

ALLWYN ENTERTAINMENT LTD

Registered number 13157556

Annual report and financial statements

for the year ended 31 December 2023

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Strategic Report

The Directors present their reports and audited financial statements for Allwyn Entertainment Ltd (the "Company") for the year ended 31 December 2023.

Principal activities, strategic review and future development

The Company was established to operate The National Lottery in the UK in the event that Allwyn International a.s. ("Allwyn") was successful in its bid to win the Fourth National Lottery Licence Competition (the "Competition"). The Competition was run by the Gambling Commission to select an operator for the Fourth National Lottery Licence (the "Fourth Licence") for 10 years from 1 February 2024.

On 15 March 2022, the Gambling Commission issued the Outcome Notification declaring that Allwyn had been selected as the Preferred Applicant for the Fourth Licence. Following that announcement, the Board agreed to start incurring costs with effect from 20 April 2022, in anticipation of the award of the Fourth Licence and despite legal actions brought against the Gambling Commission by parties disappointed by the outcome of the Competition.

On 15 September 2022, the Gambling Commission issued the Award Notification to the Company as the successful applicant in the Competition. On 16 September 2022, the Gambling Commission and the Company entered into the Enabling Agreement (the "Enabling Agreement") which set out the framework for delivering the Company's comprehensive plan to transition from the Third National Lottery Licence to the Fourth Licence (the "Transition") by 1 February 2024 and its plans to transform The National Lottery. From 16 September 2022, through to 31 December 2023, the Company has been focussed on delivering these plans.

On 31 January 2024, subsequent to the Balance Sheet date, the Company was formally awarded the Fourth Licence and on 1 February 2024, became the operator of The National Lottery in the UK. The Company will continue to progress its plans to transform The National Lottery over the course of its ten-year licence with significant investments already made and to be made over the coming years in modernising and improving operations and technology.

The Company has been supported by its immediate parent company Allwyn UK Holding Ltd, which has invested £316.9m (2022: £41.7m) to date by way of shares issued for cash.

Business review

The Company recorded an operating loss of £126.4m for the year (2022: £52.9m). Until the Company started to operate The National Lottery on 1 February 2024 it had not recorded any revenue. The operating loss has arisen in the year due to costs incurred in the implementation of plans for the Transition.

Such costs include costs to run the Transition and transformation programme including project management office, infrastructure set up costs and colleague costs.

The Company incurred financing charges of £12.0m (2022: £15.7m) and recorded a tax credit on the loss of £28.1m (2022: £17.1m), resulting in a loss after tax of £109.9m (2022: £51.5m). The Directors are of the opinion that, at this stage in the Company's evolution, an analysis using key performance indicators is not necessary for an understanding of the development, performance and position of the business.

The total shareholders' funds as at 31 December 2023 were £105.5m (2022: deficit of £9.8m).

Strategic Report (continued)

Principal risks and uncertainties

Among the identified key risks during the financial year, are the Transition and transformation programme, people, key supplier/partner relationships and the regulatory environment. The Company identified its key principal risks and mitigations during the period of transition as follows:

Fourth Licence Transition and Transformation Programme

Risk: The Company is unable to fulfil its obligations under the Enabling Agreement (“EA”) (which governs the Transition to the Fourth Licence operator and the initial stages of the transformation programme) to time and/or quality.

Mitigation: The transition from the Third National Lottery Licence to the Fourth Licence is a complex programme of work which carries a level of risk. During the year, on 5 February 2023, the then existing National Lottery licence holder, Camelot UK Lotteries Limited (“Camelot UK”), was acquired by a 100%-owned subsidiary of Allwyn International a.s. This acquisition enabled closer working arrangements between the Company and Camelot UK enabling the Company to benefit from the Camelot UK team’s significant expertise and experience and to prepare for a seamless transfer of the assets to the Company, thereby mitigating the risk of delivering the Transition since the start of the licence on 1 February 2024.

In addition, the Company also entered into agreements with the existing technology provider, IGT, to establish arrangements for the transition from the existing National Lottery technology platform and related arrangements to a new platform to be provided by SGI. These agreements extend the term of IGT’s contract to facilitate transition and provide for download of new software to the existing estate of over 40,000 terminals.

People

Risk: The ongoing success of the business is dependent on the Company’s ability to attract, develop and retain the right talent, skills and capabilities. Failure to achieve the above could impact on organisational performance and failure to execute the transition and the transformation plans.

Mitigation: The Company has mitigated this risk in a number of ways through secondments of lottery specialists from across the Allwyn group, including from Camelot UK, using high-quality third-party suppliers and attracting key talent into the Company. This was supported by an extensive communications and engagement programme for all colleagues ahead of the start of the Fourth Licence on 1 February 2024, including shared work to establish the Company’s values and culture. The target operating model for the Fourth Licence was established and implemented during the year ready for start of the new licence on 1 February 2024, with a new leadership team comprising legacy Camelot leaders and new appointees, alongside Allwyn team members. On 1 February 2024, a substantial majority of the Camelot UK team elected to transfer to the Company via Transfer of Undertakings Protection of Employment rights (“TUPE”).

Strategic Report (continued)

Principal risks and uncertainties (continued)

Key Supplier/Partnership Relationships

Risk: Key suppliers and partners are not in place for the Fourth Licence start date.

Mitigation: The Company has operated a Procurement Policy throughout the year designed to ensure that all key suppliers and partners are selected and onboarded in line with best practice. This included working with key suppliers to the Third National Lottery Licence required into the Fourth Licence to novate and ensure continued service delivery. In addition, this has included working across the existing retailer estate to successfully novate existing and contract new retailer agreements including Post Office independent retailers, to ensure continuity of retail distribution in over 40,000 stores and to minimise disruption over the Transition.

Regulatory Environment

Risk: The regulatory environment does not enable the delivery of licence obligations or support an effective working relationship and operating model with the Gambling Commission leading to delays, lower revenues, higher costs, and disproportionate regulatory decisions.

Mitigation: The Company maintains regular senior management meetings, between senior management and the Gambling Commission, along with regular engagement with key operating committees and working committees. These were well established within the governance framework set out by the Enabling Agreement.

On behalf of the Board

Kenneth Morton
Director

Andria Gibb
Director

Magdalen House, Tolpits Lane, Watford,
Hertfordshire, WD18 9RN
17 June 2024

Directors' Report

The Directors present their report and audited financial statements for the Company for the year ended 31 December 2023.

A review of the business is provided in the Strategic Report on Page 3.

The names of the Directors who served during the year and up to the date of signing of the financial statements were:

Robert Chvatal
Andria Gibb (appointed 1 October 2023)
Katarina Kohlmayer
Kenneth Morton
Justin King
Pavel Saroch
Sharon Doherty
Victoria McKenzie-Gould
Simon Paul Burke (appointed 1 February 2024)
Lord Sebastian Newbold Coe (appointed 1 February 2024)
Adrian Christopher Joseph (appointed 1 June 2024)
Sir Keith Mills (resigned 31 January 2024)
David Craven (resigned 20 January 2023)

The company secretary throughout the financial year was Jonathan Handyside who resigned on 6 February 2024, following the appointment of Harry Willits on the same date.

Future developments

As discussed in the Strategic Report on Page 3, on 31 January 2024, the Company was formally awarded the Fourth Licence to operate The National Lottery in the UK. This became effective on 1 February 2024 and is the sole activity of the Company going forwards.

As part of operating the Fourth Licence, the Company is committed to ensure that it follows the highest standards of corporate governance. Indeed, as part of its Fourth Licence commitments, the Company will be complying with the UK Corporate Governance Code (the "Code"), where appropriate and applicable to do so with effect from 1 February 2024.

Ahead of this, the Company has designed its corporate governance framework to enable itself to be compliant with the Code, where applicable. It has a robust governance framework which ensures propriety and participant protection are at the core of decision making, as per the requirements in the National Lottery etc. Act 1993 and the Fourth Licence and fully supported by the Board. This allows the Company to meet the expectations of shareholders and wider stakeholders.

Through its governance framework the Board has, and will continue to, ensure that policies and practices are consistent with the Company's values and that they support long-term sustainable integrity and success. This includes the Company's social value agenda related to environmental and social responsibility. The Board has delegated certain authorities to effectively design and serve board committees in the form of: Audit Committee; Compliance and Risk Management Committee; Remuneration Committee and Nominations Committee.

Research and development

The Company did not spend any funds on research and development in the financial year (2022: £nil).

Directors' Report (continued)

Dividends

No dividends were paid during the year (2022: none). The Directors do not recommend the payment of a final dividend (2022: £nil).

Political contributions

Regulated by the Gambling Commission, the Company plays a pivotal role in UK public life, delivering critical funding for the 12 National Lottery Distributors to distribute for the benefit of community, sport, arts and heritage in the UK, its nations and regions and locally. As such and while remaining politically neutral, the Company has engaged with stakeholders, so they are aware about its forthcoming plans during the Fourth Licence to grow The National Lottery responsibly and champion its impact for the benefit of The National Lottery. As part of this outreach, this has included engagement with all major political parties sitting in Parliaments and elected bodies in the UK, including the devolved administrations.

Although the Company has not made any contributions in cash or in kind to any political party, whether by gift or loan, the definition of political donations used in the Companies Act 2006 ("the Act") is significantly broader than the sense in which these words are ordinarily used. We have therefore declared in these accounts the Company's sponsorship of a Conservative Party 1922 Committee event held in Parliament for £20,000 (2022: £nil) and its membership of the Labour Business Network for £35,000 excluding VAT (2022: £nil).

People

The Company aims to create one of the UK's most inclusive organisations, united behind our shared purpose for The National Lottery to change lives every day.

The Company is a UK founding partner of Purple Tuesday, working together to ensure that the Company's workplace, supply chain, products and brand are as inclusive as possible for people with disabilities. Allwyn achieved Disability Confident Level 1 in December 2023.

Inclusive hiring practices have been put in place to promote diversity, while People policies have been designed to create an inclusive working environment.

Financial risk management

The Company is subject to financial risks including the effects of changes in price risk, currency risk and cash flow risk.

Given the size of the Company and until the start of the Fourth Licence, the Directors had not delegated the responsibility of monitoring financial risk management during the period. The policies set by the Board are implemented by the Company's finance department. Appropriate trade terms are negotiated with suppliers and management reviews these terms and the relationship with suppliers and manages any exposure on normal trade terms.

Price risk

The Company is exposed to changes in price risk due to its operations. Management via its procurement policy manages exposure to price risk.

Currency risk

The Company is exposed to some currency risk as a result of purchases denominated in foreign currency. However, given the size of the Company's purchases denominated in foreign currency during the year, the risks were low. Management via its treasury policy manages exposure to currency risk.

Directors' Report (continued)

Financial risk management (continued)

Cash flow risk

The Company has funding requirements relating to preparations for the Transition and subsequent delivery of its transformation programme for The National Lottery for which it will continue to secure financial support from the parent company. For this reason, cash flow risks are low.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Going concern

In considering the Company's ability to continue as a going concern, the Directors have reviewed the financial position of the Company and its future development following the formal award of the Fourth Licence which started on 1 February 2024. They have also reviewed the Company's progress in delivering the Transition and longer-term transformation plan for The National Lottery.

Management has prepared both a detailed budget and cash flow forecast for the following financial year as the Company commences the operation of the Fourth Licence and a five-year forecast covering the first five years of the Fourth Licence.

These budgets and cash flow forecasts have been evaluated and reviewed in significant detail and support the Directors' conclusion that the Company will be able to continue to operate for the foreseeable future.

In the event that the Company is unable to settle its liabilities as they fall due, the Company is the beneficiary of a guaranteed level of funding as outlined in note 5 to the financial statements. To provide further comfort, in light of the Accumulated Losses as at the balance sheet date, the Company has also received a letter of support from Allwyn International a.s, the Company's effective immediate parent company.

On the basis of the above, the Directors have therefore concluded that it is reasonable to assume that the Company will continue in operational existence for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

Post balance sheet events

Refer to note 18 to the financial statements for post balance sheet events disclosure.

Statement of disclosure of information to auditors

The Directors at the time of approving the Directors' Report are listed in the Directors' Report. In the case of each of the persons who are directors at the time when the Report is approved, having made enquiries of fellow directors and management, the Directors confirm that:

- To the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- They have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' Report (continued)

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office.

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that financial year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

On behalf of the board

Kenneth Morton
Director

Andria Gibb
Director

Magdalen House, Tolpits Lane, Watford,
Hertfordshire, WD18 9RN
17 June 2024

Independent auditors' report to the members of Allwyn Entertainment Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Allwyn Entertainment Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: balance sheet as at 31 December 2023; profit and loss account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Allwyn Entertainment Ltd (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of Allwyn Entertainment Ltd (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Enabling Agreement and employment legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of meeting minutes of the Audit Committee and Board of Directors;
- Challenging assumptions and judgments made by management in their significant accounting estimates and judgements; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Independent auditors' report to the members of Allwyn Entertainment Ltd (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Julian Gray (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
18 June 2024

**Profit and Loss account
for the year ended 31 December 2023**

	Note	2023 £'000	2022 £'000
Administrative expenses		(126,392)	(52,920)
Operating loss	2	(126,392)	(52,920)
Interest receivable and similar income	4	416	-
Interest payable and similar expenses	5	(11,955)	(15,677)
Loss before taxation		(137,931)	(68,597)
Tax on loss	6	28,075	17,148
Loss for the financial year		(109,856)	(51,449)

There is no other comprehensive expense arising in the year apart from that shown above, which was wholly derived from continuing activities.

The accompanying notes on pages 17-34 form part of the financial statements.

**Balance Sheet
as at 31 December 2023**

	Note	2023 £'000	2022 £'000
Non-current assets			
Intangible assets	7	44,000	12,746
Tangible assets	8	15,745	1,783
Debtors: amounts falling due after more than one year	10	36,980	18,193
		<u>96,725</u>	<u>32,722</u>
Current assets			
Inventories	9	226	-
Debtors: amounts falling due within one year	10	35,074	227
Cash and cash equivalents	5	137,344	29,985
		<u>172,644</u>	<u>30,212</u>
Creditors: amounts falling due within one year	11	(156,703)	(71,525)
Total assets less current liabilities		<u>112,666</u>	<u>(8,591)</u>
Creditors: amounts falling due after more than one year	12	(7,138)	(1,225)
Net assets/(liabilities)		<u>105,528</u>	<u>(9,816)</u>
Equity			
Called up share capital	13	267	42
Share premium account	13	266,633	41,658
Accumulated losses	14	(161,372)	(51,516)
Total Shareholders' funds/(deficit)		<u>105,528</u>	<u>(9,816)</u>

The accompanying notes on pages 17 to 34 form part of the financial statements.

The financial statements on pages 14 to 34 were approved by the board of Directors on 17 June 2024 and were signed on its behalf by:

Kenneth Morton
Director

Andria Gibb
Director

Company registered number: 13157556

**Statement of Changes in Equity
for the year ended 31 December 2023**

	Note	Called up share capital £'000	Share premium account £'000	Accumulated losses £'000	Total Shareholders' deficit £'000
As at 1 January 2022		-	-	(67)	(67)
Share capital issued	13	42	41,658	-	41,700
Loss for the financial year	14	-	-	(51,449)	(51,449)
As at 31 December 2022		42	41,658	(51,516)	(9,816)

	Note	Called up share capital £'000	Share premium account £'000	Accumulated losses £'000	Total Shareholders' (deficit)/funds £'000
As at 1 January 2023		42	41,658	(51,516)	(9,816)
Share capital issued	13	225	224,975	-	225,200
Loss for the financial year	14	-	-	(109,856)	(109,856)
As at 31 December 2023		267	266,633	(161,372)	105,528

Notes to the financial statements **(forming part of the financial statements)**

General information

The Company is a private company limited by shares, incorporated, domiciled and registered in England in the UK. The registered number is 13157556 and the registered address is Magdalen House, Tolpits Lane, Watford, Hertfordshire, WD18 9RN.

The Company was established to operate The National Lottery in the UK in the event that Allwyn International a.s. was successful in its bid to win the Fourth National Lottery Licence Competition. The Competition was run by the Gambling Commission to select an operator for the Fourth Licence for 10 years from 1 February 2024.

1 Significant accounting policies

The accounting policies set out below, unless otherwise stated, have been applied consistently in the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' ("*FRS 101*"). The financial statements are prepared on the historical cost and accrual basis. The presentation currency of these financial statements is sterling (GBP).

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based Payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- Paragraph 111 of IAS 1, 'Presentation of financial statements' (statement of cash flows information).

1.1 New standards, amendments, IFRIC interpretations and new relevant disclosure requirements

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2023, that have a material impact on the Company's financial statements.

Notes to the financial statements (*continued*)

Accounting policies (*continued*)

1.2 *Going concern*

In considering the Company's ability to continue as a going concern, the Directors have reviewed the financial position of the Company and its future development following the formal award of the Fourth Licence which started on 1 February 2024. They have also reviewed the Company's progress in delivering the Transition and transformation plan.

Management has prepared both a detailed budget and cash flow forecast for the following financial year as the Company commences operation of the Fourth Licence and a five-year forecast for the first five years of the Fourth Licence.

These budgets and cash flow forecasts have been evaluated and reviewed in significant detail and support the Directors' conclusion that the Company will be able to continue to operate for the foreseeable future.

In the event that the Company is unable to settle its liabilities as they fall due, the Company is the beneficiary of a guaranteed level of funding as outlined in note 5 to the financial statements. To provide further comfort, in light of the Accumulated Losses as at the balance sheet date, the Company has also received a letter of support from Allwyn International a.s, the Company's effective immediate parent company.

On the basis of the above, the Directors have therefore concluded that it is reasonable to assume that the Company will continue in operational existence for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

1.3 *Foreign currency*

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the Profit and Loss account.

1.4 *Financial assets*

Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for expected credit loss. Debtors are considered credit impaired when management consider that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is credit impaired. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account within administrative expenses.

1.5 *Financial liabilities*

Financial liabilities are classified according to the substance of the contractual arrangements entered into. The Company derecognises financial liabilities when and only when the Company's obligations are discharged, cancelled, or otherwise expire.

Notes to the financial statements (continued)

Accounting policies (continued)

1.5 Financial liabilities (continued)

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value of the proceeds received less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Finance charges are charged on an accrual basis to the Profit and Loss Account.

Creditors

Creditors are not interest-bearing and are initially measured at their fair value, and subsequently their amortised cost using the effective interest method.

1.6 Company as a Lessee

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

For an agreement that contains a lease component and one or more additional lease components or other components that are not leases, the Company will distribute the consideration for the agreement to each component of the lease based on the independent relative price of the lease component. This is based on the price that a lessor or a similar supplier would charge an entity separately for this component or one that is similar and uses observable information and the contractual terms of the agreement.

The Company does not apply the recognition and measurement requirements indicated in IFRS 16 to low value leases and for leases where the lease terms ends within 12 months of the commencement. In such cases, payments (excluding costs for services and insurance) made under operating leases are recognised in the Profit and Loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the Profit and Loss account over the term of the lease as an integral part of the total lease expense.

Initial recognition

The Company recognises a Right-of-use asset and a lease liability at the lease commencement date or the date at which the Company obtains the right to control the asset. The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted at an appropriate discount rate. The discount rate used to calculate the lease liability is the rate implicit in the lease if it can be readily determined, or the lessee's incremental borrowing rate if not. The Company uses an incremental borrowing rate being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the Right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Right-of-use asset is measured at cost which includes the initial lease liability, any lease payments made at or before commencement, any initial direct costs and restoration costs; less lease incentives received if material.

Notes to the financial statements (*continued*)

Accounting policies (*continued*)

1.6 Company as a Lessee (*continued*)

Subsequent measurement of the right-of-use asset

Right-of-use assets are stated at cost less depreciation and accumulated impairment losses. Depreciation of Right-of-use assets is provided over the shorter of the asset's useful life or the lease term or the period to the end of the Fourth Licence on a straight-line basis. If an asset's carrying amount is greater than its estimated recoverable amount, the carrying amount is immediately written down.

Subsequent measurement of the lease liability

The lease liability is measured by:

- (a) increasing the carrying amount to reflect the interest on the lease liability;
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) measuring the carrying amount again should any changes in the lease be made or where extension options are reasonably certain to be extended (or not terminated).

Interest on the lease liability is charged to interest payable and similar expenses in the Profit and Loss account.

1.7 Interest receivable and Interest payable

Interest income and interest payable are recognised in the Profit and Loss account as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, and deposits held at call with banks.

1.9 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising when:

- certain types of income or expense are non-taxable or are disallowable for tax; or
- certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the financial statements (*continued*)

Accounting policies (*continued*)

1.10 Share capital and reserve

The Company recognises the issue of shares or other equity instruments as equity when it issues those instruments, and another party is obliged to provide cash or other resources to the entity in exchange for the instruments. The Company measures the equity instruments at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Reserves correspond to surpluses distributable by the Company.

1.11 Tangible assets

Fixed assets held for use in the business are stated at cost less any subsequent depreciation, and subsequent accumulated impairment losses.

Depreciation is provided on a straight-line basis to write off the cost or valuation, less estimated residual value of each asset in equal instalments over its expected useful life. Under the terms of the Fourth Licence the Company will operate The National Lottery until 31 January 2034. There is no certainty that revenue will continue after this date, and as a general rule the depreciation period will be compared with the end of the Fourth Licence and shortened if necessary. The principal asset categories for depreciation are as follows:

Short leasehold improvements – over the unexpired period of the lease or the end of the Fourth Licence.

Plant and equipment – the shorter of between 3 to 10 years or the end of the Fourth Licence depending on the asset.

1.12 Intangible assets

Intangible fixed assets held for use in the business are stated at cost less any subsequent amortisation and accumulated impairment losses.

Software Costs are broken down between internally generated and separately acquired assets. Internally generated costs are recognised as intangible assets if the following criteria are met:

- It is technically completed and available for use;
- It can be demonstrated that how the software will generate probable future economic benefits; and
- The expenditure attributed to the set-up can be reliably measured.

Any costs that do not meet the above criteria are expensed immediately in the Profit and Loss account. Intangible assets purchased separately, such as software licences, that do not form an integral part of related hardware, are capitalised at cost.

Amortisation is provided on all intangible assets on a straight-line basis to write off the cost or valuation, less estimated residual value of each asset over its expected useful life. Under the terms of the Fourth Licence the Company will operate The National Lottery until 31 January 2034. There is no certainty that revenue will continue after this date, and as a general rule the amortisation period will be compared with the end of the Fourth Licence and shortened if necessary. The amortisation basis for the principal asset categories is as follows:

- Licence cost – over 10 years or the end of the Fourth Licence.
- Separately acquired software – the shorter of between 3 to 5 years or the end of the Fourth Licence depending on the asset.
- Internally generated software – the shorter of between 3 to 10 years or the end of the Fourth Licence depending on the asset.

Notes to the financial statements (continued)

Accounting policies (continued)

1.12 Intangible assets (continued)

Cloud computing arrangements such as software-as-a-service are evaluated to determine whether they contain a lease or an intangible asset or neither. See note 1.6 for the recognition and accounting of leases. Where the arrangement is not determined to be a lease, and the Company receives a resource that it can control, an intangible asset is recognised. If a cloud computing arrangement does not contain a lease or an intangible asset, then the right to access the underlying software in the cloud computing arrangement is generally a service contract.

In such cases the fees paid for the cloud computing service are expensed in the Profit and Loss account as the service is received.

1.13 Impairment of intangible assets

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

1.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as creditors: amounts falling due within one year unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period in which case they are classified as creditors: amounts falling due after more than one year.

All borrowing costs are recognised in Profit and Loss in the financial year in which they are incurred.

1.15 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities which are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Notes to the financial statements (continued)

Accounting policies (continued)

1.15 Critical accounting estimates and judgements (continued)

No critical accounting estimates and judgements were made in preparing the financial statements.

2 Operating loss

The operating loss is stated after charging:

	2023	2022
	£'000	£'000
Marketing expenses	6,278	84
Depreciation of Right-of-use assets	1,191	185
Depreciation of other tangible assets	472	72
Lease expenses for low value assets and short-term leases	384	120
Audit fees payable to the Company's auditors	92	35

The operating loss includes costs to run the Transition and transformation programme including project management office, infrastructure set up costs and people costs including secondees costs from other lottery experts within the Allwyn group. Marketing costs include primarily market research and creative agency fees to prepare for Fourth Licence start date marketing activities. In the prior year the operating loss also included external consultancy for the development of the business strategy and business plan.

3 Employee numbers and costs

The Company employed on average 105 people during the year (2022: 81). The total number of employees at 31 December 2023 was 127 (2022: 74). All colleagues were involved in developing and delivering the plans to transition The National Lottery from the Third to the Fourth Licence and to the Company as the new operator.

	2023	2022
	£'000	£'000
Employee costs (including directors) comprise:		
Wages and Salaries	15,030	4,799
Social security costs	2,185	671
Other pension costs	415	136
	<u>17,630</u>	<u>5,606</u>

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension charge represents contributions payable by the Company to the fund which amounted to £415,000 in the year ended 31 December 2023 (2022: £135,548). Contributions amounting to £88,000 (2022: £60,716) were payable to the fund at the year end and are included in other creditors.

Notes to the financial statements (continued)

3 Employee numbers and costs (*continued*)

Directors' remuneration	2023	2022
	£'000	£'000
Directors' emoluments including recharges	2,042	629
Amount paid under a long-term incentive plan	-	200
	<u>2,042</u>	<u>829</u>

No directors were members of the Company's pension scheme (2022: none).

Following the resignation of David Craven on 20 January 2023, Robert Chvatal assumed the role of Interim Chief Executive Officer. Robert Chvatal, Katarina Kohlmayer, Kenneth Morton, and Pavel Saroch (who served throughout the financial year) are remunerated by other Allwyn group companies.

Directors' emoluments include an amount of £1,002,000 paid to other group companies for directors' services (2022: £10,000 paid to third parties) and an amount of £140,000 (2022: £nil) for compensation for loss of office.

The highest cost for a director in 2023 was £977,000 (2022: £519,863). No shares in the Company were received or receivable by any director in respect of qualifying services under a long-term incentive scheme.

4 Interest receivable and similar income

	2023	2022
	£'000	£'000
Bank interest	416	-
Total interest receivable and similar income	<u>416</u>	<u>-</u>

Notes to the financial statements (continued)

5 Interest payable and similar expenses

	2023	2022
	£'000	£'000
Revolving Credit Facility Fees	1,223	875
Bank guarantee payments	10,269	14,789
Interest charge on leases	462	13
Other interest payable	1	-
Total interest payable and similar expenses	<u>11,955</u>	<u>15,677</u>

Borrowing arrangements

On 13 October 2021 the Company entered into a Revolving Credit Facility ("RCF") of £60,000,000 with HSBC (as part (and together with the equity commitment set out below) of measures contained in the bid submission to the Gambling Commission to ensure the Company's financial strength for the purposes of the Fourth Licence and Transition) and paid an arrangement fee of £300,000. Until 16 September 2022, when the Enabling Agreement was signed and the RCF became available, the Company paid a ticking fee at rates between 0 and 1.225%. The Company paid a further fee of £750,000 on 22 September 2022. Since this date, it has paid a commitment fee of 2% on the undrawn amount. Going forward the Company will pay interest on drawn amounts based on the Sterling Overnight Index Average rate plus a margin of 3.5% and a commitment fee of 2% on undrawn amounts.

The terms of the agreement also require that an amount of cash is held in a designated bank account in the Company's name, for the sole purpose of paying fees due on the RCF. This cash is deemed restricted and amounted to £3,035,000 (2022: £nil) and remained undrawn. This requirement lapses on 30 April 2024 and the cash will become available for use by the Company from 1 May 2024.

Bank Guarantee Payments

The Company is the beneficiary of an equity commitment made to it by Allwyn and the Company's immediate parent company Allwyn UK Holding Ltd, under which total commitments of £328.7m and US\$70.0m have been committed. This commitment was backed by guarantees provided by a syndicate of banks, which would provide funding for the Company to proceed with Transition and transformation plans, should Allwyn and Allwyn UK Holding Ltd not be able to fulfil their equity commitment. The fees above represent the costs of the guarantee payable in the financial year. At the year end the values of the outstanding equity commitments were £78.5m (2022: £287.0m) and US\$49.3m (2022: US\$70.0m) and the related guarantees were £187.5m (2022: £287.0m) and US\$57.0m (2022: US\$70.0m).

Notes to the financial statements (continued)

6 Tax credit on loss

Total tax credit recognised in the Profit and Loss account:

	2023 £'000	2022 £'000
Current tax		
Current taxation credit for the year	(10,315)	-
Total current tax	<u>(10,315)</u>	<u>-</u>
Deferred tax		
Deferred taxation credit for the year	(19,963)	(13,019)
Tax in respect of prior years	4,108	(13)
Impact of tax rate change	(1,905)	(4,116)
Total deferred tax	<u>(17,760)</u>	<u>(17,148)</u>
Total tax credit on loss	<u><u>(28,075)</u></u>	<u><u>(17,148)</u></u>

Reconciliation of tax on loss

The tax credit assessed for the financial year is in line with the standard rate of corporation tax in the UK of 25% (effective 1 April 2023) and 19% (prior to 1 April 2023). The effective blended rate applicable in the financial year is 23.5% (2022: 19%) The differences are explained below:

	2023 £'000	2022 £'000
Loss before taxation	<u>(137,931)</u>	<u>(68,597)</u>
Tax credit using the UK corporation tax rate of 23.5% (2022: 19%)	(32,445)	(13,033)
Expenses not deductible for tax	2,304	-
Tax adjustments in respect of permanent differences	(137)	14
Tax in respect of prior years	4,108	(13)
Remeasurement of tax to expected utilisation rate	(1,905)	(4,116)
Total tax credit on loss	<u><u>(28,075)</u></u>	<u><u>(17,148)</u></u>

Factors that may affect future tax charges:

The main rate of corporation tax increased from 19% to 25% from 1 April 2023. Deferred tax is recognised at 25%, to the extent that tax losses will unwind in a future period.

Notes to the financial statements (continued)

7 Intangible assets

	Licence costs	Internally generated software	Totals
	£'000	£'000	£'000
Cost			
At 1 January 2023	12,224	522	12,746
Additions	-	31,254	31,254
At 31 December 2023	<u>12,224</u>	<u>31,776</u>	<u>44,000</u>
Accumulated amortisation			
At 1 January and 31 December 2023	<u>-</u>	<u>-</u>	<u>-</u>
Net book value:			
At 31 December 2023	<u>12,224</u>	<u>31,776</u>	<u>44,000</u>
At 31 December 2022	<u>12,224</u>	<u>522</u>	<u>12,746</u>

Licence costs are specifically identifiable costs incurred and arising directly from the award of the Fourth Licence. The cost will give rise to future economic benefits in the form of revenues from the Fourth Licence. They are stated at cost and will be amortised over the life of the Fourth Licence starting on 1 February 2024 and ending on 31 January 2034.

Internally generated software relates to the development of software assets needed to operate The National Lottery, including website and app development. The assets above have not yet been brought into use and no amortisation has currently been provided.

No assets were impaired during the year (2022: £nil).

Notes to the financial statements (continued)

8 Tangible assets

	Short leasehold improvements £'000	Plant and equipment £'000	Right-of- use £'000	Totals £'000
Cost				
At 1 January 2023	276	699	1,065	2,040
Additions	81	7,786	8,019	15,886
Change in value	-	-	(261)	(261)
At 31 December 2023	357	8,485	8,823	17,665
Accumulated Depreciation				
At 1 January 2023	42	30	185	257
Charge for the year	162	310	1,191	1,663
At 31 December 2023	204	340	1,376	1,920
Net book value				
At 31 December 2023	153	8,145	7,447	15,745
At 31 December 2022	234	669	880	1,783

Depreciation on tangible assets was charged to administrative expenses in the Profit and Loss account. As of 31 December 2023, there were no impairment losses recognised on tangible assets (2022: £nil).

The Right-of-use asset addition relates to a lease for datacentre spaces. Other Right-of-use assets relate to the Company's lease for an office in Watford. The change in value arose from the enactment of a break clause for the office, reducing the lease term by 6 months to end on 31 January 2024. The lease liability position is given below.

Notes to the financial statements (continued)

8. Tangible Assets (continued)

Lease liabilities

	2023 £'000	2022 £'000
At beginning of financial year	888	-
Non-cash movements		
Additions	8,019	1,065
Change in value	(261)	-
Interest charge on leases	462	13
Cash movements		
Repayment of lease liabilities (including interest)	(1,554)	(190)
Total liability	7,554	888
Split between:		
Current	543	568
Non-current	7,011	320
Total liability	7,554	888

9 Inventories

	2023 £'000	2022 £'000
Playslips, terminal rolls and other consumables	226	-
	226	-

Inventory purchased during the year amounted to £226,000 (2022: £nil). Inventory includes playslips, terminal rolls and other consumables for use at the start of the Fourth Licence. No provision has been raised or reversed against the inventory balance in the current year (2022: £nil).

Notes to the financial statements (continued)

10 Debtors

	2023 £'000	2022 £'000
Debtors: amounts falling due within one year		
Amounts owed by group undertaking	10,315	-
Prepaid expenses	24,328	201
Rent deposits	177	26
Fees relating to financial instruments	254	-
	<u>35,074</u>	<u>227</u>
Debtors: amounts falling due after more than one year		
Prepaid expenses	1,605	-
Fees relating to financial instruments	467	975
Deferred tax asset	34,908	17,148
Rent deposits	-	70
	<u>36,980</u>	<u>18,193</u>

Deferred tax assets of £34,908,000 (2022: £17,148,000) have been recognised in respect of tax losses and fixed asset timing differences, where the Directors believe it is probable that future taxable profits will be available against which these assets can be offset.

Details of the deferred tax asset, and amounts recognised in profit or loss are shown above and have been calculated at the enacted rate of tax which is expected to apply when the tax losses are utilised and have not been discounted. The enacted rate used was 25%.

Long term fees relating to financial instruments are amounts paid for RCF fees outlined in note 5 and are being amortised over the life of the RCF.

Group taxation relief of £10,315,000 receivable from Camelot UK is recognised in amounts owed by group undertaking.

Notes to the financial statements (continued)

11 Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Trade creditors	41,869	734
Amounts owed to group undertakings	86,091	63,588
Accruals and deferred income	25,789	5,800
Lease liabilities	543	568
Taxation and social security	2,309	745
Other creditors	102	90
	<u>156,703</u>	<u>71,525</u>

Amounts owed to group undertakings are unsecured, repayable on demand and interest free. During the financial year the Company received financial support from Allwyn UK Holding Ltd, its immediate parent company, which settled certain costs in establishing the Company, including the Guarantees described in note 5, on its behalf. The Company and Allwyn UK Holding Ltd have agreed to convert this balance into a long-term loan agreement, but as this loan agreement had not been finalised at the year end, the balance of £72,490,000 (2022: £61,921,000) has been shown in amounts falling due within one year, and forms part of the balance of £86,091,000 above (2022: £63,588,000).

For the avoidance of doubt Allwyn UK Holding Ltd has confirmed it will not seek repayment within a period of 12 months from the signing of these financial statements in line with the proposed long-term loan agreement. The proposed loan agreement will be in addition to its equity commitment outlined in note 5.

Notes to the financial statements (continued)

12 Creditors: amounts falling due after more than one year

	2023 £'000	2022 £'000
Accruals and deferred income	-	905
Lease liabilities	7,011	320
Other creditors	127	-
	<u>7,138</u>	<u>1,225</u>

13 Called up share capital

	2023 Number '000	2023 £'000	2022 Number '000	2022 £'000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1	267	267	42	42
Share Premium	n/a	266,633	n/a	41,658
	<u>267</u>	<u>266,900</u>	<u>42</u>	<u>41,700</u>

14 Accumulated losses

	2023 £'000	2022 £'000
At 1 January	(51,516)	(67)
Loss for the year	(109,856)	(51,449)
At 31 December	<u>(161,372)</u>	<u>(51,516)</u>

15 Commitments and contingencies

There were no outstanding contingencies at the balance sheet date. At the year end the Company had entered into a number of commercial arrangements as part of the Transition and transformation plan to build the infrastructure necessary to run the Fourth Licence. At 31 December 2023, the balance of these commitments was £102.6m (2022: £31.0m).

Notes to the financial statements (continued)

16 Related parties

Purchases with related parties	2023	2022
	£'000	£'000
Parent company	10,568	59,565
Fellow subsidiary undertakings with common control	20,083	2,502
	30,651	62,067
Receivables and Other debtors	2023	2022
	£'000	£'000
Fellow subsidiary undertakings with common control	10,315	-
	10,315	-
Payables and Other creditors	2023	2022
	£'000	£'000
Parent company	72,490	61,921
Fellow subsidiary undertakings with common control	13,601	1,667
	86,091	63,588

Included within the prior year purchases from the Parent company are recharges of amounts paid (directly or indirectly) to certain Directors (Justin King, Sir Keith Mills and David Craven) relating to arrangements with Allwyn Services UK Ltd (ASUK), a fellow subsidiary with common control.

In the prior year, Justin King was engaged as a consultant during the bid period by ASUK, through Harbury House Limited ("HH"), a company controlled by him. The amount received for those consultancy services was £344,000 (excluding vat). ASUK terminated the contract with HH prior to the appointment of Justin King to the Board of the Company.

In the prior year, Sir Keith Mills was engaged as a consultant during the bid period by ASUK, through KEM Management Limited (KEM) a company controlled by him. KEM received £855,000 (excluding vat) for those consultancy services. ASUK terminated the consultancy contract with KEM prior to the appointment of Sir Keith Mills to the Board of the Company.

David Craven was employed by ASUK until 1 May 2022, at which point his employment transferred to the Company. His salary costs of £327,000, incurred by ASUK during the bid period, were recharged to the Company in the prior year.

In the prior year, the total of the recharge in relation to the above was £1,831,000 inclusive of non-recoverable VAT.

Notes to the financial statements (continued)

17 Ultimate parent company and parent company of larger group

The Company is an immediate subsidiary undertaking of Allwyn UK Holding Ltd (formally SAZKA Group UK Holding Ltd), incorporated in the United Kingdom, registered number 13154201.

The largest group of undertakings in which the results of the Company are consolidated is that headed by KKCG AG, whose registered office address is Kapellgasse 21, 6004 Luzern, Switzerland. The consolidated financial statements of this group are not available to the public.

The smallest group in which the results of the Company are consolidated is that headed by Allwyn International a.s., whose registered office address is Evropská 866/71, 160 00 Prague 6, Czech Republic. The consolidated financial statements of this group are available to the public at www.justice.cz

18 Post Balance Sheet Events

The Gambling Commission formally awarded the Fourth Licence to operate The National Lottery on 31 January 2024 and on 1 February 2024, the Company became the operator of The National Lottery.

The Company issued 50,000 ordinary shares of £1.00 each at a premium of £999 on 31 May 2024. The amount raised from the share issue amounted to £50,000,000.