

Further information requirements

Chapter

22

22 Further information requirements

22.1 Introduction

This chapter sets out further information that each Bidder is asked to submit. The information provided here is intended to be for information purposes only and will not be taken into account as part of the evaluation.

22.2 Co-operation in the event of a Handover

In response to this section, each Bidder is asked to outline the extent and nature of co-operation that may be required in the event of a Handover to a Successful Bidder other than the Current Operator. Each Bidder is asked to highlight any critical areas of co-operation. It is also asked to suggest a proposed framework for co-operation in the event of a Handover.

22.3 Proposals for independent third party investigation of disputes and complaints

The Commission is considering incorporating proposals for independent third party investigation and assessment of eligible complaints within the Draft Licence. Such an independent third party would be required, based on that assessment, to make appropriate recommendations as to how eligible complaints should be resolved.

The Commission has yet to formalise the detail surrounding such a system, and requests that each Bidder consider how such a system would work. Each Bidder must set out high-level details outlining the process and conditions proposed for such a system, including any draft heads of terms for such independent third party assessment.

The Commission intends to use this submission as a basis for discussion with the Preferred or Bidder for incorporation into the Draft Licence.

22.4 TUPE

In response to this section, each Bidder is asked to set out its rationale as to whether TUPE will apply to the grant of the Licence and must set out the basis for their stated view.

22.5 Compliance/audit systems

The Commission wishes to have the capability of using compliance/audit software and/or systems to interrogate the Bidder's gaming systems and databases in read-only form. Ideally, the Commission would wish this capability to be available remotely and in real-time.

Each Bidder is asked to inform the Commission whether it provides compliance/audit software and/or systems with this capability.

Each Bidder is asked to indicate whether this would be an integral part of its system that the Bidder would pay for but provide the Commission with access to, or whether it would be a stand-alone system that the Commission would pay and be responsible for. In the latter case, the bidder should identify key operational prerequisites needed for the software to run (hardware, underlying software, network connections etc.).

Each Bidder is asked to indicate the extent to which its gaming systems support interoperability with third party audit/compliance systems of the nature described above.

Appendices

Appendix

Consortium definitions

A

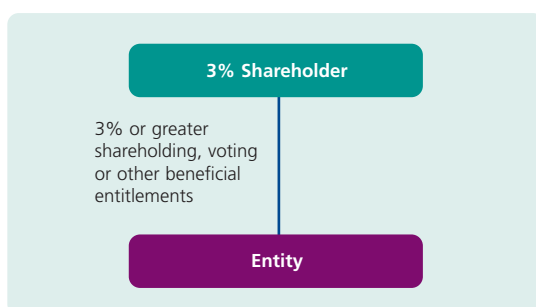
A. Consortium definitions

A.1. Introduction

This appendix provides a list of definitions relating to the Consortium and the relationships within a Consortium.

A.2. 3 per cent Shareholder

Figure A.2. 3 per cent Shareholder

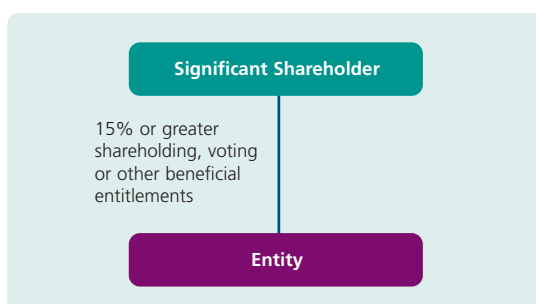


A 3 per cent Shareholder in relation to another party is one that:

- Holds, or intends to hold, an ownership interest of 3 per cent or more in that party;
- Holds, or intends to hold, voting rights, relating to any class of share, of 3 per cent or more in that party; or
- Holds, or intends to hold, any other beneficial entitlement of 3 per cent or more of that entitlement e.g. dividend rights.

A.3. Significant Shareholder

Figure A.3. Significant Shareholder

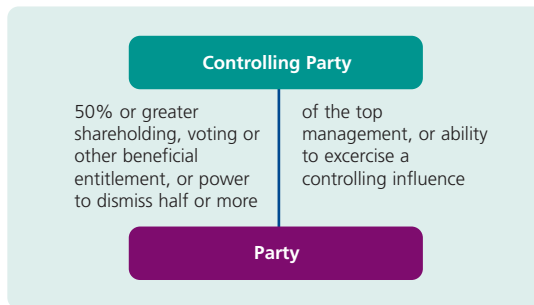


A Significant Shareholder in relation to another party is one that is capable of exerting control or significant influence over that party. A Significant Shareholder is, therefore, defined as a party that:

- Holds, or intends to hold, an ownership interest of 15 per cent or more in that party;
- Holds, or intends to hold, voting rights, relating to any class of share, of 15 per cent or more in that party; or
- Holds, or intends to hold, any other beneficial entitlement of 15 per cent or more of that entitlement e.g. dividend rights.

A.4. Controlling Party

Figure A.4. Controlling Party

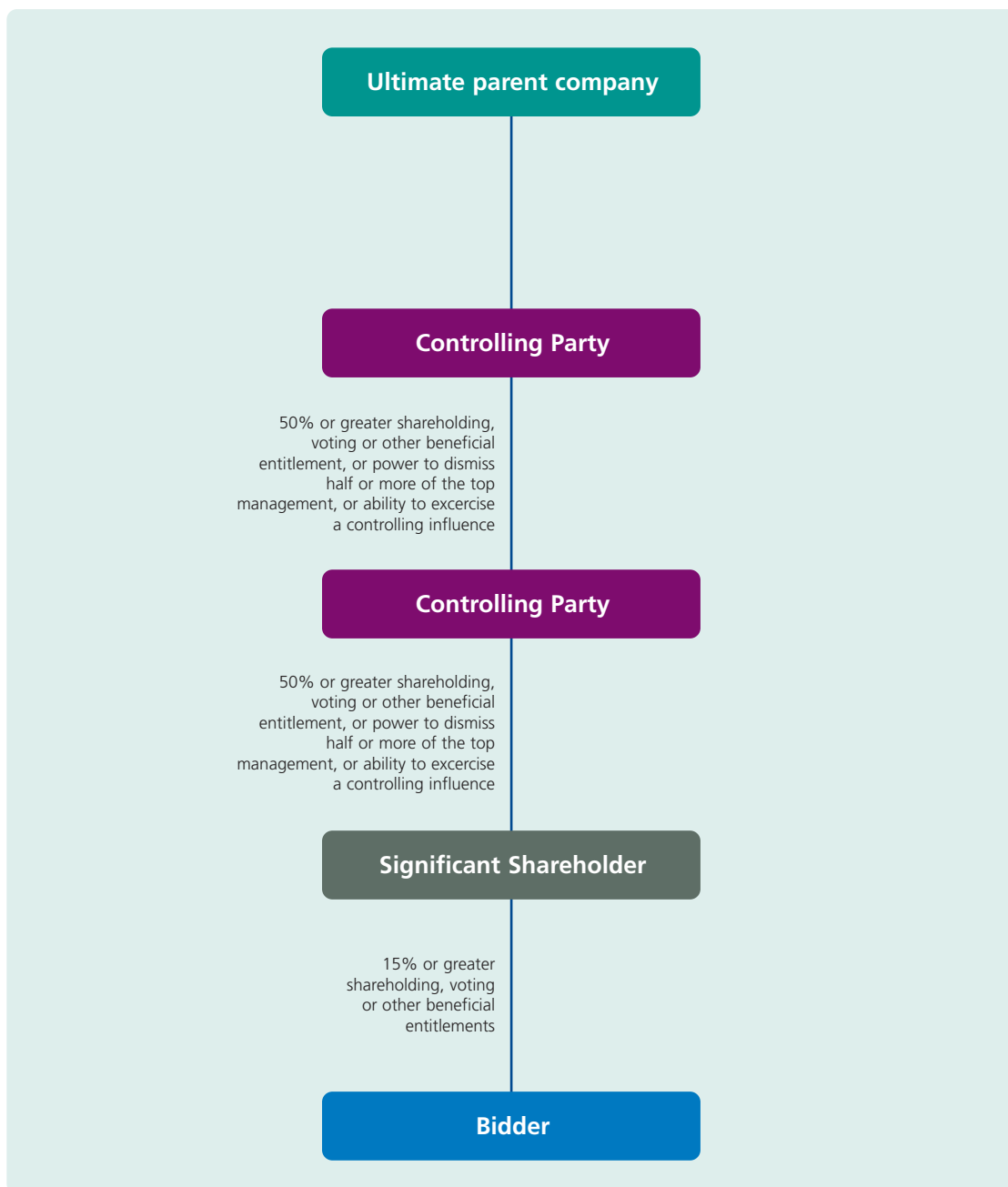


A Controlling Party in relation to another party is one that:

- Holds, or intends to hold, an ownership interest of 50 per cent or more in that party;
- Holds, or intends to hold, voting rights, relating to any class of share, of 50 per cent or more in that party;
- Holds, or intends to hold, any other beneficial entitlement of 50 per cent or more of that entitlement e.g. dividend rights;
- Has, or is intended to have, the power to dismiss half or more of the party's board of directors; or
- Otherwise has, or is intended to have, the ability to exercise a controlling influence.

A.5. Bid Group

Figure A.5. Bid Group

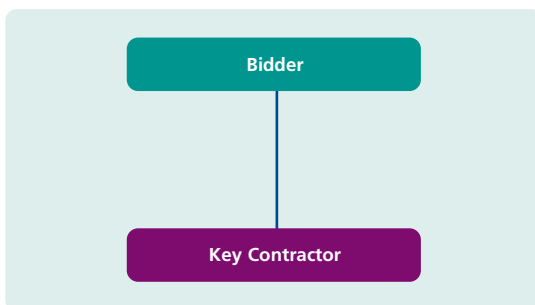


A Bid Group is defined, in respect of a Bidder, as:

- The Bidder and its subsidiaries;
- The Bidder's Significant Shareholders;
- In respect of those Significant Shareholders, any Controlling Parties; and
- In respect of a Controlling Party, that person's Controlling Parties, and so on up to the ultimate parent company.

A.6. Key Contractors

Figure A.6. Key Contractor



A Key Contractor is defined as a party that provides services of a material nature to a Bidder, either directly or via a subcontract.

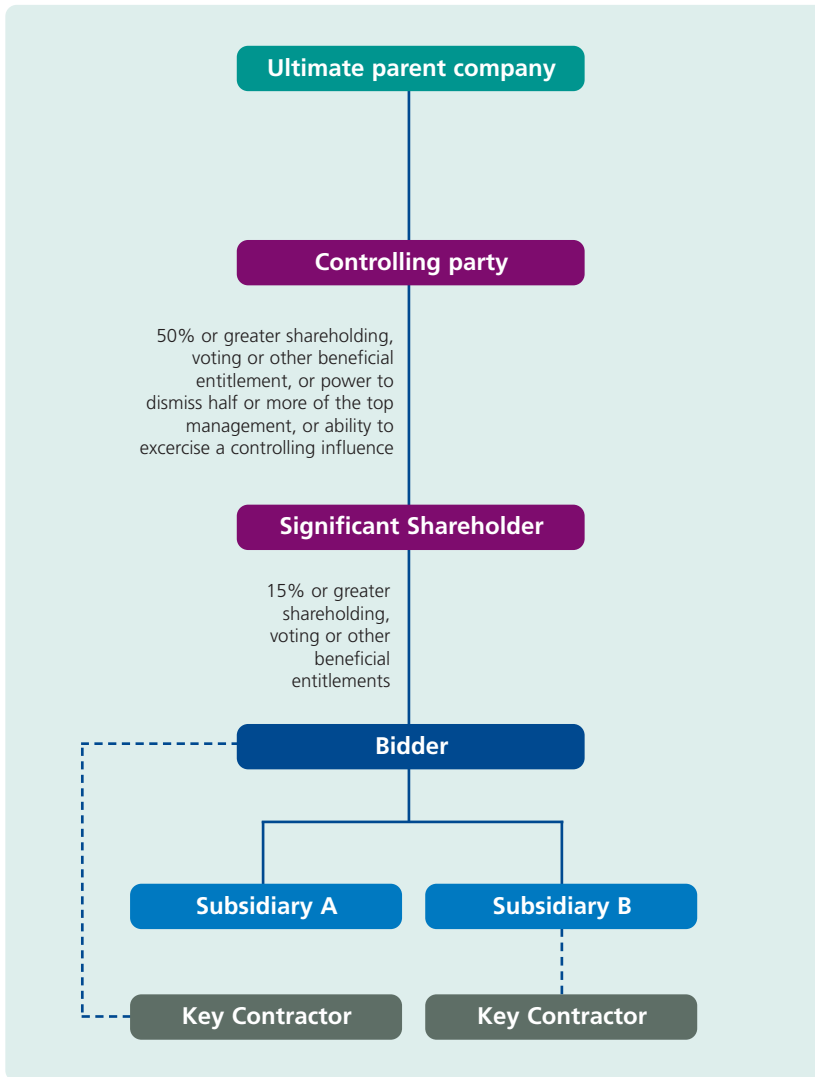
The following key principles apply when considering whether a supplier or contractor falls under the definition of Key Contractor. It will do so if:

- It provides services that are material to structure and content of any Bid;
- If it provides services that are not commodity-type in nature but are unique, bespoke or tailored;
- It is not easily replaced without material risk to the delivery of a Bid or its proposals; or
- The cost of an alternative supplier or contractor would likely be significantly different.

The Commission reserves the right, in its absolute discretion, to classify any contractor or supplier as a Key Contractor and to seek relevant information as appropriate.

A.7. Consortium

Figure A.7. Consortium



A Consortium is defined as the Bid Group and any Key Contractors.

Appendix

Common Sales Scenario

B

Common Sales Scenario

B.1. Introduction

This Appendix sets out the Common Sales Scenario. Each Bidder should note that this is not intended to represent the Commission's own forecast, or an indication of the outcome the Commission considers most likely. Instead, it is designed to assist the evaluation of each Bidder's business plan and returns to good causes, as described in chapter 14.

B.2. Lottery sales in the United Kingdom

In order to derive the Common Sales Scenario the Commission has reviewed historic data on sales of Lottery tickets. This data is shown in Table 9 below. Bidders should note that additional data is available in the data room.

Table B.2. Lottery Sales 1994-2005⁴⁴

Year	Draw-based (£m)	Scratchcards (£m)	Interactive Instant Win Games (£m)
1994	370	–	–
1995	3,427	1,261	–
1996	3,805	936	–
1997	4,645	804	–
1998	4,592	715	–
1999	4,381	576	–
2000	4,523	547	–
2001	4,260	568	–
2002	4,086	580	–
2003	3,940	615	2
2004	4,022	693	17.8
2005	4,074	795	49

Note: Sales figures are at actual and not constant prices.

⁴⁴ Data on sales are provided on a weekly basis. For sales made in the last week of the year, Wednesday and Saturday draw sales are allocated to the year in which the day of the draw occurs. Other sales are allocated to the year in which the Saturday of the weekly sales occurs.

B.3. The Common Sales Scenario

The Common Sales Scenario covers the whole of the Licence Period. The Commission has adopted a Common Sales Scenario that assumes modest growth of one per cent per annum in Lottery sales from end 2005 to 2019 after correcting for the impact of inflation. Resulting sales on an annual basis are shown in Table B.3 below. Sales are shown at 2005 prices.

Table B.3. The Common Sales Scenario

Year of Licence	Total sales (£m)
2009	5,134
2010	5,185
2011	5,237
2012	5,290
2013	5,342
2014	5,396
2015	5,450
2016	5,504
2017	5,559
2018	5,615

Note: Figures relate to the period from 1 February in the year listed, to 31 January, in the following year.

The Commission expects that the split of revenue from sales of the three main types of game (draw-based games; scratchcards; and interactive) will change over time, and indeed that Bidders' strategies may differ as to the relative importance to be given to the development of different games. In 2005 as a whole the split of sales between games was as follows: draw-based 83 per cent; scratchcards 16 per cent; interactive instant win games 1 per cent. However some other plays are sold interactively since some draw-based games are sold interactively, and by early 2006 total interactive sales had risen in some weeks to 6 per cent of total sales, of which about one-quarter were accounted for by Instant Win Games and some three-quarters by draw-based plays. The Commission expect that interactive plays could rise further by the first year of the Licence.

For the 12 months from 1 February 2009 Bidders should assume the following split of sales between game types:

- Draw-based games distributed through retailers – 76 per cent;
- Scratchcards – 15 per cent;
- Draw-based games not distributed through retailers – 6.75 per cent; and
- Interactive instant win games – 2.25 per cent.

Thereafter, Bidders should specify the expected split of total sales (as shown in Table B.3) between these game types in each year of the Licence that best accords with their own business plans in different years of the Licence.

Business plan outputs

Appendix

C

C. Business plan outputs

[Bidders should note that the business plan outputs will be provided with the Final ITA]

Appendix

Summary of data room contents

D

D. Summary of data room contents

This section provides a summary of the key categories of information contained in the data room:

- Sales information by game;
- Interactive sales information;
- Average weekly sales by television region;
- Data regarding subscription sales;
- Information on NLDF funding for games;
- Coverage of number combinations for Lotto and EuroMillions;
- Retailer information, including:
 - Sales by postcode district;
 - Breakdown of distribution of retail outlets by sales bands;
 - Individual retailer information;
- Details of marketing expenditure;
- Data regarding ancillary activities;
- Data regarding unpaid and unclaimed prizes;
- Player care, complaint and contact metrics;
- Security and incident analysis and data;
- Retailer care, selection and contact metrics;
- Selected technology information;
- Data regarding interactive channel registrations;
- Channel transaction volume data;
- Example trust deed;
- Market research;
- Current codes of practice and procedures;
- Information concerning intellectual property.

Retention rates – worked example

Appendix

E

E. Retention rates – worked example

E.1. Introduction

This worked example illustrates how the operator's total retention is determined (for a single year). The numbers used in this example are purely hypothetical, and are included here for illustrative purposes only (though the total sales assumptions are consistent with the Common Sales Scenario).

E.2. Assumptions

We assume that total (gross) sales are as follows:

	£ million
Draw-based games (retailer distributed)	3,902
Draw-based games (other distribution channels)	347
Scratchcards	770
Interactive games	115
Total	5,134

We also assume that Lottery Duty is 12 per cent of total sales, retailer commission is 5 per cent of total sales (for draw-based games and Scratchcards), and the operator's games have the following prize payout ratios:

	Prizes as % of sales
Draw-based games	45
Scratchcards	60
Interactive games	65

Finally, we assume that the operator bids the following retention rates. For simplicity, we assume the operator specifies only four tranches.

Draw based games (retailer distributed)

Gross Sales Retention

Tranche	Lower bound (£m)	Upper bound (£m)	Retention rate (%)
1	0	1,500	2
2	1,500	3,000	1.5
3	3,000	4,500	1
4	4,500	unlimited	0.5

Net Sales Retention

Tranche	Lower bound (£m)	Upper bound (£m)	Retention rate (%)
1	0	250	60
2	250	750	3
3	750	1,000	4
4	1,000	unlimited	5

Draw based games (non-retailer distributed)

Gross Sales Retention

Tranche	Lower bound (£m)	Upper bound (£m)	Retention rate (%)
1	0	150	8
2	150	300	7
3	300	450	6
4	450	unlimited	5

Net Sales Retention

Tranche	Lower bound (£m)	Upper bound (£m)	Retention rate (%)
1	0	75	2
2	75	100	3
3	100	125	4
4	125	unlimited	5

Scratchcards

Gross Sales Retention

Tranche	Lower bound (£m)	Upper bound (£m)	Retention rate (%)
1	0	250	3
2	250	750	2.5
3	750	1000	2
4	1,000	unlimited	1.5

Net Sales Retention

Tranche	Lower bound (£m)	Upper bound (£m)	Retention rate (%)
1	0	40	70
2	40	100	6
3	100	150	7
4	150	unlimited	8

Interactive games

Gross Sales Retention

Tranche	Lower bound (£m)	Upper bound (£m)	Retention rate (%)
1	0	50	8
2	50	100	7
3	100	500	6
4	500	unlimited	5

Net Sales Retention

Tranche	Lower bound (£m)	Upper bound (£m)	Retention rate (%)
1	0	10	10
2	10	25	12
3	25	50	15
4	50	unlimited	20

E.3. Step 1: Calculating the Gross Sales Retention

The Gross Sales Retention, which is based on the total value of ticket sales for each type of game, is then calculated as follows.

Gross Sales Retention: Draw based games (retailer distributed)

[1] Tranche	[2] Lower bound (£m)	[3] Upper bound (£m)	[4] Retention rate (%)	[5] Revenue in tranche (£m)	[6] Retention for tranche (£m)
1	0	1,500	2	1,500	30.0
2	1,500	3,000	1.5	1,500	22.5
3	3,000	4,500	1	902	9.0
4	4,500	unlimited	0.5	0	0.0
Total				3,902	61.5

Notes:

Columns 1-4 are taken from the operator's bid, as described in the above tables.

Column 5 shows the (gross) sales revenue that falls within each tranche.

Column 6 is column 4 x column 5.

Gross Sales Retention: Draw based games (non-retailer distributed)

[1] Tranche	[2] Lower bound (£m)	[3] Upper bound (£m)	[4] Retention rate (%)	[5] Revenue in tranche (£m)	[6] Retention for tranche (£m)
1	0	150	8	150	12.0
2	150	300	7	150	10.5
3	300	450	6	47	2.8
4	450	unlimited	5	0	0.0
Total				347	25.3

Gross Sales Retention: Scratchcards

[1] Tranche	[2] Lower bound (£m)	[3] Upper bound (£m)	[4] Retention rate (%)	[5] Revenue in tranche (£m)	[6] Retention for tranche (£m)
1	0	250	3	250	7.5
2	250	750	2.5	500	12.5
3	750	1,000	2	20	0.4
4	1,000	unlimited	1.5	0	0.0
Total				770	20.4

Gross Sales Retention: Interactive games

[1] Tranche	[2] Lower bound (£m)	[3] Upper bound (£m)	[4] Retention rate (%)	[5] Revenue in tranche (£m)	[6] Retention for tranche (£m)
1	0	50	8	50	4.0
2	50	100	7	50	3.5
3	100	500	6	15	0.9
4	500	unlimited	5	0	0.0
Total				115	8.4

E.4. Step 2: Calculating Net Sales

Net sales for each type of game are then calculated by deducting prize payments, duty and the Gross Sales Retention, as follows.

Calculating Net Sales

£ million	Draw-based (retail distributed)	Draw-based (non-retail)	Scratchcards	Interactive games
Gross sales	3,902.0	347.0	770.0	115.0
less prize payments (i.e. gross sales x prize payout ratio)	-1,755.9	-156.2	-462.0	-74.8
less duty (i.e. gross sales x 12%)	-468.2	-41.6	-92.4	-13.8
less retailer commission (i.e. gross sales x 5%)	-195.1	n/a	-38.5	n/a
less gross sales retention (from above)	-61.5	-25.3	-20.4	-8.4
Net sales	1,421.2	123.9	156.7	18.1

E.5. Step 3: Calculating the Net Sales Retention

The Net Sales Retention is then calculated as follows.

Net Sales Retention: Draw based games (retailer distributed)

[1] Tranche	[2] Lower bound (£m)	[3] Upper bound (£m)	[4] Retention rate (%)	[5] Revenue in tranche (£m)	[6] Retention for tranche (£m)
1	0	250	60	250.0	150.0
2	250	750	3	500.0	15.0
3	750	1,000	4	250.0	10.0
4	1,000	unlimited	5	421.2	21.1
Total				1,421.2	196.1

Notes:

Columns 1-4 are taken from the operator's bid, as described in the above tables.

Column 5 shows the (net) sales revenue that falls within each tranche.

Column 6 is column 4 x column 5.

Net Sales Retention: Draw based games (non-retailer distributed)

[1] Tranche	[2] Lower bound (£m)	[3] Upper bound (£m)	[4] Retention rate (%)	[5] Revenue in tranche (£m)	[6] Retention for tranche (£m)
1	0	75	2	75.0	1.5
2	75	100	3	25.0	0.8
3	100	125	4	23.9	1.0
4	125	unlimited	5	0.0	0.0
Total				123.9	3.2

Net Sales Retention: Scratchcards

[1] Tranche	[2] Lower bound (£m)	[3] Upper bound (£m)	[4] Retention rate (%)	[5] Revenue in tranche (£m)	[6] Retention for tranche (£m)
1	0	40	70	40.0	28.0
2	40	100	6	60.0	3.6
3	100	150	7	50.0	3.5
4	150	unlimited	8	6.7	0.5
Total				156.7	35.6

Net Sales Retention: Interactive games

[1] Tranche	[2] Lower bound (£m)	[3] Upper bound (£m)	[4] Retention rate (%)	[5] Revenue in tranche (£m)	[6] Retention for tranche (£m)
1	0	10	10	10.0	1.0
2	10	25	12	8.1	1.0
3	25	50	15	0.0	0.0
4	50	unlimited	20	0.0	0.0
Total				18.1	2.0

E.6. Step 4: Calculating the operator's total retention and primary contribution to good causes

The operator's total retention is then calculated from the results set out above as follows:

Calculating the operator's total retention

£ million	Draw-based (retail dist)	Draw-based (non-retail)	Scratchcards	Interactive games	Total
Gross Sales Retention	61.5	25.3	20.4	8.4	115.6
Net Sales Retention	196.1	3.2	35.6	2.0	236.9
Total Retention	257.6	28.5	56.0	10.4	352.5

The primary contribution to good causes is simply the value of net sales that remains after deducting the Net Sales Retention.

Calculating the primary contribution to good causes

£ million	Draw-based (retail dist)	Draw-based (non-retail)	Scratchcards	Interactive games	Total
Net Sales	1,421.2	123.9	156.7	18.1	1,719.9
Less Net Sales Retention	-196.1	-3.2	-35.6	-2.0	-236.9
Total Retention	1,225.2	120.7	121.1	16.1	1,483.0

Corporate declarations

Appendix

F

F. Corporate declarations

(“the Company”)

Notes:

1. Information sought in this declaration will only be used for the purpose of satisfying the National Lottery Commission that the Company is “fit and proper” for the purposes of Sections 5 and 6 of the Act. The National Lottery Commission reserves the right to check or verify any of the information given by the Company with any governmental, quasi-governmental, statutory or regulatory department, body or agency in the United Kingdom or overseas. A form of consent or waiver signed on behalf of the Company is required to enable the National Lottery Commission to obtain such necessary information.

Any information contained in this declaration or obtained in order to verify any answer to questions in this declaration will be kept strictly confidential and used only for the purposes set out above.

2. Any legal or other process referred to in this declaration includes any analogous process under the law of another country.
3. “NLC” in this declaration shall mean the National Lottery Commission.
4. “Licensee” in this declaration shall mean a body holding or to whom the NLC intends to grant a licence to run or to promote the National Lottery pursuant to Section 5 or Section 6 of the National Lottery etc Act 1993 as amended.
5. Please attach a signed individual declaration (in the form approved by the NLC) in respect of each director or other officer (other than an auditor) of the Company.

1. Name of Company.

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2. Any other name under which the Company trades or has traded in the past 5 years.

.....

3. Registration number.

.....

4. Date of registration.

.....

5. Place of registration.

.....

6. Address of principal office.

.....

.....

7. Address of registered office.

.....

.....

8. VAT registration number.

.....

9. Please describe the nature of your relationship with or connection to the Licensee (eg supplier, contractor, subcontractor to or shareholder in the Licensee).

.....

10. Please attach copies of Memorandum and Articles of Association or other appropriate constitutional documents.

11. Authorised share capital (including details of each class).

.....

.....

12. Issued share capital (including details of each class, and the amounts paid up on all shares).

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13. Please provide the following details in relation to shareholdings or other interests (direct or indirect as at the date of this declaration):

(a) The names of all persons who have an interest of 15% or more in the Company;

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.....

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(b) The name of the ultimate parent company of the Company;

.....

(c) Please attach a copy of (or where not reduced to writing, a statement of the terms of) every agreement, arrangement or understanding to which the Company is a party which concerns the Licensee or its business or affairs or any interest (direct or indirect) of the Company therein.

For the purpose of this declaration a person has an interest of 15% or more in another if he is entitled to exercise or control the exercise of 15% or more of the voting rights attaching to all of the issued shares of any class in the capital of that person or to receive (beneficially or otherwise) 15% or more of the total amount of any dividend or other distribution which may be declared made or paid in respect of any class of shares in the capital of that person or who has any beneficial or other interest in shares with a nominal value equal to 15% or more of the total nominee value of the issued shares of any class of that person.

14. Please provide a copy of the audited accounts or equivalent financial statements of the Company for the last two financial years for which they are available and any interim accounts published in respect of any subsequent period.

15. If the Company is a qualifying direct shareholder in the Licensee (ie has an interest of 3% or more, determined in like manner to interests of 15% or more referred to above), please provide:-

A. the following details of all charges created (or which are intended to be created) by the Company over or in respect of all or any of its interests in the Licensee:-

(a) date of charge

.....

(b) description of charge

.....

(c) amount secured

.....

(d) property charged

.....

(e) chargee; and

.....

B. details of any option or other encumbrance or equity over or in respect of its interest in the Licensee.

16. Please confirm that the Company has complied with all provisions of the Companies Acts, the Financial Services Act 1986 and the European Communities Act 1972 and that all returns, particulars, resolutions and other documents required under any legislation to be delivered on behalf of the Company to the Registrar of Companies or to any other authority whatsoever have been properly made and delivered.

.....

17. Please confirm that no order has been made or petition presented or resolution passed for the winding up of the Company; no execution or other process has been levied in respect of the Company or any subsidiary; and no unfulfilled or unsatisfied judgement or court order is outstanding against the Company or any subsidiary.

.....

18. Has at any time during the last 5 years any subsidiary of the Company been put into liquidation (otherwise than by a members' voluntary winding up when the Company was solvent) or had an administrator or administrative or other receiver appointed? If so in each case state the name, nature or the business, date of commencement of winding up or receivership and the amount involved together with an indication of the outcome or current position.

YES / NO

19. Please confirm that neither the Company nor any of its officers, agents or employees (during the course of their duties in relation to the Company) have been convicted in the United Kingdom or elsewhere of any offence involving fraud or dishonesty.

20. Please confirm that the Company's accounts have over the last 5 financial years been prepared in accordance with the requirements of the Companies Acts and all relevant statutes and generally accepted accounting principles and that the auditors' reports for each set of accounts have been unqualified. If not, please provide details.

21. Has the Company ever paid or become liable to pay any penalty or made any other payment to the Commissioners of the Inland Revenue or the Commissioners of Customs & Excise to avoid a prosecution being referred? If so, please provide full details.

YES / NO

22. Is the Company currently or has it ever been the subject of any investigation by the police, the Inland Revenue, the Department of Social Security, the Department of Trade and Industry, Customs & Excise or any other Government body? If so, please provide full details.

YES / NO

I confirm that, having made due enquiry, the information supplied above is complete and correct to the best of my knowledge and belief.

Signed (being a duly appointed officer of the Company)

Date:

Form of Authority & Waiver

To: The National Lottery Commission
and to whomsoever else it may concern

I/We hereby authorise and consent to the disclosure by or on behalf of any government or governmental, quasi-governmental, supra-national, statutory or regulatory body in any court, trade agency, professional association or any other like person or body in any jurisdiction (including, for avoidance of doubt, and without prejudice to the generality of the foregoing, any person or body described or mentioned below) to the National Lottery Commission or any person duly authorised by it of any information which any such government or other body as aforesaid may have concerning me/us or my/our (whether public, business or private).

The persons or bodies referred to above may include;

Any United Kingdom government department or agency:

The United Kingdom Inland Revenue and HM Customs and Excise and any taxation authority of any other country;

Any part of the armed forces or the security services of the United Kingdom or any other country;

Any police force or authority in the United Kingdom or elsewhere;

Any authority or body responsible for the regulation or operation of any lottery promoted in any jurisdiction;

The Crown Prosecution Service;

The Serious Fraud Office;

The Official Receiver;

The Gambling Commission (formerly Gaming Board for Great Britain);

Any local authority;

The Insolvency Service;

The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited;

The Bank of England;

The Financial Services Authority;

The Investment Regulatory Organisation Limited.

I/We confirm that I/we shall have no claim against any such person who makes any such disclosure to the National Lottery Commission or any person authorised by it, whether in respect of any breach of confidence or statutory or other duties whatsoever or for defamation or any analogous righting any jurisdiction, whether or not any person acted negligently or reasonably in obtaining or disclosing it or had committed any breach of any duty (statutory or otherwise) in obtaining or retaining any such information. I/we hereby irrevocably waive any such claims which I/we might otherwise have.

The Terms of the Authority and Waiver shall be incapable of revocation during currency of the Licence granted by the National Lottery Commission to [] pursuant to Section 5 of the Act

EXECUTED and DELIVERED as a DEED by

duly authorised for and on behalf of

in presence of:

Witness signature

Witness name (print)

Witness address

Witness occupation

Individual declaration

Appendix

G

G. Individual declaration

in respect of (the "Declarant")

who is connected with ("the Company")
(see note 3 below)

Pursuant to the National Lottery etc Act 1993 ("the Act") the National Lottery Commission has an overriding statutory duty to ensure that the National Lottery is run with all due propriety, and that the interests of all participants are protected. It must, therefore, ensure that all personnel involved in the activities of the Lottery are fit and proper to carry out those activities undertaken by them.

Notes:

1. Declarants are advised that information sought in this declaration will be used only for the purpose of satisfying the National Lottery Commission that the Declarant is "fit and proper" for the purposes of Sections 5 and 6 of the Act. The National Lottery Commission reserves the right to check or verify the information given by Declarants with any governmental, quasi-governmental, statutory or regulatory department, body or agency in the United Kingdom or overseas. Declarants are required to sign a form of consent and waiver to enable the National Lottery Commission to obtain such necessary information.

Declarants are assured that any information contained in this declaration or obtained in order to verify any answer to questions in this declaration will be kept strictly confidential and used only for the purposes set out above.

2. "Director" shall mean a director or a person in accordance with whose direction or instructions the directors of a company are accustomed to act.
3. Where this declaration is made by an individual because of his directorship of, employment by, or association with a company please supply that company's name at the head of the page.

Please provide an answer to every question, marking N/A if not applicable.

1. Personal Information

1.1 (a) Declarant's full name:

Surname

Forenames

(b) Any previous surname: YES / NO

Previous surname (if applicable)

date changed

how changed

(c) Any previous forename: YES / NO

Previous forenames

date changed

(d) Date of birth (dd/mm/yy)

(e) Place of birth: Town Country

1.2 (a) Declarant's nationality

(b) Country of residence

(c) Any change of nationality: YES / NO

Previous nationality (if applicable)

date changed

(d) Any change in country of residence: YES / NO

Previous country of residence (if applicable)

date changed

1.3 (a) Current private address(es):

1st line

2nd line

Town

Postcode

Country

From (month/year)

To (month/year)

(b) Any other private address(es) used in the past five years: YES / NO

1st line

1st line

2nd line

2nd line

Town

Town

Postcode

Postcode

Country

Country

From (month/year)

From (month/year)

To (month/year)

To (month/year)

1.4 (a) National Insurance number

(b) Your tax district

(c) Your tax reference number

Note: Declarants are advised that contact will be made with and information sought from the Inland Revenue only so far as is necessary to provide assurance to the National Lottery Commission that answers to questions in Section 4 are true. No other information about the Declarant's personal tax affairs will be sought.

2. Declarant’s Employment and Directorship Details

2.1 Please supply a list of the names of your principal employers during the last five years and the dates during which you worked for them, together with a short description of each business and your job and your job title, in each case:

Employer	From	To
.....		
Description		
.....		
Reason for leaving		
.....		

Employer	From	To
.....		
Description		
.....		
Reason for leaving		
.....		

Employer	From	To
.....		
Description		
.....		
Reason for leaving		
.....		

2.2 If you have ever been dismissed, suspended or asked to leave your employment for any reason during your working career provide full details.

.....

.....

2.3 Please state the names, nature of business and date of commencement (and if appropriate, termination) of the directorship of every company of which you are now or have within the last five years been a director.

(Please add extra information onto a separate sheet)

.....

.....

2.4 Please give the full address of your current employer.

First line

.....

Second line

.....

Town

.....

Postcode

.....

Country

.....

3. Declarant's Position with Company and Experience Details

3.1 Position to be vetted for

.....

3.2 Details of any position described in 3.1

.....

4. Good Reputation of the Declarant

Note 1: Any legal or other process referred to in this Section 4 includes any analogous process under the law of another country (eg Chapter 11 proceedings of the Bankruptcy code prescribed by the United States Supreme Court).

Note 2: When a positive response is given to any section full details must be given.

4.1 Has at any time during the last 5 years any company referred to in question 2.4 above, or any company of which you are now or at any time have been a shareholder (other than listed companies of whose shares you hold or have held less than 3 percent) been put into compulsory liquidation or had an administrator or administrative or other receiver appointed whilst you were a shareholder or a director or within six months of your ceasing to be a shareholder or director?

YES / NO

.....

4.2 Has at any time during the last 5 years any firm in which you have held a partnership or proprietorship been wound up whilst you were a partner or held proprietorship or within one year of your ceasing to be a partner or proprietor?

YES / NO

.....

4.3 For each of the companies/firms referred to in reply to questions 4.1 and 4.2 state the date of commencement of liquidation, administration or receivership and the amount involved together with an indication of the outcome or current position.

N/A

.....

4.4 Have you at any time been a party to a deed of arrangement or any form of voluntary arrangement (as defined in Part VIII of the Insolvency Act 1986)?

YES / NO

.....

4.5 Have you in the United Kingdom or elsewhere been concerned with the management or conduct of the affairs as a director or otherwise of any company or partnership which has been at any time during your involvement or within six months of your ceasing to have such involvement:

- (a) Investigated by an inspector appointed under companies legislation, or other securities enactment's or by any other regulatory body (otherwise than for routine investigations)?

YES / NO

- (b) required to produce books and papers to a Secretary of State?

YES / NO

4.6 Have you or any company of which in the last five years you were a director ever paid any penalty or made any other payment to the Inland Revenue or the Commissioners of Custom & Excise to avoid a prosecution being referred?

YES / NO

4.7 State whether you, personally, are currently engaged, or have been engaged in the previous 5 years in any litigation.

YES / NO

4.8 State whether:

- (a) you have ever been declared bankrupt or had your estate sequestered;

YES / NO

- (b) you are currently the subject of bankruptcy proceedings or proceedings for sequestration of your estate;

YES / NO

- (c) you are aware of any proceedings pending of the types referred to in (a) & (b).

YES / NO

If so, state the court by which you were adjudged bankrupt and if discharged, the date and conditions on which you were granted your discharge.

(If not applicable, please mark N/A)

4.9 State whether you have ever been dismissed or requested to resign or removed from any fiduciary office or position of trust, whether or not remunerated.

YES / NO

4.10 State whether you have ever been disqualified from acting in the management or conduct or the affairs of any company, partnership or unincorporated association.

YES / NO

4.11 State whether, in connection with the formation or management of any company, partnership or unincorporated association, you have been adjudged by a court in the United Kingdom or overseas to be civilly liable for any fraud, misfeasance, or wrongful trading or other misconduct by you towards such a body or towards any members or creditors of such a body.

YES / NO

4.12 Has a company of which you were a director at the time of the offence been convicted in the United Kingdom or elsewhere of any offence involving fraud or dishonesty or an offence under legislation (whether or not of the United Kingdom) relating to companies, building societies, credit unions, friendly societies, insurance, banking or other financial services, insolvency, consumer credit or consumer protection? *(If so state the court by which the company was convicted, the date of conviction and full particulars of the offence and penalty imposed.)*

YES / NO

IF YES:

4.13 Are you currently or have you ever been the subject of:-

- (a) any investigation by the Inland Revenue, Department for Work and Pensions (formerly the Department of Social Security), the Department of Trade and Industry, HM Customs and Excise or any other Government body?

YES / NO

- (b) any censure or investigation by the London Stock Exchange or any self regulating organisation or body recognised or designated under the Financial Services Act 1986 or by any other body in relation to your business or professional activities?

YES / NO

(If so, please provide full details.)

.....

.....

- 4.14** Are you now or have ever been obliged to pay a fine or penalty imposed by reason of your conduct of you tax affairs, or that of any agent acting on your behalf?

YES / NO

.....

.....

- 4.15** Have any allegations of fraud ever been made against you?

YES NO

(If so, please provide full particulars.)

.....

.....

5. Criminal Convictions or Cautions

- 5.1** State whether you have convictions or have been cautioned for any criminal offence in the United Kingdom or elsewhere.

YES / NO

If so, state the Court by which you were convicted, the date of conviction and full particulars of the offence and penalty imposed and/or full particulars of the offence for which you were cautioned;

N/A

Details (if applicable)

.....

Court

.....

Particulars of the offence

.....

Sentence/Penalty imposed

.....

Date of conviction (N.B. This can be different from the date the sentence was passed down.)

.....

.....

Note 1: Section 5 is for Directors only (not Key Employees) Section 19 of the National Lottery etc Act 1993 provides that convictions which might otherwise have been considered spent under the terms of the Rehabilitation of Offenders Act 1974 or the Rehabilitation of Offenders (Northern Ireland) Order 1978 are not to be so regarded in the circumstances for which this enquiry is made. Accordingly all convictions of the Directors are to be disclosed and may be taken into account.

Note 2: WARNING Failure to disclose a conviction or caution may be regarded as an act of dishonesty.

Note 3: Are there any driving offences that you need to tell us about?

You must tell us about any driving offence that concern to actions that resulted in injury to yourself or to a third party, or which resulted in the death of a third party.
You must also tell us about offences that relate to your car tax or insurance.
You must tell us about drink driving offences
You do not have to tell us about speeding offences.

5.2 Are you currently or have you ever been the subject of any investigation by the police?

YES / NO

(If so, please provide full details)

.....

.....

6. Declaration

I confirm that having made due enquiry the information supplied is complete and correct to the best of my knowledge and belief;

Signed

Date

Form of Authority & Waiver

To: The National Lottery Commission
and to whomsoever else it may concern

I/We hereby authorise and consent to the disclosure by or on behalf of any government or governmental, quasi-governmental, supra-national, statutory or regulatory body in any court, trade agency, professional association or any other like person or body in any jurisdiction (including, for avoidance of doubt, and without prejudice to the generality of the foregoing, any person or body described or mentioned below) to the National Lottery Commission or any person duly authorised by it of any information which any such government or other body as aforesaid may have concerning me/us or my/our (whether public, business or private).

The persons or bodies referred to above may include;

Any United Kingdom government department or agency:

The United Kingdom Inland Revenue and HM Customs and Excise and any taxation authority of any other country;

Any part of the armed forces or the security services of the United Kingdom or any other country;

Any police force or authority in the United Kingdom or elsewhere;

Any authority or body responsible for the regulation or operation of any lottery promoted in any jurisdiction;

The Crown Prosecution Service;

The Serious Fraud Office;

The Official Receiver;

The Gambling Commission (formerly The Gaming Board for Great Britain);

Any local authority;

The Insolvency Service;

The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited;

The Bank of England;

The Financial Services Authority;

The Investment Regulatory Organisation Limited.

I/We confirm that I/we shall have no claim against any such person who makes any such disclosure to the National Lottery Commission or any person authorised by it, whether in respect of any breach of confidence or statutory or other duties whatsoever or for defamation or any analogous righting any jurisdiction, whether or not any person acted negligently or reasonably in obtaining or disclosing it or had committed any breach of any duty (statutory or otherwise) in obtaining or retaining any such information. I/we hereby irrevocably waive any such claims which I/we might otherwise have.

The Terms of the Authority and Waiver shall be incapable of revocation during currency of the Licence granted by the National Lottery Commission to [] pursuant to Section 5 of the Act

EXECUTED and DELIVERED as a DEED by

duly authorised for and on behalf of

in presence of:

Witness signature

Witness name (print)

Witness address

Witness occupation

Guidance notes for applicants who have lived abroad

Persons having current or previous addresses in the past five years in the following countries are required to apply as detailed below in order to obtain a 'certificate of good conduct' or equivalent. Upon receipt of the 'certificate of good conduct' the individual should attach it to their completed declaration.

Denmark	Apply to 'Kriminalresisteret, PO Box 130, 2650 Hvidovre, Denmark' and include a copy of your Danish identification documents
Finland	Apply to Finnish Ministry of Justice, see www.om.fi/148.htm for information. Tel: +358916003
France	Apply to 'Casier Judiciaire National Automise, 107 Rue de Landreau, F-44079, Nantes Cedex 1, France'
Germany	Apply to 'Generalbundesanwalt Dienstelle, Bundeszentral – Register, Postfach 11 06 29, D – 10900 Berlin 11, Germany'
Hungary	Apply to Embassy or Consulate
Italy	Contact the Local Public Prosecutors Office where you were lived.
Japan	Apply to Embassy or Consulate if outside Japan. If you still live in Japan you should apply to the National Police Agency Headquarters. You will be required to submit a letter, which we can provide for you indicating that we need you to acquire a Certificate of Good Conduct. When you visit the Embassy your fingerprints will be taken.
New Zealand	Go to this website: www.courts.govt.nz Click on 'Information and Publications' then click on 'About Your Police Record'. This will tell you how to apply for your Certificate of Good Conduct and enable you to download the request form you will need.
Papua New Guinea	Apply to Royal Papua New Guinea Constabulary.
Singapore	Apply to British High Commission

South Africa

Apply to 'Criminal Record Centre, Private Bag X 308, Pretoria, Republic of South Africa' and include a full set of fingerprints. Please contact the South African High Commission for details of the procedure for taking fingerprints

Spain

If you are English and worked in Spain you can apply through the British Consulate in the area where you were based. If you are Spanish you need to contact the Consulate in England

USA

Apply for a complete Criminal Records Check to the Federal Bureau of Investigation (FBI), Criminal Justice Information Services (CJIS). 'FBI, CJIS, Attention: SCU, MOD. D-2, 1000 Custer Hollow Road, Clarksburg, West Virginia, 26306, USA.' You must include a proof of identity consisting of: Your name, date and place of birth and a set of fingerprints. You will also be required to pay a fee of \$18 in the form of a certified cheque or money order payable to the Treasury of the United States.

All other countries apply to the relevant embassy.

Trust arrangements

Appendix

H

H. Trust arrangements

H.1. Overview of current prize payment security arrangements

The Commission has an overriding statutory duty (inter alia) to secure that the interests of every participant in the Lottery, and every lottery that forms part of it are protected. As part of its fulfilment of that duty, the Commission required the Current Operator to enter into a security trust arrangement with a fully independent corporate Trustee pursuant to condition 17 of the current licence. The document creating the security trust arrangements, the security trust deed, is comprehensive and contains inter alia the following provisions:

The Current Operator's primary obligation under the security trust deed is to pay prizes. The Current Operator covenants with the Trustee, for the benefit of the beneficiaries under the trust arrangements, that it will pay in full all secured obligations. These secured obligations comprise the present and future, actual and contingent obligations of the Current Operator, from time to time, owed (i) to prize winners (whether in cash or cash equivalent) and (ii) to the other beneficiaries, in each case determined in accordance with the regulations of each lottery game and the provisions of the security trust deed.

The "beneficiaries" are principally the prize winners, other players, (if a lottery game or draw has been cancelled), the NLDF, (in respect of certain amounts only), and the Trustee, (for its proper fees).

The obligations of the Current Operator to the Trustee, (on behalf of the beneficiaries), described above are secured. The security package is comprehensive and consists inter alia of fixed and floating charges over amounts standing to the credit of certain accounts operated by the Current Operator and security trusts declared in relation to amounts standing to the credit of certain other accounts identified as trust accounts and operated by the Trustee. The proceeds of ticket sales due from retailers to the Current Operator are assigned absolutely by way of first security to the Trustee. The ticket sales proceeds are required to be paid into a specified bank account charged in favour of the Trustee. To accommodate the relatively complex requirements for the operation of the various lotteries that constitute the Lottery, the Current Operator has needed to create a number of bank accounts (in order that funds can be segregated where required) and each of these accounts is made the subject of security in favour of the Trustee.

In addition to the accounts operated by the Current Operator briefly described above, there are also a number of trust accounts operated by the Trustee, i.e. the authorised signatories on these accounts are officers of the Trustee rather than officers of the Current Operator. The amounts standing to the credit of the various trust accounts are those amounts which represent current prize liabilities, (i.e. in respect of each lottery draw the prizes for which have not yet been paid out), unclaimed or unpaid prizes, those amounts paid by subscription or multi-draw players and various other such amounts. It is the Current Operator's obligation to ensure that the aggregate of all prize liabilities is accurately determined, (this is another function of the lottery software), and the appropriate amounts are credited to the relevant trust accounts. The trust accounts must always be fully funded, (and never overdrawn), and in a position to meet such prize liabilities. The requirement is that the aggregate prize liability is pre-funded, i.e. the Current Operator is obliged to pay an amount equal to the aggregate prize liability at any time into the trust accounts. Provided the Trustee is satisfied that the Current Operator has discharged the relevant prize liabilities, then the Current Operator is entitled to be reimbursed the appropriate amount from the trust accounts. This is a continuous process and the fund flows between the various accounts are complex and require careful monitoring. An independent monthly audit is carried out and regular checks made by the Commission.

In addition to the security created, (whether by way of declaration of trust or fixed or floating charge), over the retailer receivables and account balances described above, the Current Operator also creates security over all its other assets and undertaking in favour of the Trustee. This includes software, hardware, intellectual property and any other assets that the Current Operator uses in its business. It also charges its interests in the EuroMillions security trust arrangements (see below).

Just as the Current Operator declares a security trust in favour of the Trustee in respect of certain of the accounts operated by it, (as described above), so also the Trustee states that it holds all the assets and other property secured in its favour on trust for the beneficiaries identified above.

The security trust arrangements also provide for a reserve to be established. This is a substantial cash sum held by the Trustee as a reserve or contingency against a shortfall. In the event that the amounts standing to the credit of the various accounts were insufficient to discharge all of the Current Operator's obligations to prizewinners and other participants then the reserve fund will be made available to make up any shortfall.

The security trust deed contains detailed provisions governing establishment and use of the various trust and non-trust accounts. It specifies which amounts may flow into which account, at what time, and what information is required to be provided to the Trustee before authority can be obtained for the release of any funds back to the Current Operator. To ensure compliance with these restrictions the Current Operator and the Trustee enter into an agreement with the bank that operates all of these accounts, ("the account bank"), in which inter alia the account bank agrees that the accounts should only be operated in strict compliance with the various mandates for the trust and non-trust accounts, each of which is appended to the agreement with the account bank.

The security trust deed imposes on the Current Operator a number of ancillary obligations including the provision of comprehensive reports to both the Trustee and the Commission, (and to a limited extent the account bank), containing information about prize payments and other relevant matters. Further, the Current Operator is obliged to keep proper books of account and full and accurate records of all relevant information relating to the operation of the various lotteries and to provide such information to the Trustee on request.

The EuroMillions game has a parallel security trust structure to secure the obligations of national lottery operators in various jurisdictions to make payments to each other. The participating national lottery operators, (including the Current Operator), have entered into a framework agreement and a security trust deed, (the EuroMillions deed). The Trustee is also the trustee under the EuroMillions deed. The framework agreement requires, inter alia, the participating lottery operators to fund their own specific London based bank account, with a pre-determined amount. There is additionally an ongoing obligation to fund the account on a weekly basis with the relevant amount. The amounts standing to the credit of the account are to be applied solely to discharge each participating lottery operators' obligations to one another under the framework agreement in order that the liabilities they each owe to players of EuroMillions will be discharged in full.

Pursuant to the EuroMillions deed, the participating lottery operators each covenant with the Trustee that they will discharge their obligations under the framework agreement and create fixed charges over their rights and interests in each account in favour of the Trustee to secure such obligations. The Trustee holds this security on trust for each of them. Many of the provisions in the EuroMillions deed are similar to those contained in the UK security trust deed referred to above.

Information and Clarification Request form

Appendix

I

I. Information and Clarification Request form

[Bidders should note that the information and clarification request form will be provided with the Final ITA]

EuroMillions

Appendix

J

J. EuroMillions

J.1. Background

All operators who promote EuroMillions within their national jurisdictions are members of Services aux Loteries en Europe SCRL ("SLE") and promote such lotteries pursuant to the articles of SLE and the terms of the Lottery Operators' Agreement (LOA) and other associated processes and procedures.

SLE is a company incorporated in Belgium, which was established to provide common services necessary to the operation of the game (i.e operating and administering the draw).

Some operational services have been subcontracted to lottery operators.

J.2. Becoming a shareholder of SLE

A party can become a shareholder of SLE by transfer of shares from a shareholder or by being admitted as a new subscribing shareholder.

The Articles of SLE provide that shares may only be transferred to a third party if the transfer qualifies as a "permitted transfer" by being, inter alia, a transfer which has the prior written consent of all qualifying shareholders or if the transfer is to a single successor promoter.

It is a condition of a transfer to a permitted transferee that the permitted transferee enters into a Deed of Adherence in relation to the LOA, as specified by the Board of SLE. Further any permitted transferee must comply with SLE's membership criteria by:

- Holding a valid lottery licence to promote EuroMillions in the relevant jurisdiction
- Complying with criteria agreed by SLE shareholders for:
 - Organisational security;
 - Prize payment security; and
 - Financial credibility.

There may additional criteria added by SLE from time to time. If a single successor promoter complies with the membership criteria it has to be automatically admitted to membership of SLE. Any other permitted transferee will also need to obtain consent of the board of SLE.

A new subscribing shareholder will need to satisfy the membership criteria set out above and will also need to have served notice on SLE. The board of SLE will then issue the proposed new shareholder with subscription conditions including:

- The number of shares to be issued to it;
- The warranties required from it about any information submitted by it.

The new subscribing shareholder will then need to obtain the support of 75 per cent of the votes of all existing shareholders and the consent of the founding shareholders (which in the case of a new Licensee other than the Current Operator would comprise the French and Spanish national lottery operators).

The new subscribing shareholder will also need to enter into a Deed of Adherence in relation to the LOA.

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London W1U 1QU

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