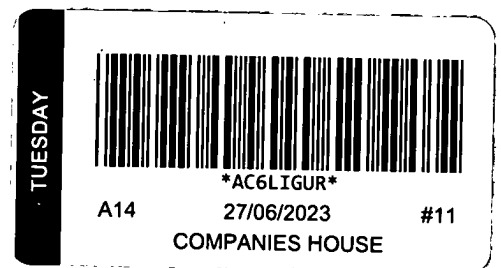


Company Registration No. 07111216 (England and Wales)

**THE HEALTH LOTTERY LIMITED**  
**GROUP ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**



# THE HEALTH LOTTERY LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr M S Ellice Mr D Rancombe
<b>Company number</b>	07111216
<b>Registered office</b>	The Northern & Shell Building Number 10 Lower Thames Street London United Kingdom EC3R 6EN
<b>Auditor</b>	KPMG LLP 15 Canada Square London United Kingdom E14 5GL
<b>Banker</b>	Barclays Bank 27 Soho Square London United Kingdom W1D 3QR

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# THE HEALTH LOTTERY LIMITED

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# THE HEALTH LOTTERY LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors present the strategic report for the year ended 31 December 2022.

#### **Business review and future developments**

The Health Lottery Limited is the parent company of The Health Lottery group of companies. The group is principally engaged in lottery management and money handling and money transfer services. It is the intention of the group to continue trading in this area for the foreseeable future.

The results for the year are set out on page 10.

The Health Lottery has been successfully established in Great Britain as a highly visible lottery product with strong brand recognition.

The Health Lottery, through its brand, provides lottery management services for 6 Community Interest Companies (CIC's), covering each region of Great Britain, who raise monies for health related good causes with a specific brief of addressing health inequalities in their individual localities. To date, in excess of £128.0 million has been raised for good causes, with donations awarded and distributed through a separate Charity, the People's Health Trust (PHT).

Grants through the PHT have been made to more than 3,400 local health projects throughout England, Scotland and Wales which has directly aided more than 643,000 people. Among Charities that have benefitted are national charities, such as Scope, The Royal Voluntary Service and Citizens UK. However, in 2022, as in recent years, assistance has been focused on many worthy local community projects such as Great Yarmouth & Gorleston Young Carers Project in England, Finding Your Feet in Scotland, and Cymmer Afan Community Library in Wales. Organisations interested in, or enquiring about, funding should apply to the People's Health Trust, 356 Holloway Road, London, N7 6PA and application forms are available at [www.peopleshealthtrust.org.uk/apply-for-funding](http://www.peopleshealthtrust.org.uk/apply-for-funding).

The directors take great pride in the philanthropic work that has been enabled through the efforts and activities of The Health Lottery and the truly positive effects that it has already had on so many people's lives in this country.

A separate entity within the Northern & Shell group, of which the company is a part, was actively engaged in bidding for the 4th UK National Lottery licence due to commence in February 2024. During the year, the group incurred costs of £992,000 (2021: £7.7 million) in providing services to support the bid process. The costs are included in administrative expenses in the profit and loss account. The Northern & Shell group has incurred total costs to date of £17.8 million on the bid process. The award decision was made by the Gambling Commission in March 2022 and unfortunately, after what they describe as a 'fair, open and robust competition', the Northern & Shell group's bid was not selected to be the 'Preferred Applicant'. Having reviewed the competition decision, Northern & Shell are currently legally challenging the fairness and integrity of the process on a number of grounds.

The group's net liabilities were £20.4 million as at 31 December 2022 (2021: £11.4 million).

# THE HEALTH LOTTERY LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **Principal Risks and Uncertainties**

The group's operations expose it to a variety of financial risks that include liquidity, interest rate and lottery market risk. The group has mechanisms in place that seek to limit the impact of the adverse effects of these risks on the financial performance of the group.

#### **Liquidity risk**

The group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the group has sufficient liquid resources to meet the operating needs of the business.

#### **Interest rate cash flow risk**

The group has interest bearing assets and liabilities. The interest bearing assets and liabilities are cash balances and amounts owed by/to group undertakings subject to floating interest rates. The directors keep these measures under constant review.

#### **Lottery Market risk**

The group actively looks to maintain and improve product quality and customer offerings, which together with established strong customer relationships combine to mitigate lottery market risk.

#### **Consideration of climate change risk**

In preparing the financial statements, the directors have considered the impact of climate change, particularly in the context of the risks identified in the Task Force on Climate related Financial Disclosures (TCFD). There has been no material impact identified on the financial reporting judgements and estimates. In particular, the directors considered the impact of climate change in respect of the following areas:

- going concern and viability of the company over the next three years;
- cash flow forecasts used in the impairment assessments of fixed asset investments; and
- carrying value and useful economic lives of tangible fixed assets.

Whilst there is currently no short or medium-term impact expected from climate change, the directors are aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparation of the company's financial statements.

#### **Key Performance Indicators**

The group uses a range of key performance indicators (KPI's) to monitor performance and progress towards strategic objectives. The principal KPI's include: lottery draw ticket sales, profitability, year on year analysis and cash flows.

On behalf of the board



Mr M S Ellice  
Director  
21 June 2023

# THE HEALTH LOTTERY LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors present their annual report and financial statements for the year ended 31 December 2022.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr M S Ellice  
Mr D Rancombe

#### Results and dividends

The results for the year are set out on page 10.

The group recorded a loss before taxation of £9.3 million (2021: £12.9 million), after recording non-recurring overhead costs of £992,000 (2021: £7.7 million).

No ordinary dividends were paid (2021: £nil). The directors do not recommend payment of a final dividend.

#### Political donations

The group and the company made no political donations or incurred any political expenditure during the year (2021: £nil).

#### Employee involvement

During the year, the group and the company maintained its practice of keeping employees informed about current activities and progress of the business using various methods, including formal briefings and emails. Consultation with employees or their representatives has continued at all levels, with the aim of ensuring their views are taken into account where decisions are likely to affect their interests. This practice is reviewed regularly.

#### Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### Auditor

The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

# THE HEALTH LOTTERY LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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### Going concern

Notwithstanding net liabilities of £20.4 million and net current liabilities of £20.8 million as at 31 December 2022, and a £9.0 million loss for the year then ended, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The ultimate parent company, Northern & Shell Plc, has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, until at least 12 months from the date of approval of these financial statements.

In assessing the Northern & Shell Plc group's ability to continue as a going concern its directors have prepared cash flow forecasts for the group for a period of at least 12 months from the date of approval of these financial statements ("the going concern assessment period") and considered the principal areas of uncertainty within the forecasts and the underlying assumptions, in particular those relating to market and customer risks, cost management and working capital management in this period. These forecasts, sensitised for reasonably possible and certain downside scenarios, indicate that the group will have sufficient funds to meet its liabilities for that period. Having considered the downside risk, the group's directors note that it has significant cash, cash equivalent and current asset investments, that, if needed in extreme circumstances, could be realised to support its activities.

The group's directors have also considered its ability to provide ongoing support to those subsidiaries which may require it, including the company, and have concluded that the group has sufficient resources to provide the support required by those subsidiaries in the going concern assessment period.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

On behalf of the board



Mr M S Ellice  
Director  
21 June 2023

# THE HEALTH LOTTERY LIMITED

## DIRECTORS' RESPONSIBILITIES STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

# THE HEALTH LOTTERY LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF THE HEALTH LOTTERY LIMITED

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#### Opinion

We have audited the financial statements of The Health Lottery Limited ("the company") for the year ended 31 December 2022 which comprise the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our other ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC's Ethical Standard. We believe that the audit evidence we have obtained is sufficient and appropriate basis for our opinion.

#### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation.

# THE HEALTH LOTTERY LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF THE HEALTH LOTTERY LIMITED

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### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the group's high-level policies and procedures to prevent and detect fraud, including the group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the group is not listed, does not hold any external debt and internal performance indicators are not revenue-based which means that there is limited pressure on management from sources inside or outside the group to achieve certain revenue targets.

We did not identify any additional fraud risks. We performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

#### *Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

# THE HEALTH LOTTERY LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF THE HEALTH LOTTERY LIMITED

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Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, employment law, anti-bribery, anti-money laundering, recognising the financial nature of the group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

# THE HEALTH LOTTERY LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF THE HEALTH LOTTERY LIMITED

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#### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Mark Prince (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

15 Canada Square  
London  
United Kingdom  
E14 5GL

23 June 2023

# THE HEALTH LOTTERY LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
Turnover	3	6,618	8,201
Administrative expenses		(15,241)	(19,775)
Operating loss	4	(8,623)	(11,574)
Interest receivable and similar income	8	1	10
Interest payable and similar expenses	9	(643)	(1,369)
Loss before taxation		(9,265)	(12,933)
Taxation	10	295	774
Loss for the financial year		(8,970)	(12,159)
Other comprehensive income		-	-
Total comprehensive income for the year		(8,970)	(12,159)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The notes on pages 16 to 30 form an integral part of these financial statements.

# THE HEALTH LOTTERY LIMITED

## GROUP BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
<b>Fixed assets</b>			
Tangible assets	11	373	404
		<u>373</u>	<u>404</u>
<b>Current assets</b>			
Debtors	14	4,312	6,844
Cash at bank and in hand		1,554	1,718
		<u>5,866</u>	<u>8,562</u>
<b>Creditors: amounts falling due within one year</b>	15	(26,617)	(20,374)
<b>Net current liabilities</b>		<u>(20,751)</u>	<u>(11,812)</u>
<b>Net liabilities</b>		<u>(20,378)</u>	<u>(11,408)</u>
<b>Capital and reserves</b>			
Share capital	17	95	95
Share premium account		186,426	186,426
Profit and loss reserves		(206,899)	(197,929)
<b>Total equity</b>		<u>(20,378)</u>	<u>(11,408)</u>

The notes on pages 16 to 30 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 21 June 2023 and are signed on its behalf by:



Mr M S Ellice  
Director

Company Registration No. 07111216

# THE HEALTH LOTTERY LIMITED

## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £000	2021 £000
<b>Fixed assets</b>			
Tangible assets	11	370	376
Investments	12	19,819	29,485
		<u>20,189</u>	<u>29,861</u>
<b>Current assets</b>			
Debtors	14	3,728	6,268
Cash at bank and in hand		233	163
		<u>3,961</u>	<u>6,431</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(35,305)</u>	<u>(29,540)</u>
<b>Net current liabilities</b>		<u>(31,344)</u>	<u>(23,109)</u>
<b>Net (liabilities)/assets</b>		<u><u>(11,155)</u></u>	<u><u>6,752</u></u>
<b>Capital and reserves</b>			
Share capital	17	95	95
Share premium account		186,426	186,426
Profit and loss reserves		<u>(197,676)</u>	<u>(179,769)</u>
<b>Total equity</b>		<u><u>(11,155)</u></u>	<u><u>6,752</u></u>

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own Statement of Comprehensive Income. The Company's loss for the year amounted to £17.9 million (2021: £2.7 million profit).

The notes on pages 16 to 30 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 21 June 2023 and are signed on its behalf by:



Mr M S Ellice  
Director

Company Registration No. 07111216

# THE HEALTH LOTTERY LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £000	Share premium account £000	Profit and loss reserves £000	Total £000
<b>Balance at 1 January 2021</b>	95	56,426	(185,770)	(129,249)
<b>Year ended 31 December 2021:</b>				
Total comprehensive income for the year	-	-	(12,159)	(12,159)
Issue of share capital	-	130,000	-	130,000
<b>Balance at 31 December 2021</b>	95	186,426	(197,929)	(11,408)
<b>Year ended 31 December 2022:</b>				
Total comprehensive income for the year	-	-	(8,970)	(8,970)
<b>Balance at 31 December 2022</b>	95	186,426	(206,899)	(20,378)

The notes on pages 16 to 30 form an integral part of these financial statements.

# THE HEALTH LOTTERY LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £000	Share premium account £000	Profit and loss reserves £000	Total £000
<b>Balance at 1 January 2021</b>	95	56,426	(182,458)	(125,937)
<b>Year ended 31 December 2021:</b>				
Total comprehensive income for the year	-	-	2,689	2,689
Issue of share capital	-	130,000	-	130,000
<b>Balance at 31 December 2021</b>	95	186,426	(179,769)	6,752
<b>Year ended 31 December 2022:</b>				
Total comprehensive income for the year	-	-	(17,907)	(17,907)
<b>Balance at 31 December 2022</b>	95	186,426	(197,676)	(11,155)

The notes on pages 16 to 30 form an integral part of these financial statements.

# THE HEALTH LOTTERY LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

		2022		2021	
	Notes	£000	£000	£000	£000
<b>Cash flows from operating activities</b>					
Loss for the financial year		(8,970)		(12,159)	
Adjustments for:					
Depreciation of tangible fixed assets	11	224		306	
Impairment of tangible fixed assets	11	22		-	
Interest receivable and similar income	8	(1)		(10)	
Interest payable and similar charges	9	643		1,369	
Taxation	10	(295)		(774)	
Decrease in debtors	14	2,827		2,956	
Increase in creditors	15	5,600		8,567	
<b>Net cash inflow from operating activities</b>			50		255
<b>Investing activities</b>					
Purchase of tangible fixed assets	11	(215)		(137)	
Interest received		1		-	
<b>Net cash used in investing activities</b>			(214)		(137)
<b>Net (decrease)/increase in cash and cash equivalents</b>			(164)		118
Cash and cash equivalents at beginning of year			1,718		1,600
<b>Cash and cash equivalents at end of year</b>			1,554		1,718

The notes on pages 16 to 30 form an integral part of these financial statements.

# THE HEALTH LOTTERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **1 Accounting policies**

#### **Company information**

The Health Lottery Limited ("the company") is a private limited company incorporated in England and Wales. The registered office is The Northern & Shell Building, Number 10 Lower Thames Street, London, United Kingdom, EC3R 6EN.

The group consists of The Health Lottery Limited and all of its subsidiaries.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000 (unless stated otherwise).

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The Health Lottery Limited is a wholly owned subsidiary of Northern & Shell Plc and the results of The Health Lottery Limited are included in the consolidated financial statements of Northern & Shell Plc which are available from its registered office, The Northern & Shell Building, Number 10 Lower Thames Street, London, EC3R 6EN.

The company has taken advantage of the exemption provided in section 33.1A of Financial Reporting Standard 102 from the requirement to disclose transactions with other wholly owned group members of Northern & Shell Plc.

# THE HEALTH LOTTERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies

(Continued)

#### 1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of The Health Lottery Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

# THE HEALTH LOTTERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 1 Accounting policies

(Continued)

##### 1.3 Going concern

Notwithstanding net liabilities of £20.4 million and net current liabilities of £20.8 million as at 31 December 2022, and a £9.0 million loss for the year then ended, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The ultimate parent company, Northern & Shell Plc, has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, until at least 12 months from the date of approval of these financial statements.

In assessing the Northern & Shell Plc group's ability to continue as a going concern its directors have prepared cash flow forecasts for the group for a period of at least 12 months from the date of approval of these financial statements ("the going concern assessment period") and considered the principal areas of uncertainty within the forecasts and the underlying assumptions, in particular those relating to market and customer risks, cost management and working capital management in this period. These forecasts, sensitised for reasonably possible and certain downside scenarios, indicate that the group will have sufficient funds to meet its liabilities for that period. Having considered the downside risk, the group's directors note that it has significant cash, cash equivalent and current asset investments, that, if needed in extreme circumstances, could be realised to support its activities.

The group's directors have also considered its ability to provide ongoing support to those subsidiaries which may require it, including the company, and have concluded that the group has sufficient resources to provide the support required by those subsidiaries in the going concern assessment period.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

##### 1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Turnover represents the amount receivable for lottery management, money handling and money transfer services and is recognised when the lottery draw to which the service relates has taken place.

##### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

# THE HEALTH LOTTERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### 1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	3 to 5 years
Computer and office equipment	3 to 10 years
Websites and game development	3 years

The group reviews its depreciation rates regularly to take account of technological changes, intensity of use over the life of the assets and market requirements.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

#### 1.6 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### 1.7 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# THE HEALTH LOTTERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies

(Continued)

#### 1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.9 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

# THE HEALTH LOTTERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

---

#### 1 Accounting policies

(Continued)

##### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

#### 1.10 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

#### 1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### 1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

# THE HEALTH LOTTERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors consider the judgement associated with these financial statements to be over the carrying value of investments and recoverability of debtor balances.

### 3 Turnover

An analysis of the group's turnover is as follows:

	2022 £000	2021 £000
Provision of services	6,189	7,710
Commission	429	491
	<u>6,618</u>	<u>8,201</u>

#### Turnover analysed by geographical market

	2022 £000	2021 £000
United Kingdom	<u>6,618</u>	<u>8,201</u>

### 4 Operating loss

	2022 £000	2021 £000
Operating loss for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	224	306
Impairment of owned tangible fixed assets	22	-
Impairment of amounts due from group undertakings	-	(3,204)
	<u></u>	<u></u>

### 5 Auditor's remuneration

	2022 £000	2021 £000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	42	36
Audit of the company's subsidiaries	70	58
	<u>112</u>	<u>94</u>

# THE HEALTH LOTTERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 5 Auditor's remuneration

(Continued)

Fees paid to the company's auditor, KPMG LLP, and its associates for services other than the statutory audit of the company and its subsidiaries are not disclosed in The Health Lottery Limited's accounts since the consolidated accounts of The Health Lottery Limited's ultimate parent, Northern & Shell Plc, are required to disclose other services on a consolidated basis.

### 6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	2022 Number	2021 Number
Sales	1	1
Administration	19	20
	<u>20</u>	<u>21</u>

Their aggregate remuneration comprised:

	2022 £000	2021 £000
Wages and salaries	1,295	1,169
Social security costs	131	100
Pension costs	33	33
	<u>1,459</u>	<u>1,302</u>

### 7 Directors' remuneration

	2022 £000	2021 £000
Remuneration for qualifying services	196	261
Company pension contributions to defined contribution schemes	3	4
	<u>199</u>	<u>265</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021 - 1).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

Remuneration for qualifying services	<u>138</u>	<u>183</u>
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# THE HEALTH LOTTERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 8 Interest receivable and similar income

	2022 £000	2021 £000
Interest on bank deposits	1	-
Interest receivable from group undertakings	-	10
	<u>1</u>	<u>10</u>

### 9 Interest payable and similar expenses

	2022 £000	2021 £000
Interest payable to group undertakings	643	1,369
	<u>643</u>	<u>1,369</u>

### 10 Taxation

	2022 £000	2021 £000
<b>Deferred tax</b>		
Origination and reversal of timing differences	(53)	(262)
Adjustment in respect of prior periods	(242)	(512)
	<u>(295)</u>	<u>(774)</u>
Total deferred tax	(295)	(774)
	<u>(295)</u>	<u>(774)</u>
Total tax credit	(295)	(774)
	<u>(295)</u>	<u>(774)</u>

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the group's future current tax charge accordingly. The deferred tax asset at 31 December 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences.

# THE HEALTH LOTTERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 10 Taxation

(Continued)

The actual credit for the year can be reconciled to the expected credit based on the profit or loss and the standard rate of tax as follows:

	2022 £000	2021 £000
Loss before taxation	(9,265)	(12,933)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(1,760)	(2,457)
Net effect of expenses not deductible for tax and income not subject to tax	1	(608)
Adjustments in respect of prior years	(242)	(512)
Effect of change in corporation tax rate	(13)	(729)
Deferred tax asset not recognised	872	-
Group relief not paid for	847	3,532
Taxation for the year	(295)	(774)

The group has tax losses of £64.5 million (2021: £53.7 million) available to carry forward against future profits. Whilst the group expects to be able to benefit from tax losses carried forward, a deferred tax asset has not been recognised in respect of the available losses (2021: £nil) as future benefit is not certain and losses may be surrendered to other group companies.

# THE HEALTH LOTTERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 11 Tangible fixed assets

Group	Assets under construction	Plant and equipment	Computer and office equipment	Websites and game development	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 January 2022	87	2,986	261	3,627	6,961
Additions	25	-	16	174	215
	<u>112</u>	<u>2,986</u>	<u>277</u>	<u>3,801</u>	<u>7,176</u>
<b>At 31 December 2022</b>	<b>112</b>	<b>2,986</b>	<b>277</b>	<b>3,801</b>	<b>7,176</b>
<b>Depreciation and impairment</b>					
At 1 January 2022	-	2,986	206	3,365	6,557
Depreciation charged in the year	-	-	26	198	224
Impairment losses	-	-	22	-	22
	<u>-</u>	<u>2,986</u>	<u>254</u>	<u>3,563</u>	<u>6,803</u>
<b>At 31 December 2022</b>	<b>-</b>	<b>2,986</b>	<b>254</b>	<b>3,563</b>	<b>6,803</b>
<b>Carrying amount</b>					
At 31 December 2022	112	-	23	238	373
	<u>112</u>	<u>-</u>	<u>23</u>	<u>238</u>	<u>373</u>
<b>At 31 December 2021</b>	<b>87</b>	<b>-</b>	<b>55</b>	<b>262</b>	<b>404</b>
	<u>87</u>	<u>-</u>	<u>55</u>	<u>262</u>	<u>404</u>
<b>Company</b>					
	Assets under construction	Plant and equipment	Computer and office equipment	Websites and game development	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 January 2022	87	2,986	216	3,627	6,916
Additions	25	-	6	174	205
	<u>112</u>	<u>2,986</u>	<u>222</u>	<u>3,801</u>	<u>7,121</u>
<b>At 31 December 2022</b>	<b>112</b>	<b>2,986</b>	<b>222</b>	<b>3,801</b>	<b>7,121</b>
<b>Depreciation and impairment</b>					
At 1 January 2022	-	2,986	189	3,365	6,540
Depreciation charged in the year	-	-	13	198	211
	<u>-</u>	<u>2,986</u>	<u>202</u>	<u>3,563</u>	<u>6,751</u>
<b>At 31 December 2022</b>	<b>-</b>	<b>2,986</b>	<b>202</b>	<b>3,563</b>	<b>6,751</b>
<b>Carrying amount</b>					
At 31 December 2022	112	-	20	238	370
	<u>112</u>	<u>-</u>	<u>20</u>	<u>238</u>	<u>370</u>
<b>At 31 December 2021</b>	<b>87</b>	<b>-</b>	<b>27</b>	<b>262</b>	<b>376</b>
	<u>87</u>	<u>-</u>	<u>27</u>	<u>262</u>	<u>376</u>

# THE HEALTH LOTTERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 12 Fixed asset investments

		Group		Company	
	Notes	2022	2021	2022	2021
		£000	£000	£000	£000
Investments in subsidiaries	13	-	-	19,819	29,485

#### Impairment testing:

The company's policy is to carry out annual reviews of its investments. In doing so, the directors have given consideration to a number of factors, including the operating results for the subsidiary undertakings, future forecasts and the attributable value for their infrastructure and distribution network.

The recoverable amount of investments has been assessed with reference to its value in use which is calculated as the net present value of future cash flows using a post-tax discount rate of 10% (2021: 9%) as well as a terminal growth rate of 0% which the directors consider to be representative of the group and the market in which it operates.

There are a number of different operational and strategic paths that the lottery business may follow. Therefore, given the range of potential outcomes, the directors have prepared discounted cash flows for a number of scenarios, including a current base case scenario supported by additional investment in the business, together with variations on that with flexed operational, gaming and marketing strategies. The scenarios were also sensitised for variations in lottery ticket sales.

The company and its subsidiaries are committed to the future success and longevity of The Health Lottery. However, due to uncertainty around some of the factors outlined above, there is ultimately uncertainty over the future forecasts and strategy of The Health Lottery. Therefore, in carrying out their impairment review, the directors assessed the range of forecasts covering each different strategy and applied probabilities against each scenario. The forecasts give a range of recoverable values but based on the available evidence and taking a balanced valuation, the directors consider that the investments' carrying amount exceeded the recoverable amount by £9.7 million (2021: £nil) and consequently has been written down by this amount. The impairment losses of £9.7 million (2021: £nil) have been recognised in administrative expenses in the profit and loss account.

#### Movements in fixed asset investments

Company	Shares in group undertakings
	£000
<b>Cost or valuation</b>	
At 1 January 2022 & 31 December 2022	58,441
<b>Impairment</b>	
At 1 January 2022	28,956
Impairment losses	9,666
At 31 December 2022	38,622
<b>Carrying amount</b>	
At 31 December 2022	19,819
At 31 December 2021	29,485

# THE HEALTH LOTTERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 13 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Health Lottery ELM Limited	United Kingdom	Lottery management services	Ordinary	100.00	-
Health Lottery Financial Limited	United Kingdom	Money handling and money transfer services	Ordinary	100.00	-
Health Lottery Trustee Company Limited	United Kingdom	Dormant	Ordinary	100.00	-

The above subsidiary undertakings are 100% owned and incorporated in the United Kingdom, with a registered office at The Northern & Shell Building, 10 Lower Thames Street, London, EC3R 6EN.

There were no changes in ownership or class of shares held during the year.

### 14 Debtors

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Trade debtors	-	1	-	1
Other debtors	694	616	194	132
Prepayments and accrued income	283	3,187	199	3,095
	<u>977</u>	<u>3,804</u>	<u>393</u>	<u>3,228</u>
Deferred tax asset (note 16)	3,335	3,040	3,335	3,040
	<u>4,312</u>	<u>6,844</u>	<u>3,728</u>	<u>6,268</u>

Debtors of the company include prepayments of £nil (2021: £3.1 million) expected to be recoverable during the period in more than one year.

Amounts owed by group undertakings carry interest at 2.0% above base rate, are unsecured and repayable on demand.

# THE HEALTH LOTTERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 15 Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade creditors	549	707	549	707
Amounts due to group undertakings	22,980	16,624	33,656	27,931
Other taxation and social security	1	79	35	27
Other creditors	2,015	2,074	8	7
Accruals and deferred income	1,072	890	1,057	868
	<u>26,617</u>	<u>20,374</u>	<u>35,305</u>	<u>29,540</u>

Amounts due to group undertakings carry interest at 2.0% above base rate, are unsecured and repayable on demand.

### 16 Deferred taxation

The following is the analysis of the deferred tax balances for financial reporting purposes:

Group	Assets 2022 £000	Assets 2021 £000
Accelerated capital allowances	<u>3,335</u>	<u>3,040</u>
Company	Assets 2022 £000	Assets 2021 £000
Accelerated capital allowances	<u>3,335</u>	<u>3,040</u>
Movements in the year:	Group 2022 £000	Company 2022 £000
Liability/(asset) at 1 January 2022	(3,040)	(3,040)
Credit to profit or loss	(295)	(295)
Liability/(asset) at 31 December 2022	<u>(3,335)</u>	<u>(3,335)</u>

# THE HEALTH LOTTERY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 17 Share capital

	Group and company	
	2022	2021
Ordinary share capital	£000	£000
<b>Issued and fully paid</b>		
95,004 (2021: 95,004) Ordinary of £1 each	95	95

In 2021, the company issued 2 ordinary shares of £1 each in the capital of the company to Northern & Shell Lotteries Limited, its immediate parent undertaking, for a total consideration of £130.0 million.

### 18 Related party transactions

There were no transactions with related parties other than with the group.

### 19 Controlling party

The immediate parent undertaking is Northern & Shell Lotteries Limited, incorporated in the United Kingdom with a registered office at The Northern & Shell Building, Number 10 Lower Thames Street, London, EC3R 6EN. The ultimate parent undertaking is Northern & Shell Plc.

The ultimate controlling party is Richard Desmond, the Chairman of Northern & Shell Plc.

The largest and smallest group into which these accounts are consolidated is Northern & Shell Plc. Northern & Shell Plc is registered in England. Copies of the financial statements of Northern & Shell Plc can be obtained from: The Northern & Shell Building, Number 10 Lower Thames Street, London, EC3R 6EN, United Kingdom.