

# ANNUAL REPORT 2007-2008

The United Kingdom Sports Council Grant-in-Aid and Lottery Distribution Fund Report and Accounts for the Year Ended 31 March 2008



Presented pursuant to the National Lottery etc.  
Act 1993 (as amended by the National Lottery Act 1998),  
sections 14(3) and 35(5), and section 88 of the Scotland Act 1998.  
Ordered by the House of Commons to be printed: 10th July 2008

HC770 SG/2008/113 NIA 197/07-08



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## Foreword



With the 2008 Olympic and Paralympic Games in Beijing about to take place and the Olympiad leading to the 2012 London Games due to start, the United Kingdom Sports Council can look back on a significant year of achievement across all of its areas of responsibility. This Annual Report reviews the organisation's business activities and progress against the key performance indicators underpinning its Funding Agreement with DCMS.

The development in UK Sport's responsibilities is reflected in these accounts both in terms of increasing financial turnover and also in numbers of accounting entities. Thus the grant-in-aid group accounts this year consolidate British Performance Basketball Limited and International Development through Sport for the first time, in addition to English Institute of Sport. In line with statutory requirements, this Annual Report includes separate sets of annual accounts for UK Sport's Grant-in-aid and National Lottery funding, with a further separate explanation of the organisation's financial performance.

*Chris Holmes*

**Chris Holmes**  
Chair of Audit Committee  
UK Sport

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## UK Sport – at a glance

### LEGISLATIVE BACKGROUND

UK Sport (the United Kingdom Sports Council) was established by Royal Charter on 19 September 1996 and became fully operational on 1 January 1997.

### FUNDING

UK Sport is responsible for managing and distributing public investment and is a statutory distributor of funds raised by the National Lottery.

In 2007-2008, UK Sport received £67.4m of Exchequer funds which were used to support sports bodies, manage the UK's anti-doping programme, support British representatives on international sports federations, and develop mutually beneficial relationships globally through partnerships with other countries as well as covering staffing and running costs. National Lottery income for the same period was £49.5m, representing 22.8% of the National Lottery Sports Funds, and 3.8% of all National Lottery proceeds to good causes. These funds were used to support its World Class Performance and World Class Events Programmes.

### MISSION

UK Sport's stated mission is "To work in partnership to lead sport in the UK to World Class success". This is delivered via the primary goal of 'World Class Performance' and the supporting goals of 'Worldwide Impact' and 'World Class Standards'. Further detail on these can be found in the Strategy section.

### VALUES

#### Commitment to Excellence

- Appetite for continuous improvement
- Meet the highest standards in the way the organisation works with others to produce a World Class system that delivers the best possible results.

#### Integrity and Openness

- Work in a way that ensures all internal and external stakeholders can fully understand who and what UK Sport does, have confidence in the fact that it is done well and can trust that it is done for the right reasons
- Be fully accountable for actions and able to demonstrate quality of work.

#### Working Together

- Work by encouraging a collaborative approach that values diverse contributions to the achievement of common goals
- Achieve primary objectives through effective working relationships internally and externally.

# Operating Environment

UK Sport's activities continued to be strongly influenced by the impact of London 2012.

## ADDITIONAL GOVERNMENT FUNDING FOR LONDON 2012

In March 2006, the Government announced an additional £200m of Exchequer funding for high performance sport through to 2012, to be added to the £60m per year (on average) already invested through existing channels, for Olympic and Paralympic success. A further £100m is being sought through private investment to meet the £300m commitment made by Government to 2012 success.

In April 2006 UK Sport announced additional funding awards to sports' national governing bodies as a result of the Government allocating more public money to athlete preparations for London 2012. Consequently, UK Sport now has a funding relationship with 24 of the 26 Olympic sports (excepting tennis and football) and all Paralympic sports. Initial awards saw an increased investment for the remainder of the Beijing cycle of £65.3m, of which £58.8m was earmarked for Summer Olympic sports and £6.5m for Summer Paralympic sports. Performances at the Beijing Olympic and Paralympic Games and the future potential of each sport will be used to inform funding allocation to each sport for the London Olympiad. To reflect the additional funding and associated responsibility and expectations, UK Sport has established Mission 2012 to help ensure public accountability for the effective use of these funds. More details on this can be found below.

## NATIONAL LOTTERY FUNDING

At the Lottery Monitor Conference in June 2006, Tessa Jowell announced that the percentage share of National Lottery income allocated to sport was to remain unchanged and would stay fixed until 2019. Following the transfer of high performance sport responsibilities from Sport England to UK Sport in April 2006, UK Sport now distributes 3.8% of the total funding allocated to the Lottery good causes and 22.8% of the total sport allocation. Although overall Lottery sales have remained buoyant, the value of that share of National Lottery Distribution Fund (NLDF) proceeds has been affected by Olympic Lottery sales in 2007-8. Most recently the National Lottery Commission has projected increased future income as a result of the opportunities in the Third Licence, to be operated by Camelot from April 2009.

## MISSION 2012

With ambitious and stretching goals being in place for the London Olympic Games in 2012, UK Sport has developed a new way of measuring progress and eliminating potential obstacles to delivering against each sport's possible performance. Called Mission 2012, it aims to help sports identify the issues and challenges lying between them and the achievement of their respective performance ambitions and find ways of dealing with them quickly and effectively.

Mission 2012 is not just about the sports – it represents a cultural move away from the traditional relationship between UK Sport and the national governing bodies. Whilst it encourages sports to take the initiative in identifying either areas of excellent practice or the issues of concern, it seeks to bring additional expertise to bear in finding creative solutions to problems.

To ensure objectivity and expert opinion on each sport, UK Sport has formed dedicated Mission 2012 Panels for Olympic and Paralympic sports that will assess the information available. Members include John Steele, Liz Nicholl and Peter Keen from UK Sport, together with Steve Cram, Sir Clive Woodward and Rod Carr on the Olympic Panel and Tanni Grey-Thompson, Sue Wolstenholme and Chris Holmes on the Paralympic Panel.

UK Sport will track each sport's progress quarterly until London 2012 to ensure that nothing falls off the radar and that solutions are found to all identified problems.

## PROGRAMME SUPPORT

Alongside the development of Mission 2012, UK Sport has also introduced the concept of Elite Training Centres, a network of high performance centres that will allow every sport the opportunity to develop its athletes in a dedicated environment. It has also continued to review and create positive change within the UK system with comprehensive reviews of SS/SM delivery and Paralympic investment in partnership with the English Institute of Sport and British Paralympic Association.

## TALENT ID

UK Sport, in partnership with the English Institute of Sport (EIS) has undertaken a number of special Talent ID initiatives and projects in order to help ensure Great Britain achieves its aspirational goal of fourth in the London 2012 Olympics.

A number of campaigns which were launched towards the end of 2006/07 came to fruition over 2007/08. Most notable amongst these was Sporting Giants which sought to unearth talented 'tall' athletes for rowing, handball and volleyball. A public appeal attracted applications from almost 4,000 aspiring Olympians. It took around two months to assess all the applications before plans for testing could be developed in detail. By May 2007, Handball assessments were ready to get underway, with Rowing joining the fray in July and Volleyball in September. Over 50 applicants have since successfully joined Olympic development programmes.

## WORLD CLASS EVENTS PROGRAMME

UK Sport's World Class Events Programme (WCEP) co-ordinates the UK's effort to bid for and stage World and European level championships on home soil and it invests an average of £3.3m of National Lottery money each year in supporting strategically important events. This figure is more than double the £1.6m that was invested in the Programme prior to the 2005 announcement that London had been awarded the rights to host the 2012 Olympic and Paralympic Games. The extra funding has enabled the UK to accelerate the WCEP to maximise the impact of London 2012 – 38 events were supported in the period 2001-2006, whilst 21 were supported in the financial year 2007-2008 alone, including the Grand Depart of the Tour de France and World Cups in Judo, Modern Pentathlon and Archery and the Paralympic World Cup. Fifteen events are scheduled so far for support in 2008, including World Championships in Track Cycling, Short Course Swimming, Cross Country and Squash.

## INTERNATIONAL INSPIRATION

International Inspiration is a project which aims to deliver on the 'Singapore Vision' – the promise made by the London 2012 bid team to 'reach young people all around the world and connect them to the inspirational power of the Games so they are inspired to choose sport.'

The Programme, which was announced by the Prime Minister in India in January 2008, is the responsibility of DCMS as part of the Olympic and Paralympic Games Programme. It is being run through UK Sport as lead agency, bringing together partners with international expertise in the fields of sport, development and education such as: UNICEF UK, British Council, Foreign and Commonwealth Office, Department for International Development, the British Olympic Foundation and LOCOG. It has also been boosted by financial support from the Premier League.

The Programme has been designed to transform the lives of millions of children and young people in schools and communities from disadvantaged communities through the power of sport – not only delivering the ambitions promised in Singapore, but also setting the foundations for a true international legacy from the London 2012 Olympic and Paralympic Games. Work is currently taking place in the five Phase 1 countries of Azerbaijan, Brazil, India, Palau and Zambia.

Further announcements on how the programme will develop beyond Phase 1 will be made over the course of 2008-09.

## MODERNISED NATIONAL ANTI-DOPING ORGANISATION (NADO)

Over the past 18 months the global fight against doping in sport has changed. There has been an increased realisation that the growing sophistication of cheating athletes and those behind the scenes manufacturing, trafficking and supplying prohibited substances and methods, means that testing is no longer enough if we are to be serious about tackling the issue.

In this new paradigm it is recognised that a world leading National Anti-Doping Organisation (NADO) needs the ability to attack the 'upstream' supply and availability of drugs in order to secure the credibility and value of sport for future generations.

With this in mind, in July 2007 UK Sport established a Working Group to carry out a strategic and operational review of the NADO function which currently sits within UK Sport. This review was conducted over a six-month period and in December 2007 its recommendations for a new, modernised NADO outside of UK Sport were presented to the UK Sport Board. This recommendation was endorsed by the Board and agreed in principle by the Minister for Sport.

Since then a Business Case has been developed for the Minister detailing exactly what is required, focusing specifically on the increased powers necessary to allow the NADO to operate effectively and ensure the UK maintains its position at the forefront of anti-doping well in advance of London 2012.

# Strategy & Structure

## CORPORATE THEMES

UK Sport will use the platform of London 2012 to accelerate the quality and impact of everything we do, using the following corporate themes:

- Building a team of agile, open-minded, high-calibre people, hungry to lead, learn, evolve and excel;
- Driving the development of effective and innovative business processes to support and simplify our activities; and
- Promoting the UK Sport brand to win and maintain the respect, trust and engagement of everyone with whom we interact.

These Corporate Themes are the high level objectives that team and individual objectives will reflect and relate to for the coming year.

UK Sport will focus on delivering the goals below:

### The Goal World Class Performance

- Supporting athletes to success in World Class events
- Developing skilled people to support UK World Class athletes
- Driving the development of a World Class high performance sport system for the UK.

### Supported by: Worldwide Impact

- Establishing the UK as an authoritative and leading player in world sport
- Developing an international development assistance programme in and through sport
- Developing a sport focused strategy for staging major international events across the UK.

### World Class Standards

- Leading a World Class anti-doping programme for the UK
- Working with athletes and others to promote the highest standards of conduct in sport.

## STRUCTURE

### CEO: John Steele

John Steele took up the post of Chief Executive at UK Sport on 1 July 2005 and leads the directors' team that oversees approximately 100 staff in five directorates.

Director of Elite Sport:  
Director of Drug-Free Sport and International Director:  
Director of Business Support:  
Director of Policy and Communications:

**Liz Nicholl OBE**  
**John Scott**  
**David Cole**  
**Tim Hollingsworth**

## BOARD & GOVERNANCE

UK Sport's Board meets every two months to provide strategic direction to the organisation, as well as considering and making decisions on those recommendations put forward by UK Sport's various panels. Sue Campbell was initially appointed as Reform Chair of UK Sport in September 2003 for an 18-month term and was confirmed as UK Sport's Chair for a further four-year term in March 2005.

Board members are appointed for a fixed term of three years and may be reappointed thereafter as determined by the Secretary of State for Culture, Media and Sport. Representatives (usually the Chair) of the Home Country Sports Councils automatically sit on UK Sport's Board.

Panels, each chaired by a Board member, include other individuals of relevant expertise and experience who advise and make recommendations as appropriate. The minutes of UK Sport's Board meetings are made available on the UK Sport website.

Board members during 2007-8 were as follows:

Name	Position	Start date	Term duration
Sue Campbell	Chair	Mar 05	4 yrs
Ian Beattie	Member (Interim Chair sportscotland)	Mar 08	
Nick Bitel	Member	Nov 02	3 yrs – extended to 13/11/08
Julia Bracewell OBE	Member (Chair sportscotland)	Jul 05	Term ended Jan 08
Philip Carling	Member (Chair Sports Council for Wales)	Feb 04	3 yrs – reappointed 01/02/07
Rod Carr OBE	Member	Sept 05	3 yrs
Chris Holmes MBE	Member	Sept 05	3 yrs
Derek Mapp	Member (Chair Sport England)	Oct 06	Term ended Dec 07
Louise Martin CBE	Member	Nov 02	3 yrs – extended to 13/11/08
Ged Roddy	Member (Vice Chair Sport England)	Mar 08	
Professor Eric Saunders OBE	Member (Chair Sports Council for Northern Ireland)	Mar 00	Term ended Dec 07
Nigel Walker	Member	Jul 06	3 yrs
Dominic Walsh	Member (Acting Chair Sports Council for Northern Ireland)	Feb 08	

## STAKEHOLDERS AND PARTNERS

UK Sport works with a large number of partners to lead sport in the UK to World Class success. Stakeholder and partner bodies include the DCMS, National Governing Bodies, the Home Country Sports Institutes and Councils, the British Olympic Association, the British Paralympic Association, the British Athletes Commission, Sportscoach UK and the Sports Resolution UK. International partners include the World Anti-Doping Agency.

## NO COMPROMISE

Supporting the creation of more British Champions able to compete and win on the world stage, whilst maintaining the highest ethical standards, is at the heart of UK Sport's mission. The wider goal is to unlock potential and to exploit and mobilise the full power of sport both nationally and internationally. UK Sport operates using the principle of 'No Compromise' in all areas of its work and when faced with big challenges, UK Sport is prepared to make tough decisions.

## THE SUPPORT SYSTEM – THE WORLD CLASS PERFORMANCE PROGRAMME

The new World Class Performance Programme, incorporating responsibilities formerly the responsibility of Sport England, was introduced in April 2006.

On 31 March 2008, 1,466 athletes were funded through the Programme - which essentially offers three levels of Pathway support to high performance Olympic and Paralympic athletes:

### World Class Podium

The programme supports sports with realistic medal capabilities at the next Olympic/Paralympic Games. Athlete places are distributed to a sport based on a combination of the sport's:

- Results at the last Games
- Competitive track record
- Projected medal capability in the future
- Demonstrated ability to constantly produce athletes through the Pathway

Support is provided through a performance programme with the governing body and an athlete personal award.

### World Class Development

This programme sits immediately beneath the Podium Programme and comprises of sports that have demonstrated that they have athletes with realistic medal winning capabilities for 2012. Olympic athletes at this level are typically six years away from the podium, whereas this timeframe may be considerably shortened for Paralympic athletes.

Sports not yet funded at Podium Programme level but where there is performance evidence that they have the potential to medal in the next Olympic/Paralympic cycle are eligible for consideration for funding at World Class Development level. In the period to the home Games in 2012, additionally and exceptionally, World Class Development also embraces those sports with realistic capabilities to be competitive in 2012 but where medal achievement is unlikely.

### World Class Talent

This programme is designed to support the identification and confirmation of athletes who have the potential to progress through the World Class Pathway with the help of targeted investment. Funding provided through the programme will allow sports to identify the athletes with all the right attributes to ensure they can go on to compete effectively on the world stage. In addition, this programme will look to raise the level of sophistication by which sports approach the identification of new athletes and examine ways in which talent, where appropriate, can be transferred across sports. Olympic athletes will be a maximum of eight years away from the podium, but again could be much less for Paralympic athletes.



# Managing Delivery

## A BRIEF DESCRIPTION OF THE OPERATIONS OF THE FIVE DIRECTORATES IS OUTLINED BELOW

### Performance

The Performance Directorate is concerned with UK Sport's primary goal of supporting World Class Performance; providing strategic direction and support for the high performance pathway and ensuring that the two funding streams currently managed by the organisation – Lottery and Exchequer – are delivered to sports in the most effective way. Alongside the money that goes directly to the sports through the World Class Performance Program, the Performance Directorate is designed to lead and develop areas which have been identified as having an influential impact on an athlete's performance; Coaching, Performance Lifestyle, Research and Innovation and Sports Medicine and Sports Science.

### International

The International Directorate houses three core areas of work. The Events team work with national governing bodies to develop sport-focused strategies for the staging of major events across the UK and provide specialist technical support, with a significant amount of National Lottery funding being distributed each year through the World Class Events Programme to support events bidding and staging costs. To maintain and advance the UK's influence in the international sporting arena, the International Influence team provide financial support and assistance to NGBs, and direct the UK's strategy to increase influence overseas. The main aspect of the Directorate's International Development work is International Inspiration. Work is currently taking place in five pilot countries and aims to deliver on the 'Singapore Vision' – the promise made by the London 2012 bid team to 'reach young people all around the world and connect them to the inspirational power of the Games so they are inspired to choose sport.'

### Drug-Free Sport

As the country's national anti-doping organisation, UK Sport is responsible for the implementation and management of the UK's anti-doping policy, ensuring compliance with the World Anti-Doping Code. As part of this, UK Sport co-ordinates the UK's testing programme, which in the past year saw more than 7,000 tests carried out across almost 50 sports. The results of the testing programme are published quarterly and made available on this website. In addition, UK Sport provides British athletes and their support personnel with a number of services and resources to help them make the right decisions about what substances they can and cannot use, most notably through its renowned 100% ME athlete education programme.

### Business Support

The Business Support Directorate provides essential support and advice to the organisation in the areas of human resources, finance, information technology, facilities, legal and planning/risk management. Following a period of review, the directorate was restructured to better support the operational requirements of the business. Highlights of the year have been the impactful delivery of UK Sport's culture change programme "Winning Together"; the recruitment and induction of 30 new staff into the organisation; the implementation of a new finance system; the relocation of the entire IT server infrastructure to a fully secure external data centre; the establishment of in-house legal services provision and the delivery of the first three phases to reconfigure the office to meet current and future requirements.

### Policy and Communications

The organisation's ongoing communications programme is focused on creating knowledge and understanding of and commitment to UK Sport's purpose, goals and programmes. Key messages have been developed in each area of work and a variety of tools are used to deliver these, including publications, the website, the weekly email newsletter, branding and events. Furthermore, the policy unit underpins the work of UK Sport by ensuring all policies and procedures meet the standards required of a government agency and Lottery distributor and carries out regular pieces of research to inform and guide work and provide the evidence base for our activity.

### OFFICE AND IT FACILITIES

UK Sport's 15,000 square feet (1369 m2) facility at 40 Bernard Street, opposite Russell Square Underground station, is leased at a competitive rate until 2015. To work this space as hard as possible, it is shared with staff from two partner organisations, the British Paralympic Association (BPA) and the English Institute of Sport (EIS). As a result the number of staff accommodated in this modern, friendly and largely open-plan working environment has been increased from 96 to 110.

### CUSTOMER SERVICES CHARTER

Through its values of Commitment to Excellence, Integrity and Openness, and Working Together, UK Sport is committed to adherence to the service standards which are embedded in how UK Sport works with its customers and stakeholders.

## POLICY ON LOTTERY ADDITIONALITY

Together with the other UK and England Lottery distributors, UK Sport has adopted the following definition:

"Lottery funding is distinct from Government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements Government and other programmes, policies and funding."

UK Sport has regard to the principles of additionality and this definition when progressing its investment strategies and programmes. Where appropriate, Lottery funding complements investment strategies such as the World Class Performance Programmes which are geared to achieving long term Olympic and Paralympic success. The World Class Events Programme and funding of Athletes Personal Awards are solely Lottery Funded. These are prime examples of Lottery funded programmes that are not provided as a statutory responsibility or funded by Government but add real value to the UK's sporting aspirations and legacy for London 2012.

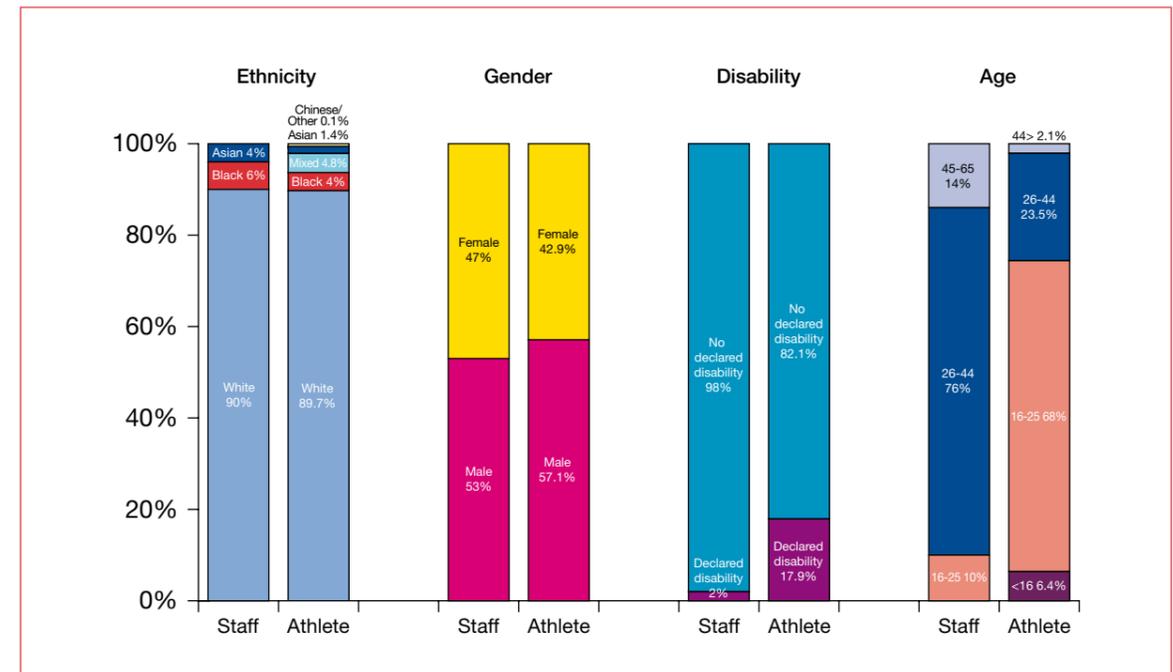
## STAFF AND FUNDED ATHLETE PROFILE

UK Sport is committed to developing positive policies to promote equal employment opportunities and ensure that staff are not discriminated against on the grounds of gender, disability, race, sexual orientation, religious belief or age. Employees are involved in decisions which affect their welfare. UK Sport's Equality Framework for 2007-2009 sets out the commitment of UK Sport to become a World Class organisation by working towards equality in all its functions, whilst embracing the spirit of equality legislation and eradicating any form of unfair discrimination. It highlights the proactive approach of UK Sport in this area and provides a high level framework of the organisation's aspirations in terms of equality.

Similarly, athletes are selected for Pathway funding by their sport's national governing body, based primarily on Olympic and Paralympic Games medal-winning potential. Monitoring is carried out to better understand athletes' needs to improve the services provided to them. All athletes funded directly or via sports are encouraged to return UK Sport's Equality Monitoring Form. Although doing so is optional and return was just 53%, this information enables ethnicity, age profile, gender and declared disabilities of funded athletes to be monitored.

At 31 March 2008, the race, age, gender and disability profile of UK Sport's 101 staff and 1,466 funded athletes was as below. Ethnicity, disability and age information for funded athletes is based on the 778 equal opportunities monitoring forms returned; this is also used to monitor the proportion of athletes with dependent children under the age of 16, which is currently 5%.

## UK SPORT STAFF AND FUNDED ATHLETE PROFILING



**DATA SAFEGUARDS**

UK Sport has suffered no protected personal data incidents during 2007-8 or prior years, and has made no reports to the Information Commissioner's office.

**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. During 2007/08, 92% (2006/07 91%) of invoices were paid on time.

**AUDITING**

UK Sport is required to have its Exchequer accounts audited by a body approved by the Secretary of State, and appointed the Comptroller and Auditor General in January 1997. It is also required to have its National Lottery accounts audited by the Comptroller and Auditor General who is responsible for laying the accounts before both Houses of Parliament at Westminster and before the Scottish Parliament. Audit fees have been agreed at £33,450 and £26,200 respectively for each set of accounts (£27,500 and £26,200 in 2006/07).

**REMUNERATION REPORT**

**Directors' Remuneration**

Directors' recruitment, remuneration and employment terms and conditions are overseen by the Remuneration Panel, which comprises of Sue Campbell, Louise Martin and Phil Carling. Remuneration of the CEO and any higher earners is also subject to DCMS approval. Remuneration policy is to follow recommendations of the Senior Salaries Review Body. The remuneration package comprises these elements:

**Salaries** - are consistent with public sector standards while being competitive in the market. Salary bands are determined by job evaluation based on job factor analysis, internal relativities and external market indicators.

**Performance Related Pay** - depends on the outcome of annual performance review of objectives and competencies, and on still being in post at 1st July. In 2007/08 the maximum performance related pay available was 20% of basic salary for the CEO and 15% for other Directors. These payments are not pensionable.

**Pension arrangements** - Directors are members of the Local Government Pension Scheme (LGPS), a tax-approved defined benefit occupational pension scheme set up under the Superannuation Act 1972. Benefits are based on final salary and duration of membership. Members accrued pension entitlement in the year at a rate of 1/80 of final Pensionable Salary, up to half of final pensionable salary. Death in service cover is two years pay plus spouse's pension of half of the member's pension and pensions for eligible children. At 31/03/08, all Directors, but not the Chair, were members of LGPS.

**Directors Contracts** - Directors are on permanent employment contracts and are required to give three months notice. Should their posts become redundant they are entitled to a redundancy package which provides a top-up from statutory entitlement to actual pay.

**Other Benefits** include a healthy lifestyle allowance and considerate leave entitlement.

**Emoluments** of the Chair and Directors, including performance-related pay but excluding pension arrangements, for the year ending 31/03/08 were as follows:

Audited information £,000		2007/08	2006/07
<b>S Campbell</b>	Chair	35-40	35-40
<b>J Steele</b>	CEO	135-140	120-125
<b>L Nicholl</b>	Director	100-105	105-110
<b>J Scott</b>	Director	95-100	100-105
<b>T Hollingsworth *</b>	Director	90-95	90-95
<b>N Shearer **</b>	Director	60-65	80-85
<b>D Cole ***</b>	Director	50-55	

\* Tim Hollingsworth 2006/07 emoluments include payments made for additional responsibilities undertaken during the period.

\*\* Neil Shearer's emoluments do not reflect a full year, since he left UK Sport during 2007/08.

\*\*\* David Cole's emoluments do not reflect a full year's remuneration, since he joined UK Sport in July 2007.

**Pension entitlement**

Audited information £,000	Real pension increase	Real lump sum increase	Value of accrued pension	Value of accrued lump sum	CETV at 31/03/07	CETV at 31/03/08	Real increase in CETV
<b>J Steele</b>	2	5	4	12	27	46	10
<b>L Nicholl</b>	1	3	26	79	430	465	13
<b>J Scott</b>	1	3	33	100	546	583	11
<b>T Hollingsworth</b>	1	3	7	21	68	82	6
<b>D Cole</b>	4	11	4	11	-	33	29

Accrued pensions represent amounts payable if a Director leaves at the stated date. Cash-Equivalent Transfer Values (CETV) are not payable directly to Directors but represent the potential liability if a Director should leave the scheme and wish to transfer accrued benefits to another scheme. These are based on assumptions certified by a qualified actuary in accordance with guidance note GN11, published by the Institute of Actuaries and Faculty of Actuaries, and don't take account of any reduction in benefits arising from Lifetime Allowance Tax that may be due when pension benefits are drawn.

**Members' remuneration** - for attending meetings was £209 per day (2006/07: £208) and half that amount for half-day meetings, up to 36 days each year. Remuneration for Chris Holmes also includes that for attendance on the Mission 2012 Paralympic Panel. Members who have received remuneration are as follows:

Audited information (£)	2007/08	2006/07
<b>Nick Bitel</b>	1,462	1,872
<b>Phillip Carling</b>	3,448	2,704
<b>Louise Martin</b>	836	832
<b>Eric Saunders</b>	1,045	1,040
<b>Julia Bracewell</b>	1,986	1,664
<b>Rod Carr</b>	836	832
<b>Chris Holmes</b>	7,625	7,994
<b>Nigel Walker</b>	2,612	1,040
<b>Derek Mapp</b>	836	416
<b>Patrick Carter</b>	-	208
	<b>20,686</b>	<b>18,602</b>

# UK Sport's Performance

## KEY PERFORMANCE INDICATORS

UK Sport's key performance indicators are set out in its funding agreement with the DCMS. The tables below summarise the achievements of UK Sport against these performance targets. Further detail and additional highlights are outlined below each table.

## STRATEGIC OBJECTIVE – WORLD CLASS PERFORMANCE

Primary Activity	Deliverable	Performance Target 07/08	Actual Performance 07/08	
1. Support athletes to succeed in World Class events	i. The number of medals won by Olympic Pathway athletes in the agreed targeted event for each sport (the most significant for each sport in that year)	30	<b>45</b>	
	Number from World Class Podium Programme		<b>85</b>	
	Number from World Class Development Programme		<b>34</b>	
	Number from World Class Talent Programme		<b>0</b>	
	ii. The number of Olympic Pathway athletes finishing in the Top 8 at the agreed targeted event	56	<b>65</b>	
	Number of podium athletes contributing to Top 8		<b>85</b>	
	Number of Development athletes contributing to Top 8		<b>34</b>	
	Number of athletes not on the Pathway contributing to Top 8		<b>1</b>	
	iii. The number of medals won by Paralympic Pathway (including Fast Track Programme) athletes at the agreed targeted event for each sport (the most significant for each sport in that year)	43*	<b>53</b>	
	iv. The number of Paralympic Pathway athletes finishing in the Top 8 at the agreed targeted event	25*	<b>38</b>	
	v. The % of Olympic and Paralympic Development Programme Athletes moving onto the Olympic and Paralympic Podium Programme on an annual basis	No target set. 2007-8 outcome to be basis for future goals		<b>8%</b>
	vi. The % of athletes and NGBs who are satisfied with the quality and delivery of high-performance services to their sport, as measured by independent research (undertaken once during the Olympic/Paralympic cycle)	80%		<b>84% / 81%</b>

Notable performances in Olympic sport during 07/08 came from Archery (achieving maximum qualification for Beijing), Cycling (7 medals in Olympic disciplines on the Track at the World Championships) Equestrian (maximum qualification for Beijing achieved, and a seventh successive European Eventing title) Rowing (GB second in the medal table at the World Championships) and Sailing (maximum Beijing qualification achieved).

Notable performances in Paralympic sport during 07/08 included Cycling (GB topped medal table at World Championships with 13 golds) and Equestrian (13 medals at World Para dressage Championships, including 5 individual and 1 team gold).

The measure of this success is highlighted by the fact that in this pre-Olympic year, 42 medals have been won in World Championship competition by our Olympic sports, compared with just 29 in the year before Athens.

Primary Activity	Deliverable	Performance Target 07/08	Actual Performance 07/08
2. Develop skilled people to support UK world class athletes	i. The number of coaches supported and developed by the Elite Coach Programme (annual intake/rolling total)	10/37	<b>7/34</b>
	ii. The percentage of coaches supported by the Elite Coach Programme who secure post-Programme employment within the UK High Performance System (NGBs / Institutes)	80%	<b>88%</b>
	iii. The number of sports with coaches supported and developed by the Elite Coach Programme	15	<b>19</b>
	iv. The number of sports scientists and sports medics supported and developed by the SS/SM Fast Track Practitioner Programme (annual intake)	25 across 6 disciplines	<b>22 across 7 disciplines</b>
	v. The percentage of SS/SM practitioners supported by the SS/SM Fast Track Practitioner Programme who secure post-Programme employment within the UK High Performance System (NGBs and Institutes)	80%	<b>94%</b>

Athlete success has again this year been supported and underpinned by significant services provided by UK Sport. Our Research & Innovation programme has helped cutting edge technological advances across a number of sports, and was boosted in January by a five year deal with BAE Systems to provide £1.5m of engineering expertise to British Olympic and Paralympic sport. The Elite Coach Programme and World Class Coaching Conference enjoyed another successful year, as did UK Sport's Performance Lifestyle service, which now has a network of 45 advisors across the UK, and the SS/SM Fast Track Practitioners Programme, now in its fifth year.

Primary Activity	Deliverable	Performance Target 07/08	Actual Performance 07/08
3. Driving the development of a World Class high performance sport system for the UK – English Institute of Sport	i. Percentage of UKS and SE performance funded sports that have a service level agreement with EIS	100%	<b>97%</b>
	ii. The percentage of the above sports that agree that the EIS service delivery meets or exceeds expectation	80%	<b>96%</b>

In the past year UK Sport has introduced the concept of Elite Training Centres, a network of high performance centres that will allow every sport the opportunity to develop its athletes in a dedicated high performance environment. We have also continued to progress our role in driving system change with comprehensive reviews of SS/SM delivery and Paralympic investment in partnership with the EIS and BPA.

Primary Activity	Deliverable	Performance Target 07/08	Actual Performance 07/08
TASS & 2012 Scholarships	iii. Number of TASS and TASS 2012 scholarships awarded between 1 October and 30 September	1,100	<b>1,111</b>
	iv. Percentage of TASS and TASS 2012 scholars who are disabled athletes	10%	<b>7%</b>
	iv. The Percentage of TASS scholars transferring on to World Class Programmes in Olympic and Paralympic sports on an annual basis	10%	<b>18%</b>

TASS continues to help talented young sportspeople to develop in their sport and progress on to the World Class Pathway.

**STRATEGIC OBJECTIVE – WORLDWIDE IMPACT**

Primary Activity	Deliverable	Performance Target 07/08	Actual Performance 07/08
4. Establish the UK as an authoritative and leading player in world sport	i. The number of UK NGBs within the revised UK International Strategy Framework (April 2007) who have developed holistic International Influence Strategies, identifying how they will achieve agreed international aims and objectives.	20	<b>31</b>
	ii. The number of international partnership sport agreements with strategically important national or international bodies	15	<b>17</b>
5. Develop an international development assistance programme in and through sport	i. The number of International Development Assistance projects delivered in target countries	17	<b>15</b>
6. Develop a sport focused strategy for staging major international events across the UK	i. The percentage of strategically significant bids for major international sporting events secured for the UK	70%	<b>63%</b>
	ii. The number of performance focused major events strategies developed and agreed with the NGBs	17	<b>17</b>

A total of 21 international sports events bids were supported by UK Sport in 2007-2008, with 14 being successful, including the 2008 IRB Junior World Championships (Rugby), the 2010 Laser World Championships, the 2011 Trampoline, Tumbling and DMT World Championships and the 2011 Badminton World Championships.

UK Sport's World Class Events team works primarily with the UK's National Governing Bodies of Olympic and Paralympic sport to agree long-term strategic plans for bidding and staging events on home soil. These plans have been developed mindful of the impact of London 2012, but plans are also being established for post 2012.

The period 2007-2008 was another extremely successful year for UK Sport's National Lottery funded World Class Events Programme, with a record 21 World or European events staged including the 2008 World Track Cycling Championships, the 2008 IAAF World Cross Country Championships, the 2007 Tour de France Grand Depart and the 2007 FEI World Para Dressage Championships.

The past year saw major developments for UK Sport's International influence Strategy, including a refocusing of our International Leadership Programme. Currently 39 NGBs have submitted their strategies for increasing their international influence. In addition, UK Sport now has partnerships with 17 nations, including MoUs with Saudi Arabia, China, South Africa and Tanzania.

In addition to our existing international development programme, a major new project has been launched in the past year. In partnership with DCMS, UNICEF, British Council, LOCOG and others, UK Sport is the lead delivery agency for 'International Inspiration' – a project designed to deliver against the promises made by the London bid team in Singapore to "reach young people all around the world and connect them to the inspirational power of the Games so they are inspired to choose sport." Launched by the Prime Minister in India in January, the programme is currently in pilot phase in five countries (one from each of the continents signified by the Olympic rings). UK Sport is the lead partner for strategy, budgeting, operational planning, delivery and communications.

**STRATEGIC OBJECTIVE – WORLD CLASS STANDARDS**

Primary Activity	Deliverable	Performance Target 07/08	Actual Performance 07/08
7. Lead a world class anti-doping programme for the UK	i. The percentage of NGBs that have WAD Code compliant regulations and have signed the UK Sport NGB Agreement	100%	<b>100%</b>
	ii. The number of missions per testing year (April-March) undertaken to deter athletes through appropriate allocation of tests in accordance with international standards	7,500	<b>7,834</b>
	iii. The percentage of overall number of 'missions' allocated to out-of-competition	65%	<b>62%</b>
8. Work with athletes and others to promote the highest standards of conduct in sport	i. The percentage of sports in the anti-doping testing programme with an acknowledged education programme; offering advice and support to athletes regarding anti-doping	95%	<b>95%</b>
	ii. The percentage of sports on the anti-doping testing programme with at least one trained and accredited 100% ME tutor that is capable of delivering anti-doping workshops	100%	<b>95%</b>
	iii. The percentage of sports in the anti-doping testing programme with a minimum of one Ambassador to promote Drug-Free Sport through 100% ME programme	100%	<b>85%</b>

UK Sport has continued successfully to drive compliance to the World Anti-Doping Code amongst NGBs, and the process towards ensuring compliance with the new Code which comes into place on 1 January 2009 is already under way. The number of 'missions' undertaken exceeded target. This figures includes an increased level of blood testing and takes in over 40 sports. The majority of tests continue to be conducted at no-advance notice, out-of-competition as this is deemed to have most affect in terms of detection and deterrence.

Internationally, UK Sport has worked closed with WADA as part of the Working Group developing a new International Standard for Testing which will be adopted in 2009. It also contributed to every stage of consultation on the new Code, ensuring the interests of British sport were properly represented.

In terms of education, all sports on the Testing Programme have access to and utilise many aspects of the 100% ME programme including the use of Outreach events, Ambassadors, resource packs and online information services.

The number of tutors accredited has increased to 525, with training events occurring in London, Birmingham and Edinburgh. Of the total, 150 are able to work across all sports – this network can be accessed by all sports on the Testing Programme.

The number of Ambassadors now stands at 53. 40% of ambassadors are capable and willing to work across all sports and offer their input into Outreach events and education programmes where Ambassadors are not in place.

Another major advance in 2007/08 has been the development of the model for a new, modernised, stand-alone National Anti-Doping Agency. Following a six month review initiated by UK Sport, proposals were endorsed by the UK Sport Board and agreed in principle by the Minister for Sport. The initial Business Case has now been worked up and presented in April 08 for consideration.

**OTHER TARGETS – BUDGET MANAGEMENT**

Primary Activity	Deliverable	Performance Target 07/08	Actual Performance 07/08
9. Ensure UK Sport operates and allocates resources with maximum effectiveness, efficiency and accountability	i. Annual draw down will be within 1.5% of Budget or agreed revision	< 1.5%	<b>0%</b>
	ii. Corporate costs as a percentage of total expenditure (includes Lottery and Exchequer)	< 6.0%	<b>4.3%</b>
	iii. Lottery administration costs as a percentage of total Lottery income, including interest	< 6.0%	<b>4.5%</b>

UK Sport's operations are underpinned by a drive to ensure that the organisation itself is world class. Corporate costs were just 4.3% of total expenditure, and we remain committed to seeking to continue to drive down overhead costs.

**FINANCIAL PERFORMANCE**

Key headlines for UK Sport's 2007-8 financial performance are:

- Income rose by 9% to £117.7m, driven by Exchequer funding of the World Class Performance Programme
- Grant payments to NGBs, other partner organisations and athletes now represent 85% of expenditure
- The cost of running Drug-Free Sport, at £3.5m, was within last year's cost, absorbing the cost of setting up the National Anti-Doping Panel
- Efficient organisation, corporate costs amounted to £5.05m representing a reduction in real terms and down to just 4.3% of total spend
- Lottery administration costs caught up with the growth in Lottery awards in 2006-7, rising from £1.8m to £2.2m, but are still within 4.5% of Lottery proceeds.

In order to review UK Sport's financial performance for the year it is necessary to combine the Grant-in-aid and National Lottery accounts after restating them in a consistent format. In order to do that National Lottery accounts are here re-stated to show grant expenditure on an accrual basis, rather than as commitments as required by Lottery accounts directions. Lottery income for 2006-7 is shown net of the £5M balance transfer from Sport England. Grant-in-aid accounts are here re-stated to show funding from DCMS as income rather than as financing, as specified by the HM Treasury Financial Reporting Manual (FRM). For the purposes of this review associated companies which are consolidated in UK Sport's group grant-in-aid accounts (which now include British Performance Basketball Limited and International Development through Sport as well as the English Institute of Sport) are not included.



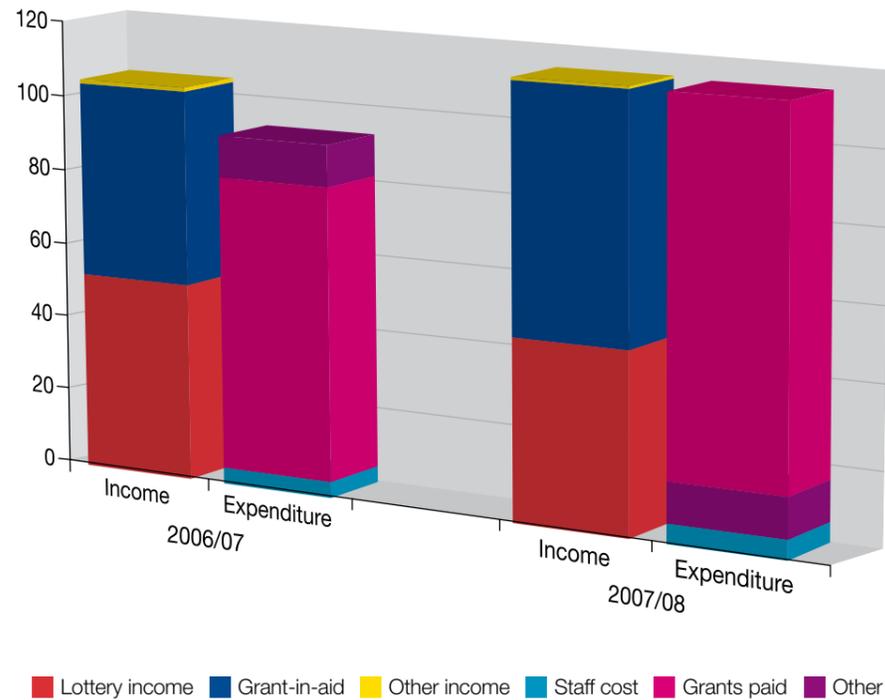
**Income**

The shape of UK Sport's income and expenditure is still in line with our Business Plan projection in last year's Annual Report. Thus UK Sport's turnover has continued to grow in 2007-8, driven by the World Class Performance Programme activity in the run-up to Beijing Olympics, which will be maintained through to the 2012 Games. As can be seen, Exchequer income has increased in line with the World Class Performance Programme requirements from £53.1m to £67.4m, including end-year-flexibility impact.

£ M	2007-8				2006-7			
	GIA	Lottery	Intra-gp	Total	GIA	Lottery	Intra-gp	Total
<b>INCOME &amp; EXPENDITURE</b>								
Grant-in-aid	67.38			67.38	53.10			53.10
NLDF		49.51		49.51		48.91		48.91
Other	1.85	0.04	-1.10	0.78	1.94		-0.82	1.12
<b>Total Income</b>	<b>69.23</b>	<b>49.55</b>	<b>-1.10</b>	<b>117.67</b>	<b>55.04</b>	<b>48.91</b>	<b>-0.82</b>	<b>103.13</b>
Staff	4.84	0.76		5.60	3.80	0.59		4.39
Non-staff	11.96	1.48	-1.10	12.34	10.91	1.26	-0.82	11.34
Grants	52.78	46.52		99.30	35.42	44.67		80.09
<b>Total Expenditure</b>	<b>69.58</b>	<b>48.75</b>	<b>-1.10</b>	<b>117.23</b>	<b>50.13</b>	<b>46.51</b>	<b>-0.82</b>	<b>95.82</b>
Interest / tax	0.17	0.09		0.24	0.12	0.05		0.14
<b>Surplus / Deficit</b>	<b>-0.18</b>	<b>0.88</b>		<b>0.68</b>	<b>5.03</b>	<b>2.45</b>		<b>7.45</b>
<b>BALANCE SHEET (Excerpt)</b>								
Fixed assets	0.59	0.02		0.61	0.41	0.03		0.44
NLDF balance		18.14		18.14		17.13		17.13
Debtors	5.08	0.05	-0.00	5.13	5.38	0.00		5.38
Cash	0.83	0.50		1.33	0.40	0.43		0.82
<b>Current assets</b>	<b>6.50</b>	<b>18.70</b>	<b>-0.00</b>	<b>25.20</b>	<b>6.18</b>	<b>17.60</b>	<b>0.00</b>	<b>23.78</b>
Accruals	-0.56	-0.33		-0.89	-0.39	-0.14		-0.53
Other creditors	-1.25	-0.08	0.00	-1.33	-1.13	-0.03		-1.16
<b>Net current liabilities</b>	<b>-1.81</b>	<b>-0.42</b>	<b>0.00</b>	<b>-2.22</b>	<b>-1.51</b>	<b>-0.17</b>	<b>0.00</b>	<b>-1.69</b>
Pension asset / liability	-0.53	-0.41		-0.94	-1.20	-0.48		-1.67
Dilapidation provision	-0.28			-0.28	-0.25			-0.25
<b>Total Assets less liabilities</b>	<b>3.88</b>	<b>17.88</b>	<b>0.00</b>	<b>21.76</b>	<b>3.23</b>	<b>16.95</b>	<b>0.00</b>	<b>20.18</b>
<b>NET CASH FLOW</b>	<b>0.43</b>	<b>0.07</b>		<b>0.50</b>	<b>0.30</b>	<b>0.22</b>		<b>0.52</b>

When the impact of the £2m one-off TASS transfer in 2006-7 is excluded, National Lottery income also rose - from £46.9m to £49.5m. However that is due to the change in interest methodology which favoured those organisations, like UK Sport, which maintain a low Lottery balance. Interest income rose from £0.6m to £3.7m. Thus proceeds from ticket sales actually declined from £46.3m to £45.7m which reflects the impact of Olympic Lottery sales on NLDF income. Nevertheless our Lottery balance rose slightly during the year, from £17.1m to £18.1m. This remains a very lean balance, equivalent to just four months Lottery expenditure and much lower as a proportion of Lottery proceeds than any other Lottery distributor, for which the norm is between 12-18 months.

**UK SPORT INCOME & EXPENDITURE DEVELOPMENT (£ M)**



Other sources of income to UK Sport were flat at £1.1m with higher interest income returns offset by lower numbers of drug test sales.

**Expenditure**

Staff costs for the year of £5.6m represented a 9.6% increase on 2006-7. This was primarily affected by increased staff numbers (average 97 full time equivalent – up from 87 in 2006-7), 3% pay increase and lower pension deficit contributions. The need to increase employee numbers was required to enable increased activity in all directorates including start-up staffing for the International Inspiration programme.

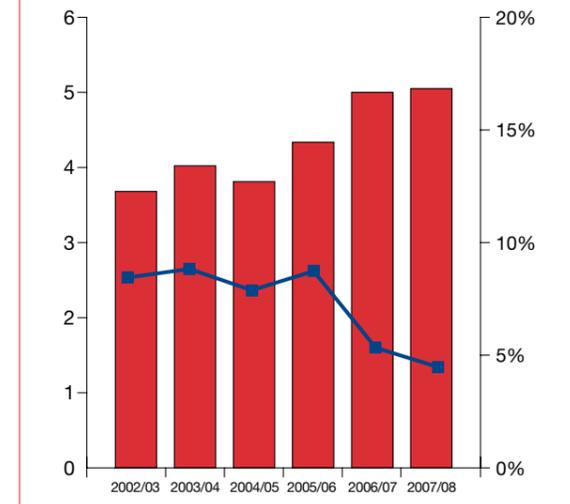
Non-staff costs also increased by 10%, driven by support to the World Class Performance Programme. The biggest single contributor to that increase was funding for athletes medical care which almost doubled to nearly £1.0m, partly in line with increased number of athletes receiving awards. There were also costs associated with start-up of the International Inspiration programme and to set-up the National Anti-Doping panel.

Due to the growth in grant funding and focus on keeping overheads as close as possible to flat, the proportion of grants paid relative to total expenditure has risen further and is now 85%.

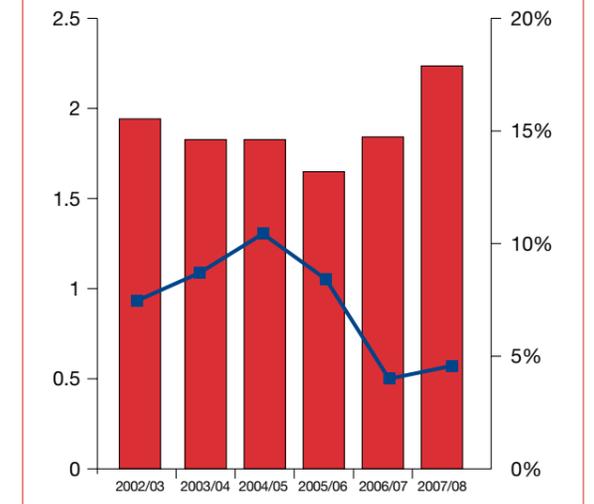
**Business efficiency**

Corporate costs (including salaries) increased slightly from £5.00m to £5.05m, so continued to reduce as a percentage of total spend to just 4.3%, down from 8.1% in 2005-6. This reflects UK Sport's continued focus on business efficiency illustrated by further investment in 2007-8 in IT infrastructure and financial management processes. Meanwhile our Lottery administration costs increased from £1.8m to £2.2m. This step increase was necessary to ensure adequate staffing to manage the increased numbers of athlete personal awards and grants to support world class events.

**CORPORATE COST - £M AND % TOTAL EXPENDITURE**



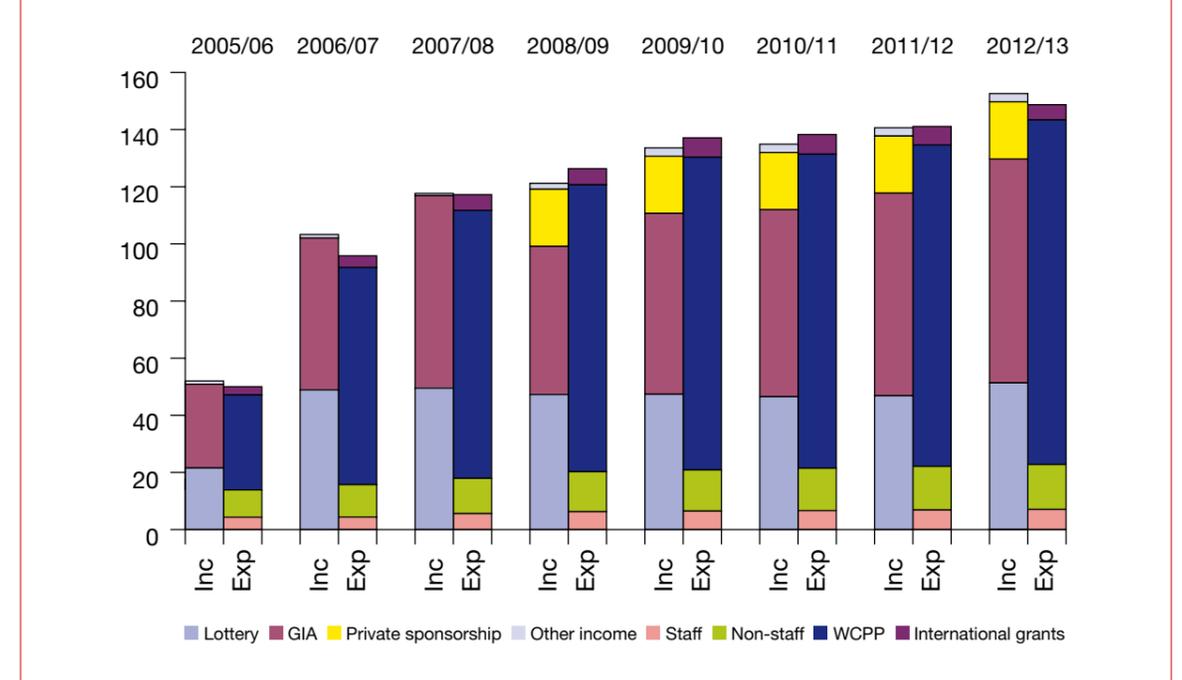
**LOTTERY COST - £M AND % LOTTERY EXPENDITURE**



**Business Plan**

UK Sport's Budget for 2008-9 was approved in the context of an updated projection of income and expenditure until 2012-13 - representing the whole Olympiad up to and including the London Games. When viewed in sequence as a bar chart with income and expenditure for each year shown side-by-side, the progression in UK Sport funding and activities can be viewed in perspective.

**UK SPORT FINANCIAL PROJECTION (£M)**



Within each Olympiad, costs of developing and preparing athletes rise each year of the programme and fall after the Games. The reliance on receiving the £100m private sponsorship as part of the £300m Government funding and on maintaining planned Lottery income to fund the programmes is also clearly seen.

# ANNUAL REPORT 2007-2008



The United Kingdom Sports Council  
Grant-in-Aid and The United Kingdom Sports Council Group  
Accounts for the Year Ended 31 March 2008

# Statement of the Board 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 give a true and fair view of the state of affairs of UK Sport and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular 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 as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Accounting Officer of the Department for Culture, Media and Sport has designated the Chief Executive of UK Sport as Accounting Officer for UK Sport. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding UK Sport's assets, are set out in "Managing Public Money" published by the Treasury.



**John Steele**  
Chief Executive and Accounting Officer  
United Kingdom Sports Council



25 June 2008



**Sue Campbell**  
Chair  
United Kingdom Sports Council



25 June 2008

# Statement on internal control

## SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of UK Sport's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in "Managing Public Money" together with ensuring compliance with the requirements of UK Sport's Management Statement and Financial Memorandum.

There is no separation or difference between the mechanisms by which I, as the Accounting Officer, together with the directors and senior managers, gain assurance, from those that the Board uses, to assure itself that the systems of internal control are working effectively.

As Accounting Officer I have separate responsibilities to Parliament, in particular responsibility for taking action should the Chair or the Board consider a course of action involving a transaction which will infringe the requirements of regulation or propriety or which does not represent efficient or effective administration. Where a decision might be taken against my advice as Accounting Officer, processes exist for this decision to be promoted in the first instance to the accounting officer of the sponsoring department. Ultimately the Secretary of State may indemnify me as Accounting Officer by the issuance of a "formal directive" to pursue a particular course of action if required.

## THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This system of internal control has been in place in UK Sport for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

## CAPACITY TO HANDLE RISK

The organisation has an Internal Control Policy that defines risk management processes. The system of internal control seeks to mitigate rather than eliminate all risk. It is also not possible to mitigate every risk. Thus whether risks are mitigated or accepted is considered in relation to the organisation's capacity both to influence them and to absorb their potential impact. The methodology used to evaluate risks in terms of likelihood and potential impact and visual presentation has been revised during 2007-8 to promote focus on the most significant risks facing the organisation.

## THE RISK AND CONTROL FRAMEWORK

The strategic risk heat map acts as the visual register for the most significant risks and assigns a lead director responsibility for each risk. By comparing the likelihood and potential impact of each risk against defined criteria it reduces subjectivity in how the degree of net risk to the organisation is evaluated. It is informed by review of risk registers at a directorate level and is reviewed monthly by the directors' team who assess actions to mitigate each risk and the adequacy and effectiveness of controls to manage them. This assessment of net exposure on a regular basis is used in reporting to the Department of Culture, Media and Sport (DCMS) Quarterly Meeting with UK Sport and to UK Sport Audit Committee and Board, through standing agenda items.

At the time of publication, the most significant (black) risks in terms of high net exposure are:

- UK Sport's financial reliance on DCMS responsibility to secure £100m of private sector sponsorship funding
- Potential risk of UK Sport's inability to meet cash flow requirements of Mission 2012 due to phasing of private investment
- Securing sufficient resource from Government to carry out the project to modernise the National Anti-Doping Organisation (NADO).

The next highest (red) risks in terms of net exposure include:

- Impact to business plan of declining lottery sales
- Resource to recruit/retain key staff
- Failure to secure required funding for Phase II of International Inspiration.

## REVIEW OF EFFECTIVENESS

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of this system is informed by the work of the internal auditors, the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system by the board and the Audit Committee. I believe that the systems are working effectively and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Further details of the mechanisms that are in place to assure the management of the system of internal control, and additional controls to that system, are as follows:

## THE BOARD AND THE AUDIT COMMITTEE OF UK SPORT

The UK Sport Board, supported by its Audit Committee, has responsibility for maintaining a sound system of internal control. The Chair of the Audit Committee reports the outcome of Audit Committee meetings to the Board verbally and through minutes of meetings. The Board also reviews the Internal Control report twice each year in line with the Policy on Internal Control, and where appropriate discusses key risks in more detail. Maintaining sufficient Board financial and governance expertise will continue to be taken into consideration in the selection of new members.

The Board reviews UK Sport financial results and latest quarterly forecast for current financial year income and expenditure, which are reviewed at each meeting, with analysis of all identified financial risks including National Lottery income projections. It approves the annual Budget prior to each financial year in the context of a projection of UK Sport income and expenditure for at least the subsequent four years. This longer term projection is reviewed by Board at least twice a year. In addition key financial risks are also reviewed, as appropriate, by the Audit Committee and Board. For example, during 2007-8 risk assessments of shortfalls in Lottery income and the £100m private finance for the period to 2012-3 have been considered.

The Audit Committee has already recently been strengthened by the appointment of two independent members with senior finance and governance experience from both the public and private sector. This is in addition to the three serving Board members on Audit Committee and attendance by the National Audit Office (NAO).

Its primary functions are to:

- Review with external and internal auditors, directors and management the audit strategies, the annual audit plans and risk register. Prioritisation of internal audit work is based upon level of risk as detailed in the strategic risk heat map;
- Consider reports from management and internal and external auditors on any material control weaknesses;
- Discuss with management the actions taken on problem areas identified by Board and Audit Committee Members and both external and internal audit reports; and
- Ensure the published financial statements are a true and fair reflection of UK Sport's financial position.

Training and guidance, including that issued by HM Treasury, is made available to members of Audit Committee. Much of this is maintained on UK Sport's extranet site.

## INTERNAL AUDIT

Internal Audit works to the agreed annual audit plan. It provides assurance reports to support the internal control process. Deloitte and Touche LLP provide assurance on internal control at UK Sport.

The Board, through the Audit Committee, has reviewed exception reports and the annual assurance statement provided by the internal auditors.

The annual assurance statement from Deloitte and Touche LLP shows the level of assurance achieved in the internal audit programme undertaken for 2007/08. Internal audit work was performed in accordance with Government Internal Audit Standards issued by HM Treasury.

Of the eight internal audit reports published in 2007-08, seven were given substantial assurance and one was given limited assurance. The Audit Committee reviewed all reports with emphasis on high risk areas and those receiving less than substantial assurance. In all cases, satisfactory management actions were agreed with UK Sport Audit Committee. One Level One issue has been raised from all audits carried out in 2007-8 – in reviewing IT Strategy, and relates to the need for the Board to formally review and approve the strategy to ensure that it supports business objectives.

In line with the increased scale and scope of activities managed by UK Sport, the internal audit plan for 2008-9 has been increased by 15 days work to 85 days. It is also planned that the programme will increasingly focus on assurance requirements ahead of final process design rather than just retrospective review of existing processes. An example is the review of security requirements carried out for the new finance system. A formal tender will be undertaken during 2008-9 for supply of internal audit to UK Sport for subsequent years.

## ASSURANCE OF GRANT FUNDING AWARDS MADE BY UK SPORT TO NATIONAL GOVERNING BODIES

The Investment Model which guides UK Sport's performance investment for the period 2006-2009 provides a transparent process for determining levels of funding to NGBs and athletes.

AHL Ltd is contracted jointly to UK Sport and to Sport England to carry out management audit and compliance checks of those NGBs in receipt of UK Sport funding. A total of 13 NGB or other UK Sport funded organisations and major event reviews were undertaken by AHL during the year.

The UK Sport management audit programme has focused on the areas of highest risk, the newly funded sports or sports which have received significantly increased funding and are subject to the 2012 funding triggers; sports on a limited assurance rating, or sports where there are perceived to be issues or concerns. 35 out of the 37 sports/other organisations have now been subject to an audit review at least once since 2002. Of these 20 have a "reasonable" assurance rating and 15 have a "limited" assurance rating. One body which had received no assurance during the 2006-7 programme has now moved to "limited" assurance whilst another body has regressed from "reasonable" to "limited" assurance, both of these bodies are now being closely monitored.

All bodies reviewed were considered fit to receive and manage public funding. There were no instances of fraud, malpractice or significant losses reported to UK Sport.



### ASSURANCE OF UK SPORT ANTI-DOPING PROCESSES

Specific procedures in place to assure drug-testing processes carried out by the Drug-Free Sport Directorate of UK Sport meet the requirements of the World Anti-Doping Code (WADC) comprise the following:

- All NGBs on the UK Sport testing programme are obliged to comply with the WADC through an NGB Anti-Doping Agreement. Their performance in fulfilling this is monitored by UK Sport staff through delivery of the NGBs testing programme
- ISO 9001 Certification for management, administration, education and conducting sampling for doping control testing is maintained and audited biannually by BSI
- The Scrutiny Panel, which was established to investigate any perceived conflicts of interest in management of the anti-doping programme by UK Sport, reports on its findings directly to the Chair
- The Anti-Doping Administration and Management System (ADAMS) which was developed by the World Anti-Doping Agency (WADA) as an integrated management system covering test planning, results management and athlete whereabouts has now replaced the Athletes Whereabouts System and Drug Testing Database, and improves information security and risk of inadvertent non-compliance with the WADC
- Doping Control Staff are continually assessed every two years by senior Doping Control Officers who have been trained to audit officer competence to comply with procedures.

### FREEDOM OF INFORMATION (FOI)

UK Sport receives up to 30 FOI enquiries per annum, and several requests under the Data Protection Act. In order to minimise the risk of not meeting its statutory responsibilities under the Acts, UK Sport has centralized the function of handling and responding to FOI enquiries, and dealing with any enquiries from the Information Commissioner. A core of expertise and experience has been established to maintain an effective and prompt response to FOI and data protection requests.

### SUBSIDIARY COMPANIES

UK Sport was given responsibility for the English Institute of Sport (EIS) in April 2006. Therefore the 2006-7 UK Sport Grant-in-aid group accounts incorporated EIS as a subsidiary company. Its accounts have been approved by the Board of EIS. A strategic review of the role of EIS is currently underway. It is also planned that a Board member of EIS will become a member of the UK Sport Audit Committee during 2008-9.

British Performance Basketball Limited (BPB) was established as a wholly-owned subsidiary company with Board members appointed by UK Sport in February 2007; its accounts have been approved the Board of BPB.

In addition UK Sport controls International Development through Sport (IDS), a charitable trust for which management is provided by UK Sport. Its' accounts have been approved by the Board of trustees of IDS.



**John Steele**  
Chief Executive and Accounting Officer  
United Kingdom Sports Council



25 June 2008

**Sue Campbell**  
Chair  
United Kingdom Sports Council



25 June 2008

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

I have audited the financial statements of the United Kingdom Sports Council for the year ended 31 March 2008 in accordance with the Royal Charter of the United Kingdom Sports Council. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## RESPECTIVE RESPONSIBILITIES OF THE UNITED KINGDOM SPORTS COUNCIL, CHIEF EXECUTIVE AND AUDITOR

The United Kingdom Sports Council and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with Article 14 of the Royal Charter of the United Kingdom Sports Council and directions made thereunder by the Secretary of State for Culture Media and Sport, with the consent of HM Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Board and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Article 14 of the Royal Charter of the United Kingdom Sports Council and directions made thereunder. I report to you if, in my opinion, the information which comprises the Operating Environment, Managing Delivery and UK Sport's Performance, included in the Annual Report, is consistent with the financial statements. I also report 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.

In addition, I report to you if the Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Council's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises UK Sport at a Glance and Strategy and Structure included within the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## BASIS OF AUDIT OPINION

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the 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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error 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 and the part of the Remuneration Report to be audited.

## OPINIONS

In my opinion:

- the financial statements give a true and fair view, in accordance with Article 14 of the Royal Charter of the United Kingdom Sports Council and directions made thereunder by the Secretary of State for Culture Media and Sport, with the consent of HM Treasury, of the state of Council's affairs as at 31 March 2008 and of its deficit, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Article 14 of the Royal Charter of the United Kingdom Sports Council and directions made thereunder; and
- information which comprises Operating Environment, Managing Delivery and UK Sport's Performance included within the Annual Report, is consistent with the financial statements.

## OPINION ON REGULARITY

In my opinion, 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.

## REPORT

I have no observations to make on these financial statements.

T J Burr  
Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London SW1W 9SS

30th June 2008



## Income and expenditure account for the year ended 31 March 2008

	Note	UK Sport		Group	
		2007/08	Re-stated* 2006/07	2007/08	Re-stated* 2006/07
		£,000	£,000	£,000	£,000
<b>Income</b>					
Lottery Grant Received	2.1	-	-	10,874	11,223
Other Operating Income	3	1,845	1,940	5,595	2,436
		<b>1,845</b>	<b>1,940</b>	<b>16,469</b>	<b>13,659</b>
<b>Expenditure</b>					
Staff Costs	4.1	4,836	3,801	13,828	10,774
Grants and Other Operating Costs	5	64,740	46,331	69,390	50,978
Notional Interest on Capital Employed		49	45	49	45
		<b>69,625</b>	<b>50,177</b>	<b>83,267</b>	<b>61,797</b>
<b>Net Expenditure Before Taxation and Interest</b>					
		<b>(67,780)</b>	<b>(48,237)</b>	<b>(66,798)</b>	<b>(48,138)</b>
<b>Net Return on Pension Assets</b>					
Net Return on Pension Assets	20	21	34	187	141
Interest Receivable	7	185	103	228	128
<b>Taxation</b>					
Taxation	8	(34)	(18)	(41)	(23)
<b>Reversal of Notional Interest on Capital Employed</b>					
		49	45	49	45
<b>Net Expenditure for the Period</b>					
		<b>(67,559)</b>	<b>(48,073)</b>	<b>(66,375)</b>	<b>(47,847)</b>

## Statement of recognised gains and losses

	Note	UK Sport		Group	
		2007/08	Re-stated* 2006/07	2007/08	Re-stated* 2006/07
		£,000	£,000	£,000	£,000
Pension Actuarial Gain/(Loss)	20	992	(1,374)	2,155	(1,084)
Recognised Gains and Losses relating to the year		<b>992</b>	<b>(1,374)</b>	<b>2,155</b>	<b>(1,084)</b>
Prior Year Adjustment		<b>3,892</b>	-	<b>4,175</b>	-
Gains and Losses since last Annual Report		<b>4,884</b>	<b>(1,374)</b>	<b>6,330</b>	<b>(1,084)</b>

The 2006-07 figures have been restated due to:

- the consolidation of the International Development through Sport (IDS) and British Performance Basketball (BPB) under merger accounting rules. Please see note 1.3; and
- grant payments made to National Governing Bodies relating to their 2007-08 award, that were recorded as expenditure in the UK Sport Council Income and Expenditure account. Please see note 1.4 for further details.

## Balance Sheet as at 31 March 2008

	Note	UK Sport		Group	
		2007/08	Re-stated* 2006/07	2007/08	Re-stated* 2006/07
		£,000	£,000	£,000	£,000
<b>Fixed Assets</b>					
Tangible Assets	9	591	412	2,172	1,659
<b>Current Assets</b>					
Debtors	10	5,079	5,376	5,290	5,653
Cash at bank and in hand		827	395	3,071	1,968
		<b>5,906</b>	<b>5,771</b>	<b>8,361</b>	<b>7,621</b>
<b>Current Liabilities</b>					
Amounts falling due within one year	11	(1,808)	(1,513)	(3,212)	(2,777)
Net Current Assets/(Liabilities)		4,098	4,258	5,149	4,844
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
		4,689	4,670	7,321	6,503
<b>Provision for dilapidation and un-expired lease</b>					
Provision for dilapidation and un-expired lease	12	(280)	(245)	(280)	(245)
<b>Pension (Liabilities)/Assets</b>					
Pension (Liabilities)/Assets	20	(534)	(1,195)	2019	(191)
<b>TOTAL ASSETS LESS ALL LIABILITIES</b>					
		<b>3,875</b>	<b>3,230</b>	<b>9,060</b>	<b>6,067</b>
<b>Represented by:</b>					
Pension Reserve	20	(534)	(1,195)	2019	(191)
Revenue Reserve	13	4,409	4,425	7,041	6,258
		<b>3,875</b>	<b>3,230</b>	<b>9,060</b>	<b>6,067</b>

The 2006-07 figures have been restated due to:

- the consolidation of the International Development through Sport (IDS) and British Performance Basketball (BPB) under merger accounting rules. Please see note 1.3; and
- grant payments made to National Governing Bodies relating to their 2007-08 award, that were recorded as expenditure in the UK Sport Council Income and Expenditure account. Please see note 1.4 for further details.



**John Steele**  
Chief Executive and Accounting Officer  
United Kingdom Sports Council

25 June 2008




**Sue Campbell**  
Chair  
United Kingdom Sports Council

25 June 2008



## Cash flow statement

	Note	UK Sport		Group	
		2007/08	Re-stated* 2006/07	2007/08	Re-stated* 2006/07
		£,000	£,000	£,000	£,000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	14	(66,459)	(52,667)	(64,601)	(51,781)
<b>Returns on investments and servicing of finance</b>					
Interest Received		185	103	228	128
Net cash inflow from returns on investment		<b>185</b>	<b>103</b>	<b>228</b>	<b>128</b>
<b>Taxation</b>					
Corporation Tax Paid		(18)	(7)	(23)	(18)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(656)	(239)	(1881)	(773)
		<b>(674)</b>	<b>(246)</b>	<b>(1904)</b>	<b>(791)</b>
Net cash outflow before financing		<b>(66,948)</b>	<b>(52,810)</b>	<b>(66,277)</b>	<b>(52,444)</b>
<b>Financing</b>					
Grant-in-Aid	2	67,380	53,105	67,380	53,105
Increase/(Decrease) in cash		<b>432</b>	<b>295</b>	<b>1,103</b>	<b>661</b>

There are no discontinued activities. The notes on pages 40 to 57 form part of these accounts

The 2006-07 figures have been restated due to:

- the consolidation of the International Development through Sport (IDS) and British Performance Basketball (BPB) under merger accounting rules. Please see note 1.3; and
- grant payments made to National Governing Bodies relating to their 2007-08 award, that were recorded as expenditure in the UK Sport Council Income and Expenditure account. Please see note 1.4 for further details.



# Notes to the accounts

## 1. ACCOUNTING POLICIES

### 1.1 Accounting Convention

The accounts direction requires that, when material, accounts are prepared on a modified historical cost (MHCA) basis in which the income and expenditure account reflects the consumption of resources at their current value and the balance sheet shows the value of fixed assets, current asset investments and (if material) stocks at their value to the business by reference to current costs. It has been determined that in the current year adoption of MHCA would not have a material impact on the accounts, and hence no entries have been made.

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 UK Sport at 40 Bernard Street, London WC1N 1ST.

The annual accounts have been produced on a going concern basis. Grant commitments and other obligations have been entered into on the basis of continuing receipt of Grant in Aid financing from the DCMS.

### 1.3 Basis of consolidation

The English Institute of Sport (EIS), International Development for Sport (IDS) and British Performance Basketball (BPB) have been accounted for as a subsidiary company using merger accounting, in accordance with the guidance set out in the Financial Reporting Manual (FRM) issued by HM Treasury. The 2007/08 accounts are therefore presented as if the functions of EIS, IDS and BPB had always been part of UK Sport. As a result, UK Sport now consolidate EIS, IDS and BPB as a subsidiary company into the UK Sport group accounts.

The resulting Prior Year Adjustment to the accounts for these has the effect of increasing the group surplus and the group net assets for 2006/07 by £283k.

The financial activities of the UK Sport Lottery distribution fund have not been included in these accounts and a separate financial report has been prepared for them.

### 1.4 Prior Period Adjustment

In 2006-07, a number of exchequer grant payments were made to National Governing Bodies relating to their 2007-08 award, and recorded as expenditure in the UK Sport Council Income and Expenditure account.

The Financial Reporting Manual requires exchequer grants to be recorded as expenditure for the UK Sport Council in the period to which the grant award relates, and not when the grant payment is actually made.

This has resulted in an overstatement of expenditure in the 2006-07 accounts. FRS 3, requires a prior period adjustment in the 2007-08 accounts to adjust the opening reserves position of the UK Sport Council, and to re-state the 2006-07 comparative figures.

	At 31 March 2007 (as previously stated) £,000	Impact of re-statement £,000	At 31 March 2007 (re-stated) £,000
Net expenditure for 2006-7	(51,965)	3,892	(48,073)
Revenue Reserve	533	3,892	4,425

### 1.5 Grant in Aid Received

Grant in Aid received towards resource expenditure, is regarded as a contribution from a controlling party. It is therefore treated as financing and credited to the General Reserve.

### 1.6 Fees for Consultancy Services

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

### 1.7 Tangible Fixed Assets

There are no freehold land and buildings.

The assets of UK Sport are computers, computer software and other office equipment together with equipment used for sampling drug tests. The minimum capitalisation threshold is £2,500 for UK Sport, BPB and IDS whilst EIS is £500.

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:

Testing Equipment	5 years
Computer equipment and software	2-5 years
Office refurbishment	5-7 years
Office Equipment	2-5 years

### 1.8 Research and Development

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

### 1.9 Grants and Loans Awarded

Grants payable are charged to the Income and Expenditure Account on an accruals basis. 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.

### 1.10 Pension Costs

The pension liabilities and assets are recorded in line with FRS17, with a valuation undertaken by an independent actuary. FRS17 measures the value of pension assets and liabilities at the Balance Sheet date, determines the benefits accrued in the year and the interest on scheme assets and liabilities. The value of benefits accrued is used to determine the pension charge in the Income and Expenditure Account and the interest on scheme assets and liabilities is shown in the Income and Expenditure Account. The change in the value of the assets and liabilities arising from asset valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members, is recognised in the Statement of Recognised Gains and Losses. The resulting pension liability or asset is shown on the Balance Sheet.

Further information on the pension scheme is available in Notes 18 and 19 to the accounts.

### 1.11 Leases and provisions

A 15 year lease was signed for the office premises at 40 Bernard Street with Bloomsbury Property Investment Limited at an annual rent of £441,300 with effect from 25 December 1999 to be reviewed every five years. The lease was reviewed on 31 January 2005 and fixed at £445,000 per annum. All lease payments are expended in the year to which they relate.

Provision is made in the accounts to spread the estimated cost of dilapidations evenly over the life of the lease.

### 1.12 Charges to and from UK Sport

UK Sport 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 attributable to the National Lottery distribution functions and vice versa. The costs so apportioned to the 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 Lottery distribution activity have been calculated on a full cost recovery basis in accordance with HM Treasury's "Fees and Charges Guide".

### 1.13 Investment

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

### 1.14 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 23.50% for the business activity of drug-testing, and 12.22% for supporting activities. Income generated from Drug testing activities is subject to VAT at the standard rate, as appropriate.

The EIS is registered for VAT, being involved in business and non-business activities for VAT purposes. The EIS has agreed a methodology with HM Customs and Excise, which results in a tax recovery rate of 3.85% for the business activity of EIS Support Services. Income generated from EIS Support Services activities is subject to VAT at the standard rate, as appropriate.

### 1.15 Notional Costs

Notional interest on capital is calculated on the basis of 3.5% (2006/07 3.5%) of average net assets.

## 2. GRANT-IN-AID

	UK Sport		Group	
	2007/08	2006/07	2007/08	Re-stated 2006/07
Received from DCMS	£,000	£,000	£,000	£,000
	67,380	53,105	67,380	53,105

A total of £67.4m (2006/07 £53.1m) Grant in Aid was made available and drawn down during the year. This included £3.1m additional Grant in Aid drawn down under the End of Year Flexibility Rules.

### 2.1 Lottery Grant

	UK Sport		Group	
	2007/08	2006/07	2007/08	Re-stated 2006/07
Received from UK Sport Lottery Distribution funds	£,000	£,000	£,000	£,000
	-	-	10,874	11,223

## 3. OTHER OPERATING INCOME

	UK Sport		Group	
	2007/08	2006/07	2007/08	Re-stated 2006/07
Doping Control Receipts	£,000	£,000	£,000	£,000
Other	620	676	620	676
	1,225	1,264	4,975	1,760
	<b>1,845</b>	<b>1,940</b>	<b>5,595</b>	<b>2,436</b>

Other income consists primarily of costs apportioned from the UK Sport GIA account to the Lottery Account (2007/08: £1,100,000; 2006/07: £822,000).

#### 4. STAFFING AND MANAGEMENT

##### 4.1 Staff costs

	UK Sport		Group	
			Re-stated	
	2007/08	2006/07	2007/08	2006/07
	£,000	£,000	£,000	£,000
Wages and Salaries (including bonuses)	3,749	3,073	11,431	8,927
Temporary and Agency Staff	166	105	184	104
Social Security Costs	341	290	988	790
Pension Costs: Current Service Cost	580	333	1,225	953
<b>Total Staff Costs</b>	<b>4,836</b>	<b>3,801</b>	<b>13,828</b>	<b>10,774</b>

##### 4.2 Average number of staff during the year

	UK Sport	
	2007/08	2006/07
	£,000	£,000
<b>Employees</b>		
UK Sport	80	73
English Institute of Sport	209	172
BPB	2	-
IDS	1	-
<b>Sub Total</b>	<b>292</b>	<b>245</b>
<b>Agency</b>		
UK Sport	3	4
English Institute of Sport	10	11
BPB	-	-
IDS	-	-
<b>Group Total</b>	<b>305</b>	<b>260</b>

#### 5. GRANTS AND OTHER OPERATING COSTS

	UK Sport		Group	
	Re-stated		Re-stated	
	2007/08	2006/07	2007/08	2006/07
	£,000	£,000	£,000	£,000
<b>National Support</b>				
Sports Bodies	49,638	32,841	47,514	32,501
Performance	6,194	5,551	5,801	5,407
Communications	532	392	532	392
International Representation	2,825	1,882	2,814	1,785
Drug Free Sport	2,881	3,003	2,881	3,003
	<b>62,070</b>	<b>43,669</b>	<b>59,542</b>	<b>43,088</b>
<b>Finance and Management Services</b>				
HQ office costs	2,670	2,662	2,670	2,662
English Institute of Sport	-	-	5,020	5,015
British Performance Basketball			1,774	
IDS			384	213
<b>TOTAL</b>	<b>64,740</b>	<b>46,331</b>	<b>69,390</b>	<b>50,978</b>

Total grant payments made from Grant-in-aid funding comprise all the amount shown above as paid to Sports Bodies plus £3.14m (2006/07 £2.58m) representing other grants made by the Performance and International directorates which is included in their costs shown above.



## 6. OPERATING RESULT

	UK Sport		Group	
	2007/08	2006/07	2007/08	Re-stated 2006/07
	£,000	£,000	£,000	£,000
This is stated after charging:				
Travel, subsistence and hospitality:				
Chair and members	23	24	23	24
Employees	429	354	1152	854
Consultants' fees and legal fees	1,321	530	1454	632
Operating Lease – 40 Bernard Street	570	584	570	584
Operating Lease : EIS Property	–	–	1,118	1,220
Operating Lease: Plant and Equipment	–	–	545	577
Depreciation	447	418	1,318	1,218
Loss on disposal of Fixed Assets	30	7	49	7
Auditor's remuneration for audit work	33	28	50	38

The main cause of the increased consultants and legal fees in 2007-8 is inclusion of external resource costs incurred to deliver Performance directorate programmes, previously only identified as programme costs.

## 7. INVESTMENT INCOME

	UK Sport		Group	
	2007/08	2006/07	2007/08	Re-stated 2006/07
	£,000	£,000	£,000	£,000
Overnight and short term investment of bank balances:	185	103	228	128

Interest rates vary from day to day and averaged approximately 4.5% (2006/07 3.9%) during the year.

## 8. TAXATION

	UK Sport		Group	
	2007/08	2006/07	2007/08	Re-stated 2006/07
	£,000	£,000	£,000	£,000
Corporation Tax payable on interest received	34	18	41	23

UK Sport and EIS pay corporation tax at 20% on its investment income after deducting charges.

## 9. UK SPORT - TANGIBLE FIXED ASSETS

	Leasehold improvement	IT equipment	Office equipment	Total
	£,000	£,000	£,000	£,000
<b>At Cost</b>				
At 01/04/07	515	1,488	49	2,052
Additions	39	573	44	656
Disposals	–	(116)	–	(116)
At 31/03/08	<b>554</b>	<b>1,945</b>	<b>93</b>	<b>2,592</b>
<b>Depreciation</b>				
At 01/04/07	435	1,166	39	1,640
Charge for year	27	406	14	447
Depreciation on disposal	–	(86)	–	(86)
At 31/03/08	<b>462</b>	<b>1,486</b>	<b>53</b>	<b>2,001</b>
<b>Net book value</b>				
At 01/04/07	80	322	10	412
At 31/03/08	<b>92</b>	<b>459</b>	<b>40</b>	<b>591</b>

### 9.1 GROUP - Tangible Fixed Assets

	Leasehold improvement	IT equipment	Office equipment	Total
	£,000	£,000	£,000	£,000
<b>At Cost</b>				
At 01/04/07	708	4,114	2,336	7,158
Additions	79	1,408	394	1,881
Disposals	–	(1,298)	(7)	(1,305)
At 31/03/08	<b>787</b>	<b>4,224</b>	<b>2,723</b>	<b>7,734</b>
<b>Depreciation</b>				
At 01/04/07	507	3,377	1,616	5,500
Charge for year	71	804	443	1,318
Depreciation on disposal	–	(1,254)	(2)	(1,256)
At 31/03/08	<b>578</b>	<b>2,927</b>	<b>2,057</b>	<b>5,562</b>
<b>Net book value</b>				
At 01/04/07	201	738	720	1,659
At 31/03/08	<b>209</b>	<b>1,297</b>	<b>666</b>	<b>2,172</b>

**10. DEBTORS**

	UK Sport		Group	
	2007/08	Re-stated 2006/07	2007/08	Re-stated 2006/07
	£,000	£,000	£,000	£,000
Trade Debtors	329	383	363	499
Other Debtors	9	38	9	42
Prepayments and Accrued Income	4,741	4,955	4,918	5112
<b>TOTAL</b>	<b>5,079</b>	<b>5,376</b>	<b>5,290</b>	<b>5,653</b>

All amounts fall due within one year.

Intra-government Balances	UK Sport		Group	
	2007/08	Re-stated 2006/07	2007/08	Re-stated 2006/07
	£,000	£,000	£,000	£,000
Balances with central government bodies	64	23	71	28
Balances with bodies external to government	5,015	5,353	5,219	5,625
Prepayments and Accrued Income	<b>5,079</b>	<b>5,376</b>	<b>5,290</b>	<b>5,653</b>

**11. CREDITORS**

	UK Sport		Group	
	2007/08	Re-stated 2006/07	2007/08	Re-stated 2006/07
	£,000	£,000	£,000	£,000
Trade Creditors	1,086	999	1,539	1,316
Other Creditors	4	1	101	59
Corporation Tax	34	18	41	5
Other taxation and Social Security	127	108	427	337
Accruals	557	387	1,104	1060
<b>TOTAL</b>	<b>1,808</b>	<b>1,513</b>	<b>3,212</b>	<b>2,777</b>

All amounts fall due within one year.

Intra-government Balances	UK Sport		Group	
	2007/08	Re-stated 2006/07	2007/08	Re-stated 2006/07
	£,000	£,000	£,000	£,000
Balances with central government bodies	39	4	54	21
Balances with local authorities and police authorities	1	17	107	89
<b>Sub-total: Intra-government balance</b>	<b>40</b>	<b>21</b>	<b>161</b>	<b>110</b>
Balances with bodies external to government	1,768	1,492	3,051	2,667
	<b>1,808</b>	<b>1,513</b>	<b>3,212</b>	<b>2,777</b>

**12. PROVISION FOR DILAPIDATION (UK SPORT AND GROUP)**

	£,000
Opening balance	245
Charge in year	35
Closing balance	<b>280</b>

A charge is made to ensure that funds are available at the end of the tenancy agreement to make good any dilapidations at 40 Bernard Street.

**13. REVENUE RESERVES**

	UK Sport		Group	
	2007/08	Re-stated 2006/07	2007/08	Re-stated 2006/07
	£,000	£,000	£,000	£,000
Opening balance	4,425	(151)	6,258	1,617
Net Expenditure	(67,560)	(48,073)	(66,510)	(47,846)
Grant in Aid received from DCMS	67,380	53,105	67,380	53,105
Transfer from Deferred Income			135	
Transfer from Pension Reserve*	164	(456)	(222)	(618)
Closing balance	<b>4,409</b>	<b>4,425</b>	<b>7,041</b>	<b>6,258</b>

\* This relates to the difference between the actual contributions paid and the net present value of pension costs as valued by the actuaries in line with FRS17.

**14. RECONCILIATION OF OPERATING DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	UK Sport		Group	
	2007/08	Re-stated 2006/07	2007/08	Re-stated 2006/07
	£,000	£,000	£,000	£,000
Net expenditure before taxation and interest	(67,780)	(48,237)	(66,798)	(48,138)
Depreciation of Fixed Assets	447	418	1,318	1,218
Loss on Disposal of Fixed Assets	30	7	49	7
Notional Interest on Capital Employed	49	45	49	45
(Increase)/Decrease in Debtors	297	(4,577)	349	(4,447)
Increase/(Decrease) in Creditors	279	64	431	(25)
Increase/(Decrease) in Provision	35	35	35	35
Pension Scheme: Non Cash Movement	184	(422)	(34)	(476)
Net cash outflow from operating activities	<b>(66,459)</b>	<b>(52,667)</b>	<b>(64,601)</b>	<b>(51,781)</b>

\* This relates to the difference between the actual contributions paid and the net present value of pension costs as valued by the actuaries in line with FRS17.

**15. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	UK Sport		Group	
	Re-stated		Re-stated	
	2007/08	2006/07	2007/08	2006/07
	£,000	£,000	£,000	£,000
Increase/(Decrease) in Cash during year	432	295	1,103	661
Net funds at start of Period	395	100	1,968	1,307
Net Funds at end of Period	<b>827</b>	<b>395</b>	<b>3,071</b>	<b>1,968</b>

**16. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

	UK Sport		Group	
	Re-stated		Re-stated	
	2007/08	2006/07	2007/08	2006/07
	£,000	£,000	£,000	£,000
Opening balance	395	100	1,968	1,307
Cash (outflow)/inflow	432	295	1,103	661
Closing balance	<b>827</b>	<b>395</b>	<b>3,071</b>	<b>1,968</b>

**17. FINANCIAL INSTRUMENTS**

FRS13 - Derivatives and other financial instruments, requires 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 2007/08 £67.4m or 81% (2006/07 £53.1m or 80%) of the Group's income derived from DCMS Grant-in-Aid and £10.9m or 13% (2006/07 £11.2m or 17% from the Lottery Distribution Fund. The remaining balance of £5.5m or 6% (2006/07 £2.2m or 3% derived from other operating activities. UK Sport is satisfied that it has sufficient liquid resources to cover amounts due within one year. These are either in cash, confirmed 2008-09 Grant-in-Aid or a separate commitment from DCMS to secure necessary UK Sport expenditure until review after the Beijing Games. Thus UK Sport is not considered to be exposed to any significant liquidity risk.

**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 4.5% (2006/07 3.9%) in the year. UK Sport's closing bank balance was £827,000 (2006/07 £395,000).

**Foreign Currency Risk**

The Fund is not exposed to any foreign exchange risks.

**18. SUPERANNUATION SCHEME – UK SPORT**

The majority of staff of UK Sport (Grant-in-Aid and Lottery) are members of the London Pension Fund Authority (LPFA) Superannuation Scheme. UK Sport is one of several employers whose staff are scheme participants, and data given in this note refers to the whole scheme and to the identified UK Sport portion of it. There is a generic scheme for staff covered by the accounting policy note 1.10 above.

The amounts disclosed in these accounts are the portion deemed apportioned to the Grant-in-Aid funded part of the scheme. All scheme members are or were employees of UK Sport. Thus the pension deficit recorded in the Lottery Accounts would become part of the Grant-in-Aid pension deficit if in the future there were no further Lottery Revenues and the fund wound up.

The Pension Scheme is of the defined benefit type and is funded by employees and employers at actuarially determined rates. The employer's contribution for the year amounted to £301,280 or 10.2% of pensionable pay. An additional pension contribution of £567,145 was also made to reduce the pension liability.

The scheme is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation was at 31/3/07. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date.

Financial Reporting Standards 17 (FRS17) issued by the Accounting Standards Board requires that the following information, which has 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:

**18.1 Balance Sheet disclosure – Long Term Returns**

	2008 Long term return	Assets	2007 Long term return	Fund Value at 31/3/07
	%	£,000	%	£,000
Equities	7.5%	7,093	7.7%	6,985
Target return funds	6.3%	2,292	6.4%	2,508
Alternative assets	6.7%	2,134	6.8%	1,422
Cash	4.8%	356	4.9%	301
Total	7.0%	<b>11,875</b>	7.2%	<b>11,216</b>



### 18.2 Net Pension assets for UK Sport <sup>1</sup>

	31/03/2008
	£,000
Estimated Assets	9,324
Present value of scheme liabilities <sup>2</sup>	(9,857)
<b>*Net Pension Assets/(Liabilities)</b>	<b>(533)</b>

\*Net Pension Assets/(Liabilities) for the group is arrived at by adding UK Sport figures in note 18.2 with that of EIS figures in note 19.1

#### % / Year Return Assumptions

	31/03/2008
Price increases	3.60%
Salary increases	5.10%
Pension increases	3.60%
Discount rate	6.90%

1 In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31/3/08, Hymans Robertson have rolled forward the actuarial value of the liabilities reported as at 31/3/04, 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 UK Sport and its employees.

2 Hymans Robertson estimate that this liability comprises of approximately £4,437,000, £4,155,000 and £3,660,00 in respect of employee members, deferred pensioners and pensioners respectively as at 31/3/08. 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, UK Sport is satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

It is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married at death and that their spouse will receive will receive a pension equal to 50% of the member's pension as at the date of the member's death.

Note that these figures exclude the capitalised cost of any early retirements or augmentations, which may occur during 2008/09.

### 18.3 Amount Charged to Operating Profit

	2007/08	2007/08
	£,000	% Payroll
Current Service Cost	476	15.30%
Curtailment & Settlements	104	3.40%
<b>Total Operating Charge (A)</b>	<b>580</b>	<b>18.70%</b>

### 18.4 Projected Amount Credited to Other Finance Income

	2006/07	2006/07
	£,000	% Payroll
Expected Return on Employer Assets	657	657
Interest on Pension Scheme Liabilities	(636)	(636)
<b>Net Return (B)</b>	<b>21</b>	<b>0.8%</b>
<b>Net Revenue Account Cost (A-B)</b>	<b>559</b>	<b>17.9%</b>

### 18.5 Analysis of Amount Recognised in Statement of Recognised Gains and Losses

	UK Sport
	2007/08
	£,000
Actual return less expected return on pension scheme assets	(848)
Experience gains and losses arising on the scheme liabilities	61
Changes in financial assumptions underlying present value of scheme liabilities	<b>1,779</b>
<b>Actuarial gain/(loss) recognised in SRGL</b>	<b>992</b>

### 18.6 Movement in Surplus/Deficit During the Year

	UK Sport
	2007/08
	£,000
Opening surplus/(deficit)	(1,864)
Current Service Cost	(476)
Employer contributions	897
Impact of Settlements and Curtailments	(104)
Net Return on Assets	21
Actuarial gains/(losses)	993
<b>Closing surplus/(deficit)</b>	<b>(533)</b>

### 18.7 History of Experience Gains and Losses

	UK Sport
	2007/08
	£,000
Difference between the expected and actual return on assets	(848)
Value of assets	9,319
Difference as % asset value	(9.1%)
Experience gains/(losses) on liabilities	61
Present value of liabilities	9,857
Gain / (loss) as % present value of liabilities	0.6%
Actuarial gains/losses recognised in SRGL	992
Gain / (loss) as % present value of liabilities	9,904

The Actuarial Valuation for FRS 17 purposes has been allocated between the Lottery and Exchequer (GIA) accounts in accordance with accounting policy note 12.

### 19. SUPERANNUATION SCHEME - EIS

The majority of staff of EIS are members of the London Pension Fund Authority (LPFA) Superannuation Scheme. EIS is one of several employers whose staff are scheme participants, and data given in this note refers to the identified EIS portion of it. There is a generic scheme for staff covered by the accounting policy note 10 above.

All scheme members are or were employees of EIS.

The Pension Scheme is of the defined benefit type and is funded by employees and employers at actuarially determined rates. The employer's contribution for the year amounted to £642,277 or 12.5% of pensionable pay (2006/07 £619,673 or 12.5% of pensionable pay).

The scheme is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation was at 31/3/04. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date.

Financial Reporting Standards 17 (FRS17) issued by the Accounting Standards Board requires that the following information, which has 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:

#### 19.1 Net Pension assets for EIS <sup>1</sup>

	31/03/2008	31/03/2007	31/03/2006
	£,000	£,000	£,000
Estimated Assets	6,802	5,313	3,984
Present value of scheme liabilities <sup>2</sup>	(4,249)	(4,309)	(3,432)
<b>Net Pension Assets/(Liabilities)</b>	<b>2,553</b>	<b>1,004</b>	<b>552</b>
<b>% / Year Return Assumptions</b>	<b>31/03/2008</b>	<b>31/03/2007</b>	<b>31/03/2006</b>
Price increases	3.60%	3.20%	3.10%
Salary increases	3.30%	3.30%	3.10%
Pension increases	3.60%	3.20%	3.10%
Discount rate	6.90%	5.40%	5.00%

<sup>1</sup> In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31/3/08, Hymans Robertson have rolled forward the actuarial value of the liabilities reported as at 31/3/04, 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 EIS and its employees.

<sup>2</sup> Hymans Robertson estimate that this liability comprises of approximately £3,756,000, £493,000 and £0 (2006/07 - £4,100,000, £209,000 and £0) in respect of employee members, deferred pensioners and pensioners respectively as at 31/3/08. 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, EIS are satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

It is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married at death and that their spouse will receive will receive a pension equal to 50% of the member's pension as at the date of the member's death.

Note that these figures exclude the capitalised cost of any early retirements or augmentations, which may occur during 2007/08.

#### 19.2 Amount Charged to Operating Profit for EIS

	2007/08	2007/08	2006/07	2006/07
	£,000	% Payroll	£,000	% Payroll
Current Service Cost	646	9.3%	597	10.8%
<b>Total Operating Charge (A)</b>	<b>646</b>	<b>9.3%</b>	<b>597</b>	<b>10.8%</b>

#### 19.3 Projected Amount Credited to Other Finance Income for EIS

	2007/08	2007/08	2006/07	2006/07
	£,000	% Payroll	£,000	% Payroll
Expected Return on Employer Assets	427	6.1%	302	5.5%
Interest on Pension Scheme Liabilities	(261)	(3.8%)	(195)	(3.5%)
Net Return (B)	<b>166</b>	<b>2.3%</b>	<b>107</b>	<b>1.9%</b>
Net Revenue Account Cost (A-B)	<b>480</b>	<b>7.0%</b>	<b>490</b>	<b>8.9%</b>

#### 19.4 Analysis of Amount Recognised in Statement of Recognised Gains and Losses for EIS

	2007/08	2006/07
	£,000	£,000
Actual return less expected return on pension scheme assets	(551)	43
Experience gains and losses arising on the scheme liabilities	(59)	
Changes in financial assumptions underlying present value of scheme liabilities	1,773	247
<b>Actuarial gain/(loss) recognised in SRGL</b>	<b>1,163</b>	<b>290</b>

#### 19.5 Movement in Surplus/Deficit During the Year for EIS

	2007/08	2006/07
	£,000	£,000
Opening surplus/(deficit)	1,004	552
Current Service Cost	(646)	(597)
Employer contributions	866	652
Net return on assets	166	107
Actuarial gains/(losses)	1,163	290
<b>Closing surplus/(deficit)</b>	<b>2,553</b>	<b>1,004</b>

#### 19.6 History of Experience Gains and Losses for EIS

	2007/08	2006/07
	£,000	£,000
Difference between the expected and actual return on assets	(551)	43
Value of assets	6,802	5,313
Difference as % asset value	(8.1%)	0.80%
Experience gains/(losses) on liabilities	(59)	-
Present value of liabilities	4,249	4,309
Gain / (loss) as % present value of liabilities	(1.4%)	-
Actuarial gains/losses recognised in SRGL	1,163	290
Gain / (loss) as % present value of liabilities	4,249	4,309

## 20. GROUP PENSION AMOUNTS

	Note	2007/08	2006/07
		£,000	£,000
Pension Assets/(Liabilities) UK Sport	18.2	(534)	(1,195)
Pension Assets/(Liabilities) EIS	19.1	2553	1,004
Total Pension Assets/(Liabilities) Group		2,019	(191)
Pension actuarial gain/(loss) UK Sport	18.5	992	(1,374)
Pension actuarial gain/(loss) EIS	19.4	1,163	290
Total Pension actuarial gain/(loss) Group		2,155	(1,084)
Net return on assets UK Sport	18.4	21	34
Net return on assets EIS	19.3	166	107
Total Net return on assets Group		187	141

## 21. ANNUAL COMMITMENTS - LEASES AND OPERATING LICENCES

	UK Sport		Group	
	2007/08	2006/07	2007/08	Re-stated 2006/07
	£,000	£,000	£,000	£,000
Leases and service charges due in next 12 months expiring:				
Within 1 year	-	-	750	11
Within 2 to 5 years	-	-	157	901
After 5 years	674	1,140	466	674

## 22. GRANT COMMITMENTS

On the undertaking that funds are to be provided by DCMS, UK Sport at 31/3/07, had entered into commitments to pay grants to governing bodies in respect of their approved programmes in the following years (these commitments at 31/3/07 have not yet been recognised in the income and expenditure account nor balance sheet):

	2007/08	2006/07
	£,000	£,000
2007/08	-	37,754
2008/09	45,023	34,103
2009/10	454	716
	45,477	72,573

## 23. CONTINGENT LIABILITIES

As at 31 March 2008 UK Sport had no contingent liabilities. No contingent liabilities were reported in the previous year.

## 24. POST BALANCE SHEET EVENTS

There were no reportable post balance sheet events between the balance sheet date and the 25th of June 2008, the date the accounting officer despatched the accounts to DCMS.

The financial accounts do not reflect events after this date.

## 25. RELATED PARTY TRANSACTIONS

Meeting date	Award	Amount Outstanding	Benefiting Organisation	Panel/Board Member
04/10/2007	£82,667	£0	Youth Sport Trust	Sue Campbell

UK Sport is a Non-Departmental Public Body sponsored by the DCMS.

The DCMS is regarded as a related party. During the period of 1/4/07 to 31/3/08 UK Sport has had various material transactions with the Department and with the sports councils for the home countries for which the DCMS is regarded as the sponsoring Department.

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.



# ANNUAL REPORT 2007-2008



# Statement of Board's and Chief Executive Officer's Responsibilities

Under section 35(2) and (3) of the National Lottery etc. Act 1993 UK Sport is required 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 give a true and fair view of the state of affairs of UK Sport and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular 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 as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Accounting Officer of the Department for Culture, Media and Sport has designated the Chief Executive of UK Sport as Accounting Officer for UK Sport. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding UK Sport's assets, are set out in "Managing Public Money" published by the Treasury and in the Financial Directions issued by the Secretary of State for Culture, Media and Sport under section 26(3) of the National Lottery etc. Act 1993.

**John Steele**  
Chief Executive and Accounting Officer  
United Kingdom Sports Council

25 June 2008



**Sue Campbell**  
Chair  
United Kingdom Sports Council

25 June 2008



## Statement on internal control

### SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of UK Sport's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in "Managing Public Money" together with ensuring compliance with the requirements of UK Sport's Management Statement and Financial Memorandum.

There is no separation or difference between the mechanisms by which I, as the Accounting Officer, together with the directors and senior managers, gain assurance, from those that the Board uses, to assure itself that the systems of internal control are working effectively.

As Accounting Officer I have separate responsibilities to Parliament, in particular responsibility for taking action should the Chair or the Board consider a course of action involving a transaction which will infringe the requirements of regulation or propriety or which does not represent efficient or effective administration. Where a decision might be taken against my advice as Accounting Officer, processes exist for this decision to be promoted in the first instance to the accounting officer of the sponsoring department. Ultimately the Secretary of State may indemnify me as Accounting Officer by the issuance of a "formal directive" to pursue a particular course of action if required.

### THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This system of internal control has been in place in UK Sport for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

### CAPACITY TO HANDLE RISK

The organisation has an Internal Control Policy that defines risk management processes. The system of internal control seeks to mitigate rather than eliminate all risk. It is also not possible to mitigate every risk. Thus whether risks are mitigated or accepted is considered in relation to the organisation's capacity both to influence them and to absorb their potential impact. The methodology used to evaluate risks in terms of likelihood and potential impact and visual presentation has been revised during 2007-8 to promote focus on the most significant risks facing the organisation.

### THE RISK AND CONTROL FRAMEWORK

The strategic risk heat map acts as the visual register for the most significant risks and assigns a lead director responsibility for each risk. By comparing the likelihood and potential impact of each risk against defined criteria it reduces subjectivity in how the degree of net risk to the organisation is evaluated. It is informed by review of risk registers at a directorate level and is reviewed monthly by the directors' team who assess actions to mitigate each risk and the adequacy and effectiveness of controls to manage them. This assessment of net exposure on a regular basis is used in reporting to the Department of Culture, Media and Sport (DCMS) Quarterly Meeting with UK Sport and to UK Sport Audit Committee and Board, through standing agenda items.

At the time of publication, the most significant (black) risks in terms of high net exposure are:

- UK Sport's financial reliance on DCMS responsibility to secure £100m of private sector sponsorship funding
- Potential risk of UK Sport's inability to meet cash flow requirements of Mission 2012 due to phasing of private investment
- Securing sufficient resource from Government to carry out the project to modernise the National Anti-Doping Organisation (NADO).

The next highest (red) risks in terms of net exposure include:

- Impact to business plan of declining lottery sales
- Resource to recruit/retain key staff
- Failure to secure required funding for Phase II of International Inspiration.

### REVIEW OF EFFECTIVENESS

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of this system is informed by the work of the internal auditors, the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system by the board and the Audit Committee. I believe that the systems are working effectively and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Further details of the mechanisms that are in place to assure the management of the system of internal control, and additional controls to that system, are as follows:

### THE BOARD AND THE AUDIT COMMITTEE OF UK SPORT

The UK Sport Board, supported by its Audit Committee, has responsibility for maintaining a sound system of internal control. The Chair of the Audit Committee reports the outcome of Audit Committee meetings to the Board verbally and through minutes of meetings. The Board also reviews the Internal Control report twice each year in line with the Policy on Internal Control, and where appropriate discusses key risks in more detail. Maintaining sufficient Board financial and governance expertise will continue to be taken into consideration in the selection of new members.

The Board reviews UK Sport financial results and latest quarterly forecast for current financial year income and expenditure, which are reviewed at each meeting, with analysis of all identified financial risks including National Lottery income projections. It approves the annual Budget prior to each financial year in the context of a projection of UK Sport income and expenditure for at least the subsequent four years. This longer term projection is reviewed by Board at least twice a year. In addition key financial risks are also reviewed, as appropriate, by the Audit Committee and Board. For example, during 2007-8 risk assessments of shortfalls in Lottery income and the £100 million private finance for the period to 2012-3 have been considered.

The Audit Committee has already recently been strengthened by the appointment of two independent members with senior finance and governance experience from both the public and private sector. This is in addition to the three serving Board members on Audit Committee and attendance by the National Audit Office (NAO).

Its primary functions are to:

- Review with external and internal auditors, directors and management the audit strategies, the annual audit plans and risk register. Prioritisation of internal audit work is based upon level of risk as detailed in the strategy risk heat map;
- Consider reports from management and internal and external auditors on any material control weaknesses;
- Discuss with management the actions taken on problem areas identified by Board and Audit Committee Members and both external and internal audit reports; and
- Ensure the published financial statements are a true and fair reflection of UK Sport's financial position.

Training and guidance, including that issued by HM Treasury, is made available to members of Audit Committee. Much of this is maintained on UK Sport's extranet site.

**INTERNAL AUDIT**

Internal Audit works to the agreed annual audit plan. It provides assurance reports to support the internal control process. Deloitte and Touche LLP provide assurance on internal control at UK Sport.

The Board, through the Audit Committee, has reviewed exception reports and the annual assurance statement provided by the internal auditors.

The annual assurance statement from Deloitte and Touche LLP shows the level of assurance achieved in the internal audit programme undertaken for 2007/08. Internal audit work was performed in accordance with Government Internal Audit Standards issued by HM Treasury.

Of the eight internal audit reports published in 2007/08, seven were given substantial assurance and one was given limited assurance. The Audit Committee reviewed all reports with emphasis on high risk areas and those receiving less than substantial assurance. In all cases, satisfactory management actions were agreed with UK Sport Audit Committee. One Level One issue has been raised from all audits carried out in 2007-8 – in reviewing IT Strategy, and relates to the need for the Board to formally review and approve the strategy to ensure that it supports business objectives.

In line with the increased scale and scope of activities managed by UK Sport, the internal audit plan for 2008-9 has been increased by 15 days work to 85 days. It is also planned that the programme will increasingly focus on assurance requirements ahead of final process design rather than just retrospective review of existing processes. An example is the review of security requirements carried out for the new finance system. A formal tender will be undertaken during 2008-9 for supply of internal audit to UK Sport for subsequent years.

**ASSURANCE OF GRANT FUNDING AWARDS MADE BY UK SPORT TO NATIONAL GOVERNING BODIES**

The Investment Model which guides UK Sport's performance investment for the period 2006-2009 provides a transparent process for determining levels of funding to NGBs and athletes.

AHL Ltd is contracted jointly to UK Sport and to Sport England to carry out management audit and compliance checks of those NGBs in receipt of UK Sport funding. A total of 13 NGB or other UK Sport funded organisations and major event reviews were undertaken by AHL during the year.

The UK Sport management audit programme has focused on the areas of highest risk, the newly funded sports or sports which have received significantly increased funding and are subject to the 2012 funding triggers; sports on a limited assurance rating, or sports where there are perceived to be issues or concerns. 35 out of the 37 sports/other organisations have now been subject to an audit review at least once since 2002. Of these 20 have a "reasonable" assurance rating and 15 have a "limited" assurance rating. One body which had received no assurance during the 2006-7 programme has now moved to "limited" assurance whilst another body has regressed from "reasonable" to "limited" assurance, both of these bodies are now being closely monitored.

All bodies reviewed were considered fit to receive and manage public funding. There were no instances of fraud, malpractice or significant losses reported to UK Sport.

**ASSURANCE OF UK SPORT ANTI-DOPING PROCESSES**

Specific procedures in place to assure drug-testing processes carried out by the Drug-Free Sport Directorate of UK Sport meet the requirements of the World Anti-Doping Code (WADC) comprise the following:

- All NGBs on the UK Sport testing programme are obliged to comply with the WADC through an NGB Anti-Doping Agreement. Their performance in fulfilling this is monitored by UK Sport staff through delivery of the NGBs testing programme
- ISO 9001 Certification for management, administration, education and conducting sampling for doping control testing is maintained and audited biannually by BSI
- The Scrutiny Panel, which was established to investigate any perceived conflicts of interest in management of the anti-doping programme by UK Sport, reports on its findings directly to the Chair
- The Anti-Doping Administration and Management System (ADAMS) which was developed by the World Anti-Doping Agency (WADA) as an integrated management system covering test planning, results management and athlete whereabouts has now replaced the Athletes Whereabouts System and Drug Testing Database, and improves information security and risk of inadvertent non-compliance with the WADC
- Doping Control Staff are continually assessed every two years by senior Doping Control Officers who have been trained to audit officer competence to comply with procedures.

**FREEDOM OF INFORMATION (FOI)**

UK Sport receives up to 30 FOI enquiries per annum, and several requests under the Data Protection Act. In order to minimise the risk of not meeting its statutory responsibilities under the Acts, UK Sport has centralized the function of handling and responding to FOI enquiries, and dealing with any enquiries from the Information Commissioner. A core of expertise and experience has been established to maintain an effective and prompt response to FOI and data protection requests.



**John Steele**  
Chief Executive and Accounting Officer  
United Kingdom Sports Council



25 June 2008



**Sue Campbell**  
Chair  
United Kingdom Sports Council



25 June 2008



# The certificate and report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament

I certify that I have audited the financial statements of the UK Sport Lottery Distribution Fund for the year ended 31 March 2008 under the National Lottery etc Act 1993 (as amended). These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## RESPECTIVE RESPONSIBILITIES OF THE UNITED KINGDOM SPORTS COUNCIL, CHIEF EXECUTIVE AND AUDITOR

The Council and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the National Lottery Act etc 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Board's and Chief Executive Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 (as amended) and directions made thereunder. I report to you if, in my opinion, the information which comprises Operating Environment, Managing Delivery and UK Sport's Performance, included in the Annual Report, is consistent with the financial statements. I also report 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.

In addition, I report to you if the Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Council's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises UK Sport at a Glance and Strategy and Structure. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## BASIS OF AUDIT OPINION

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the UK Sport Lottery Distribution Fund'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error 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 and the part of the Remuneration Report to be audited.

## OPINIONS

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Lottery Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, of the state of the UK Sport Lottery Distribution Fund's affairs as at 31 March 2008 and of its increase in funds, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury; and
- information which comprises the Operating Environment, Managing Delivery and UK Sport's Performance included within the Annual Report, is consistent with the financial statements.

## AUDIT OPINION ON REGULARITY

In my opinion, 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.

## REPORT

I have no observations to make on these financial statements.

T J Burr  
Comptroller and Auditor General  
National Audit Office  
151 Buckingham Palace Road  
Victoria  
London SW1W 9SS

30th June 2008

### Income and expenditure account for the year ended 31 March 2008

	Note	2007/08 £,000	2006/07 £,000
<b>Income</b>			
National Lottery share of proceeds	2	45,716	53,277
Investment returns from NLDF	2	3,795	635
Other Operating Income		38	-
Interest Receivable		89	51
Grant refunds		-	-
		<b>49,638</b>	<b>53,963</b>
<b>Expenditure</b>			
Hard commitments	3	23,003	42,099
Hard de-commitments	3	(4,328)	(6,334)
Staff costs	6	796	587
Depreciation tangible assets	9	15	15
Other operating costs		362	418
Costs apportioned from UK Sport GIA account		1,100	822
		<b>20,948</b>	<b>37,607</b>
<b>Increase/(decrease) in lottery funds before taxation</b>		<b>28,690</b>	<b>16,356</b>
Net Return on Pension Liabilities	13.4	6	10
Taxation	8	(18)	(8)
<b>Increase/(decrease) in lottery funds</b>		<b>28,678</b>	<b>16,358</b>

### Statement of recognised gains and losses

	Note	2007/08 £,000	2006/07 £,000
Pension actuarial gain/(loss)	13.5	278	(402)

### Balance Sheet as at 31 March 2008

	Note	2007/08 £,000	2006/07 £,000
<b>Fixed Assets</b>			
Tangible Assets	9	15	30
<b>Current Assets</b>			
Investments balance in NLDF	2	18,137	17,134
Debtors and prepayments	10	51	2
Cash at bank and in hand		500	429
		<b>18,688</b>	<b>17,565</b>
<b>Creditors</b>			
Sundry creditors falling due within one year	11	(415)	(173)
Hard grant commitments falling due within one year	3	(44,364)	(39,570)
		<b>(44,779)</b>	<b>(39,743)</b>
<b>NET CURRENT LIABILITIES</b>		<b>(26,091)</b>	<b>(22,178)</b>
Hard grant commitments falling due after one year	3	(2,558)	(35,195)
Pension Liability	13.2	(405)	(475)
<b>TOTAL ASSETS LESS ALL LIABILITIES</b>		<b>(29,039)</b>	<b>(57,818)</b>
<b>Represented by:</b>			
Pension Reserve	13.2	(405)	(475)
Revenue Reserve	12	(28,634)	(57,343)
		<b>(29,039)</b>	<b>(57,818)</b>



**John Steele**  
Chief Executive and Accounting Officer  
United Kingdom Sports Council

25 June 2008




**Sue Campbell**  
Chair  
United Kingdom Sports Council

25 June 2008



## Cash flow statement

	Note	2007/08 £,000	2006/07 £,000
<b>Operating Activities</b>			
Cash drawn down from NLDF	2	48,508	46,852
Other Income		-	-
Staff Costs		(759)	(661)
Operating Costs		(1,241)	(1,342)
Award payments	5	(46,518)	(44,669)
Net cash (outflow)/inflow from operating activities	14	(10)	180
<b>Returns on Investments</b>			
Interest received		89	51
<b>Taxation</b>			
Corporation tax paid		(8)	(7)
(Decrease)/increase in cash	16	<b>71</b>	<b>224</b>

There are no discontinued activities.  
The notes on pages 72 to 85 form part of these accounts.



# Notes to the accounts

## 1. ACCOUNTING POLICIES

### 1.1 Accounting Convention

The financial statements have been prepared under the historical cost convention as modified by the inclusion of fixed assets at their fair value to the business and on the basis of the Accounts Direction issued by the Secretary of State for Culture, Media and Sport on 26 March 2002, a copy of which can be obtained from the Corporate Services team at 40 Bernard Street, London WC1N 1ST.

The Members consider that modified historical cost of fixed assets is not materially different from historical cost and as such report fixed assets at their historical cost.

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 (except in relation to the recognition of commitments as detailed below), the Treasury guidance on the accounts of Non Departmental Public Bodies and the National Lottery etc. Act 1993 insofar as those requirements are appropriate to the UK Sport Lottery Fund.

The accounts have been prepared under the accruals convention and, as such, all income and expenditure is taken into account in the financial period to which it relates (except in relation to the recognition of commitments as detailed below).

The accounts cover the year to 31 March 2008, in compliance with section 35 of the National Lottery etc Act 1993. Separate accounts have been prepared for the UK Sport operations funded from Grant in Aid, in accordance with the instructions issued by the Secretary of State. Consolidated accounts have not been prepared.

The annual accounts have been prepared on a going concern basis. The grant commitments for future years have been entered into after consideration of the cash requirements of grant recipients and after taking account of the income forecasts provided by the DCMS.

### 1.2 Hard and Soft Commitments

As required by the Secretary of State, a distinction is made in respect of Lottery awards between "hard" and "soft" commitments as follows:

- a "hard commitment" occurs where a firm offer of award has been made by UK Sport and this offer has been accepted, together with any conditions dependent upon which the award has been made; and
- a "soft commitment" occurs where a firm offer of award has been made by UK Sport but the offer and associated conditions have not yet been accepted.

Only "hard commitments" are recognised in the Income and Expenditure account (and shown in note 2), soft commitments are detailed in Note 3.

### 1.3 Tangible Fixed Assets

The UK Sport Lottery Fund does not own any land or buildings. All tangible fixed assets are shown at cost less accumulated depreciation.

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

Computer Hardware	3 years
Computer Software	3-9 years

### 1.4 Pension Costs

The pension liabilities and assets are recorded in line with FRS17, with a valuation undertaken by an independent actuary. FRS17 measures the value of pension assets and liabilities at the Balance Sheet date, determines the benefits accrued in the year and the interest on scheme assets and liabilities. The value of benefits accrued is used to determine the pension charge in the Income and Expenditure Account and the interest on scheme assets and liabilities is shown in the Income and Expenditure Account. The change in the value of the assets and liabilities arising from asset valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members, is recognised in the Statement of Recognised Gains and Losses. The resulting pension liability or asset is shown on the Balance Sheet.

Further information on the pension scheme is available in note 13 to the accounts.

Details about the valuation of the pension fund and the recharges are also in note 13.

### 1.5 Charges to and from UK Sport

UK Sport 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 HM Treasury's "Fees and Charges Guide".

### 1.6 Taxation

Amounts of interest in the National Lottery Distribution Fund do not fall within the scope of Corporation Tax. Once drawn down into the nominated accounts of UK Sport interest thereon is subject to Corporation Tax and is fully provided in the period to which it applies.

### 1.7 Investments

The funds attributable to the Lottery Fund, whilst they are within the National Lottery Distribution Fund, are invested by the National Debt Commissioners, and interest accrued is credited to the balance available for distribution.

Capital sums are distributed in accordance with the provisions of the National Lottery etc Act 1993. Interest earned on the sums invested is apportioned to each of the Lottery Distributors on the basis of their percentage share of the total remaining National Lottery Distribution Fund at the time the interest is received.

## 2. NATIONAL LOTTERY DISTRIBUTION FUND

During the period under review the UK Sport Lottery Fund has received and drawn down the following sums:

	2007/08	2006/07
	£,000	£,000
Balance brought forward	17,134	10,074
Share of net operator proceeds	45,716	53,277
Investment returns from NLDF	3,795	635
Available for distribution	66,645	63,986
Funds drawn down	(48,508)	(46,852)
Balance carried forward	<b>18,137</b>	<b>17,134</b>

Balances held in the National Lottery Distribution Fund (NLDF) remain under the stewardship of the Secretary of State for Culture, Media & Sport. However, the share of these balances attributable to UK Sport as shown in the accounts and at the Balance Sheet date has been certified by the Secretary of State as being available for distribution by the body in respect of current and future commitments.

Funds are withdrawn from the National Lottery Distribution Fund into the bank account of the UK Sport Lottery Fund in order to meet payments falling due from suppliers and awards to recipients on a monthly basis.

The market value carried forward at 31/3/08 is £18.137m (2006/07 £17.134m)

The NLDF balance increased during 2007/08 to stand at £18.137m at 31/3/08, representing forty percent of outstanding commitments made at that point.

## 3. HARD COMMITMENTS

	2007/08	2006/07
	£,000	£,000
Hard commitments brought forward	74,765	83,669
Hard commitments made this year	23,003	42,099
Hard de-commitments	(4,328)	(6,334)
Total Hard commitments	93,440	119,434
Hard commitments met in the period	<b>(46,518)</b>	<b>(44,669)</b>
Hard commitments carried forward as at year end	<b>46,922</b>	<b>74,765</b>

### Hard Commitments by year

	2007/08	2006/07
	£,000	£,000
Amounts falling due during 2006/07	–	39,570
Amounts falling due during 2007/08	44,364	34,791
Amounts falling due during 2008/09	2,215	223
Amounts falling due during 2009/10	305	181
Amounts falling due during 2010/11	38	–
	<b>46,922</b>	<b>74,765</b>

Hard commitments made in the year are shown as expenditure, but during the year some commitments will be made and paid in the same year, which accounts for the difference between outstanding hard commitments at 31 March 2007 and actual amount paid in 2008.

## 4. SOFT COMMITMENTS

	2007/08	2006/07
	£,000	£,000
Soft commitments brought forward	2,380	23,042
Soft commitments made	23,930	22,032
Soft commitments transferred to hard commitments	(23,003)	(42,099)
Soft de-commitments	(518)	(595)
Soft commitments carried forward as at 31 March	<b>2,789</b>	<b>2,380</b>

Soft commitments made in the year are not recognised in the accounts.

The accounting policies applied for lottery funding require commitments to be recorded in the accounts when an offer has been made and accepted. Revenue can only be recognised when funds are made available within the National Lottery Distribution Fund. With effect from 2002/03, and to provide appropriate financial security for grantees, UK Sport commits funds for a period of up to four years with the expectation that actual funds will be available from future lottery revenue to meet future years' expenditure.



5. LOTTERY GRANT PAYMENTS DURING THE YEAR

	2007/08	2006/07
	£,000	£,000
<b>To athletes:</b>		
Amateur Boxing Association	318	285
Amateur Rowing Association	1109	858
Badminton England	438	277
British Canoe Union	304	324
British Cycling Federation	969	742
British Equestrian Federation	427	326
British Fencing Association	133	63
British Gymnastics	142	85
British Handball Association	112	-
British Judo Association	421	178
British Shooting	208	-
British Swimming	1,657	1,098
British Triathlon Association	142	104
British Volleyball Federation	242	102
English Hockey	369	-
Great Britain Wheelchair Basketball Association	212	243
Modern Pentathlon Association of Great Britain	207	121
Grand National Archery	302	182
Royal Yachting Association	841	822
Sport Taekwondo	127	86
UK Athletics	1,263	1,161
Other athletes	754	579
	10,697	7,636
<b>To governing bodies:</b>		
Amateur Rowing Association	243	78
Amateur Swimming Federation of Great Britain	3,713	4,455
Badminton England	981	1,038
British Amateur Gymnastic Association	1,383	1,339
British Badminton Olympic Committee	120	136
British Bob Skeleton Association	422	354
British Canoe Union	2,177	1,624
British Cycling Federation	1,636	1,913
British Equestrian Federation	1,027	1,635
British Fencing Association	256	180
British Handball Association	102	-
British Judo Association	918	1,014
British Paralympic Association	500	500
British Ski and Snowboard Federation	-	113
British Table Tennis Association	16	124
British Taekwondo Council	274	210

	2007/08	2006/07
	£,000	£,000
British Tennis Foundation	-	138
British Triathlon Association	584	576
British Wrestling Association	163	68
English Hockey	105	-
English Institute of Sport	10,500	10,500
English Table Tennis Association	135	180
Grand National Archery Society	224	492
Great Britain Target Shooting Federation	337	404
Great Britain Wheelchair Basketball Association	296	274
Great Britain Wheelchair Rugby Association	41	207
Modern Pentathlon Association of Great Britain	763	832
National Ice skating Association	223	203
Royal Yachting Association	2,089	2,447
Sports Aid	1,125	250
UK Athletics	1,584	2,860
Other Governing Bodies	315	453
	32,252	34,597
<b>For events:</b>		
Archery World Cup & EMAU GP 2007	180	-
EAA European Indoor Championships in Athletics	-	430
FINA World Swimming Championships 2008	398	347
Le Tour de France Grand Depart	500	-
Men & Womens European Hockey Champs 2007	198	-
Paralympic World Cup 2005	-	11
Paralympic World Cup 2006	-	250
Paralympic World Cup 2007	358	-
Paralympic World Cup 2008	437	-
Sail for Gold Regatta 2007	148	-
U19 Rugby World Championships 2007	-	250
World Cup Final in Trampoline & Tumbling 2006	-	192
World Mountain Bike Championships 2007	186	40
World Rowing Championships 2006	-	350
World track Cycling Championships 2008	-	171
Other events	1,164	395
	3,569	2,436
<b>Total grant payments in the year</b>	<b>46,518</b>	<b>44,669</b>

### 6. STAFF COSTS

The aggregate payroll costs (staff and management) of the Lottery Sports Fund during the period under review were as follows:

	2007/08	2006/07
	£,000	£,000
Wages and salaries	643	483
Social security costs	59	45
Past service costs	94	59
<b>Total Employee Costs</b>	<b>796</b>	<b>587</b>

### 7. STAFFING

The average number of staff employed, during the period were as follows:

	2007/08	2006/07
	£,000	£,000
Employees	14	10
<b>Average Staff Numbers</b>	<b>14</b>	<b>10</b>

### 8. LOTTERY FUNDS

	2007/08	2006/07
	£,000	£,000
The Lottery Fund is stated after charging for:		
External Auditors' remuneration	26	26
Corporation tax on interest received	<b>18</b>	<b>8</b>

### 9. TANGIBLE FIXED ASSETS

All tangible fixed assets are computer software or equipment.

	2007/08
	£,000
Cost	
At 1 April 2007 and 31 March 2008	535
Depreciation	
Start of year	(505)
Charge for year	(15)
End of year	(520)
Net book value	
At 1 April 2007	30
At 31 March 2008	15

### 10. DEBTORS

	2007/08	2006/07
	£,000	£,000
Debtors	38	-
Prepayments	13	-
Accrued Income	-	2
	<b>51</b>	<b>2</b>

All amounts fall due within one year

#### Intra-government Balances

	2007/08	2006/07
	£,000	£,000
Balances with local authorities and police authorities	38	-
<b>Subtotal: intra-government balance</b>	<b>38</b>	<b>-</b>
Balances with bodies external to government	13	2
	<b>51</b>	<b>2</b>

### 11. CREDITORS

	2007/08	2006/07
	£,000	£,000
Trade Creditors	66	25
Accruals	331	140
Corporation tax	18	8
	<b>415</b>	<b>173</b>

All amounts fall due within one year

#### Intra-government Balances

	2007/08	2006/07
	£,000	£,000
Balances with central government bodies	28	8
Balances with bodies external to government	387	165
	<b>415</b>	<b>173</b>

### 12. REVENUE RESERVE

	2007/08	2006/07
	£,000	£,000
<b>Income and Expenditure Account</b>		
Opening Balance	(57,343)	(73,616)
Increase/(Decrease) in Lottery Fund	28,678	16,358
Transfer from Pension Reserve	31	(85)
Fund balance as at 31 March	<b>(28,634)</b>	<b>(57,343)</b>

\* This relates to the difference between the actual contributions paid and the net present value of pension costs as valued by the actuaries in line with FRS17.

### 13. SUPERANNUATION SCHEME

Most staff of UK Sport (Grant-in-Aid and Lottery) are members of the London Pension Fund Authority (LPFA) Superannuation Scheme. UK Sport is one of several employers whose staff participates in the scheme, and data given in this note refers to the whole scheme and to the identified UK Sport portion of it. There is a generic scheme for staff covered by Accounting policy note 1.4 above.

All staff are contractually employed by UK Sport. Whether they work on Lottery related matters or not does not affect the terms and conditions of their employment or of their pension entitlement. If in the long term they were still employed by UK Sport but the lottery accounts continued with Pension Fund deficits, then the employees, regardless of the Lottery nature of their employment, would still be entitled to look to the Grant-in-Aid accounts to ensure their pension entitlement was met. However under FRS 17 it is the economic entity which suffers the charge to its Income statement that must make disclosure of that relevant portion of the shared fund.

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

Employer's contribution for the year amounted to £56,262 or 10.2% of pensionable pay. An additional pension contribution of £108,028 was also made to reduce the pension liability.

The share charged to these accounts is a proportion of the amount paid by UK Sport in total.

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 2004. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date.

Financial Reporting Standards 17 (FRS17) issued by the Accounting Standards Board requires that the following information, which has 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:

#### 13.1 Balance Sheet disclosure – Long Term Returns

	2008 Long term return	Assets	2007 Long term return	Fund Value at 31/3/07
	%	£,000	%	£,000
Equities	7.5%	7,093	7.7%	6,985
Target return funds	6.3%	2,292	6.4%	2,508
Alternative assets	6.7%	2,134	6.8%	1,422
Cash	4.8%	356	4.9%	301
Total	7.0%	<b>11,875</b>	7.2%	<b>11,216</b>

#### 13.2 Net Pension assets

	31/3/08
	£,000
Estimated Assets	2,551
Present value of scheme liabilities <sup>2</sup>	(2,956)
Net Pension Assets / (Liabilities)	<b>(405)</b>
<b>% / Year Return Assumptions</b>	<b>31/3/08</b>
Price increases	3.6%
Salary increases	5.1%
Pension increases	3.6%
Discount rate	6.9%

1 In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31 March 2008, Hymans Robertson have rolled forward the actuarial value of the liabilities reported as at 31 March 2004, 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 UK Sport and its employees.

2 Hymans Robertson estimate that this liability comprises of approximately £4,437,000, £4,155,000 and £3,660,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2008. 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, UK Sport are satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

It is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married at death and that their spouse will receive will receive a pension equal to 50% of the member's pension as at the date of the member's death.

#### 13.3 Amount Charged to Operating Profit

	2007/08	2007/08
	£,000	% Payroll
Service Cost	77	15.3%
Curtailments & Settlements	17	3.4%
Total Operating Charge (A)	<b>94</b>	18.7%

#### 13.4 Projected Amount Credited to Other Finance Income

	2007/08	2007/08
	£,000	% Payroll
Expected Return on Employer Assets	185	23.3%
Interest on Pension Scheme Liabilities	(179)	(22.5%)
Net Return (B)	<b>6</b>	0.8%
Net Revenue Account Cost (A)-(B)	<b>88</b>	17.9%

**13.5 Analysis of Statement of Recognised Gains and Losses**

	2007/08
	£,000
Actual return less expected return on pension scheme assets	(237)
Experience gains and losses arising on the scheme liabilities	17
Changes in financial assumptions underlying the present value of the scheme liabilities	498
Actuarial gain/(loss) recognised in SRGL	<b>278</b>

**13.6 Movement in Surplus / Deficit during year**

	2007/08
	£,000
Opening surplus/(deficit)	(741)
Current Service Cost	(77)
Employer contributions	146
Impact of settlements & curtailments	(17)
Net return on assets	6
Actuarial gains/(losses)	278
Closing surplus/(deficit)	<b>(405)</b>

**13.7 History of experience gains and Losses**

	2007/08
	£,000
Difference between the expected and actual return on assets	(237)
Value of assets	2,551
Difference as % asset value	(9.1%)
Experience gains/(losses) on liabilities	17
Present value of liabilities	2,957
Gain / (loss) as % present value of liabilities	0.6%
Actuarial gains/(losses) recognised in SRGL	<b>278</b>
Gain / (loss) as % present value of liabilities	<b>9.9%</b>

The Actuarial Valuation for FRS 17 purposes has been allocated between Lottery and Exchequer (GIA) accounts in accordance with accounting policy note 4.

**14. RECONCILIATION OF INCREASE IN LOTTERY FUNDS BEFORE TAXATION TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	2007/08	2006/07
	£,000	£,000
Increase/(Decrease) in lottery funds before taxation	28,690	16,356
Depreciation of tangible assets	15	15
(Increase)/Decrease in debtors	(49)	25
Increase/(Decrease) in creditors	(27,611)	(9,030)
Interest receivable	(89)	(51)
(Increase)/Decrease in NLDF	(1,003)	(7,060)
Pension scheme: non cash movement	37	(75)
Net cash (outflow) / inflow from operating activities	<b>(10)</b>	<b>180</b>

**15. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	2007/08	2006/07
	£,000	£,000
(Decrease)/Increase in cash	71	224
Net funds at start of Period	429	205
Net funds at end of period	<b>500</b>	<b>429</b>

**16. CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

	2007/08	2006/07
	£,000	£,000
Opening cash balance	429	205
Net cash (outflow) /inflow	71	224
Cash and bank balances at year end	<b>500</b>	<b>429</b>

## 17. FINANCIAL INSTRUMENTS

FRS 13 Derivatives and other financial instruments, require disclosure of the role, which financial instruments have had during the period, in creating or changing the risks the UK Sport Lottery Fund faces in undertaking its role.

### Liquidity Risks

In 2007/08 £49.51m or 99.75% (2006/07 £53.9m or 99.91%) of the UK Sport Lottery Fund's income was derived from the National Lottery. The remaining income derived from Interest on Deposits and Sundry Income. In previous reports, UK Sport considered that the Lottery Fund's ability to meet the Award Commitments and other liabilities in the short and longer term is dependent on adequate sales revenue from the National Lottery and on the contingency arrangements in place with the DCMS in the event that the National Lottery revenue falls short of the amounts required.

### Interest Rate Risks

The financial assets of the Fund are invested in the National Lottery Distribution Fund, which invests in a narrow band of low risk assets such as government bonds and cash. UK Sport has no control over the investment of Funds in the National Lottery Distribution Fund.

At the balance sheet date the Market Value of UK Sport's share of investment in the National Lottery Distribution Fund was £18.137m (2006/07 £17.134m). In the year the average return on these investments was 20.92% (2006/07 3.71%). Cash balances which are drawn down from the Fund to pay grant commitments and operating costs are held in a deposit account which on average carried an interest rate of 4.63% (2006/07 3.94%) in the year. Cash on deposit is gross of corporation tax. The cash balance at the year-end was £500,000 (2006/07 £429,000) The Members consider that the Fund is not exposed to significant interest rate risks.

### Foreign Currency Risk

The Fund is not exposed to any foreign exchange risks.

## 18. CONTINGENT LIABILITIES

A NLDF Balance Transfer of £5m took place at the time of the Transfer of Responsibilities from Sport England to UK Sport. This transfer has been recognised as income in these accounts. The balance may be payable to Sport England at a future point in time. This would depend on a review being undertaken and UK Sport not being put "under excessive financial risk or pressure."

## 19. CAPITAL COMMITMENTS

As at 31 March 2008, the Lottery Fund had made no commitments to purchase further capital equipment (2006/07 Nil).

## 20. POST BALANCE SHEET EVENTS

There were no reportable post balance sheet events between the balance sheet date and the 30th of June 2008, the date the accounts were certified by the Comptroller and Auditor General. The financial statements do not reflect events after this date.

## 21. RELATED PARTY TRANSACTIONS

The Department for Culture, Media and Sport is the sponsoring department for the UK Sport, and is regarded as a related party of the Council. During the year the UK Sport had a number of material transactions with the Department.

None of the council members, key managerial staff or other related parties has undertaken any material transactions with the UK Sport during the year.

As a matter of policy and procedure, Council members, Lottery Awards Panel members and staff maintain publicly available registers of interests and declare any direct interests in grant applications made to the Lottery Sports Fund 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.

There were no disclosable Related Party Transactions for the period.

## 22. DIFFERENCES BETWEEN COMMITMENT AND ACCRUAL ACCOUNTING METHODOLOGY

These Lottery statutory accounts are prepared on a commitment basis – recognising grant awards at the point that commitment and conditions are agreed between UK Sport and recipients, although actual payment of grants may lag by up to four years. Thus the income and expenditure account reflects hard commitments made, rather than payments. This timing difference is also reflected on the balance sheet as both a current and long-term liability, according to whether it falls within one year. Cash flow is unaffected. Thus if the accounts were to be presented on the same basis as UK Sport's Exchequer accounts, which would allow them to be compared on a like-for-like basis, the following adjustments would be made:

INCOME & EXPENDITURE – EXCERPT	Lottery Accounts on Commitment basis		Re-stated on an Accrual basis	
	2007/08	2006/07	2007/08	2006/07
	£,000	£,000	£,000	£,000
<b>Expenditure</b>				
Hard commitments	23,003	42,099	–	–
Hard de-commitments	(4,328)	(6,334)	–	–
Hard de-commitments transfer to GIA	–	–	–	–
Grants paid	–	–	46,518	44,669
Staff costs	796	587	796	587
Depreciation	15	15	15	15
Other operating costs	362	418	362	418
Costs apportioned from GIA	1,100	822	1,100	822
	<b>20,948</b>	<b>37,607</b>	<b>48,791</b>	<b>46,511</b>
Increase / decrease in Lottery funds	28,690	(16,356)	847	7,454
<b>BALANCE SHEET - EXCERPT</b>				
<b>Creditors</b>				
Sundry creditors due <1 year	(415)	(173)	(415)	(173)
Hard grant commitments due <1 year	(44,364)	(39,570)	–	–
	<b>(44,779)</b>	<b>(39,743)</b>	<b>(415)</b>	<b>(173)</b>
Net Current Assets/Liabilities	(26,091)	(22,178)	18,273	17,392
Hard grant commitments due >1 year	(2,558)	(35,195)	–	–
Pension liability	(405)	(475)	(405)	(475)
Total assets less all liabilities	<b>(29,039)</b>	<b>(57,818)</b>	<b>17,883</b>	<b>16,947</b>

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