

Camelot International Services Limited

(Registered Number: 2822300)

**Directors' report and financial
statements for the year ended
31 March 2004**



Camelot International Services Limited

Directors' report for the year ended 31 March 2004

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 March 2004.

Principal activities and review of business

The Company is principally focused on its interest in the South African National Lottery through its 10% equity shareholding in Uthingo Management (Pty) Limited. The Company continues to consider business development opportunities in the UK and overseas.

Results and dividends

The profit after tax for the year amounted to £1,528,000 (2003: £1,817,000). The directors do not recommend the payment of a dividend (2003: nil). The profit for the year was transferred to reserves.

Share Capital

During the year the company's shareholders agreed to a 3,337,000 share capital reduction in order to make reserves distributable in future years. This represents 67% of allotted, called up and fully paid shares. As a result, the losses brought forward as at 31st March 2003 were offset against authorised and allotted, called up and fully paid shares. On 26th September 2003 Companies House issued a certificate of registration for the reduction in authorised share capital from 100,000,000 shares of £1 each to 96,663,000 shares of £1 each. The allotted, called up and fully paid shares were reduced from 5,000,000 shares of £1 each to 1,663,000 shares of £1 each.

Directors and their interests

The names of the directors are as follows:

Michael Grade CBE	Chairman (resigned 14 May 2004)
Gerry Acher	Independent Non Executive Director (Interim Chairman)
David Clark	Chief Executive
Louise Botting	Independent Non Executive Director
Michael Clark	Non Executive Director - Cadbury Schweppes plc
Robert McGowan	Non Executive Director - De La Rue Holdings plc
John Bennett	Non Executive Director - Fujitsu Services Limited
David Mills	Non Executive Director - Royal Mail Enterprises Limited
Ross McInnes	Non Executive Director - Thales Electronics plc
Dianne Thompson	Director
Tony Jones	Director
Philip Smith	Director

Current alternates are as follows:

David Kappler	Alternate to Michael Clark (resigned 13 April 2004)
Louise Fluker	Alternate to Robert McGowan
David Sillitoe	Alternate to John Bennett
Mark Thomson	Alternate to David Mills
Tim Robinson	Alternate to Ross McInnes

Camelot International Services Limited

Directors' report for the year ended 31 March 2004 (Continued)

Directors and their interests (Continued)

Changes to the directors serving during the financial year ended 31 March 2004 were as follows:

Jerry Cope (Non Executive Director - Royal Mail Enterprises Limited) resigned on 24 September 2003.

David Mills was appointed on 24 September 2003, and replaced Jerry Cope as shareholder director representative on the Board. Mark Thomson, previously alternate to Jerry Cope, was appointed David Mills' alternate on the same date.

At no time in the year ended 31 March 2004 did any director have any beneficial interest in, or options to acquire, shares in the company, which is required to be notified to the Company under Section 324 of the Companies Act 1985.

Statement of directors' responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors confirm they have complied with these requirements.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.



G D Marcus
Company Secretary
5 August 2004

Tolpits Lane
Watford
WD18 9R

Independent auditors' report to the members of Camelot International Services Limited

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
5 August 2004

Camelot International Services Limited

Profit and loss account For the year ended 31 March 2004

	Notes	2004 £000	2003 £000
Turnover	2	832	1,067
Administrative expenses		(412)	124
Operating profit	3	420	1,191
Income from fixed asset investments	4	1,399	660
Profit on ordinary activities before Interest and taxation		1,819	1,851
Interest receivable and similar income	7	26	4
Interest payable and similar charges	8	-	(11)
Profit on ordinary activities before taxation		1,845	1,844
Tax on profit on ordinary activities	9	(317)	(27)
Profit on ordinary activities after taxation	17	1,528	1,817

All results were derived entirely from continuing activities.

The Company has no recognised gains or losses other than the profits above and therefore no separate statement of total recognised gains or losses has been presented.

Camelot International Services Limited

Balance sheet As at 31 March 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Investments	10	777	777
Current assets			
Debtors: amounts falling due within one year	11	130	467
Cash at bank and in hand		2,554	625
		2,684	1,092
Creditors: amounts falling due within one year	12	(182)	(206)
Net current assets		2,502	886
Creditors: amounts falling due after more than one year	12	(88)	-
Total assets less current liabilities		2,414	1,663
Net assets		3,191	1,663
Capital and reserves			
Called up share capital	15	1,663	5,000
Profit and loss account	17	1,528	(3,337)
Equity shareholders' funds	18	3,191	1,663

The financial statements on pages 4 to 14 were approved by the Board of directors on 5 August 2004 and were signed on its behalf by:

David Clark
Chief Executive

5 August 2004



Camelot International Services Limited

Notes to the financial statements for the year ended 31 March 2004

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

a) Basis of preparation

These financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The Company is not required to prepare consolidated financial statements as it is a small entity as defined under Section 248 Companies Act 1985. The financial statements present information about the reporting entity as an individual entity and not as a group.

b) Basis of preparation – going concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

c) Cash flow statement

The Company has taken advantage of the small companies' exemption under FRS 1 (revised 1996) not to prepare a cash flow statement and related notes.

d) Turnover

Turnover represents royalties from Uthingo Management (Pty) Limited ("Uthingo") net of VAT and other sales-related taxes.

e) Fixed asset investments

Investments are stated at cost.

f) Taxation

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

g) Foreign exchange

Monetary assets and liabilities at the balance sheet date are translated at the market rate of exchange ruling at that date. Any exchange gains or losses arising are recognised in the profit and loss account for the year. Forward contracts are used to hedge against foreign currency exposure, and royalties received are recorded at the hedge rate.

Camelot International Services Limited

Notes to the financial statements for the year ended 31 March 2004

2 Turnover by segment

Turnover is derived from one continuing activity, royalties received from Uthingo. The geographical area to which turnover relates is as follows:

	2004 £000	2003 £000
Africa	832	1,067

3 Operating profit

	2004 £000	2003 £000
Operating profit is stated after charging/(crediting):		
Release of impairment provision	-	(314)
Exchange (gains)/losses	(33)	15
Auditors' remuneration - audit services	12	12
- non-audit services	7	-

4 Income from fixed asset investments

The income from fixed asset investments relates to the dividend received from Uthingo.

5 Employees

a) Employee costs

	2004 £000	2003 £000
Employee costs (including directors' remuneration)		
Wages and salaries	272	39
Social security costs	35	5
Pension costs	41	6
	348	50

The Company does not operate a company pension scheme, but charged £41,280 for the year ended 31 March 2004 in respect of contributions made into money purchase pension schemes (2003: £6,000). The Company participates in these schemes through Camelot Group plc and has no further liabilities in respect of these schemes.

Camelot International Services Limited

Notes to the financial statements for the year ended 31 March 2004

5 Employees (continued)

b) Employee information

The average monthly number of persons employed by the Company during the year including executive directors was as follows:

	2004 No	2003 No
Employee numbers (including directors)		
Administration and support employees	2	1

6 Directors' remuneration

Aggregate directors' remuneration

	2004 £000	2003 £000
Aggregate directors' emoluments	231	35
Aggregate money purchase pension contributions	41	6
	272	41

None of the directors held any beneficial interest in the Company, nor were any share options granted in the year.

The directors' remuneration noted above is in respect of one director only.

The director is accruing benefits under a long term incentive plan, none of which has been vested during the year.

One director (2003: 1) participated in a defined contribution scheme.

7 Interest receivable and similar income

	2004 £000	2003 £000
Bank interest and other interest receivable	26	4

8 Interest payable and similar charges

	2004 £000	2003 £000
Interest payable on bank loans	-	11

Camelot International Services Limited

Notes to the financial statements for the year ended 31 March 2004

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a) Tax on profit on ordinary activities

	2004 £000	2003 £000
Current year (charge)	(3)	(2)
Adjustment in respect of prior years	1	(40)
	(2)	(42)
Deferred taxation (charge)/credit (note 9b)	(315)	15
	(317)	(27)

The current year and prior year tax charge principally relates to tax arising on interest earned in these years.

During the year a deferred tax charge, amounting to £161,000, arose due to the use of trading profits to be utilised against brought forward trading losses. In addition due to increased administrative expenses forecast in future years there is no longer a reasonable expectation that all brought forward trading tax losses will be utilised in the foreseeable future. Hence, the remaining deferred tax asset of £154,000 has been written off in the year.

b) Deferred Taxation – profit and loss (charge)/credit

	2004 £000	2003 £000
Timing differences due to crystallisation of tax losses	(161)	15
Write off deferred tax asset	(154)	-
	(315)	15

c) Reconciliation of current tax charge

	2004 £000	2003 £000
Profit on ordinary activities before taxation	1,845	1,844
Tax on profit on ordinary activities at the standard rate (30%)	(554)	(553)
Factors affecting charge:		
Provision for impairment in investment and other non-allowable items	-	94
Other timing differences	(28)	-
Effect of overseas dividends on which no further UK tax payable	420	198
Payment for additional 2002 consortium loss claims	-	(40)
Utilisation of brought forward tax losses	161	259
Prior year tax adjustment	(1)	-
Current tax (charge)	(2)	(42)

Camelot International Services Limited

Notes to the financial statements for the year ended 31 March 2004

10 Fixed asset investments

	£000
Cost	
Balance at 1 April 2003 and 31 March 2004	777
Provision for impairment	
Balance at 1 April 2003 and 31 March 2004	-
Net book value at 31 March 2004	777
Net book value at 31 March 2003	777

The Company holds a 10% ordinary equity shareholding in Uthingo Management (Pty) Limited, a company incorporated in South Africa, whose business is to operate the inaugural South African National Lottery. The carrying value of this investment is £777,000.

No provision for impairment has been made as the present values of future cash flows available from the investment in Uthingo exceed the cost.

The Company also holds a 100% investment in the ordinary share capital of CISL SA (Pty) Limited, a company incorporated in South Africa at a carrying value of Rand 1.

11 Debtors: amounts falling due within one year

	2004 £000	2003 £000
Trade debtors	93	127
VAT debtor	15	12
Deferred tax asset (note 13)	-	315
Amount owed by group undertaking	7	-
Prepayments and accrued income	15	13
Total	130	467

Camelot International Services Limited

Notes to the financial statements for the year ended 31 March 2004

12 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	98	1
Amounts owed to group undertaking	-	66
Accruals and deferred income	81	139
Tax creditor	3	-
Total	182	206

Creditors: amounts falling due after more than one year

	2004 £000	2003 £000
Accruals and deferred income	88	-
Total	88	-

13 Deferred tax

	Provided in the financial statements (at 30%)		Gross timing differences (100%)	
	2004 £000	2003 £000	2004 £000	2003 £000
Trading losses	-	315	513	1,052
Timing differences outstanding	-	-	94	-
Total	-	315	607	1,052

As at 31 March 2004 there were tax losses of £513,000 available for use against future taxable profits. These losses have not been recognised as a deferred tax asset in accordance with Financial Reporting Standard 19.

14 Financial commitments

At the balance sheet date the Company had entered into forward contracts totalling Rand 27 million. These forward contracts are expected to crystallise by March 2005 and are to be used to hedge Rand cash inflows from Uthingo (royalty income and dividend payments). The average forward rate of these contracts is £/Rand 12.3653.

Camelot International Services Limited

Notes to the financial statements for the year ended 31 March 2004

15 Called up share capital

Authorised

	£000
At 1 April 2003	
100,000,000 ordinary shares of £1 each	100,000
Share capital reduction	(3,337)
At 31 March 2004	96,663

Allotted and called up and fully paid

At 1 April 2003	
5,000,000 ordinary shares of £1 each	5,000
Share capital reduction	(3,337)
At 31 March 2004	1,663

On 26th September 2003 Companies House issued a certificate of registration for a share capital reduction of 3,337,000 shares. As a result the losses bought forward as at 31st March 2003 were offset against authorised and allotted, called up and fully paid shares. The authorised share capital was reduced from 100,000,000 shares of £1 each to 96,663,000 shares of £1 each. The allotted, called up and fully paid shares were reduced from 5,000,000 shares of £1 each to 1,663,000 shares of £1 each

16 Controlling shareholders

The company has 5 shareholders with equal rights and controls as follows:

Name	Ordinary Share Capital %
Cadbury Schweppes plc	20
De La Rue Holdings plc	20
Fujitsu Services Limited (formerly International Computers Limited)	20
Royal Mail Enterprises Limited (formerly Consignia Enterprises Limited)	20
Thales Electronics plc	20

The companies have effective control of Camelot International Services Limited.

17 Reserves

Reserves	Profit and Loss Account £000
At 1 April 2003	(3,337)
Share capital reduction	3,337
Retained profit for the year	1,528
At 31 March 2004	1,528

Camelot International Services Limited

Notes to the financial statements for the year ended 31 March 2004

18 Reconciliation of movements in equity shareholders' funds

	£000
Balance at 1 April 2003	1,663
Share capital reduction	(3,337)
Increase in profit and loss account reserves	3,337
Profit for the year	1,528
Balance at 31 March 2004	3,191

19 Related party transactions

	Transaction value year to 31 March 2004 £000	Transaction value year to 31 March 2003 £000	Amount outstanding at 31 March 2004 Debtors / (Creditors) £000	Amount outstanding at 31 March 2003 Debtors / (Creditors) £000
a) Cadbury Schweppes Plc (Shareholder) Payments for Consortium relief of £8,000 were received in respect of losses surrendered for the year ended 31 March 2002.	-	(8)	-	-
b) CISL SA (Pty) Limited (Subsidiary). During the year tax and audit fees were recharged to CISL SA (Pty) Limited amounting to Rand 140,674 and Rand 13,989 respectively. A receipt amounting to Rand 6,209,335 was received to settle part of the intercompany balance due from CISL SA (Pty) Limited.	(13)	(3)	298	892
A payment was made during the year amounting to Rand 6,850,269 to settle part of the intercompany balance due to CISL SA (Pty) Limited.	-	-	(292)	(958)
c) De La Rue Card Systems Limited (a subsidiary of a shareholder). Payments for Consortium relief of £8,000 were received in respect of losses surrendered for the year ended 31 March 2002.	-	(8)	-	-
d) Royal Mail Enterprises Limited (Shareholder). Payments for Consortium relief of £8,000 were received in respect of losses surrendered for the year ended 31 March 2002	-	(8)	-	-

Camelot International Services Limited

Notes to the financial statements for the year ended 31 March 2004

19 Related party transactions

	Transaction value year to 31 March 2004 £000	Transaction value year to 31 March 2003 £000	Amount outstanding at 31 March 2004 Debtors / (Creditors) £000	Amount outstanding at 31 March 2003 Debtors / (Creditors) £000
e) Fujitsu Services Limited (formerly International Computers Limited) (Shareholder). Payments for Consortium relief of £8,000 were received in respect of losses surrendered for the year ended 31 March 2002.	-	(8)	-	-
f) Thales Electronics Plc (Shareholder). Payments for Consortium relief of £8,000 were received in respect of losses surrendered for the year ended 31 March 2002.	-	(8)	-	-
g) Uthingo Management (Pty) Limited (Investment). The company recharged expenses during the year totalling Rand 121,000.	-	(10)	-	-

Other than the above there were no other transactions or balances with related parties.