executive's remuneration

The Chief Executive's appointment and contract is approved by DCMS. The contract provides for a bonus of up to 20 percent of salary, subject to performance. Up to 5 percent of the bonus can be consolidated as a pay increase. Otherwise, the bonus is non-pensionable and non-consolidated. The bonus and any consolidated pay increase are set by the Remuneration Committee. Due to delays in 2010/2011 in the approval of the Chief Executive's bonus, staff costs for 2011/2012 shown in the table on page 40 include the amount of bonus awarded for both the previous two years.

## Directors' remuneration

Appointments of the Commission's Directors are made on merit and on the basis of fair and open competition. Unless otherwise stated, the Directors covered in this report hold appointments that are open-ended until they reach the normal retiring age of 60. Early termination of contracts, other than for misconduct, would result in individuals receiving compensation as set out in the Civil Service Compensation Scheme. The period of notice for termination is three months.

Directors' bonuses are based on performance throughout the year and an assessment of the extent to which objectives that are set at the start of the year have been met or exceeded. The assessment is made following a performance appraisal undertaken by the Chief Executive where performance and evidence of achievement of objectives is discussed. Directors' bonuses are moderated by the Remuneration Committee.

Bonus amounts for Directors are set at 3 percent of salary for meeting objectives and 5 percent of salary if objectives are exceeded.

## Commissioners' remuneration

All Commissioners are remunerated on a daily rate apart from the Chair of the Commission who is paid an annual salary. The Secretary of State for Culture, Media and Sport sets the basis for Commissioners' remuneration in line with government guidance. The Chief Executive is paid as an employee.

## Remuneration for 2012/2013

The following sections provide details of the remuneration and pension interests of the Commissioners and Directors. This has been subject to audit review.

## Commissioners' remuneration 2012/2013

| Name and designation | 2012/2013 Salary £'000 | Bonus Payments £'000 | Benefits in kind (to nearest £100)* | 2011/2012 Salary £'000 | Bonus Payments £'000 | Benefits in kind (to nearest £100) |
|---|---|---|---|---|---|---|
| Dr Anne Wright CBE *Chair* | **60-65** | **–** | **900** | 60-65 | – | 100 |
| Mary Chapman *Commissioner* | **0-5** | **–** | **1,200** | 5-10 | – | – |
| Robert Foster *Commissioner* | **5-10** | **–** | **600** | 5-10 | – | 100 |
| James Froomberg *Commissioner* | **5-10** | **–** | **1,300** | 5-10 | – | 400 |
| Deep Sagar *Commissioner* | **5-10** | **–** | **1,500** | 5-10 | – | 900 |
| Sarah Thane CBE *Commissioner* | **5-10** | **–** | **3,200** | 5-10 | – | 2,100 |

* The benefits in kind received during 2012/2013 relate to the additional travel, subsistence and any accommodation costs incurred whilst attending meetings at Victoria Square House.

## Chief Executive and Directors' remuneration 2012/2013

| Name and designation | 2012/2013 Salary £'000 | 2012/2013 Bonus Payments £'000 | 2012/2013 Benefits in kind (to nearest £100) | 2011/2012 Salary £'000 | 2011/2012 Bonus Payments £'000 | 2011/2012 Benefits in kind (to nearest £100) |
|---|---|---|---|---|---|---|
| Mark Harris* *Chief Executive and Commissioner* | **110-115** | **20-25** | **31,600** | 110-115 | 20-25 | 9,600 |
| Joy Watkins** *Director of Resources (left 30 April 2012)* | **65-70** | **N/A** | **–** | 70-75 | 0-5 | 7,100 |
| Simon D'Arcy**** *Director of Compliance (left 20 July 2011)* | **–** | **–** | **–** | 25-30 (85-90 full year *equivalent)* | N/A | – |
| Ben Haden*** *NLC Director* | **80-85** | **0-5** | **52,700** | 80-85 | 0-5 | 5,200 |
| Band of highest paid directors total remuneration (£'000) | | **165-170** | | | 145-150 | |
| Median total remuneration | | **34,561** | | | 38,137 | |
| Ratio | | **4.8** | | | 3:9 | |

* Mark Harris joined the Commission in April 1999 and was appointed as a Commissioner on 1 October 2007 but does not receive additional remuneration in this capacity. Mark's notice period is six months. Following the relocation of the Commission to Birmingham, and given the uncertainty about Mark's position following merger, the Commission agreed that Mark should work in Birmingham under detached duty terms. His contract was amended accordingly. As a result, the Commission is required to meet the additional costs incurred by Mark as a result of travel to and from Birmingham, and his costs of accommodation whilst working in Birmingham during the week. The Commission also agreed to pay the tax due on these expenses. The benefits in kind received during 2012/2013 relate to the additional travel, subsistence and accommodation costs incurred whilst working at Victoria Square House.

** Joy Watkins joined the Commission in July 2001 and left the Commission in April 2012. Her salary for the period falls within the '£5,000-£10,000' range (full year equivalent £70,000-£75,000) and she also received a compensation payment of £63,904 for termination of employment.

*** Ben Haden joined the Commission in April 2003. Ben's role changed in February 2012 to NLC Director (formerly Director of Corporate Affairs), and his contracted notice period is three months. Benefits in kind received during 2012/2013 relate to travel, subsistence and accommodation incurred whilst working at Victoria Square House on which the Commission also paid the tax due and subsequent relocation expenses incurred.

**** Simon D'Arcy was employed on a fixed term contract from March 2010, and therefore was not eligible to join the pension scheme, and no bonus was payable.

### Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Commission and thus recorded in these accounts.

### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Commission and treated by HM Revenue and Customs as a taxable emolument.

## Pension benefits 2012/2013

| (12 Months to 31 March 2013) Name and designation | Accrued pension at age 60 as at 31/03/13 and related lump sum | Real increase in pension and related lump sum at pension age | *CETV at 31/03/13 | *CETV at 31/03/12 | Real increase in CETV | Employer contribution to partnership pension account |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | (to nearest £100) |
| Mark Harris *Chief Executive and Commissioner* | 42.5-50.0 lump sum 127.5-130.0 | 0-2.5 lump sum 2.5-5.0 | 757 | 705 | 14 | 1,700 |
| Ben Haden *Director of Corporate Affairs* | 12.5-15.0 lump sum N/A | 2.5-5.0 lump sum N/A | 162 | 115 | 36 | 5,100 |
| Joy Watkins *Director of Resources* | 7.5-10 lump sum 27.5-30.0 | 0-2.5 lump sum 0-2.5 | 144 | 142 | 1 | 200 |

* CETV = Cash equivalent transfer value.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for **classic** and 3.5% and 5.9% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2013. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement.

For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website **http://www.civilservice.gov.uk/pensions**

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

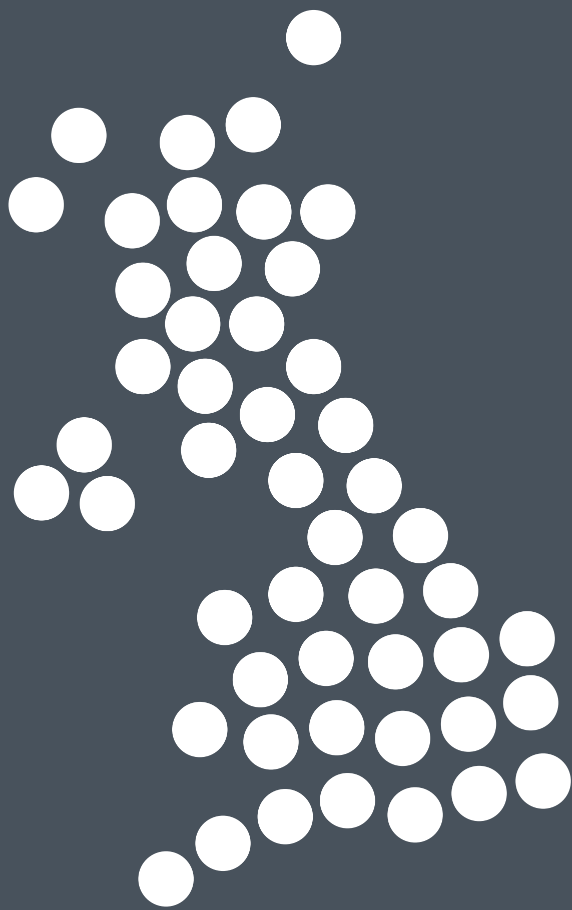
## Compensation for loss of office

During the year, Joy Watkins left the Commission as a result of voluntary redundancy and received compensation of £63,904 which was accounted for as an accrual in 2011/2012. All compensation amounts paid following the National Lottery Commission's relocation to Birmingham fell within civil service redundancy arrangements.

Mark Harris
**Chief Executive**

26 June 2013

# Accounts **2012/2013**



# Statement of the Commission's and Chief Executive's responsibilities for the Financial Statements

Under Schedule 2A Section 11(1) and (2) of the National Lottery etc Act 1993 (as amended), inter alia, by the National Lottery Acts 1998 and 2006, the Commission is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Culture, Media and Sport. The accounts are prepared on an accruals basis and must give a true and fair view of the Commission's state of affairs and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts the Commission is required to:

- observe the Accounts Direction* issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Commission will continue in operation.

The Accounting Officer for DCMS has designated the Chief Executive of the Commission as the Accounting Officer of the Commission. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum issued by the Treasury and published in Managing Public Money.

Mark Harris
**Chief Executive**

26 June 2012

*The Accounts Direction is held on site at the National Lottery Commission's office

# National Lottery Commission Governance Statement
for the year ended 31 March 2013

The National Lottery Commission (the Commission) is established as an executive Non-Departmental Public Body and is governed by the National Lottery etc. Act1993 (as amended), inter alia, by the National Lottery Act 1998 and the National Lottery Act 2006.

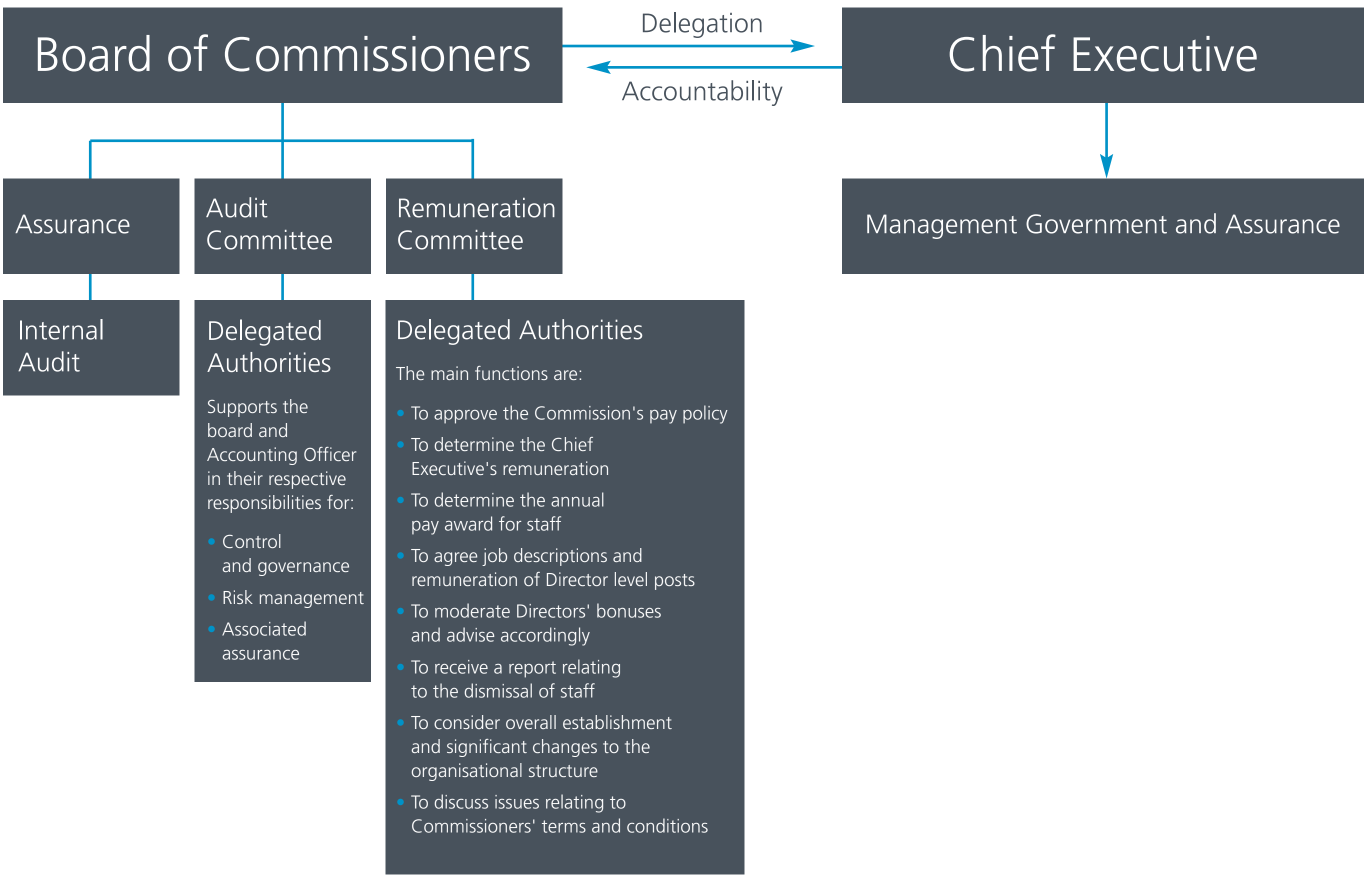
This statement explains the key features of the Commission's governance structure, and how it has complied with the principles and provisions of the Corporate Governance Code for central government departments, where applicable.

**Governance Framework**
The Board of Commissioners, led by the Chair, Anne Wright, oversees the business of the Commission. The day to day activity of the Commission is managed by the senior management team, led by the Chief Executive, Mark Harris.

Commissioners have corporate responsibility for ensuring that the Commission fulfils the aim and objectives set out in legislation and complies with any statutory or administrative requirements for the use of public funds.

The Chief Executive, as Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of the Commission's policies, aims and objectives.

## The Commission's Governance Structure



## Composition of the Board

There are seven Commissioners including the Chief Executive. All Commissioners are appointed by the Secretary of State for Culture, Media and Sport, who also determines their remuneration.

There were no changes in the composition of the board during the year.

## Board Performance

### The Board

The Board minutes are published on the Commission's website. Senior managers also attend Board meetings regularly. In addition the Board monitors and receives regular reports from its Audit and Remuneration Committees.

The Board sets the strategic objectives of the Commission and is responsible for performance of the Chief Executive. Commissioners are required to disclose any potential conflicts of interest, as set out within the Code of Practice for Commissioners. This is agreed with DCMS (on behalf of the Secretary of State) and that the register of interests is copied to DCMS twice yearly. No conflicts of interest were declared during the year which led a Commissioner to have to withdraw from the discussion of an agenda item or not participate in a decision.

Commissioners review meeting effectiveness at each meeting and also annually review overall board effectiveness through a specific paper discussed and actioned at a full meeting of the Commission.

**Board attendance (number of meetings attended/number of meetings held)**

Anne Wright (11/11)
Deep Sagar (10/11)
James Froomberg (11/11)
Mary Chapman (10/11)
Robert Foster (11/11)
Sarah Thane (11/11)
Mark Harris (11/11)

***Activity***

The Board over the course of the year receives a mix of items that are for decision, discussion or information. The following identifies key specific as well as regular activities undertaken:

*Regular*

- A monthly Chief Executive report covering ongoing regulatory, policy and organisational issues.
- A monthly report on the financial performance of the games portfolio, with particular reference to the trend of returns to good causes.
- A six monthly strategic report which considers the overall performance of the operator in key areas, such as the maximisation of returns to good causes.
- Regular updates on:
  - organisational developments (such as improvements to Compliance planning)
  - research reports (online community, consumer tracker, Under 16s research)
  - wider contextual issues (EU Gambling law)
- Six monthly updates with Camelot to discuss strategic direction and past performance

*Key Specific Issues*

- Camelot's Lotto refresh proposal
- Scratchcard relaxation decision
- £10 Scratchcard Licence approval
- Interactive Instant Win game relaxation decision
- A series of commercially confidential discussions and decisions relating to the development of the game portfolio
- Merger progress monitoring.

The Board has gained assurance that the data quality of the information it receives is sound through a mix of internal audit work on data held and its own challenge of the data presented.

**Audit Committee**

The Audit Committee comprises no fewer than three Commissioners. As Accounting Officer the Chief Executive normally attends the meetings. It meets at least three times a year and in the year under review it met three times.

In 2012/2013 the Audit Committee members were:

- Deep Sagar (Chair);
- James Froomberg; and
- Sarah Thane CBE.

The Audit Committee is responsible for reviewing, at each of its meetings, the risks identified and recorded in the strategic risk register, and any additional action planned to further mitigate risk where needed. In addition, the Committee is informed of any new risks and changes to the assessment of existing risks.

During the year the Audit Committee reviewed the Commission's:

- finance policies and processes around payroll and pensions administration to ensure that they are robust and fit for purpose;
- information security arrangements now that those arrangements are provided as part of the shared services agreement with the Gambling Commission; and
- the Licensing, Vetting and Compliance functions to ensure that processes were in place and operating effectively.

The Chair of the Audit Committee updates the Commissioners on the work of the Committee after each Audit Committee meeting and provides a full written report on the work of the Committee once a year.

**Audit Committee attendance**
**(number of meetings attended /number of meetings held)**

Deep Sagar (3/3)
James Froomberg (3/3)
Sarah Thane (2/3)
Mark Harris (3/3)

**Remuneration Committee**

The Commission has a Remuneration Committee that is made up of three Commissioners and that meets at least once a year.

The Committee has full terms of reference that are reviewed annually. The Committee's main functions are:

1. To approve the Commission's pay policy and recommend to the full Commission for adoption.
2. To determine the Chief Executive's remuneration.
3. To determine the annual pay award for staff.
4. To agree job descriptions and remuneration of director level posts.
5. To moderate Directors' bonuses and advise accordingly.

6. To receive a report relating to the dismissal of staff.

7. To consider overall establishment and significant changes to the organisational structure and to make recommendations to the full Commission accordingly.

8. To discuss issues relating to Commissioners' terms and conditions and agree recommendations for DCMS to consider.

The Committee met three times in 2012/2013, and provided additional oversight to the HR consequences of the Commission's merger arrangements. The Chair of the Remuneration Committee updates the Commissioners on the work of the Committee after each Remuneration Committee meeting and provides a full written report on the work of the Committee once a year.

**Remuneration Committee attendance**
**(number of meetings attended /number of meetings held)**
Anne Wright (3/3)
James Froomberg (3/3)
Mary Chapman (3/3)
Mark Harris (3/3)

## Risk and Internal Control Framework

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The principal features of the system of internal control and key high-level controls in place throughout the year are:

- an organisational structure that supports clear lines of communication, monitoring, reporting and accountability;
- business strategies that are approved by the Commissioners;
- detailed business plans produced at department level; and
- a risk escalation process allowing risks identified within business plans to be brought to the attention of the Senior Management Team, the Audit Committee and the Commissioners if required.

We evaluate the effectiveness of our system of internal control through:

- scrutiny of internal audit reports, internal controls and risks by our Audit Committee;
- a regular programme of internal audit; and
- external audit by the National Audit Office

The internal audit opinion is that, and on the assumption that internal audit recommendations are implemented, the National Lottery Commission has a sound framework of control in the areas reviewed which we are satisfied should provide assurance regarding the effective and efficient achievement of the National Lottery Commission's objectives. The system of internal control has been in place in the Commission for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### Capacity to handle risk

The Commission is a public body, accountable to Parliament, operating in a governance framework set and monitored by HM Treasury and DCMS. The Commission subscribes to the seven principles of conduct underpinning public life as set out by Lord Nolan (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

The Commission is committed to high standards of Corporate Governance, including the effective management of risks throughout the Commission. The Senior Management team takes an active role in identifying and reviewing risks to ensure we can deliver our objectives. Leadership is given to the risk management process by the work of the Audit Committee which reviews the strategic risk register at each of its meetings, and it met three times this year. The risk register is considered by the full Commission at least annually.

On an operational level, managers are trained and equipped in a way appropriate to their duties and authority to identify risks which may impact on the aims and objectives of the Commission.

### The risk and control framework

The Commission's risk management framework has continued to develop over the year and we are continuing work to ensure it is fully embedded in all of our procedures.

The Commission's risk processes consider information risks and the controls in place to protect the Commission's information assets. These processes recognise that personal and other sensitive information, including employee information, requires extra safeguards. Security and confidentiality are key requirements in holding this data. The Commission holds only small quantities of personal information and I consider the level of information risk to be low. There were no losses of personal data during 2012/2013.

The key risks managed by the Commission during 2012/2013 relate to delivery of our objectives and cover a range of areas including; reputation, returns to good causes, stakeholder engagement and co-location and merger. Specific operator proposals and developments were considered as they arose and relevant risks and management strategies identified where needed.

The risk and control framework implemented by the Commission comprises the following key elements:

- the Commissioners and Audit Committee – oversee the arrangements in place for the risk management function which operates within the Commission;
- Senior Management Team – own and manage risk. They review the strategic risk register on a monthly basis at least to ensure context, actions, risk ownership and processes are co-ordinated and fit for purpose;
- the Commission's governance framework –the framework sets out how the Commissioners manage its affairs and which matters are delegated to the Chief Executive; and
- an internal audit programme – this focuses on the requirement to provide assurance that the risks faced by the Commission are properly managed and controlled and that appropriate controls are in place and operating in key operational areas. Where control weaknesses are identified, these are drawn to the attention of senior managers who are responsible for determining and implementing an appropriate response.

**Information assurance**
The Commission continued to be compliant with Cabinet Office and other relevant guidelines and statutory requirements.

As part of our work around information assurance the Commission maintains robust and proportionate business continuity plans to ensure we continue to remain operational during any period of severe business disruption and we intend to review in the light of our relocation.

**Personal data incidents**
In accordance with Cabinet Office guidance regarding the Security Policy Framework (SPF), the Commission has in place various measures to ensure information security applies to all staff and third parties as applicable. In line with the SPF, the Commission regularly reviews its security systems and will introduce further measures as required.

The Commission has suffered no protected personal data incidents during 2012/2013 and has made no reports to the Information Commissioner's Office.

**Access to information**
As a public body the Commission is committed to meeting the statutory requirements laid down by the Freedom of Information Act 2000 and the Data Protection Act 1998.

We received 58 requests for information under the Freedom of Information Act during the year. In 1 case we were asked to conduct an internal appeal and this was led by someone other than the original decision maker. None of these decisions have been subject to review by the Information Commissioner. We received 1 subject access request under the Data Protection Act.

We proactively publish information on our website as part of our statutory publication scheme. This includes responses to requests for information where we consider there is a wider public interest.

**Conclusion**
Overall we believe there are satisfactory processes in place to identify and manage the significant risks faced by the Commission and meet the requirements of the Governance Code in so far as it is appropriate. We recognise that it remains of paramount importance that in this post relocation period, the design and operation of internal controls continue to operate and meet the needs of the Commission.

Mark Harris
**Chief Executive**

26 June 2013

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the National Lottery Commission for the year ended 31 March 2013 under the National Lottery etc Act 1993. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

**Respective responsibilities of the Commission, Accounting Officer and auditor**

As explained more fully in the Statement of the Commission's and Chief Executive's Responsibilities for the Financial Statements, the Commission and the Chief Executive, as Accounting Officer, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc Act 1993. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Lottery Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Lottery Commission; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

**Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Lottery Commission's affairs as at 31 March 2013 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

### Emphasis of matter

Without qualifying my opinion, I draw attention to the disclosures made in note 1 to the financial statements concerning the application of the going concern principle in the light of the Public Bodies Act 2011 which allows for the abolition of the National Lottery Commission and the transfer of its functions, property, rights and liabilities to the Gambling Commission. This is subject to the affirmative resolution in the Houses of Parliament of the draft Public Bodies (Merger of the Gambling Commission and the National Lottery Commission) Order 2013 and there is therefore uncertainty over the National Lottery Commission's ability to continue to operate in its current legal form.

### Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the National Lottery etc. Act 1993; and
- the information given in Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### Report

I have no observations to make on these financial statements.

**Amyas C E Morse** **Date 5 July 2013**
**Comptroller and Auditor General**

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

# Statement of comprehensive net expenditure

for the 12 months ended 31 March 2013

| | Notes | 31 March 2013 £'000 | 31 March 2012 £'000 |
|---|---|---|---|
| **Expenditure** | | | |
| Staff costs | 2 | **(1,166)** | (2,684) |
| Administrative expenses | 4 | **(770)** | (1,402) |
| Other expenditure | 5 | **(834)** | (876) |
| **Total net expenditure before finance costs** | | **(2,770)** | (4,962) |
| Interest cost on pensions | 3 | **(11)** | (12) |
| **Total net expenditure after finance costs** | | **(2,781)** | (4,974) |

| **Other comprehensive expenditure** | Notes | 31 March 2013 £'000 | 31 March 2012 £'000 |
|---|---|---|---|
| Net gain/(loss) on Pension Liability | 3 | **(9)** | (6) |
| Changes in assumptions underlying the present value of the pension scheme liabilities | 3 | **(8)** | (1) |
| **Total comprehensive expenditure for the year ended 31 March 2013** | | **(2,798)** | (4,981) |

Notes on pages 44 to 56 from part of these accounts.

# Statement of financial position
as at 31 March 2013

| | Notes | 31 March 2013 £'000 | 31 March 2012 £'000 |
|---|---|---|---|
| **Non current assets** | | | |
| Property, plant and equipment | 6 | **19** | 37 |
| Intangible assets | 7 | **29** | 54 |
| **Total non-current assets** | | **48** | 91 |
| **Current assets** | | | |
| Trade and other receivables | 8 | **19** | 34 |
| Cash and cash equivalents | 9 | **154** | 1,476 |
| **Total current assets** | | **173** | 1,510 |
| **Total assets** | | **221** | 1,601 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | **(409)** | (963) |
| **Total current liabilities** | | **(409)** | (963) |
| **Non current assets less net current liabilities** | | **(188)** | 638 |
| **Non-current liabilities** | | | |
| Pension liability | 3 | **(241)** | (227) |
| **Assets less liabilities** | | **(429)** | 411 |
| **Taxpayers' equity** | | | |
| Income and expenditure reserve | | **(429)** | 411 |
| **Total** | | **(429)** | 411 |

Notes on pages 44 to 56 from part of these accounts.

Mark Harris
**Chief Executive**

26 June 2013

# Statement of cash flows

for the 12 months ended 31 March 2013

| | Notes | **31 March 2013 £'000** | 31 March 2012 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net expenditure for the year | | **(2,781)** | (4,974) |
| Adjustments for non-cash transactions | | | |
| Depreciation and amortisation charge | 6 & 7 | **470** | 61 |
| Decrease in trade and other receivables | 8 | **15** | 174 |
| Increase/(decrease) in trade and other payables | 10 | **(554)** | 723 |
| Increase/(decrease) in provisions | | **–** | (156) |
| Non-cash costs | 3 | **(3)** | 13 |
| Pension payments | | | |
| **Net cash outflow from operating activities** | | **(2,853)** | (4,159) |
| **Cash flows from investing activities** | | | |
| Payments to acquire property, plant and equipment & intangible assets | 6 & 7 | **(427)** | (19) |
| **Net cash outflow from investing activities** | | **(427)** | (19) |
| **Cash flows from financing activities** | | | |
| Capital grant received | 12 | **6** | 19 |
| Grant-in-aid for revenue expenditure | 12 | **1,952** | 5,081 |
| **Net cash inflow from investing activities** | | **1,958** | 5,100 |
| **Net increase/(decrease) in cash and cash equivalents in the period** | 9 | **(1,322)** | 922 |
| **Cash and cash equivalents at 1 April 2012** | | **1,476** | |
| **Cash and cash equivalents at 31 March 2013** | | **154** | |

Notes on pages 44 to 56 from part of these accounts.

# Statement of changes in taxpayers equity

for the 12 months ended 31 March 2013

| | Income & expenditure reserve £'000 | Total reserves £'000 |
|---|---|---|
| **Balance at 1 April 2011** | 292 | 292 |
| **Changes in reserves** | | |
| Total net expenditure after finance cost | (4,974) | (4,974) |
| Actuarial gain arising on pension scheme | (7) | (7) |
| **Total recognised comprehensive net expenditure for 2011/12** | (4,981) | (4,981) |
| Grant-in-aid for revenue expenditure | 5,081 | 5,081 |
| Grant-in-aid for capital expenditure | 19 | 19 |
| **Balance at 31 March 2012** | 411 | 411 |
| | | |
| **Balance at 1 April 2012** | **411** | **411** |
| **Changes in reserves** | | |
| Total net expenditure after finance cost | **(2,781)** | **(2,781)** |
| Actuarial loss arising on pension scheme | **(17)** | **(17)** |
| **Total recognised comprehensive net expenditure for 2012/13** | **(2,798)** | **(2,798)** |
| Grant-in-aid for revenue expenditure | **1,952** | **1,952** |
| Grant-in-aid for capital expenditure | **6** | **6** |
| **Balance at 31 March 2013** | **(429)** | **(429)** |

Notes on pages 44 to 56 from part of these accounts.

# Notes to the financial statements

for the year ended 31 March 2013

## 1: Accounting policies

### Basis of accounting

The financial statements are drawn up in accordance with a Direction given by the Secretary of State for Culture, Media and Sport with the approval of HM Treasury, in accordance with Schedule 2A section 11(2) of the National Lottery etc Acy 1993 (as amended). The financial statements are prepared in accordance with the Government Financial Reporting manual (FReM) and the Companies Act requirements, the disclosure and accounting requirements contained in HM Treasury's Fees and Charges Guide, and the accounting requirements contained in Managing Public Money, insofar as these are appropriate to the Commission and are in force for the financial year for which the statements are prepared. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate for the particular circumstances of the Commission for the purpose of giving a true and fair value has been selected.

The particular policies adopted by the Commission are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The financial statements are prepared under the modified historical cost convention by the inclusion of property, plant & equipment and intangible assets at their fair value to the business.

### Grants receivable

Grant-in-aid, used to finance activities and expenditure which supports the statutory and other objectives of the Commission, is treated as financing, and credited to Reserves because it is regarded as a contribution from a controlling party.

Grant-in-aid received for 2012/2013 was £1,958,000 (£5,100,000 in 2011/2012).

### Property, plant and equipment

Expenditure on property, plant and equipment are capitalised for each item which costs more than £2,000. In addition, all items of computer equipment forming part of the Commission's computer network are also capitalised. With respect to the Commission's non-property assets, these are of low value and have relatively short lives. Therefore, as a proxy of fair value the Commission considers it appropriate that they are depreciated at historic cost value.

### Intangible non current assets

Expenditure on intangible assets is capitalised for each item which costs more than £2,000, intangible assets are held at fair value.

Olympic IP was the London 2012 Olympic and Paralympic Games intellectual property right for the operation and promotion of Olympic Lotteries. The National Lottery Commission controlled usage of the intellectual property (IP) by the lottery operator under the framework agreement with London Organising Committee for the Olympic Games.

The valuation of the Olympic IP asset and corresponding liability was based on an estimate of the future usage of Olympic IP on National Lottery games, and consequently the value derived by and the cost to the National Lottery Commission. As the Olympics have now taken place, and the asset will not generate any future economic benefit, it has been disposed of (net book value of £NIL).

### National Lottery intellectual property asset

The Commission owns the core intellectual property (IP) rights for the National Lottery, including the crossed fingers logo, and safeguards them on behalf of the nation.

Costs of developing the National Lottery IP are borne by the operator and are not separately identified within the licensing arrangements. In the absence of cost information or an ascertainable market value, the National Lottery Commission does not have a reliable measure of the value of the National Lottery IP and consequently under IAS 38 the assets cannot be recognised in the Statement of Financial Position.

**Depreciation and amortisation**

Depreciation is provided on all capitalised property, plant and equipment at rates calculated to write off cost or valuation (less residual value) of each asset evenly over its expected useful life as follows:

| | |
|---|---|
| Computer equipment | 4 years |
| Fitting out costs* | 10 years |
| Furniture | 10 years |
| Telephone equipment | 7 years |

The useful economic life and residual value of individual assets are assessed on an annual basis to ensure accuracy of valuation.

* The Commission's property lease expired in 2012, and accordingly the Commission has ensured that all fitting out costs were depreciated on a straight line basis over the full term of the lease.

Amortisation is provided on all capitalised intangible assets at rates calculated to write off each asset evenly over its expected useful life as follows except for Olympic IP which is amortised in line with usage:

| | |
|---|---|
| Software licences | Over the life of the licence |
| London 2012 Olympic and Paralympic Games intellectual property | until 2013 |

**Operating leases**

Rentals under operating leases are charged on a straight-line basis over the lease term.

**Pension policy**

A liability relating to the retirement benefit of a former Director General of OFLOT was inherited by the Commission on its creation. This benefit is provided for under a scheme which is fully analogous to the PCSPS.

**Licence fees**

Under section 7(5) of the National Lottery etc. Act 1993, the Commission was required to collect fees from the licensee for the grant of licences under Sections 5 and 6 of that Act. The amount of such fees was prescribed by order of the Secretary of State. Under Section 7(6) of the 1993 Act, fees collected were offset by corresponding payments made to the Consolidated Fund.

In January 2010 a revised fee regime was introduced under The National Lottery Act 2006 (Commencement No. 5) Order 2010. Fees of £53,400 have been invoiced, and of this value, £49,500 has been paid over to the Department for Culture, Media and Sport accordingly in the year. The remaining £3,900 will be transferred over to the Department for Culture, Media and Sport in accordance with the act upon receipt of payment. The fees collected are not reflected in the Statement of Comprehensive Net Expenditure as the National Lottery Commission acts as an agent in the transaction.

**Going concern**

The financial statements have been prepared on a going concern basis. On 25 March 2013 the Government laid before Parliament the draft Public Bodies (Merger of the Gambling Commission and the National Lottery Commission) Order 2013. If approved by both Houses of Parliament this order, which has been laid under section 11(2) of the Public Bodies Act 2011, will merge the Gambling Commission with the National Lottery Commission. If approved, the merger will be achieved by the abolition of the National Lottery Commission and transfer of its functions, property, rights and liabilities to the Gambling Commission. This is expected to take place during the 2013-14 financial year.

Following the proposed merger, the statutory duties of the NLC will continue to be provided by the Gambling Commission, therefore management considers it appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements in accordance with the Financial Reporting Manual, para. 2.2.15.

## 1: Accounting policies continued

### Accounting estimates

Due to the impending merger of the National Lottery Commission with the Gambling Commission, depreciation rates have been brought into line with those adopted by the Gambling Commission. The net impact on depreciation charge during the year is an increase of £4,000.

The valuation of the Olympic IP asset and corresponding liability was based on an estimate of the future usage of Olympic IP on National Lottery games, and consequently the value derived by and the cost to the National Lottery Commission. As the Olympics have now taken place, and the asset will not generate any future economic benefit, it has been disposed of (net book value of £NIL).

### Accounting standards that have been issued but have not yet been adopted

The Commission has reviewed new and revised standards issued during the year (including those not yet adopted by the European Union) that are not required to be followed until 2013/2014 and beyond. Of these, the change in standard below may have a minor effect on the Commission's financial statements.

IAS 19 – Post Employee Benefits, which implements new presentation and disclosure requirements.

## 2: Employee costs

### a) Analysis of Commissioners' and employee costs

| | 2013 | | | | 2012 |
|---|---|---|---|---|---|
| | **Total** | **Permanent** | **Others** | **Commissioners** | Total |
| | **£'000** | **£'000** | **£'000** | **£'000** | £'000 |
| Salaries and wages | **917** | **769** | **51** | **97** | 2,314 |
| Employer's NIC | **101** | **90** | **1** | **10** | 145 |
| **Pension Costs:** | | | | | |
| Included within operating deficit | **148** | **141** | **7** | **–** | 225 |
| Included as other finance costs | **11** | **–** | **11** | **–** | 12 |
| Recognised in Other Comprehensive Expenditure | **17** | **–** | **17** | **–** | 7 |
| Total pension costs | **176** | **141** | **35** | **–** | 244 |
| **Total Commissioners' and staff costs** | **1,194** | **1,000** | **87** | **107** | 2,703 |

The above analysis comprises the following figures from the Statement of Comprehensive Net Expenditure and Statement of Changes in Taxpayers Equity.

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| Employee costs | **1,166** | 2,684 |
| Interest costs on pension scheme liability | **11** | 12 |
| Actuarial adjustments to pension scheme liability | **17** | 7 |
| **Total** | **1,194** | 2,703 |

The average number of full-time equivalent (FTE) persons employed during the year was as follows:

| | 2013 | | | 2012 |
|---|---|---|---|---|
| | **Total FTE** | **Permanent FTE** | **Others FTE** | Total FTE |
| Chief Executive/Directors | **2.1** | **2.1** | **–** | 3.5 |
| Chief Executive's Office | **1.1** | **0.7** | **0.4** | 1.6 |
| Resources | **0.2** | **0.2** | **–** | 7.2 |
| Compliance | **5.0** | **4.5** | **0.5** | 7.4 |
| Licensing | **6.5** | **5.5** | **1.0** | 7.5 |
| Communications | **–** | **–** | **–** | 1.9 |
| Insight | **2.0** | **2.0** | **–** | 1.9 |
| | **16.9** | **15.0** | **1.9** | 31.0 |

Remuneration paid to the Chief Executive, Directors and Commissioners during the year is contained in the remuneration report on pages 24 to 28.

**b) Exit packages agreed in 2012/2013**

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| Exit package cost band (including any special payment element) | **Compulsory redundancies** | **Other departures agreed** | **Total exit packages by cost band** | Compulsory redundancies | Other departures agreed | Total exit packages by cost band |
| | **Number** | **Number** | **Number** | Number | Number | Number |
| Less than £10,000 | **–** | **–** | **–** | – | 3 | 3 |
| £10,001-£25,000 | **–** | **–** | **–** | – | 9 | 9 |
| £25,001-£50,000 | **–** | **–** | **–** | – | 7 | 7 |
| £50,001-£100,000 | **–** | **–** | **–** | – | 5 | 5 |
| £100,001-£150,000 | **–** | **–** | **–** | – | – | – |
| £150,001-£200,000 | **–** | **–** | **–** | – | – | – |
| >£200,000 | **–** | **–** | **–** | – | – | – |
| **Total number of exit packages** | **–** | **–** | **–** | – | 24 | 24 |
| **Total cost** | **–** | **–** | **–** | – | 801,364 | 801,364 |

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. During 2012/2013, five people left the Commission who were accounted for in 2011/2012. Where the Commission has agreed early retirements, the additional costs are met by the Commission and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

## 3: Pension disclosures

The Commission provides pension benefits for permanent staff under the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007.

You can find details in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice.gov.uk/pensions

For 2012/2013, employers' contributions of £140k were payable to the PCSPS (2011/2012 £216k) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands.

The scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2011/2012, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2012/2013 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £5,475 (£7,188 in 2011/2012) were paid to one or more of a panel of three appointed stakeholder pension providers. Employers' contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £464 (£485 in 2011/2012) 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees. A further £2,439 was invoiced directly from the Gambling Commission for employees on secondment at the National Lottery Commission.

Contributions due to the partnership pension providers at the Statement of Financial Position date were £514. No contributions were prepaid. There is no additional accrued pension liabilities payable by the PCSPS arrangements to individuals who retired early on health grounds during the year.

Detailed schedules relating to the pension entitlements of the Directors are contained in the remuneration report on pages 24 to 28.

### IAS 19 disclosures

On its creation, the Commission inherited a pension liability for a former Director General of OFLOT from 1993 to 1998. This pension is an unfunded defined benefit scheme which has benefits by analogy to the PCSPS (for details see www.civilservice.gov.uk/pensions) and is paid directly from the Commission's own funds. In 2001, upon the recipient reaching retirement age, pension payments commenced. In 2013/2014, pension payments of £14k were made (2012/2013 £14k). Under IAS 19 the Commission is required to show the present value of the liability on its Statement of Financial Position.

For the IAS 19 disclosure, a valuation has been provided by the Government Actuary's Department, which has assessed the liabilities of the scheme as at 31 March 2013 and at 31 March 2012. Scheme liabilities and the expected rate of return are:

**Main assumptions**
**A. Percentages**

| | **At 31 March 2013** | At 31 March 2012 | At 31 March 2011 | At 31 March 2010 | At 31 March 2009 | At 31 March 2008 |
|---|---|---|---|---|---|---|
| | **% per annum** | % per annum | % per annum | % per annum | % per annum | % per annum |
| Rate on increase in salaries | **3.9** | 4.3 | 4.9 | 4.3 | 4.3 | 4.3 |
| Rate of increase in pension payment | **1.7** | 2.0 | 2.7 | 2.8 | 2.8 | 2.8 |
| Discount rate for scheme liabilities | **4.1** | 4.9 | 5.6 | 4.6 | 6.0 | 5.3 |
| Inflation assumption | **1.7** | 2.0 | 2.7 | 2.8 | 2.8 | 2.8 |

**B. Present value of scheme liabilities**

| | **At 31 March 2013** | At 31 March 2012 | At 31 March 2011 | At 31 March 2010 | At 31 March 2009 | At 31 March 2008 |
|---|---|---|---|---|---|---|
| | **£'000** | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present value of scheme liabilities attributable to the Commission | **241** | 227 | 221 | 255 | 208 | 222 |
| Total value of liabilities | **241** | 227 | 221 | 255 | 208 | 222 |
| **Net pension liability attributable to the Commission** | **(241)** | (227) | (221) | (255) | (208) | (222) |

**C. Amounts included as other finance costs**

| | **At 31 March 2013** | At 31 March 2012 |
|---|---|---|
| | **£'000** | £'000 |
| Interest cost on pension scheme liabilities | **11** | 12 |
| **Net finance (charge)** | **11** | 12 |

**D. Analysis of amount included in the Statement of Changes in Taxpayers' Equity**

| | **At 31 March 2013** | At 31 March 2012 |
|---|---|---|
| | **£'000** | £'000 |
| Experience loss arising in the scheme | **(9)** | (6) |
| Changes in assumptions underlying the present value of the scheme liabilities | **(8)** | (1) |
| **Statement of Changes in Taxpayers Equity** | **(17)** | (7) |

# Notes to the financial statements continued

for the year ended 31 March 2013

## 3: Pension disclosures continued

### E. Analysis of the movement in the scheme surplus/(deficit) during the year

| | At 31 March 2013 £'000 | At 31 March 2012 £'000 |
|---|---|---|
| Surplus/(deficit) at 1 April | **(227)** | (221) |
| Increase in liabilities due to change in investment return | **–** | – |
| Finance costs | **(11)** | (12) |
| Actuarial gains/(losses) | **(17)** | (7) |
| Benefits paid | **14** | 13 |
| Past service cost | **–** | 0 |
| **Surplus/(deficit) at 31 March** | **(241)** | (227) |

### F. History of experience gains and losses

| | At 31 March 2013 £'000 | At 31 March 2012 £'000 | At 31 March 2011 £'000 | At 31 March 2010 £'000 | At 31 March 2009 £'000 |
|---|---|---|---|---|---|
| Actuarial gains/(losses) on liabilities | **(9)** | (6) | (1) | (5) | (5) |
| Present value of liabilities | **241** | 227 | 221 | 255 | 208 |
| **Percentage of the present value of liabilities** | **3.7%** | 2.6% | 0.5% | 2.0% | 2.4% |

## 4: Administrative expenses

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Legal advice | **41** | 45 |
| Other consultancy costs* | **528** | 955 |
| External auditor's remuneration | **22** | 22 |
| Other administrative costs** | **179** | 380 |
| | **770** | 1,402 |

* Consultancy costs included:
– Shared services provided by the Gambling Commission following relocation (£318,760)
– Prevalence and The Health Lottery studies (£121,097)
– Internal audit services (£55,004).

** Includes operating lease costs of £2,115. This mainly consists of SLA recharges for use of the Gambling Commission's photocopiers.

## 5: Other expenditure

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Accommodation costs* | **166** | 707 |
| Dilapidation costs | **–** | (24) |
| Personnel costs | **41** | 56 |
| Depreciation and amortisation** | **470** | 61 |
| Travel and subsistence*** | **157** | 76 |
| | **834** | 876 |

* Operating lease costs of £123,034 (2011/2012 £422,000) consist mainly of SLA recharges for use of the Gambling Commission's premises and final lease payments for Wigmore Street.

** Depreciation and amortisation includes amortisation of the Olympic IP asset of £447,152.

*** Travel and subsistence costs have risen during the year as a result of an increase in staff travel and accommodation following the office relocation to Birmingham.

## 6: Property, plant and equipment

| | Fitting out costs £'000 | Furniture £'000 | Computer equipment £'000 | Telecoms £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost/valuation** | | | | | |
| Cost as at 1 April 2011 | 37 | 85 | 211 | 9 | 342 |
| Additions | – | – | 4 | – | 4 |
| Disposals | (37) | (84) | (26) | (9) | (156) |
| At 31 March 2012 | – | 1 | 189 | – | 190 |
| **Accumulated depreciation** | | | | | |
| At 1 April 2011 | 23 | 74 | 150 | 8 | 255 |
| Provided in year | 8 | 7 | 23 | 1 | 39 |
| Disposals | (31) | (80) | (21) | (9) | (141) |
| At 31 March 2012 | – | 1 | 152 | – | 153 |
| **Net book value** | | | | | |
| At 31 March 2012 | – | – | 37 | – | 37 |
| At 31 March 2011 | 14 | 11 | 61 | 1 | 87 |

# Notes to the financial statements continued

for the year ended 31 March 2013

## 6: Property, plant and equipment continued

| | Fitting out costs £'000 | Furniture £'000 | Computer equipment £'000 | Telecoms £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost/valuation** | | | | | |
| Cost as at 1 April 2012 | – | 1 | 189 | – | 190 |
| Additions | – | – | – | – | – |
| Disposals | – | – | – | – | – |
| At 31 March 2013 | – | 1 | 189 | – | 190 |
| **Accumulated depreciation** | | | | | |
| At 1 April 2012 | – | 1 | 152 | – | 153 |
| Provided in year | – | – | 18 | – | 18 |
| Disposals | – | – | – | – | – |
| At 31 March 2013 | – | 1 | 170 | – | 171 |
| **Net Book Value** | | | | | |
| At 31 March 2013 | – | – | 19 | – | 19 |
| At 31 March 2012 | – | – | 37 | – | 37 |

## 7: Intangible assets

| | Software licences £'000 | London 2012 Olympic and Paralympic Games IP £'000 | Total £'000 |
|---|---|---|---|
| **Cost/valuation** | | | |
| Cost as at 1 April 2011 | 22 | 1,468 | 1,490 |
| Additions | 15 | – | 15 |
| (Impairment)/revaluation | – | (334) | (334) |
| Disposals | – | – | – |
| **At 31 March 2012** | 37 | 1,134 | 1,171 |
| **Accumulated amortisation** | | | |
| At 1 April 2011 | 5 | 1,090 | 1,095 |
| Provided in year | 4 | 18 | 22 |
| Disposals | – | – | – |
| **At 31 March 2012** | 9 | 1,108 | 1,117 |
| **Net book value** | | | |
| At 31 March 2012 | 28 | 26 | 54 |
| At 31 March 2011 | 17 | 378 | 395 |

| | Software licences £'000 | London 2012 Olympic and Paralympic Games IP £'000 | Total £'000 |
|---|---|---|---|
| **Cost/Valuation** | | | |
| Cost as at 1 April 2012 | **37** | **1,134** | **1,171** |
| Additions | **6** | **–** | **6** |
| Revaluation | **–** | **421** | **421** |
| Disposals | **–** | **(1,555)** | **(1,555)** |
| **At 31 March 2013** | **43** | **–** | **43** |
| **Accumulated Amortisation** | | | |
| At 1 April 2012 | **9** | **1,108** | **1,117** |
| Provided in year | **5** | **447** | **452** |
| Disposals | **–** | **(1,555)** | **(1,555)** |
| **At 31 March 2013** | **14** | **–** | **14** |
| **Net book value** | | | |
| At 31 March 2013 | **29** | **–** | **29** |
| At 31 March 2012 | 28 | 26 | 54 |

Further payments for the usage of the Olympic IP totalling £421k were made during the year. This falls under 'payments to acquire IFA' on the cashflow statement

## 8: Trade receivables and other current assets

| | **2013 £'000** | 2012 £'000 |
|---|---|---|
| Trade receivables | **4** | – |
| Deposits and advances | **12** | 11 |
| Prepayments and accrued income | **3** | 23 |
| | **19** | 34 |

All of the Commission's receivables are due from bodies external to government.

## 9: Cash and cash equivalents

The Government Banking Service (GBS) provides a current account banking service.

| | **2013 £'000** | 2012 £'000 |
|---|---|---|
| Balance at 1 April | **1,476** | 554 |
| Net change in cash and cash equivalent balances | **(1,322)** | 922 |
| Balance at 31 March | **154** | 1,476 |

# Notes to the financial statements continued

for the year ended 31 March 2013

## 10: Trade payables and other current liabilities

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| Trade payables | **4** | 143 |
| Staff cost payables | **222** | 521 |
| Other payables | **54** | 1 |
| Accruals and deferred income | **129** | 298 |
| | **409** | 963 |

The Commission held the following balances with other government bodies as at 31 March 2013:

**Staff cost payables**

HMRC – £97,155 in respect of employee tax & NI contributions due

Cabinet Office – £14,482 in respect of PCSPS pension contributions due

**Accruals and deferred income**

Gambling Commission – £5,533 in respect of miscellaneous recharges not yet invoiced

**Other payables**

DCMS £53,400 in respect of payments received from Camelot not yet paid.

The remaining balances are held with bodies external to Government.

## 11: Provision for liabilites and charges

The operating lease for the National Lottery Commission's office expired in January 2012. The lease was not renewed as the Commision has relocated to Birmingham. As per the terms of the lease the Commission was liable for the costs in relation to dilapidation works. A provision for the estimated costs of the works was included within the accounts for 2010/2011, and subsequently released as costs were incurred during 2011/2012.

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| Balance at 1 April | **–** | 156 |
| Arising in the year | **–** | – |
| Utilised in the year | **–** | (132) |
| Released unused | **–** | (24) |
| **Balance at 31 March** | **–** | – |

## 12: Financing

| | **2013 £'000** | 2012 £'000 |
|---|---|---|
| Grant-in-aid and capital grant drawn from DCMS for operational purposes | | |
| – Resource | **1,952** | 5,081 |
| – Capital | **6** | 19 |
| **Total grant-in-aid financing** | **1,958** | 5,100 |

## 13: Capital commitments

There were no contracted capital commitments at 31 March 2013 for which no provision had been made (£0 in 2012).

## 14: Commitments under operating leases

At 31 March 2013 the Commission was committed to making the following payments in respect of operating leases.

| | **At 31 March 2013** | | At 31 March 2012 | |
|---|---|---|---|---|
| | **Land and buildings** | **Other** | Land and buildings | Other |
| | **£'000** | **£'000** | £'000 | £'000 |
| Operating leases: | | | | |
| Within one year | **106** | **1** | 72 | – |
| In the second to fifth years inclusive | **–** | **–** | – | – |
| Over five years | **–** | **–** | – | – |
| | **106** | **1** | 72 | – |

## 15: Related party transactions

The Commission is an executive Non-Departmental Public Body sponsored by DCMS.

DCMS is regarded as a related party and during the year the Commission has had a material transaction with the Department:

- Grant-in-aid received from DCMS during the year of £1,958,000.

The Gambling Commission is also regarded as a related party. Following co-location and the provision of shared services from 4 January 2012, the following transactions occurred in 2012/2013:

| | |
|---|---|
| Staff costs: in relation to seconded staff | £62,600 |
| Administrative expenditure: in relation to the Shared Services Agreement and sundry costs | £534,119 |
| Accruals: seconded staff and sundry costs incured to 31 March 2013 | £5,533 |

There are no trading companies or trust funds associated with the Commission.

During the period none of the Commissioners, members of key management staff or other related parties has undertaken any material transactions with the Commission.

## 16: Contingent liabilities

There are no contingent liabilities to report as at 31 March 2013 (£0 2011/2012).

# Notes to the financial statements continued
for the year ended 31 March 2013

## 17: Financial instruments

As the cash requirements of the Commission are met through grant-in-aid provided by DCMS, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Commission's expected purchase and usage requirements and the Commission is therefore exposed to little credit, liquidity or market risk.

**Credit risks**

Cash balances, which are drawn down from DCMS to pay administration and other operating costs, are held in an account with the Government Banking Service sponsored by HM Revenue and Customs. The Commission's maximum exposure to credit risk with respect to trade receivables is £4k (2011/2012 £0k).

**Liquidity risks**

In 2012/2013 £2.0 million (100%) of the Commission's income derived from grant-in-aid from DCMS (2011/2012 £5.1 million, 100%). The Commission is satisfied that there are sufficient liquid resources, both in the form of cash of £0.2 million and the drawdown of funds available in the financial year 2013/2014, to cover all current contracted commitments as well as the Commission's activities planned for 2013/2014. The Commission is also satisfied that it is not exposed to significant liquidity risks.

**Market risk**

The Commission is not exposed to any significant market risk, that is, foreign exchange, interest rate or other price risks.

## 18: Post balance sheet events

These accounts were authorised for issue on the date shown on the audit certificate.

There are no post balance sheet events to report since 31 March 2013

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