



**United Kingdom Sports Council Financial Statements for
the Year Ended 31st March 2002**

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FOREWORD AND ANNUAL REPORT

History and Background of the United Kingdom Sports Council

The United Kingdom Sports Council was established on 19 September 1996 by Royal Charter, and its key objectives are:

- supporting sports of UK significance to achieve success on the international stage
- increasing the influence of the UK in International Sport
- to administer an anti doping programme designed to protect athletes right to participate in drug free sport
- to establish the United Kingdom Sports Institute Central Services team

These accounts have been prepared in accordance with the accounts direction issued by the Secretary of State for Culture Media and Sport, with the approval of the Treasury, in accordance with Article 14 of the Royal Charter on 26 March 2002. A copy of that direction may be obtained from the United Kingdom Sports Council at 40 Bernard Street, London, WC1N 1ST.

The United Kingdom Sports Council, referred to as UK Sport hereafter, is required to have its accounts audited by a body approved by the Secretary of State. UK Sport agreed to appoint the Comptroller and Auditor General in January 1997 and terms of engagement were subsequently confirmed on 9th June 1997.

Organisational Structure

Chief Executive Officer

The Chief Executive is the Accounting Officer and heads the UKSC. He is supported by the Business Management Group comprising six executive directors heading each of the six departments of the organisation and the Lottery Fund.

The Council

The Council is the equivalent of the Board of Directors and comprise Members appointed by the Secretary of State for Culture, Media & Sport.

Committees

The Council's work is supported by a number of Committees, each chaired by a Council Member and each (with the exception of the Audit Committee, which comprises Council Members only) having a membership comprising both Council Members and other individuals of relevant expertise and experience. The full Council ratifies all appointments to its Committees. The Committees report and make recommendations as appropriate to Council.

At 31 March 2002, the following Committees were operational:

- UK Awards Panel – makes recommendations to Council on Exchequer grant and Lottery (World Class Performance Programme) awards and related policy matters
- Major Events Steering Group – makes recommendations to Council on Lottery (World Class Events Programme) awards and related policy matters
- Marketing and Media Panel – reviews all UK Sport communication activities

- UK Sports Institute Board* - provides advice and guidance to Council on the strategic direction and operational functions of the UK Sports Institute network
- International Committee - provides advice and guidance to Council on strategies for securing and extending UK influence in international sport.
- Audit Committee – considers external and internal audit reports, and oversees risk management processes, reviews the statutory accounts and other financial matters.

*the UKSI Board was dissolved by Council at its meeting on 13 May 2002 and a new UKSI Panel established in its place.

Results for the Year

UK Sport's operating surplus for the year was £673,502 (2000/2001 £137,052) the net effect of interest receivable and taxation bringing this to £718,933 (2000/2001 £166,704).

Reserves

The reserves now stand at £975,222 (2000/2001 £217,218), representing 5.58% (2000/2001 1.5 %) of current year spending. £300k of this amount is already committed to revenue projects started in the year just ended while, a sum presently estimated at between £200k to £300k is expected to be spent in updating and integrating the Drug Testing Programme System onto a platform compatible with the rest of UK Sport IT systems. The rest of the reserves will be available to fund any additional requirements in grants and to provide a buffer for future inflationary increases.

Funding

UK Sport is primarily funded by Grant-in-Aid from the Exchequer. The level of funding is agreed with the DCMS as part of a rolling three year Funding Agreement. The current agreement covers the three financial years up to and including 2003/04. This agreement also includes an agreed set of strategic targets.

The levels of funding in the next Funding Agreement (commencing 2003/04) are subject to the Governments 2002 Comprehensive Spending Review. The outcome of this will be known during the later part of 2002/03.

Review of Activities

UK Sport was established to focus on high performance sport in the UK. It aims to lead the nation to sporting excellence and, its long term goal is to lead the UK, to become one of the world's top five sporting nations.

UK Sport runs the World Class Performance Programme which identifies our most talented athletes in Olympic and Paralympic sports, and the levels of support that will enable them to deliver medals at major championships.

The UK Sports Institute Central Services Team delivers tailored solutions to individual sports and athletes through a network of centres. Its areas of expertise include coaching, performance planning, sports science, sports medicine, technology, innovation, education and IT.

UK Sport promotes drug free sport through the development of the national anti-doping policy, and the implementation of education and information programmes for athletes and officials. It also manages the drug testing programme of elite athletes in the UK.

UK Sport aims to increase influence at an international sporting level to raise the profile of the UK. This is done through supporting representatives on international committees, and managing international partnerships and agreements.

UK Sport's World Class Events Programme distributes Lottery money to support the costs of competitive bidding for major sporting championships, and the costs of staging those events that have been given the green light.

Council Members

The members of the Council during the period under review were:

	Date of Appointment
Chairman Sir Rodney Walker	6 July 1998
Deputy Chairman Mr Craig Reddie CBE*	Reappointed 19 th September 1999
Members Prof Sarah Springman OBE	Reappointed 19 th September 1999 (resigned September 2001)
Ms Judy Simpson	Reappointed 6 th February 2000
Mr Trevor Brooking CBE	6 July 1998 (reaffirmed in 2001)
Ms Zahara Hyde Peters*	Reappointed 23 November 2001
Mrs Diana King OBE	23 November 1998 (appointment expired 22 November 2001)
Mr Adrian Metcalfe OBE	Reappointed 23 November 2001
Prof Myra Nimmo*	23 November 1998 (appointment expired 22 November 2001)
Mr Gavin Stewart	Reappointed 23 November 2001
Ms Tanni Grey –Thompson OBE	Reappointed 23 November 2001
Mr Alastair Dempster	1 July 1999
Mr Gareth Davies	9 September 1999
Prof Eric Saunders OBE	7 March 2000
Mr Des Wilson	13 March 2000 (resigned March 2002)

*Members of the Audit Committee

Sir Rodney Walker's initial appointment was for 3 years, which was extended to 5 years. Other members are appointed for a fixed term of 3 years and may be reappointed thereafter as determined by the Secretary of State for Culture, Media and Sport

The Secretary of state has recently reviewed the appointment criteria for UK Sport Council members and is currently considering new appointments to replace those who resigned, or whose appointment expired during 2001/2.

Fixed Assets

UK Sport's accounting policy on fixed assets is set out in note 1.5 (page 18) to these accounts.

Research and Development

UK Sport has a dedicated research team . This team is, inter alia, a research resource for internal staff and external partners. It carries out, commissions and manages research projects as required by UK Sport. It also advises and assists staff and partners in the development of research proposals.

The following are some of research outcomes published during the year:

- Sporting Preferences
- Sports Development Impact of the Commonwealth Games
- Literature Review: the Impact of Major Sports Events
- The Location of Ethnic Minority Populations in the North West

For a full list of research publications, please contact the UK Sport at 40 Bernard Street, London WC1N 1ST.

Significant Events

- UK Sport became fully operational on 1 January 1997, so 2002 marks the fifth anniversary of its role in leading the nation to sporting excellence. Significant progress has been made during this period, with performances at the 2000 Sydney Olympics and Paralympics and the 2002 Salt Lake City Winter Olympics exceeding all expectations. The focus is now on continuing this progression towards the 2004 Olympics and beyond.
- The Cunningham Review, published in September 2001, reported on the funding of elite sport in the UK. The review – commissioned by the Department for Culture, Media and Sport (DCMS) in the aftermath of the Sydney Olympic and Paralympic Games – laid out a constructive set of proposals aimed at the continued evolution of UK Sport's funding systems, enabling an increasing focus on the ever-changing needs of our top athletes and their coaches. UK Sport also commenced reviews of its Exchequer funding support for sports governing bodies and a post Salt Lake City review of support for winter sports.
- UK Sport's medal target for 2001, set as part of the funding agreement with the Department for Culture, Media and Sport (DCMS), was surpassed. A total of 172 medals at World, European and Commonwealth championships were won, against a target of 131.
- The Great Britain team produced its best result in a Winter Olympics since 1936, thanks to the Women's Curling Team funded by Sport Scotland and Bob Skeleton's Alex Coomber funded by the UK Sport World Class Programme .
- In January 2002, UK Sport launched its Statement of Anti-Doping Policy. Over two years in the making, the move brought the UK in line with the International Standard for Doping Control. The Policy sets out to ensure that 'all governing bodies of sport in the UK have consistent anti-doping policies and regulations to protect the rights of athletes to compete drug free'.
- UK Sport also launched the Drugs Information Database (DID) in January 2002. Considered to be the world's most comprehensive and up-to-date online drug information service for athletes, coaches, team doctors and other support staff, the database contains some 2,100 substances and 4,300 products and is available publicly online, via UK Sport's website.

- A landmark reached early in 2002 was the £100 million mark of Lottery funds committed to sport through the World Class Performance and Events Programmes.
- In April 2002 UK Sport published its Lottery Strategy focusing on the use of Lottery funds up to and beyond the next Olympics in Athens in 2004. This was the first time UK Sport had produced a document that exclusively sets out how it will invest the Lottery funds available to it and the expected return on its investment.
- The England based ACE UK advisers, who have been employed by UK Sport up until April 2002, have transferred to the English Institute of Sport, where they will form part of the regional support teams. This will ensure that services are provided on a regional basis, whilst the responsibility for quality assurance of the programme will remain centrally with UKSI.

Lottery Distributor

The Secretary of State had appointed UK Sport as a lottery distributor since 1 July 1999. Over £91m (2000/2001 £38m) of lottery money has been distributed in grants to sporting bodies and individuals since appointment. Lottery funds are accounted for separately, and a copy of the accounts can be obtained from UK Sport at 40 Bernard Street, London WC1N 1ST.

1 Employment Issues

UK Sport ensures that disabled people are given opportunities for suitable employment and that they are not discriminated against on the grounds of disability. UK Sport is committed to the development of positive policies to promote equal opportunity in employment.

UK Sport involves employees in decisions, which may affect their welfare through bringing together representatives of the management, and trade unions in a working environment.

2 Prompt Payment Policy

UK Sport aims to comply with the Better Payment Practice Code. Payment terms are agreed with suppliers at the outset, and invoices are paid in accordance with those terms. Any disputed invoices are referred to suppliers and are dealt with expeditiously. The target is to pay within 30 days. 79.4% (2000/2001 63.6%) of invoices were paid on time.

Corporate Governance

As a Non-Departmental Public Body established by Royal Charter whose Council members are appointed by the Secretary of State for Culture, Media and Sport, UK Sport is different from a limited liability company and some aspects of the Code of Best Practice, issued by the Cadbury Committee on the Financial aspects of Corporate Governance, are not applicable. However, UK Sport has adopted the Code of Best Practice, which has been developed by the Department for Culture, Media and Sport and is based on the recommendations of the Cadbury Committee. UK Sport complies with that Code of Best Practice in all material respects. In line with Treasury requirements, these accounts contain a statement of Internal Controls, a culmination of our full and on-going assessment of risk to which UK Sport is exposed.

The Euro

The activities of UK Sport are largely national. Although some exposure to transactions in Euros is likely, it is not considered that these will be significant. Our financial systems are capable of dealing with the new currency and procedures can be easily revised to accommodate it. Costs of ensuring compliance are not expected to be significant.

Significant Future Events

There are no significant future events.

Richard Callicott

Chief Executive and Accounting Officer of the UK Sports Council

Sir Rodney Walker

Chairman of the UK Sport Council

Handwritten signature of Richard Callicott in cursive script, with a horizontal line underneath.Handwritten signature of Sir Rodney Walker in cursive script, with a horizontal line underneath.

STATEMENT OF THE COUNCIL AND CHIEF EXECUTIVE'S RESPONSIBILITIES.

The Royal Charter requires UK Sport to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of UK Sport's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts UK Sport is required to:

- observe the accounts direction issued by the Secretary of State for Culture, Media and Sport, 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 have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Council will continue in operation.
- ensure that expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive of UK Sport as the Accounting Officer for UK Sport. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting" (HMSO).

Richard Callicott

Chief Executive and Accounting Officer of the UK Sports Council



Sir Rodney Walker

Chairman of the UK Sport Council



Statement on Internal Control

Accounting Officer's responsibilities

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives, set by the departments Ministers, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The Council through the Audit Committee also have responsibility for maintaining a sound system of internal control.

There is no separation or difference between the mechanisms by which I, together with my senior management team assure myself from those that the Council uses to assure itself that the system of internal controls is working effectively.

I am working in close collaboration with the Council and the Committees of the Council of UK Sport to achieve full compliance with the recommendations of the Turnbull Committee on Internal Control.

I acknowledge my separate Accounting Officer responsibilities to Parliament, in particular responsibility for taking action should the Chairman or the Council contemplate a course of action involving a transaction which I consider would infringe the requirements of regularity or propriety or which does not represent efficient or effective administration. I acknowledge that under the terms of the UK Sport Financial Directions neither the Chairman nor the Council is permitted to give me instructions, which conflict with my duty as Accounting Officer.

Commitment to Corporate Governance

The UK Sport Council is committed to achieving high standards in corporate governance throughout the organisation and to integrity and high ethical standards in all its dealings. Our approach is informed by:

- DAO (GEN) 13/00 HM Treasury's corporate governance requirements for central government
- Internal Control: Guidance for Directors on the Combined Code (the "Turnbull report")

Internal Control

The system of internal control is designed to meet the needs of UK Sport and the risks to which it is exposed and to manage rather than eliminate the risk of failure to meet its objectives. In pursuing these objectives internal controls can only provide reasonable and not absolute assurance against material mis-statement, error, losses, fraud or breaches of law or regulation

Council

The Chair of the Audit Committee reports the outcome of the Audit Committee meetings to the Council and the Council receive minutes of all of these meetings

Audit Committee

The Audit Committee of the Council is comprised of Non-Executive Council Members:

- Reviews with management the audit plan for the next year, using risk based prioritisation
- Receives and reviews the UK Sport register of strategic risks on a regular basis
- Considers reports from management and both internal and external audit on the system of internal control and any material control weaknesses
- Discusses with management the actions taken on problem areas identified by Council Members, Audit Committee Members and both external and internal audit reports

The Audit Committee is currently seeking to strengthen its non – executive membership both to expand the size of the committee and to ensure that it obtains an appropriate mix of professional skills

UK Sports review of the system of internal control is informed by the work of internal auditors and Executive Directors who have the responsibility for the development and maintenance of the internal control framework. It is also informed by comments made by the external auditors in their management letter and by other reports.

Before producing my statement the Council through the Audit Committee has reviewed letters of assurance from internal auditors Deloitte and Touche, confirming compliance throughout the period with a number of key internal control elements namely:

- Commitment to the philosophy of maintaining good corporate governance practices and an effective system of internal control
- Confirmation that the processes that they are responsible for are operating effectively across UK Sport
- The actual processes used to identify, assess and manage risk and confirmation that remedial action has been taken on any weaknesses identified during the period
- Any instances of fraud, malpractice or significant losses have been reported. Employees are aware of their responsibilities in respect of propriety and regularity and that any known breaches have been rectified
- There is a business continuity plan in place
- Any other issues that impact upon internal control are reported

Before producing my statement the Council through the Audit Committee has also reviewed:

- The audit plan covering the scope of work and resourcing of internal audit

- Internal Audit's annual assurance statement which shows that the overall level of assurance achieved in the internal audit programme undertaken by Deloitte Touche for 2001/02 was 73%. This was a significant increase over the previous year (67%). In all cases satisfactory management responses were provided for all internal audit recommendations. Out of eleven areas audited the level of assurance in eight areas was substantial or full, in the remaining areas specific actions have been agreed

There is a regular process for identifying, assessing and managing the strategic risks of the organisation. This has been in place throughout the period under review and up to the date of approval of the annual report and accounts.

Management

The system of internal control is based upon a framework of corporate policies, regular management information, financial regulations, administrative processes and accountability. In addition to processes described above the other key controls in the system include:

- An annual business planning process
- An appropriate organisational structure to support key business processes
- Regular review by the Executive Directors of the register of strategic risks and the adequacy and effectiveness of controls to mitigate/manage these risks
- Compliance with all current health and safety legislation. This includes ongoing risk assessments throughout the organisation
- Relevant processes have been implemented and are monitored to ensure UK Sport recruits, develops and retains the appropriate calibre staff to support the delivery of our business plan. These include a job evaluation mechanism, competency based appraisals and performance related pay. A staff "quality of work life" survey was carried out in April 2002. Processes are in place to ensure that all relevant employment legislation is incorporated within our staff policies.
- A three year Funding Agreement agreed with the Department of Culture, Media and Sport (DCMS), with performance against key targets reviewed annually internally and with the DCMS
- Compliance with the DCMS Finance Directions and Accounts Directions
- A detailed budgeting process with an annual budget approved by me as Chief Executive and Accounting Officer and the Council and regular financial management reports, which indicate spending against budget, together with a regular forecasting process.
- Systems for the assessment and control of grant applications ensuring that all applications receive sufficient and consistent processing in line with policy and financial directions of the Secretary of State by the UK Sport Awards Panel and the Major Events Support Group.
- A fraud policy and response plan have been approved by the Audit Committee and implemented.

- The anti-doping process itself is a system of risk management to protect investment and participation in sport. Any mismanagement of this process would damage the reputation of UK Sport as well as the governing bodies that are UK Sport's partners. Our anti-doping processes have been certified under ISO 9002:1994 for the management of drug testing programme for human sport. (6 monthly audits by BSI under our ISO certification of our anti-doping processes)
- An agreed national anti-doping policy setting out publicly accountable standards for UK Sport and its partner organisations has been in place since January 2002 to demonstrate compliance, assess risks and implement plans for continuous improvement of policies and practices to achieve drug free sport.

The following further initiatives are planned for 2002/03

- We have completed a "gap analysis" to identify actions required to achieve compliance with BS7799 (The British Standard - Information Technology: Code of Practice for Information Security Management) and will be identifying the necessary action to achieve compliance
- We have implemented and are currently updating a database to aid the monitoring and reporting of risks and controls
- We are in the process of developing Major Events strategies with each individual sport, a significant number of these will be completed during 2002/03.

Richard Callicott

Accounting Officer for UK Sport.

A handwritten signature in cursive script that reads "Richard Callicott". The signature is written in black ink and is positioned above a horizontal line.

The Certificate of the Comptroller and Auditor General to the United Kingdom Sports Council

I certify that I have audited the financial statements on pages 15 to 31 which have been prepared under the historic cost convention and the accounting policies set out on pages 18 to 19.

Respective responsibilities of the Council, the Chief Executive and Auditors

As described on page 9 the United Kingdom Sports Council and the Chief Executive of the Council, as the Accounting Officer, are responsible for the preparation of financial statements and for ensuring the regularity of financial transactions. The Chief Executive and the Council are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view, and are properly prepared in accordance with the directions made by the Secretary of State for Culture, Media and Sport, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report, if in my opinion, the Foreword is not consistent with the financial statements, if the Council has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 10-13 reflects the Council's compliance with the Treasury's guidance 'Corporate Governance: statement on the system on internal control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the United Kingdom Sports Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the United Kingdom Sports Council at 31 March 2002 and of its surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the directions made by the Secretary of State for Culture, Media and Sport; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General
..... 2002

National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

Income & Expenditure Account

Continuing Activities	Note	2001/02 £, 000	2000/01 £, 000
INCOME			
Grant in Aid	2	16,381	12,452
Other Operating Income	3	1,509	2,597
Transfer from Deferred Grant Account	13	<u>254</u>	<u>152</u>
		18,144	15,201
EXPENDITURE			
Staff Costs	4.1	(3,129)	(2,236)
Grants and Other Operating Costs	5	(14,302)	(12,793)
Notional Interest on Capital Employed		<u>(39)</u>	<u>(35)</u>
		(17,470)	(15,064)
OPERATING SURPLUS	6	674	137
Interest Receivable	7	<u>55</u>	<u>36</u>
SURPLUS BEFORE TAXATION		729	173
Taxation	8	<u>(10)</u>	<u>(6)</u>
		719	167
Reversal of Notional Interest on Capital Employed		<u>39</u>	<u>35</u>
SURPLUS FOR PERIOD		758	202
Retained Surplus brought forward		<u>217</u>	<u>15</u>
Retained Surplus carried forward	15	<u><u>975</u></u>	<u><u>217</u></u>

There are no discontinued activities.

All gains and losses are recognised in the Income and Expenditure account

The notes on pages 18 to 31 form an integral part of these accounts

Balance Sheet as at 31 March 2002

	Note	2001/02 £, 000	2000/01 £, 000
Fixed Assets			
Tangible Assets	9	575	437
Current Assets			
Stock	10	25	14
Debtors	11	1,080	1,242
Cash at bank and in hand		<u>867</u>	<u>348</u>
		1,972	1,604
Creditors			
Amounts falling due within one year	12	<u>(839)</u>	<u>(1,225)</u>
Net Current Assets		1,133	379
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,708</u>	<u>816</u>
Accrued and Deferred Income			
Deferred grant account	13	(575)	(437)
Provision for dilapidation and unexpired lease	14	(158)	(162)
TOTAL ASSETS LESS ALL LIABILITIES		<u><u>975</u></u>	<u><u>217</u></u>
Capital and General Funds			
Revenue Reserves	15	<u><u>975</u></u>	<u><u>217</u></u>

Richard Callicott
Chief Executive and Accounting Officer of the UK
Sports Council

Sir Rodney Walker
Chairman of the UK Sport Council

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THE NOTES ON PAGES 18 TO 31 FORM AN INTEGRAL PART OF THESE ACCOUNTS

Cash Flow Statement

	Note	2001/02 £, 000	2000/01 £, 000
OPERATING ACTIVITIES			
Revenue Grant-in-Aid received		16,381	12,452
Other receipts		1,671	1,662
Payments		<u>(17,589)</u>	<u>(14,060)</u>
Net cash inflow from operating activities	16	463	54
RETURNS ON INVESTMENTS			
Interest received		55	36
Income from sale of Fixed Assets		<u>7</u>	<u>19</u>
Net cash inflow from returns on investment		62	55
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(392)	(298)
Taxation		<u>(6)</u>	<u>(9)</u>
		(398)	(307)
Net cash inflow/(outflow) before financing		127	(198)
FINANCING			
Grant-in-Aid applied towards purchase of fixed assets		392	298
Increase in cash		<u>519</u>	<u>100</u>

1.0 ACCOUNTING POLICIES

1.1 Accounting Convention

The accounts have been prepared under the modified historical cost basis. Whilst the accounts direction requires the inclusion of fixed assets at their value to the business by reference to current costs, the Council believes that for 2001-2002 modified historic costs are not materially different to the historic costs shown in the balance sheet. Without limiting the information given, the accounts meet the requirements of the Companies Act 1985, the Accounting Standards issued or adopted by the Accounting Standards Board and HM Treasury guidance on accounts of Non-Departmental Public Bodies in so far as those requirements are appropriate.

1.2 Basis of Preparation

These accounts have been prepared in accordance with the accounts direction issued by the Secretary of State for Culture Media and Sport, with the approval of the Treasury, in accordance with Article 14 of the Royal Charter on 26 March 2002. A copy of that direction may be obtained from the United Kingdom Sports Council at 40 Bernard Street, London, WC1N 1ST.

1.3 Grants Received

Government Grant-in-Aid received of a revenue nature is credited to the income and expenditure account in the year in which it is received.

Grant-in-Aid relating to capital expenditure is credited to a deferred government grant account and is released to revenue over the expected useful lives of the assets it has been used to purchase.

1.4 Fees for Consultancy Services

Income includes revenue received in respect of services for doping tests stated exclusive of VAT and similar taxes.

1.5 Tangible Fixed Assets

There are no freehold land and buildings.

The direction issued by the Department of National Heritage (now Department for Culture Media and Sport) on 9th July 1997 requires fixed assets to be included in the accounts at their value to the business by reference to current costs where this is materially different to their value under the historical cost convention. The assets of UK Sport are computers, computer software and other office equipment together with equipment used for sampling drug tests and they have not been revalued. UK Sport considers that there is no material difference between their values by reference to current cost convention.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

EAD Testing Equipment	5 years
Computer equipment and software	3 years
Office refurbishment	7 years

1.6 Research and Development

Research and Development costs are written off as incurred and not carried forward as an asset.

1.7 Grants and Loans Awarded

Grants payable are charged to the Income and Expenditure Account on the basis of actual payments made. UK Sport may give financial assistance by way of grants and loans to any person or organisation in furtherance of the objectives of the Council. There are no amounts owing to the Council as at 31st March 2002.

1.8 Pension Costs

Contributions to UK Sport's pension schemes are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with UK Sport.

1.9 Leases and Operating Licences

Rentals paid under operating licences are expended in the year to which the charge relates. A 15 year lease was signed for the new office premises as 40 Bernard Street with Bloomsbury Property Investment Limited at an annual lease of £441,300 with effect from 15 December, 1999 reviewed every five years. The first nine months of the lease were rent-free, all lease payments are expended in the year to which they relate.

1.10 Charges to and from the UK Sport

The United Kingdom Sports Council is required to apportion between its Grant-in-Aid and National Lottery distribution activities the costs of services provided from its Grant-in-Aid budget that are directly and demonstrably used on UK Sport Lottery Fund functions and vice versa. The costs so apportioned to the National Lottery distribution activities are paid from the UK Sport Lottery Fund to the Grant-in-Aid account. The apportionment of the costs has been determined in the manner most appropriate to the particular service, for example staff numbers, staff time or floor space. In all cases the charges to the National Lottery distribution activity have been calculated on a full cost recovery basis in accordance with H. M. Treasury's "Fees and Charges Guide".

1.11 Investment

There are no fixed asset or trade investments. Bank interest is included in the Income and Expenditure Account.

1.12 Stocks

Stocks are valued at the lower of cost, or net current replacement cost if materially different, and net realisable value.

1.13 Value Added Tax

UK Sport is registered for VAT being involved in business and non-business activities for VAT purposes. UK Sport has agreed a methodology with HM Customs and Excise, which results in tax recovery rates of 23.5% for the business activity of Dope testing, and 12.22% for supporting activities. Income generated from Dope testing activities is subject to VAT at the standard rate, as appropriate.

1.14 Notional Costs

Notional interest on capital is calculated on the basis of 6% of average net assets.

2. Grant in Aid

	2001/02 £, 000	2000/01 £, 000
Received from the Department for Culture Media and Sport (Class XI RFR 1):	16,773	12,750
Applied towards Purchase of Tangible Fixed Assets (Note 9)	<u>(392)</u>	<u>(298)</u>
Total Grant-in –Aid applied towards Revenue Expenditure	<u><u>16,381</u></u>	<u><u>12,452</u></u>

Grant in Aid approved for the year increased by £4.85 million to £17.6 million made up of £1 million for the Modernisation of Governing Bodies Project and £3.85 million for the running of the UKSI Central Services Team.

The modernisation of Governing Bodies Project is a three-year programme, starting this year with £3 million additional funding expected in each of the next two financial years. As this is the first year of this major project, extensive planning has meant that only £173k of the £1 million approved for the year was drawn-down, the balance of £827k is carried forward into the next financial year under the End Year Flexibility rules.

3. Other Operating Income

	2001/02 £, 000	2000/01 £, 000
Home Country Lottery Funds	-	1,604
Sales of Publications	1	9
Doping Control Receipts	564	447
Other	944	537
	<u>1,509</u>	<u>2,597</u>

4.0 Staffing and Management

4.1 Staff costs

	2001/02 £, 000	2000/01 £, 000
Wages and Salaries	2,553	1,827
Temporary and Agency Staff	36	114
Social Security Costs	217	161
Other Pension Costs	323	134
Aggregate Staff Costs	<u><u>3,129</u></u>	<u><u>2,236</u></u>

4.2 The average number of staff during the period was made up as follows:

Function:	2001/02	2000/01
Corporate Services	26	21
Performance Development	15	7
UKSI - Central Services	23	30
International Relation and Major Events	8	8
Anti Doping	12	13
	84	79

4.3 Salary and pension entitlements of most senior members of UK Sport

	Age	Salary, including performance pay (£k) 31/03/02	Salary, including performance pay (£k) 31/03/01	Real increase in pension at 60 (£k) 31/03/02	Real increase in pension at 60 (£k) 31/03/01	Total Accrued pension at 60 at 31/03/02 (£k)	Total Accrued pension at 60 at 31/03/01 (£k)
Richard Callicott CEO	55	85-90	75-80	0 – 2.5	0 – 2.5	0 – 5	0 – 5
Neil Shearer Director	46	65-70	50-55	0 – 2.5	0 – 2.5	0 – 5	0 – 5
Roger Moreland Director	44	65-70	50-55	0 – 2.5	0 – 2.5	5 – 10	5 – 10
Liz Nicholl Director	49	65-70	50-55	0 – 2.5	0 – 2.5	0 – 5	0 – 5
John Scott Director	50	65-70	50-55	0 – 2.5	0 – 2.5	15 - 20	15 - 20
Michele Verroken Director	47	50-55	45-50	0 – 2.5	0 – 2.5	5 - 10	5 - 10

A proportion of the pension and remunerations above are charged to the lottery accounts in accordance with agreed apportionment formula as noted in accounting policy note 1.10 above.

The current Chief Executive of UK Sport, Richard Callicott was appointed on 23 August 1999, his remuneration for the year to 31 March 2002 was £85,590 (2000/2001 £83,264) including employer's pension contributions. He is a member of London Pension Fund Authority Superannuation Scheme, to which UK Sport pays a contribution equivalent to 8.5% of salary.

4.4 Chairman

Sir Rodney Walker was appointed as Chairman of UK Sport on 6 July 1998. The appointment has been extended from 3 to 5 years ending on 5 July 2003 and carries a non-pensionable salary of £37,805 (2000/2001 £36,704) in return for working on average, 3 days per week.

4.5 Members remuneration

UK Sport pays members remuneration of £185 per day (2000/2001-£180 per day) for attendance at meetings (£92.5 for half day meetings (2000/2001-£90) changes to the old rate took effect from April 2001. Members cannot receive more than 12 payments a year; these amounted to £12,548 (2000/2001-£12,770) during the year as follows:

Council meetings:	£ 2001/02	£ 2000/01
Alastair Dempster	910	-
Des Wilson	1,350	-
Gareth Davies	370	270
Diana King	1,105	2,160
Adrian Metcalf	2,215	2,788
Zahara Hyde Peters	740	900
Craig Reddie	1,110	1,077
Sarah Springman	640	900
Gavin Stewart	1,913	1,260
Mary Neville	-	900
Myra Nimmo	370	720
Tanni Grey-Thompson	900	540
Eric Saunders	925	715
Judy Simpson	-	540
	<u>12,548</u>	<u>12,770</u>

5. Grants and Other Operating Costs

	2001/02 £, 000	2000/01 £, 000
NATIONAL SUPPORT		
Sports Bodies	4,860	4,770
Sports Services	1,127	1,135
United Kingdom Sports Institute	2,013	834
Support to National Centres	1,550	1,550
Communications	162	186
International Representation	986	908
Anti Doping	1,507	1,380
Other Expenses	56	61
	<u>12,261</u>	<u>10,824</u>
FINANCE AND MANAGEMENT SERVICES		
HQ office costs	1,285	1,233
Other Expenses	756	736
	<u>2,041</u>	<u>1,969</u>
	<u>14,302</u>	<u>12,793</u>

6. Operating Result

	2001/02 £, 000	2000/01 £, 000
This is stated after charging:		
Travel, subsistence and hospitality:		
Chairman, members	25	19
Employees	240	281
Costs of Consultants and Seconddees	492	585
Operating Licences on Offices	27	130
Lease – 40 Bernard Street	560	228
Depreciation	249	135
NAO Remuneration as auditors	18	16

7. Investment Income

	2001/02 £, 000	2000/01 £, 000
Overnight and short term investment of bank balances	55	36

Interest rates vary from day to day and averaged approximately 3.7% (2000/2001-4.6%) per annum between 1 April 2001 and 31 March 2002

8. Taxation

	2001/02 £, 000	2000/01 £, 000
Corporation Tax payable on interest received	10	6

The UKSC pays corporation tax at 20% on its investment income after deducting charges.

9. Tangible Fixed Assets	Leasehold Improvements £, 000	IT Equip. £, 000	Office Equip. £, 000	Motor Vehicles £, 000	Doping Equip. £, 000	Total £, 000
Cost						
At 1 April 2001	361	258	11	7	78	715
Additions	-	364	28	-	-	392
Disposals	-	(13)	-	(7)	-	(20)
At 31 March 2002	361	609	39	-	78	1,087
Depreciation						
At 1 April 2001	52	131	11	7	78	279
Charge for the year	52	188	9	-	-	249
Depreciation on Disposal	-	(9)	-	(7)	-	(16)
At 31 March 2002	104	310	20	-	78	512
Net book value						
At 31 March 2002	257	299	19	-	-	575
At 1 April 2001	309	128	-	-	-	437

10. Stocks

These comprise special stationery and dope testing kit in the Anti-Doping department.

11. Debtors

	2001/02 £, 000	2000/01 £, 000
As at 31 March		
Trade Debtors	335	290
Other Debtors	50	31
Prepayments and Accrued Income	695	921
All amounts falling due within one year	1,080	1,242

12. Creditors

	2001/02 £, 000	2000/01 £, 000
As at 31 March		
Trade Creditors	271	1,015
Corporation Tax	10	6
Other Taxation and Social Security	77	21
Accruals and Deferred Income	481	183
All amounts falling due within one year	839	1,225

13. Deferred Grant Account

	2001/02 £, 000	2000/01 £, 000
Opening Balance	437	291
Cost of Tangible Fixed Assets funded by Grant-in-Aid	392	298
Net transferred to Income and Expenditure Account for the year	(254)	(152)
Balance at 31 March	<u>575</u>	<u>437</u>

14. Provision for dilapidation and rent

	2001/02 £, 000	2000/01 £, 000
Dilapidation for 40 Bernard Street Office	58	23
Unexpired lease at Walkden House	-	79
Dilapidation for Walkden House	100	60
Provision as at 31 March	<u>158</u>	<u>162</u>

15. Revenue Reserves

	2001/02 £, 000	2000/01 £, 000
Income and Expenditure Account		
Opening Balance	217	15
Surplus for the period	758	202
Balance at 31 March	<u>975</u>	<u>217</u>

16. Reconciliation of Operating Surplus to Net Cash Outflow from Operating Activities

	2001/02 £, 000	2000/01 £, 000
Operating Activities		
Operating Surplus	674	137
Depreciation of Tangible Fixed Assets	249	135
Gain on Disposal Fixed Assets	(6)	(5)
Transfer from Deferred Grant Account	(254)	(152)
Movement in Stock	(11)	5
Notional Interest on Capital Employed	39	35
Decrease/ (Increase) in Debtors	162	(916)
(Decrease) /Increase in Creditors	(386)	707
(Decrease) /Increase in provision for dilapidation and rent	(4)	105
Net cash inflow from operating activities	<u>463</u>	<u>54</u>

17. Reconciliation of Net Cash flow to Movement in Net Funds

	2001/02 £, 000	2000/01 £, 000
Increase to Cash in Period	519	100
Movement in Liquid Resources	(151)	911
Changes in Net Funds	<u>368</u>	<u>1,011</u>
Net Funds at start of Period	<u>1,604</u>	<u>593</u>
Net Funds at end of Period	<u>1,972</u>	<u>1,604</u>

18. Analysis of Changes in Cash and Cash Equivalents during the Year

	2001/02 £, 000	2000/01 £, 000
Opening cash balance	348	248
Cash inflow	<u>519</u>	<u>100</u>
Cash balance as at 31 March	<u>867</u>	<u>348</u>

19. Financial Instruments

FRS13 - Derivatives and other financial instruments, require disclosure of the role, which financial instruments have played during the period, in creating or changing the risks the UK Sport faces in undertaking its role.

Liquidity Risks

In 2001-02, £16.38 million (91.28 %) of the UK Sports Council's income derived from Grant in Aid from the Department for Culture Media and Sport. The remaining balance of £1.56 million (8.72%) derived from other operating activities. The Members are satisfied that they have sufficient liquid resources, in the form of their Cash of £0.867 million to cover all amounts due within one year. The Members are satisfied that UKSC Fund is not exposed to significant liquidity risks.

Interest Rate Risks

Cash balances, which are drawn down as grant in aid to pay grant commitments and operating costs, are held in a Treasury Deposit Account, which on average carried an interest rate of 3.68 % in the year. The year-end cash balances held by the UKSC in the bank was £0.867 million.

Foreign Currency Risk

The Fund is not exposed to any foreign exchange risks.

19. Superannuation Scheme

The majority of staff of the UKSC (Exchequer and Lottery) are members of the London Pension Fund Authority (LPFA) Superannuation Scheme. The UKSC is one of several employers whose staff participate in the scheme, and data given in this note refers to the whole scheme and to the identified UK Sport portion of it.

The pension is the defined benefit type and is funded by employees and employers at actuarially determined rates.

Employer's contribution in the year amounted to £188,138 or 8.5% of pensionable pay (2000/2001 £124,709 or 8.5%) and a one-off payment of £150,000. The one-off payment enables increased contributions for 2002/2003 and 2003/04 to be at pegged at 12.5%, reverting to the full increased rate of 16.2% thereafter.

The scheme is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation was carried out as at 31 March 2001, and published in January 2002. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date.

Under the Financial Reporting Standards 17 (FRS17) issued by the Accounting Standards Board, the transitional arrangements requires that the following information, which have been prepared for us by Hymans Robertson (the Consulting Actuaries to the LPFA) for this purpose, be disclosed in these accounts with respect to the scheme:

Balance Sheet disclosure as at 31 March 2002¹

Assets of the Whole Fund

	Long term return % per annum	Fund Value at 31 March 2002 £'000	Expected return per annum £'000
Equities	7.5%	1,341,061	100,580
Bonds	5.5%	1,328,926	73,091
Property	6.0%	-	-
Cash	4.0%	105,917	4,237
		<u>2,775,904</u>	<u>177,907</u>

Net Pension assets for UK Sport	31 March 2002 £' 000
Estimated Assets	2,517
Present Value of scheme Liabilities ²	(3,609)
Present Value of Unfunded Liabilities ³	<u>(0)</u>
Total Value of Liabilities	(3,609)
Net Pension Assets/(liabilities)	<u>(1,092)</u>

Assumptions	31 March 2002 % per annum
Price increases	2.8%
Salary increases	4.3%
Pension increases	2.8%
Discount rate	6.4%

¹ In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31 March 2002, Hymans Robertson have rolled forward the actuarial value of the liabilities reported as at 31 March 2001, allowing for changes in financial assumptions as prescribed under FRS 17. In addition, they have also considered the effect of contributions paid into, and estimated benefits paid from, the Fund by United Kingdom Sports Council and its employees.

² Hymans Robertson estimate that this liability comprises of approximately £2,725,000, £884,000 and £0 in respect of employee members, deferred pensioners and pensioners respectively. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain types of employer. However, they are satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

³It is assumed that all unfunded pensions are payable for the remainder of the member's life. On death of the member, any spouse will receive a pension equal to 50% of the member's pension as at the time of death of the member.

Note that these figures exclude the capitalised cost of any early retirements or augmentations, which may occur during 2002/03.

20. Annual Commitments - Leases and Operating Licences

	2001/02 £, 000	2000/01 £, 000
Land and buildings		
Licences and service charges - expiring within 2 and 5 years	-	40
Leases and service charges		
40 Bernard Street – expiring after at least 5 years	644	644

The land and buildings operating licences allocated to UKSC are granted under leases held by the Sports Council Trust Company a subsidiary of Sport England. The annual commitments under these licences are treated as commitments of UKSC. The last of these licences expired in November 2001 when the property was handed back to the Sports Council Trust Company.

21. Grant Commitments

On the undertaking that funds are to be provided by the Department of Culture Media and Sport, the UKSC, at 31 March 2002, had entered into commitments to pay grants to governing bodies in respect of their approved programmes in the following years:

	2001/02 £, 000	2000/01 £, 000
2001/02	-	4,143
2002/03	4,743	624
2003/04	100	185
2004/05	-	120
	4,843	5,072

Of this total grant commitment, £3.2m (2000/2001 - £2.7m) relate to Olympic Sports Bodies, £0.662 million are for modernisation of governing bodies. At year end we were awaiting acceptance of another £1.6 million worth of grant offers which are not included in the figures above.

22. Contingent Liabilities

As at 31 March 2002 the UKSC had no contingent liabilities.

23. Related Party Transactions

The United Kingdom Sports Council is a Non-Departmental Government Body sponsored by the Department for Culture, Media and Sport.

The Department for Culture, Media and Sport is regarded as a related party. During the period of 1 April 2001 to 31 March 2002 the United Kingdom Sports Council has had various material transactions with the Department and with the sports councils for the home countries for which the Department for Culture, Media and Sport is regarded as the sponsoring Department.

None of the Board members, key managerial staff or other related parties has undertaken any material transactions with the United Kingdom Sports Council during the year.

As a matter of policy and procedure, Council members, Award Panel members and staff maintain publicly available registers of interests and declare any direct interests in grant applications made to UK Sport and any commercial relationships of the Council. If any member has an interest in an application, they exclude themselves from the relevant grant appraisal discussion and decision process within the Council.

The following transactions are considered to be disclosable Related Party Transactions:

UKAP DISCLOSABLE RELATED PARTY TRANSACTIONS – EXCHEQUER AWARDS 2001/02

Panel Date	Council Date	Award	Organisation	UKS Panel / Council Member	Relationship
23 April 01	8 May 01	£20,000	UK Competitors	Gavin Stewart	Related Organisation
25 June 01	9 July 01	£55,750	British Curling Association	Anne Marie Harrison	Related Organisation
20 July 01	10 Sept 01	£30,000	British Gliding Association	Diana King	Member
20 July 01	10 Sept 01	£170,000	ASFGB	Ian Mason	Member
22 Oct 01	12 Nov 01	£112,500	UK Athletics	Tanni Grey-Thompson Zahara Hyde-Peters	Member Employee
10 Dec 01	14 Jan 02	£122,600	Amateur Rowing Association	Gavin Stewart	Member
21 Jan 02	11 Mar 02	£450,000	UK Athletics	Tanni Grey-Thompson Zahara Hyde-Peters	Member Employee
21 Jan 02	11 Mar 02	£361,000	Royal Yachting Association	Rod Carr	Employee

UKAP DISCLOSABLE RELATED PARTY TRANSACTIONS – MODERNISATION AWARDS 2001/02

Panel Date	Council Date	Award	Organisation	UKS Panel / Council Member	Relationship
20 July 01	10 Sept 01	£25,000	British Triathlon Association	Sarah Springman	Member
20 July 01	10 Sept 01	£75,000	UK Athletics	Tanni Grey-Thompson Zahara Hyde- Peters	Member Employee
24 Sept 01	12 Nov 01	£200,000	ASFGB	Ian Mason Chris Holmes	Member Member
21 Jan 02	11 Mar 02	£85,000	Royal Yachting Association	Rod Carr	Employee