

National Lottery Distribution Fund

Annual report and accounts for the year ended 31 March 2026

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Presented to Parliament pursuant to section 33(3) of the National Lottery etc. Act 1993
as amended by the National Lottery Act 1998

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Performance report

Overview

This overview explains what the 2025-26 financial statements show, how the National Lottery Distribution Fund (NLDF) operates, and the key risks that the NLDF faces.

The 2025-26 financial statements

The NLDF was established in 1994 alongside the National Lottery. It was launched to receive and hold monies generated by the National Lottery for good causes, which are then allocated at arm's length through twelve lottery distributing bodies. Section 21 of the National Lottery etc. Act 1993 places the NLDF under the control and management of the Secretary of State for Culture, Media and Sport.

These financial statements account to Parliament for the receipt of National Lottery income and its allocation and distribution to the lottery distributing bodies. The Statement of Comprehensive Net Expenditure shows income from the National Lottery and investments in addition to the amounts drawn down and operating expenses for the year; the Statement of Financial Position shows the financial position at the year end, and the Statement of Cash Flows shows the movement in cash over the year.

Where the money comes from

The National Lottery is operated under Licence from the Gambling Commission. The Fourth Licence, which is operated by Allwyn Entertainment Limited ("Allwyn"), commenced on 1 February 2024 and is a ten year Licence, and is due to expire on 31 January 2034. Under this Licence, the principal categories of income into the NLDF for the year to 31 March 2026 comprise:

- an annual fixed contribution (adjusted each year for inflation);
- a percentage of the surplus generated by the operator in running the Licence. The surplus figure is calculated by sales less prizes, lottery duty, retail commission, and the operator's allowable overheads;
- any prizes which are not claimed within 180 days of the draw date for National Lottery games, or 180 days of the close of any scratchcard or interactive instant win game.

Where the money goes

Funds held by the NLDF are apportioned to the arts, sports, heritage and community (charitable, health, education, and environment) causes as determined by the proportions detailed in the National Lottery etc. Act 1993. The share of the funds received by each lottery distributing body in 2025-26 is shown in notes 9 and 12.

Governance of the Fund

Sound management of the NLDF plays a pivotal role in managing the flow of funds between the operator and the lottery distributing bodies, which issue the funds to the National Lottery beneficiaries, for 'good cause projects'.

In managing the NLDF, the Department for Culture, Media and Sport (DCMS) works closely with the Gambling Commission which is responsible for awarding the National Lottery operating Licence and the regulation of the National Lottery. Within the framework of regulation set by the government, the role of the Gambling Commission is to monitor and report on the performance of the National Lottery operator and to enforce the terms of its Section 5 Licence. This includes ensuring that the operator complies with Licence terms including their remittance to the NLDF.

The Gambling Commission's regulation of the National Lottery under the Fourth Licence is outcomes-based. It places greater focus on the Licensee's achievement of defined outcomes, which are aligned to statutory duties of propriety, participant protection and good cause returns. The regulatory framework establishes the reporting requirements that the Licensee must meet. Through these defined and agreed reporting arrangements, the Licensee provides assurance directly to DCMS and to the Gambling Commission in relation to payments to good causes.

In its role as regulator, the Gambling Commission oversees Allwyn's delivery against their defined outcomes and monitors payments to good causes for each Licence Year. The Gambling Commission applies a risk-based approach to its assessment of the operator's regulatory reports and other evidential information. The Gambling Commission's approach to any given circumstances is guided by the materiality of the associated risks to Allwyn's Fourth Licence outcomes. Where there is evidence to suggest a risk to these outcomes, the Gambling Commission can consider whether additional oversight is appropriate.

The Gambling Commission does not handle any applications for National Lottery funds or distribute any National Lottery good cause income.

In addition, DCMS works with the Commissioners for the Reduction of the National Debt (CRND) whose role is to invest the funds held in the NLDF, in accordance with directions issued by HM Treasury. The funds are invested in collaboration with CRND until they are required by the lottery distributing bodies to make payments to successful grant applicants (or to meet administrative expenses). The department distributes funds to the lottery distributing bodies on request and accounts to Parliament for the flow of funds.

The Financial Directions, supported by a Statement of Financial Requirements, for each distributor establishes a financial framework within which their lottery distribution activities are to be conducted. Individual distributors are sponsored either by the department or by one of the devolved governments in Scotland, Wales or Northern Ireland.

The Secretary of State issues the Financial Directions for all lottery distributing bodies sponsored by the department and, with the consent of relevant ministers, for devolved distributors in Wales. The Secretary of State's consent is required for the issuing (and changing) of Financial Directions to devolved lottery distributors in Scotland and Northern Ireland by the relevant ministers.

Permanent Secretary Statement

As Accounting Officer of the NLDF, I seek annual assurances from the Accounting Officer of each lottery distributing body that it has in place adequate systems of internal control for the efficient, effective, and equitable distribution of lottery monies. In particular, I ask that they confirm to me annually that they are satisfied that their body:

- has complied with its current Lottery Financial Directions;
- has adequate internal and external audit arrangements in place;
- has adequate arrangements for detecting and responding to inefficiency, conflict of interest and fraud and for minimising losses of Lottery grants, and
- maintains risk assessment and control procedures and risk registers.

My officials seek supporting information about lottery distributing bodies' systems and their approach to financial and risk management; this can include advice from the distributors' sponsors in my own department and in the relevant devolved governments. Significant issues arising in relation to distributing bodies' systems are communicated to the relevant DCMS reporting structures including the Audit and Risk Assurance Committee as necessary.

Up to and including the 2025-26 financial year, the 31st year of its operation, the National Lottery has generated £52 billion for good causes since its launch in 1994, with a further £2.6 billion raised in income from investment. It has benefited over 700,000 projects, large and small. The majority of National Lottery grants are under £10,000 reaching a range of organisations and projects of all sizes. The performance analysis on pages 7 to 12 provides some analysis of trends and sustainability issues.

Key risks

Liquidity risks

Liquidity risk is the risk that an entity will encounter difficulty raising liquid funds to meet liabilities as they fall due.

The income into the NLDF is available to the lottery distributing bodies for drawdown to pay grant commitments and operating expenses. Lottery distributing bodies can only draw down funds which are in their apportioned share of the portfolio. Currently, the total of the balance of the NLDF is invested in overnight call notice deposits allowing for maximum liquidity. As a result of the policies and procedures outlined above, the department considers that all significant liquidity risks are appropriately managed.

Interest rate risks

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The financial assets of the NLDF are invested with CRND which manages its investments.

The investments made by CRND are made in accordance with directions made by HM Treasury. The average return on the investments in the financial year was 4.04%

(2024-25: 4.95%). The department does not consider that the NLDF is exposed to any significant interest rate risks because of the nature of the assets held.

Foreign currency risks

The NLDF is not exposed to any foreign exchange risks, as all the NLDF holdings and transactions are in pound sterling.

Investment risk

HM Treasury has directed CRND that the NLDF may hold investments specified in the Trustee Investments Act 1961. This restricts investments to mainly government issues such as gilt-edged stock and limits the amount that can be invested outside cash and cash equivalents.

The department's strategy is to avoid negative income returns over a three month period. The department regularly reviews its investments in partnership with CRND.

During the financial year, the NLDF invested its funds with CRND whose operations are carried out by the UK Debt Management Office (DMO). CRND charges the NLDF for its investment management.

Operational risk

Since 1 February 2024, Allwyn has operated the Fourth National in accordance with the Licence. During the 2025-26 financial year Allwyn completed its comprehensive upgrades to the National Lottery's digital technology and retail estate. The realisation of this milestone means Allwyn can now focus attention on delivering its commercial plans to grow the National Lottery over the lifetime of its Licence tenure.

The remaining legal challenge to Gambling Commission's decision to award the Licence to Allwyn was heard over October to December 2025. The Court's judgement, handed down on 17 April 2026, dismissed all challenges against the Gambling Commission. An application to the High Court for permission to appeal aspects of the ruling was denied at a hearing in May 2026. On 12 June the litigant issued an application for permission to appeal in the Court of Appeal and therefore as the legal proceedings remain ongoing we consider that there is a remote contingent liability (page 20).

Staffing and organisation

The cost of the department's staff engaged on NLDF matters are charged to the NLDF in proportion to the amount of time spent in discharging the Secretary of State's functions under the National Lottery etc. Act 1993, as amended. As a public sector employer, the department is bound by the Equality Act 2010. The Act's public sector equality duty came into force in 2011 and requires all bodies exercising public functions to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it

- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The department is an equal opportunities employer, which does not discriminate against staff or eligible applicants for posts on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religion, disability, age or sexual orientation.

Sustainability report

The department is committed to supporting and promoting sustainable development. We endeavour to reduce our use of materials, energy and water, minimise waste production, procure sustainably and minimise our carbon footprint.

As the NLDF is managed and operated within the department, disclosure regarding sustainability reporting can be found in the 2025-26 DCMS annual report and accounts which will be available, when published, on the department's website at <https://www.gov.uk/government/organisations/department-for-culture-media-and-sport>.

Non-financial information

Anti-bribery

The department ensures that all of its staff involved in the NLDF are aware of their obligations under the Bribery Act 2010, and ensure that any gifts received or hospitality offers are compliant with this legislation, as well as the Civil Service Code.

Anti-corruption

All department employees (including those that work on the NLDF) are responsible for ensuring their behaviour meets the standards expected of them in accordance with the Civil Service Code and the Department's Standards of Conduct. See the DCMS annual report and accounts 2025-26 for more detail.

Respect for human rights

The NLDF is an administrative function within the department, and as such the human rights implications of NLDF are minimal. NLDF places reliance on lottery distributing bodies to ensure respect for human rights in the distribution of NLDF funds.

Social matters

The NLDF contributes to significant social impacts, being part of the process for delivering funding for good causes through lottery distributors. The department is aware of this impact and seeks to ensure that the lottery distributors maximise the social benefit of the monies they drawdown from the NLDF.

Future plans

During 2025-26, Allwyn implemented its planned technology upgrades across its core gaming and back-office systems and completed upgrades to terminals and in-store technology across the UK network. This is the biggest investment in the National Lottery since 2009, including updates to c.43,000 terminals in stores, and a new website and app now live. Allwyn's focus will now turn to its commercial plans for a portfolio of new games and initiatives; using its new technology to encourage responsible play; and continuing its activity to further highlight the impact of National

Lottery play on good causes. All of this supports Allwyn's drive to increase contributions to good causes over the longer term.

Important events which have occurred since the year end

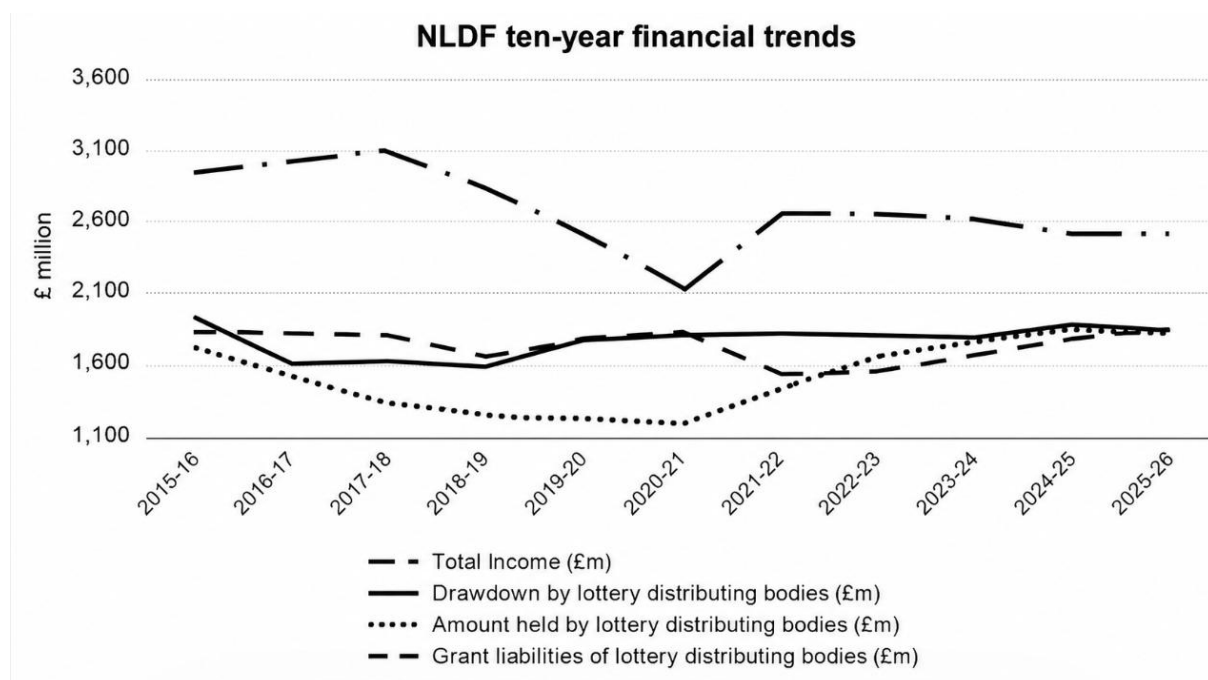
These are shown in note 14 to the accounts.

Performance analysis

The trend over the last ten years for income, expenditure (i.e. drawdowns by lottery distributing bodies), amount held for lottery distributing bodies and the grant liabilities of lottery distributing bodies (discussed below) are shown in the chart and table below.

NLDF ten-year financial trends

Year	Total Income (£m)	Drawdown by lottery distributing bodies (£m)	Amount held for lottery distributing bodies (£m) ¹	Grant liabilities of lottery distributing bodies (£m) ²
2015-16 ³	1,934	1,843	1,731	2,962
2016-17	1,638	1,826	1,540	3,042
2017-18	1,644	1,824	1,356	3,104
2018-19	1,615	1,682	1,282	2,869
2019-20	1,801	1,808	1,259	2,552
2020-21	1,833	1,852	1,222	2,154
2021-22	1,838	1,571	1,461	2,661
2022-23	1,826	1,579	1,686	2,665
2023-24	1,822	1,696	1,797	2,630
2024-25	1,909	1,809	1,868	2,501
2025-26 ⁴	1,870	1,877	1,833	2,740



¹ The amount held for lottery distributing bodies is shown after operational costs of the NLDF.

² The grant liabilities and commitments of the lottery distributing bodies, are derived from the bodies, in line with their own accounting policies. These liabilities are not included in the NLDF's financial statements.

³ 2015-16 income benefited from a 15-week Lotto rollover following the introduction of the 59-ball Lotto game and two extended EuroMillions rollovers.

⁴ Grant liabilities for 2025-26 are unaudited and subject to change.

Income

The National Lottery has raised over £52 billion for good causes since its launch, with £1.8 billion being received by the NLDF in the year (2024-25: £1.8 billion), an underlying increase of £25 million after removing the one-off anticipated exceptional good causes payments from the closure of the Third Licence, in the prior year. On average, this equates to approximately £33 million raised every week. A further £2.6 billion of investment returns on the balance held in the NLDF has been earned since launch. £1.9 billion was drawn down in 2025-26 by lottery distributing bodies to meet grant payments for good causes and expenses.

Under the Fourth Licence, the Licensee pays the NLDF an annual fixed contribution, and good cause returns are calculated from the share of total sales remaining - once operator and other allowable costs have been deducted. The amount generated for good causes is influenced by the mix of types of Lottery products sold ("channel mix") with a greater proportion of Draw Based Game (e.g. Lotto and EuroMillions) sales going to good causes than instant products (Scratchcards and instant Win Games) sales.

Over 2025-26 there was a strong performance in EuroMillions and continued expansion of digital channels, which now account for over half of total lottery sales. EuroMillions delivered record UK sales during the year, supported by a higher number of rollovers and larger jackpots, and generated significant returns to good causes. Instant Win Games also achieved record sales, reflecting increased player engagement and the continued shift from retail to digital play. These increases were partially offset by a continued decline in Scratchcards sales, reflecting changes in retail footfall and consumer purchasing behaviour. Lotto sales were broadly stable year on year.

Overall returns to the National Lottery Distribution Fund benefited not only from a small increase in sales, but also from a favourable sales mix, as EuroMillions delivers a higher return per pound to good causes and digital sales do not incur retailer commission. Interest earned on funds held within player trust and unclaimed prizes also continued to contribute to amounts payable to the NLDF.

The Fourth National Lottery Licence economic model continues to align the interests of the operator and good causes, ensuring that growth in sales translates into increased returns to the National Lottery Distribution Fund.

Lottery distributing bodies' grant liabilities and commitments

Lottery distributing bodies' grant liabilities and commitments for 2025-26 and for 2024-25 are shown in the table on page 10.

At the year-end, the amount held for lottery distributing bodies was £1.8 billion (31 March 2025: £1.9 billion).

Total grant liabilities at 31 March 2026 were £2.7 billion, a £0.2 billion increase from the £2.5 billion at the prior year end. In addition to these grant liabilities, contingent liabilities at 31 March 2026 totalled £1 billion (31 March 2025: £0.7 billion). Contingent

liabilities arise when a lottery distributing body has decided in principle to fund a project, but the liability recognition criteria are not yet met. These contingent liabilities are disclosed as a note in the lottery distributing bodies' financial statements.

Managing the Fund balances

Distributors are expected to commit the maximum amount prudent to programmes and grants, taking account of projected National Lottery income, available balances in the Fund, existing liabilities and other factors such as likelihood of partnership funding.

Liabilities are made for several years into the future, and it is the case that a proportion of liabilities at 31 March 2026 will relate to distributors' grant decisions made in previous years. Distributors have a range of mechanisms at their disposal to respond to reduced income, both in managing their existing liabilities and creating new ones.

The department continues to work with lottery distributing bodies to maintain Fund balances at an appropriate level to manage income level fluctuations between years and to ensure commitments already made by lottery distributing bodies can be met. In addition, the department, working with the lottery distributing bodies, has developed a suite of key performance indicators that enables the department to monitor their financial sustainability.

From its ongoing interactions and oversights as described earlier, the department is assured that the distributors have well developed strategies to ensure affordability of existing liabilities and proposed spending programmes within a falling income scenario.

The year on year fluctuations in the grant liabilities and contingent liabilities of the lottery distributing bodies is one indicator of the distributors' management of current and anticipated income levels. The department will continue to maintain its close interest in lottery distributors' management of National Lottery funds. In particular, the department will continue to discuss with distributors the impact of income trends on their budgets.

Lottery distributors are provided with a monthly report containing National Lottery income data and appropriate commentary. Distributors are also provided with indicative good causes income along with a commentary on progress being made to maximise returns to good causes. We continue to work with the distributors to ensure data shared remains useful and robust in aiding distributors in deciding future grants strategy.

Lottery distributing bodies' grant liabilities and commitments

The figures shown in the table below are based on amounts recorded in the lottery distributing bodies' unaudited 2025-26 financial statements.

	2025-26								2024-25				
	Grant liabilities due within one year	Grant liabilities due later than one year and not later than five years	Grant liabilities due later than five years	Total	NLDF balance available	Grant liabilities made against future income flows	Contingent liabilities	Total commitments made against future income flows	Total liabilities	NLDF balance available	Grant liabilities made against future income flows	Contingent liabilities	Total commitments made against future income flows
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Arts Council England	208,260	39,201	0	247,461	169,108	(78,353)	0	(78,353)	212,232	156,557	(55,675)	0	(55,675)
Arts Council Northern Ireland	1,484	0	0	1,484	6,123	4,639	6,047	(1,408)	1,298	5,668	4,370	5,821	(1,451)
Arts Council Wales	9,258	524	0	9,782	14,374	4,592	0	4,592	10,869	14,859	3,990	345	3,645
British Film Institute	31,857	46,226	0	78,083	48,245	(29,838)	1,437	(31,275)	32,991	49,001	16,010	594	15,416
Creative Scotland	19,560	0	0	19,560	27,775	8,215	0	8,215	20,948	34,995	14,047	0	14,047
National Lottery Community Fund	600,652	686,619	3,978	1,291,249	492,598	(798,651)	248,710	(1,047,361)	1,097,963	551,989	(545,974)	12,379	(558,353)
National Lottery Heritage Fund	418,238	361,654	4,214	784,106	732,581	(51,525)	517,290	(568,815)	690,385	689,037	(1,348)	475,459	(476,807)
Sport England	174,107	120,971	0	295,078	202,002	(93,076)	18,377	(111,453)	416,235	226,453	(189,782)	14,702	(204,484)
Sport Northern Ireland	3,165	0	0	3,165	12,455	9,290	7,826	1,464	5,233	16,947	11,714	1,964	9,750
Sport Scotland	4,013	450	0	4,463	40,818	36,355	32,292	4,063	4,949	47,836	42,887	51,798	(8,911)
Sport Wales	211	0	0	211	6,191	5,980	126	5,854	74	6,918	6,844	43	6,801
UK Sport	4,662	1,192	0	5,854	80,412	74,558	137,647	(63,089)	7,852	67,669	59,817	171,470	(111,653)
Total	1,475,467	1,256,837	8,192	2,740,496	1,832,682	(907,814)	969,752	(1,877,566)	2,501,029	1,867,929	(633,100)	734,575	(1,367,675)

Operating costs

Expenses incurred in operating the Fund by the department (which includes the external audit fee), CRND and by the Gambling Commission in relation to the National Lottery are met from the Fund. These totalled £28.4 million for 2025-26 (2024-25: £29.3 million), of which £27.8 million (2024-25: £28.8 million) related to the Gambling Commission.

The table below shows a summary of costs since 2020-21. The Gambling Commission 2025-26 annual report and accounts provides further information on this as well as its continuing role as regulator of the lottery. These can be found on their website, www.gamblingcommission.gov.uk.

	DCMS (note 4)	Gambling Commission (note 5)	CRND	Total
	£m	£m	£m	£m
2020-21	0.3	17.8	0.1	18.2
2021-22	0.3	26.8	0.1	27.2
2022-23	0.3	21.8	0.1	22.2
2023-24	0.4	14.4	0.1	14.9
2024-25	0.4	28.8	0.1	29.3
2025-26	0.5	27.8	0.1	28.4

Amount held for lottery distributing bodies

The NLDF balance available in the Fund at 31 March 2026 is held in investments by CRND as set out in note 7 to these accounts. The allocation of these funds across the twelve lottery distributing bodies in 2025-26 can be seen in note 9 to these accounts.

CRND publishes an annual report and accounts for the National Lottery Fund Investment Account, which it administers. Copies can be requested directly from CRND. Further information on the investment management role of CRND can be found on its website:

<https://www.dmo.gov.uk/responsibilities/public-sector-funds-crnd/>.

Signed:

Susannah Storey

Permanent Secretary and Accounting Officer

Department for Culture, Media and Sport and NLDF

02 July 2026

Accountability report

The Accountability report is divided into three sections: the Corporate governance report, the Remuneration and staff report and the Parliamentary Accountability Disclosures. The Corporate governance report provides information on the governance of the NLDF. The Remuneration and staff report provide information on the remuneration of those charged with governance of the NLDF and other relevant information on staff costs.

The disclosure of this information complies with best practice standards of corporate governance and contributes to the NLDF's accountability to Parliament by virtue of providing a transparent and full account of the corporate governance structure of the NLDF and other relevant information.

Corporate governance report

Directors' report

Governance structure

The department is responsible for the oversight of the National Lottery regime. Details of the governance arrangements are contained in the governance statement in this annual report.

Directorships and other significant interests

Details of directorships and other significant interests held by ministers are set out in the Register of Lords' Interests and the Register of Members' Financial Interests. In accordance with Cabinet Office guidance, DCMS maintains a register of interests that records details of directorships and other significant interests held by senior managers in the department. No directorships or other significant interests were held by executive board members which may have conflicted with their management responsibilities relating to the NLDF.

Ministers and board members' remuneration

The details of ministers' and board members' remuneration are set out in the Remuneration and staff report in the DCMS annual report and accounts.

Reporting of personal data related incidents

There were no reported instances of personal data related incidents during the period relating to the NLDF.

As the NLDF is managed and operated within the department, disclosure can be found in the DCMS 2025-26 annual report and accounts which will be available, when published, on the department's website at:

www.gov.uk/government/organisations/department-for-culture-media-sport.

Statement of Responsibilities of the Secretary of State, Accounting Officer and the Gambling Commission

Under section 33(1) of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998), HM Treasury has directed the Secretary of State for Culture, Media and Sport to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction, a copy of which may be obtained from the finance team within the department. The accounts are prepared on an accruals basis and must give a true and fair view of the National Lottery Distribution Fund's state of affairs at the year end and of its income and expenditure, Statement of Financial Position and cash flows for the financial year. HM Treasury has appointed the Permanent Secretary of the Department for Culture, Media and Sport to be the Accounting Officer for the National Lottery Distribution Fund.

Secretary of State Responsibilities

In preparing the accounts, the Secretary of State is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Fund will continue in operation;
- confirm the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Accounting Officer Responsibilities

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the National Lottery Distribution Fund's assets, are set out in Managing Public Money published by HM Treasury.

My responsibilities over the National Lottery Distribution Fund extend to the receipt of National Lottery revenues from the operator, their placement with the Commissioners for the Reduction of the National Debt and disbursements to the lottery distributing bodies. The Gambling Commission is responsible, using the powers set out in the National Lottery etc. Act 1993, as amended by the National Lottery Act 1998, and in the Licence granted to the operator under section 5 of the 1993 Act, for ensuring that the operator meets their obligations under the Licence, including their financial obligations to the National Lottery Distribution Fund. I have no locus in operational matters related to the Licence.

Under the Fourth National Lottery Licence, regulation is based on outcomes. This places a greater focus on the achievement of outcomes, with assurance being provided directly by the operator, Allwyn. The Fourth Licence agrees and defines regulatory reporting and associated engagement to provide assurance directly to DCMS and to the Gambling Commission in relation to payments to good causes. Allwyn have engaged their auditors to provide assurance over the good causes income received under the Fourth Licence. The work completed by their auditors has provided me with assurance that the payments to the NLDF under the Fourth License are materially correct.

As Accounting Officer, I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Fund's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I take personal responsibility for the annual report and accounts and confirm that they as a whole are fair, balanced and understandable, as are any judgements used to determine this view.

Governance statement

This statement sets out the governance structure, risk management framework and internal control procedures that have operated within the department and consequently applied to the NLDF during the financial year 2025-26, and accords with HM Treasury guidance.

Oversight of the National Lottery

The department is responsible for the policy and legal framework of the National Lottery and works closely with the Gambling Commission, the independent regulator of the National Lottery. Amongst other things, the Gambling Commission monitors and reports on the performance of the current operator and enforces the terms of its Section 5 Licence. The department maintains oversight of the Gambling Commission's activities through appropriate controls, including a management statement covering regularity and propriety issues, and through an established series of regular meetings and ad hoc interactions.

The amounts raised through the National Lottery for good causes are paid into the NLDF which is managed and run by staff employed by the department. National Lottery monies are independent of government and are distributed by independent lottery distributing bodies at arm's length from Government. The department implements appropriate controls over the National Lottery distributors, including financial directions, to ensure propriety, regularity and accountability in their handling of National Lottery monies drawn down. DCMS seeks annual confirmation from all lottery distributors of key systems of internal control in relation to their handling of National Lottery good cause income.

Assurance over income

Income is received weekly by the fund from the operator, and is supported by reporting provided by the operator. This information is reviewed and challenged where appropriate by both the department and the Gambling Commission. Assurance that the income received is materiality correct is provided by the operator's auditors. The operator's year-

end is 31 December 2025. Further assurance over income up to the 31 December is derived from the operator's statutory annual audit. For the misaligned accounting period up to the 31 March 2026, assurance is derived from Agreed Upon Procedures that have been directed by the department, working with the operator. These procedures are performed by the operator's auditors, who have confirmed that no issues had been identified for the period to 31 March 2026.

Procedures carried out frequently and regularly by the Gambling Commission further support the assurances over this income. Further details on the work the Gambling Commission do can be found in their annual report and accounts which will be available, when published, on the Gambling Commission's website at <https://www.gamblingcommission.gov.uk/about-us>. The department works closely with the Gambling Commission and are notified if any significant issues arise.

Compliance with the Corporate Governance code

The department fully complies with the HM Treasury and Cabinet Office Corporate Governance Code for central government departments, with the following variations:

- The Remuneration Committee, comprising the Permanent Secretary, Non-Executive Board Members and the Director of People and Workplace, fulfils the role of a Nominations and Governance Committee. It primarily scrutinises the annual SCS pay awards and the non-consolidated performance related awards structure.

Approach to risk management in the department

The department's approach to risk management follows the HM Government's Orange Book Principles.

Further details on risk management activities and assurance exercises can be found in the governance statement of the DCMS annual report and accounts 2025-26. This will also include information about the board committee structure, its attendance records and coverage of its work.

Board performance and effectiveness

The HM Treasury and Cabinet Office Corporate Governance in Central Government Departments: Code of Good Practice requires all departments to undertake an annual Board effectiveness evaluation. DCMS's governance structures have been assessed by the Government Internal Audit Agency to be at the highest level of maturity and are operating effectively. An internal review of the governance processes was carried out. The review included an assessment of our board performance, which revealed our boards are performing well. DCMS is dedicated to continually improving our processes to make our governance clearer, more efficient, and better aligned to departmental priorities.

Information management

All Boards and committees are provided with a range of management information in order to review the department's performance and capability.

The department provides consistent data, insight and assessment of departmental priorities. This enables the department to obtain a greater view on delivery, anticipate success, identify emerging problems and allow for data driven decision making.

Lottery distributing bodies

We report in this section on any matters of interest arising in the lottery distribution network, in seeking to be assured about onward regularity and propriety in the handling of good cause monies.

The Sports Council Northern Ireland (SCNI) is one of twelve lottery distributing bodies that are funded by the NLDF. The distribution of good causes funding for sport in Northern Ireland is channelled through SCNI, an arm's-length body of the Department for Communities Northern Ireland (DfCNI) and operates under the brand identification Sport Northern Ireland (SportNI).

SportNI continues to work closely with the NI Audit Office (NIAO) to deliver outstanding accounts for certification by the National Audit Office. It is anticipated that the legacy accounts will be completed by the end of 2026. There is no indication of any issues in respect of regularity in the outstanding accounts. SportNI share of lottery income and investments held by CRND are not material to the NLDF (see note 9).

DfCNI has no indication that the expenditure and income recorded in the financial statements has not been applied to the purposes intended by Parliament or that the financial transactions recorded in the financial statements do not conform to the authorities which govern them.

In the meantime, it is DfCNI's view, based on its sponsorship and accountability arrangements, that SportNI continues to operate effectively as a lottery distributor and in meeting the requirements of the Policy Direction and the broad strategic direction for sports development.

Other key governance activities

Internal audit annual report

With the agreement of the Accounting Officer and the Audit and Risk Committee, the GIAA decided not to conduct an audit of NLDF in 2025-26 due to the NLDF's low risk to the department. Other ways we receive assurance are set out on page 15 and 16.

Conflicts of Interest policy and procedure

All members of the Departmental Board, Audit and Risk Assurance Committee, and Executive Board are required to declare any personal or business interest which may, or may be reasonably perceived (by a member of the public), to influence their judgement in performing their functions and obligations. Where a board member declares a potential

conflict at meetings, it is recorded in the minutes and the board member takes no part in the meeting for the duration of that item of discussion.

Whistleblowing

DCMS's Raising a Concern Policy and Procedure (also known as Whistleblowing) is published on the department's intranet. DCMS has two independent nominated officers whom staff can approach anonymously to report any concerns they may have about perceived wrongdoings or something that goes against the Civil Service Code (i.e. integrity, honesty, objectivity, impartiality). Information on the number of whistleblowing cases and their outcomes may be found in the DCMS annual report and accounts 2025-26, when published.

Further information on key governance activities

Further information on key governance activities, including highlights of board committee reports, may be found in the governance statement of the DCMS annual report and accounts 2025-26 which is subject to audit, and will be available, when published, on the department's website at: www.gov.uk/government/organisations/department-for-culture-media-and-sport.

Such key governance activities include:

- Group write-offs
- Tax Policy for off-payroll appointees
- Ministerial directions
- Personal Data Incidents
- Accounting Officer System Statement
- Internal Audit Annual Report

Accounting Officer's Conclusion

I have considered the evidence provided regarding the production of the annual governance statement - including from the department's governance structures, reviews of our public bodies (including relevant assurances from the lottery distributing bodies) and the independent advice provided by the Audit and Risk Committee. I conclude that the National Lottery Distribution Fund has satisfactory governance and risk management systems in place with effective plans to ensure continuous improvement.

Remuneration and staff report

Remuneration policy

Operationally, the NLDF is part of DCMS, and the staff who administer the NLDF and prepare the Fund's annual report and accounts are employees of DCMS. The NLDF has no employees of its own and, therefore, there are no disclosures to make under a remuneration and staff report for NLDF itself.

Administration of the NLDF is undertaken on a part-time basis by a small number of officials in the department, whose costs are reimbursed by the NLDF. The department does not recharge the NLDF for the remuneration costs of departmental ministers or the Departmental Board.

Management and control of the NLDF is vested in the Secretary of State. Details of the composition of the department ministers and board and remuneration information may be found in the remuneration report of the DCMS annual report and accounts 2025-26 which is subject to audit, and will be available, when published, on the department's website at www.gov.uk/government/organisations/department-for-culture-media-and-sport.

Parliamentary Accountability Disclosures

Regularity of expenditure (this section is subject to audit)

Losses and Special Payments

There were no losses or special payments made in 2025-26 and 2024-25 relating to NLDF.

Gifts

There were no gifts made by NLDF in 2025-26 and 2024-25.

Remote Contingent Liabilities

Fourth National Lottery Licence Legal Challenge

The Gambling Commission has faced legal claims from an unsuccessful bidder, the New Lottery Company (TNLC), in relation to the Fourth National Lottery Licence and subsequent award that was made in February 2024. The Case was heard by the High Court over October to December 2025. Judgement was handed down on 17 April 2026, and all claims against the Gambling Commission were dismissed. An application to the High Court for permission to appeal aspects of the ruling was denied at a hearing in May 2026. TNLC have subsequently requested permission to appeal from the Court of Appeal in respect of the ruling made on 17 April. As long as proceedings remain, there continues to be an ongoing, but remote, risk from any appeal that may be granted.

There were no remote contingent liabilities in 2024-25 relating to NLDF.

Fees and Charges

NLDF does not provide services to external and public sector customers.

Signed:

Susannah Storey

Permanent Secretary and Accounting Officer

Department for Culture, Media and Sport and NLDF

02 July 2026

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

Opinion on financial statements

I certify that I have audited the financial statements of the National Lottery Distribution Fund for the year ended 31 March 2026 under the National Lottery etc. Act 1993.

The financial statements comprise the National Lottery Distribution Fund's:

- Statement of Financial Position as at 31 March 2026;
- Statement of Comprehensive Net Income, Statement of Cash Flows and Statement of Changes in amount held for lottery distributing bodies for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the National Lottery Distribution Fund's affairs as at 31 March 2026 and net realised income for distribution for the year then ended; and
- have been properly prepared in accordance with the National Lottery etc. Act 1993 and HM Treasury Directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2024*. I am independent of the National Lottery Distribution Fund in accordance with the ethical requirements that are relevant to my

audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the National Lottery Distribution Fund's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the National Lottery Distribution Fund'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.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the National Lottery Distribution Fund is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the National Lottery Distribution Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Statutory Other Information.

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

- adequate accounting records have not been kept by the National Lottery Distribution Fund or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Secretary of State and Accounting Officer for the financial statements

As explained more fully in the Statement of Responsibilities of the Secretary of State, Accounting Officer and the Gambling Commission, the Secretary of State and the Accounting Officer are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the National Lottery Distribution Fund from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view in accordance with HM Treasury directions issued under the National Lottery etc. Act 1993;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the National Lottery etc. Act 1993; and
- assessing the National Lottery Distribution Fund'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 Accounting Officer anticipates that the services provided by the National Lottery Distribution Fund will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993.

My 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 a certificate that includes my 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

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

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the National Lottery Distribution Fund's accounting policies.
- inquired of management, the Department for Culture, Media and Sport's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the National Lottery Distribution Fund's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the National Lottery Distribution Fund's controls relating to the National Lottery Distribution Fund's compliance with the National Lottery etc. Act 1993, Statutory Instrument 2010 No. 2863 'The Apportionment of Money in the National Lottery Distribution Fund Order 2010', the Trustee Investments Act 1961 and Managing Public Money;
- inquired of management, the Department for Culture, Media and Sport's head of internal audit and those charged with governance whether:

- they were aware of any instances of non-compliance with laws and regulations;
- they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the National Lottery Distribution Fund for fraud and identified the greatest potential for both third party and management fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and Gambling Commission litigation regarding the 4th National Lottery Licence. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the National Lottery Distribution Fund's framework of authority and other legal and regulatory frameworks in which the National Lottery Distribution Fund operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the National Lottery Distribution Fund. The key laws and regulations I considered in this context included National Lottery etc. Act 1993, Statutory Instrument 2010 No. 2863 'The Apportionment of Money in the National Lottery Distribution Fund Order 2010', the Trustee Investments Act 1961 and Managing Public Money.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I addressed the risk of third-party fraud by observing and evaluating the National Lottery Distribution Fund's control environment to be assured over the completeness of income from the National Lottery.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

Date 03 July 2026

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial statements

Primary statements

Statement of Comprehensive Net Income for the year ended 31 March 2026

		2025-26	2024-25
	Note	£000	£000
Income			
Income from the National Lottery	2	1,798,464	1,814,082
Investment income	3	71,434	86,236
Other income		-	8,400
Total income		1,869,898	1,908,718
Less: operational costs			
Department for Culture, Media and Sport	4	(501)	(413)
Gambling Commission	5	(27,804)	(28,782)
Other expenses		(74)	(74)
Total operational costs		(28,379)	(29,269)
Net realised income for distribution		1,841,519	1,879,449
Amounts authorised for payment to lottery distributing bodies	9	(1,876,766)	(1,808,848)
Increase/(decrease) in realised amount held for lottery distributing bodies		(35,247)	70,601
Total comprehensive income/(expenditure)		(35,247)	70,601

All transactions are in respect of continuing operations.

The notes on pages 31 to 44 form an integral part of these accounts.

Statement of Financial Position as at 31 March 2026

		2025-26	2024-25
	Note	£000	£000
Current assets			
Receivables	6	42,288	66,417
Investments held by CRND	7	1,790,394	1,801,925
Total current assets		1,832,682	1,868,342
Current liabilities			
Payables: amounts falling due within one year		-	(413)
Total assets less liabilities		1,832,682	1,867,929
Represented by:			
Realised amount held for distributing bodies		1,832,682	1,867,929
Amounts held for lottery distributing bodies	9	1,832,682	1,867,929

The notes on pages 31 to 44 form an integral part of these accounts.

Signed:

Susannah Storey
 Permanent Secretary and Accounting Officer
 Department for Culture, Media and Sport and NLDF
 02 July 2026

Statement of Cash Flows for the year ended 31 March 2026

		2025-26	2024-25
	Note	£000	£000
Cash flows from operating activities			
Cash received from National Lottery operator		1,822,593	1,815,664
Cash paid for operating expenses		(28,792)	(27,779)
Cash paid to lottery distributing bodies	9	(1,876,766)	(1,808,848)
Net cash inflow/(outflow) from operating activities	8	(82,965)	(20,963)
Cash flows from investing activities			
Cash paid to CRND for investment		(1,793,801)	(1,787,885)
Cash received from CRND for distribution		1,876,766	1,808,848
Net cash inflow/(outflow) from management of liquid resources		82,965	20,963
Change in cash		-	-

All investment income is reinvested by CRND.

‘Cash received from CRND for distribution’ includes interest drawdown for distribution.

The notes on pages 31 to 44 form an integral part of these accounts.

Statement of Changes in amount held for lottery distributing bodies for the year ended 31 March 2026⁵

	Note	£000
Amount held for lottery distributing bodies at 31 March 2024		1,797,328
Total comprehensive (expenditure)/income 2024-25		<u>70,601</u>
Amount held for lottery distributing bodies at 31 March 2025		1,867,929
Total comprehensive (expenditure)/income 2025-26		<u>(35,247)</u>
Amount held for lottery distributing bodies at 31 March 2026	9	<u>1,832,682</u>

The notes on pages 31 to 44 form an integral part of these accounts.

⁵ The Government Financial Reporting Manual (FReM) requires the 'Statement of changes in reserves' to be called the 'Statement of changes in taxpayers' equity'. However, the NLDF receives no central Government grant-in-aid and therefore it does not consider that the wording required by the FReM appropriately reflects the NLDF's unique status.

Notes to the financial statements

1 Statement of accounting policies

1.1 Basis of accounting

These accounts have been prepared in accordance with HM Treasury Accounts Direction issued under the National Lottery etc. Act 1993. This Direction has been applied consistently in dealing with items that are considered material to the accounts. The accounting policies apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector by the *Government Financial Reporting Manual* (FReM).

The particular policies adopted by the Fund are described below.

1.2 Basis of preparation

These accounts have been prepared on a going concern basis.

Management has assessed that the NLDF is a going concern for 2025-26 due to the following:

- As a fund, the NLDF's liabilities are not more than the funds held
- DCMS Core will provide the required assurances in the event that an LDB has concerns over funding
- Management is also not aware of any events or conditions that may cast significant doubt on the NLDF's ability to continue as a going concern

1.3 Accounting convention

These accounts have been prepared under the historical cost convention.

1.4 Functional and presentational currency

These accounts are presented in pound sterling, the functional currency of the Fund, and all values are rounded to the nearest thousand pounds (£000).

1.5 Nature of account balances

Balances held in the NLDF remain under the stewardship of the Secretary of State for Culture, Media and Sport. The share of the Fund attributable to each lottery distributing body at the date the Statement of Financial Position was signed, and shown in these accounts, has been certified by the Secretary of State for Culture, Media and Sport as being available for distribution by each body in respect of current and future committed liabilities.

1.6 Recognition of National Lottery income

The NLDF recognises National Lottery income in accordance with IFRS 15 Revenue from Contracts with Customers as interpreted by the FReM.

The Fourth National Lottery Licence is a legally binding contract that along with the National Lottery etc. Act 1993 sets out the terms of the agreement.

The Licence permits the lottery operator to run the National Lottery, and in return the lottery operator is required to make payments to the NLDF, based on a proportion of the surplus received in running the lottery games, in line with the calculations set out in the Licence.

The performance obligation is the fulfilment of the contract with the operator. This is satisfied over time as the nature of the promise in granting the Licence to the operator is to provide them with a right to access the entity's intellectual property as it exists through the Licence period, rather than at the point in time when the Licence is granted.

Each week the operator is required to make a payment to the NLDF in line with the Estimated Annual Payment and Scheduling Methodology. Each completed game week is a milestone that depicts the progress toward complete satisfaction of that performance obligation of the fulfilment of the contract. A game week runs from a Sunday to Saturday and therefore the revenue is recognised close of play on a Saturday when the game week is over.

The transaction price is based on the Estimated Annual Payment and the Scheduling Methodology. This estimate factors in actual sales and prizes each week, National Lottery duty, retailers commission, and an estimate of the Licensee's allowable overheads in operating the Fourth National Lottery Licence.

Estimated allowable overheads are determined at the start of the Licence year in line with an approved methodology set out in the Licence and reviewed by the operator monthly. Costs for the period 1 January 2026 to 31 March 2026 are based on the estimated amounts, any revisions made to the estimates throughout the Licence year will be recognised in the period when the updated estimates become known.

Actual proceeds from the National Lottery due to the NLDF from the operator, are only required to be calculated on an annual basis, in line with the 31 December Licence year end. Under/over payments for the period (including interest) that are not paid in year, will be recognised in the accounts as either accrued income or an accrued expense.

Where a game week has been completed, but the payment has not yet been received by the NLDF, this has been recognised as accrued income in these accounts.

National Lottery prizes that remain unclaimed for 180 days after a draw, or closure of a Scratchcard game or interactive Instant Win Game, are paid to the NLDF. Accruals have been made for prizes expiring on or before 31 March 2026 but not yet paid to the NLDF.

Use of estimates and judgements – income recognition

There is an inherent risk of estimation uncertainty due to the nature of the calculation used in recognising good causes contributions for the 1 January 2026 to 31 March 2026 period. It is not possible to know the extent of the effects of the estimation uncertainty at the end of the reporting period. It is possible, based on existing knowledge, that outcomes within the next financial year that are different from the assumptions used could require an adjustment to the good causes' income. Variances in the costs may also be due to timing differences.

1.7 Players Trust Reserve transfer

This relates to historic trust reserve funds that were paid to the NLDF by the operator in the year following a directive from the Gambling Commission. As per the Licence, the Licensee must pay any amounts to good causes in accordance with the Trust Deed. This income has been recognised in line with IFRS 15. The performance obligation was the

acceptance of the direction issued from the Gambling Commission by the Trust and the transaction price was as set out in the direction. This transaction only refers to financial year 2024-25. This isn't relevant for financial year 2025-26 and going forwards.

1.8 Recognition of amounts drawn down by lottery distributing bodies

The amounts recorded as drawn down by the lottery distributing bodies-represent their claims authorised in the year.

1.9 Investments

The Investments are financial assets.

HM Treasury has directed CRND that the NLDF may hold investments specified in the Trustee Investments Act 1961. This restricts investments to mainly government issues such as gilt-edged stock and limits the amount that can be invested outside cash and cash equivalents. Investments are held in order to collect contractual cash flows of principal and interest on specified dates therefore under IFRS 9 investments held by CRND are valued in these accounts at amortised cost. These accounts only disclose the cash flows for the movement of cash between CRND, the NLDF and the lottery distributors.

HM Treasury has directed CRND, under sections 32(1) and 32(2) of the 1993 Act that the NLDF may be invested in those investments specified in paragraphs 1, 2, 3, 5, 5A, 5B, 9 and 9A of Part II of Schedule 1 of the Trustee Investments Act 1961 in such manner as CRND shall, at its absolute discretion, determine.

Having taken account of the department's wish to avoid negative income returns over a three-month period, but without prejudice to their absolute discretion, CRND intends to exercise its investment powers in accordance with the investment framework.

The department regularly reviews the investments in partnership with CRND.

1.10 Investment income

Investment income is recognised when it is receivable and it is measured using the effective interest method

1.11 Cash and cash equivalents

Cash and cash equivalents are cash in hand and deposits held with the bank. It is the policy of the NLDF to hold a nil cash balance whenever possible and to transfer all funds to CRND for investment on the day of the receipt. Cash transferred to CRND is treated as investments in the Statement of Cash Flows in accordance with IAS 7. All bank accounts held by NLDF are Government Banking Service accounts and have a nil balance at year end.

1.12 Financial instruments

The Fund accounts for financial instruments in accordance with IAS 32 Financial Instruments: Presentation; IFRS 9: Financial Instruments and IFRS 7: Financial Instruments: Disclosures.

A financial instrument is any contract that gives rise to a financial asset in one entity, and a financial liability in another. Financial instruments (with the exception of receivables) are initially measured at fair value plus or minus transaction costs. Receivables are recognised at the transaction price. Subsequent measurement requires all financial instruments to be classified as measured at amortised cost or measured at fair value, with the classification made at the time it is initially recognised.

NLDF has classified all investments, receivables and payables as measured at amortised cost.

Financial assets and financial liabilities are recognised in the statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

1.13 Impact of new IFRS and Financial Reporting Manual amendments

IFRS 17 Insurance Contracts

The International Accounting Standards Board (IASB) has issued IFRS 17 Insurance Contracts which replaces IFRS 4 Insurance Contracts. This was applied by HM Treasury in the FReM from 1 April 2025. This standard does not have an effect on NLDF.

IFRS 18 Presentation and Disclosure in Financial Statements

The IASB has issued IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements. IFRS 18 specifies the format of the statement of profit or loss, to ensure more consistency between bodies, and also requires certain management performance measures to be disclosed in the financial statements. It is expected to be implemented by the UK public sector from 1 April 2028, however, this has not yet been agreed by the Financial Reporting Advisory Board. IFRS 18 will require the presentation and format of the Statement of Comprehensive Net Income to be restated, but there will be no change to the underlying figures.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 allows subsidiaries that do not have public accountability to apply reduced disclosure requirements, as set out in the standard. It will therefore not have any impact on the financial statements of the NLDF.

There are no other standards and interpretations in issue yet to be adopted that the NLDF anticipates will have a material effect on future reporting periods.

2 Income from the National Lottery

	2025-26	2024-25
	£000	£000
3NL Good causes contribution	-	(420)
4NL Good causes contribution	1,686,603	1,650,277
Unclaimed prizes	90,080	91,740
Interest on Players Trust Fund	17,930	18,671
Players Trust Reserve transfer	-	53,474
Other income	3,851	340
	1,798,464	1,814,082

The main categories are defined in the 'Where the money comes from' section of the Performance report overview.

3 Investment income

	2025-26	2024-25
	£000	£000
Interest received on investments	71,434	86,236

The NLDF's objective is to provide for the lottery distributing bodies' liquidity needs, and to maximise returns over the medium term. The range of permitted investments is restricted to those contained within a direction made by HM Treasury, and is implemented by CRND.

All investments in 2025-26 and 2024-25 were held as call notice deposits.

4 Operational costs: Department for Culture, Media and Sport

	2025-26	2024-25
	£000	£000
Administrative costs	425	338
External auditor's remuneration	74	72
Bank charges	2	3
	501	413

The external auditors did not provide any non-audit services in 2025-26 (2024-25: nil).

5 Operational costs: Gambling Commission

	2025-26	2024-25
	£000	£000
Amount payable to the department	27,804	28,782

The department recovers the net costs of running the Gambling Commission from the NLDF. The Gambling Commission receives GIA funding from DCMS to support its National Lottery operations.

6 Receivables

	2025-26	2024-25
	£000	£000
Net income due as a result of draws prior to year end	42,288	66,417

The carrying value of receivables is measured at amortised cost.

7 Reconciliation of investments held by CRND at cost to amounts held for lottery distributing bodies

	At 31 March 2026	At 31 March 2025
	Cost	Cost
	£000	£000
Investments held by CRND	1,790,394	1,801,925
Receivables (note 6)	42,288	66,417
Payables	-	(413)
Balance held	1,832,682	1,867,929

Under s32 of the National Lottery etc. Act 1993, all monies held by CRND are regarded as “Investments by the Secretary of State”. Investments represent call notice deposits that are demand deposits primarily with the Debt Management Account and a small proportion held with the National Loans Fund (NLF), and are measured at amortised cost.

The funds are held in a revolving investment fund. This means that investment returns are re-invested directly into the Fund. The funds are repayable on demand within one working day. For further details on the investing activities of CRND, refer to the NLDF Investment Account published by CRND, available online at: <https://www.gov.uk/government/collections/national-lottery-distribution-Fund-investment-account>.

The carrying value of payables is measured at amortised cost.

8 Reconciliation of increase/(decrease) in amounts held for lottery distributing bodies with net cash inflow/(outflow) from operating activities

	2025-26	2024-25
	£000	£000
Increase/(decrease) in realised amounts held for distributing bodies	(35,247)	70,601
Investment income	(71,434)	(86,236)
	(106,681)	(15,635)
(Increase)/decrease in National Lottery operator receivables	24,129	(5,361)
Increase/(decrease) in payables for operating expenses	(413)	33
Net cash inflow/(outflow) from operating activities	(82,965)	(20,963)

9 Amounts held for lottery distributing bodies at 31 March 2026**Beneficiary sectors**

	Arts	Sport	National Lottery Heritage Fund	National Lottery Community Fund	Total
	£000	£000	£000	£000	£000
Share of Income from National Lottery	359,693	359,693	359,693	719,385	1,798,464
Less share of operational costs	(5,676)	(5,676)	(5,676)	(11,351)	(28,379)
Share of net operational proceeds	354,017	354,017	354,017	708,034	1,770,085
Amount authorised for payment to lottery distributing bodies	(363,759)	(392,247)	(324,760)	(796,000)	(1,876,766)
Investment income	14,287	14,287	14,287	28,573	71,434
(Decrease)/increase in balance available	4,545	(23,943)	43,544	(59,393)	(35,247)
Amounts held for lottery distributing bodies at market value at 1 April 2025	261,080	365,821	689,037	551,991	1,867,929
Amounts held for lottery distributing bodies at market value at 31 March 2026	265,625	341,878	732,581	492,598	1,832,682

Amounts held for lottery distributing bodies at 31 March 2026 (continued)

Arts bodies

	Arts Council England	Creative Scotland	Arts Council of Wales	Arts Council of Northern Ireland	British Film Institute	Subtotal - arts
	£000	£000	£000	£000	£000	£000
Share of Income from National Lottery	250,994	32,013	17,985	10,071	48,630	359,693
Less share of operational costs	(3,961)	(505)	(284)	(159)	(767)	(5,676)
Share of net operational proceeds	247,033	31,508	17,701	9,912	47,863	354,017
Amount authorised for payment to lottery distributing bodies	(244,452)	(40,000)	(18,900)	(9,857)	(50,550)	(363,759)
Investment income	9,969	1,272	714	400	1,932	14,287
(Decrease)/increase in balance available	12,550	(7,220)	(485)	455	(755)	4,545
Amounts held for lottery distributing bodies at market value at 1 April 2025	156,558	34,995	14,859	5,668	49,000	261,080
Amounts held for lottery distributing bodies at market value at 31 March 2026	169,108	27,775	14,374	6,123	48,245	265,625

Amounts held for lottery distributing bodies at 31 March 2026 (continued)
Sport bodies

	Sport England	Sport Scotland	Sport Wales	Sport Northern Ireland	UK Sport	Subtotal - sport
	£000	£000	£000	£000	£000	£000
Share of Income from National Lottery	223,010	29,135	16,186	9,352	82,010	359,693
Less share of operational costs	(3,519)	(460)	(255)	(148)	(1,294)	(5,676)
Share of net operational proceeds	219,491	28,675	15,931	9,204	80,716	354,017
Amount authorised for payment to lottery distributing bodies	(252,800)	(36,850)	(17,300)	(14,067)	(71,230)	(392,247)
Investment income	8,858	1,157	643	372	3,257	14,287
(Decrease)/increase in balance available	(24,451)	(7,018)	(726)	(4,491)	12,743	(23,943)
Amounts held for lottery distributing bodies at market value at 1 April 2025	226,453	47,836	6,917	16,946	67,669	365,821
Amounts held for lottery distributing bodies at market value at 31 March 2026	202,002	40,818	6,191	12,455	80,412	341,878

10 Financial instruments

IAS 32 Financial Instruments: Presentation, IFRS 9: Financial Instruments and IFRS 7: Financial Instruments: Disclosures, have been applied. IFRS 7 requires disclosures that allow users of the accounts to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments during the period.

NLDF investments are held by CRND at amortised cost and due to the nature of these funds the NLDF is not exposed to the degree of financial risk faced by business entities.

Financial instruments also include receivables and payables which are also low risk due to the nature of these balances.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty raising liquid funds to meet liabilities as they fall due.

The investments in CRND deposits are primarily held with the Debt Management Account which is invested in overnight call notice deposits allowing for maximum liquidity. As a result of the policies and procedures outlined above, the department considers that all significant liquidity risks are appropriately managed.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The investments in CRND deposits are primarily held with the Debt Management Office with only a small proportion held with the National Loans Fund. These deposits are obligations of HM Government and therefore considered to have no exposure to credit risk. Receivables relate to income due as a result of draws prior to year end. These monies are also considered to have no exposure to credit risk as legislation requires the operator to transfer these monies to the NLDF.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the NLDF relate to changes in market interest rates. The interest return on investments is closely linked to the official Bank Rate. The department does not consider that the NLDF is exposed to any significant interest rate risks because of the nature of the assets held.

11 Related party transactions

The NLDF is maintained under the control and management of the Secretary of State for Culture, Media and Sport. The department is considered to be a related party. During the year, a number of staff employed by the department worked on NLDF related activities and the NLDF used a number of the assets owned by the department. These costs were recharged to the NLDF by the department and are reflected in note 4 of the accounts.

The department is also the sponsoring department of the UK-wide and England-based lottery distributors. These bodies are therefore also considered related parties (see note 9 for details).

CRND, which is ultimately part of HM Treasury, is also considered a related party. Payments made to CRND during the year total £74k (2024-25: £74k).

The Gambling Commission is sponsored by the department and is a related party. Net payments made to the Gambling Commission totalling £27.8 million (2024-25: £28.8 million) were recharged to the NLDF by the department and are reflected in note 5.

No minister, board member, key manager or other related party has undertaken any material transactions with the NLDF during the year.

12 Lottery distributing bodies' share of Fund

The percentages received by each lottery distributing body were set out in sections 22 and 23 of the National Lottery etc. Act 1993, as amended by section 6 of the 1998 Act and section 7 of the 2006 Act and subsequent secondary legislation.

The current percentages, as amended by Statutory Instrument 2010 No. 2863 'The Apportionment of Money in the National Lottery Distribution Fund Order 2010' are as follows:

	(%)
Arts	20.000
Sports	20.000
National heritage	20.000
Charitable, health, education and the environment	40.000

Arts	(%)
Arts Council England	13.956
Creative Scotland	1.780
Arts Council of Wales	1.000
Arts Council of Northern Ireland	0.560
British Film Institute	2.704
Total arts	20.000

Sport	(%)
Sport England	12.400
Sport Scotland	1.620
Sport Wales	0.900
Sport Northern Ireland	0.520
UK Sport	4.560
Total sport	20.000

13 Contingent Liabilities

Fourth National Lottery Licence Legal Challenge

The Gambling Commission has faced legal claims from an unsuccessful bidder, the New Lottery Company (TNLC), in relation to the Fourth National Lottery Licence and subsequent award that was made in February 2024. The NLDF previously disclosed at 31 March 2025 a contingent liability for possible damages resulting from the litigation. At 31 March 2026 litigation had progressed in the High Court with a ruling on 17 April 2026 dismissing all claims against the Gambling Commission. However, given the claimant has requested permission to appeal, a remote contingent liability is disclosed in the accountability report on page 20.

Recoverable implementation costs

The terms of the Fourth National Lottery Licence allow the Operator to recover certain costs of implementation, once the Recoverable Implementation Costs process is triggered, in accordance with the requirements set out in the Enabling Agreement. The Gambling Commission Board, at its 19 March 2026 meeting, agreed that Allwyn has met the Fully Implemented Commencement milestone according to Enabling Agreement terms. This triggers the Recoverable Implementation Costs process, which starts with a 'prolonged agreement period' to verify the full costs and is set to last until February 2027. The agreed amount will be amortised from the amount to be paid to good causes across the remaining length of the licence. A contingent liability has been recognised in the NLDF's accounts as the costs and timings are uncertain.

14 Events after the reporting period

At 31 March 2025, a contingent liability was recognised for ongoing litigation from an unsuccessful bidder for the Fourth National Lottery Licence. A court judgement in favour of the Gambling Commission and subsequent request for permission to appeal made after year-end provide additional evidence in respect of the obligation existing at the reporting date; therefore, the contingent liability has been reassessed as a remote contingent liability (see page 20).

As a further outcome of the judgment, the Gambling Commission was awarded its legal costs of £17m, which will be returned to good causes once all legal proceedings

have been finalised. This settlement represents a non-adjusting event under IAS 10 and therefore an asset has not been reflected on the SOFP.

Date accounts authorised for issue

The financial statements were authorised for issue on the date of the Comptroller and Auditor General's signature.

