



ANNUAL REPORT

2008-2009

The United Kingdom Sports Council
Grant-in-Aid and Lottery Distribution Fund
Report and Accounts for the Year Ended 31 March 2009

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: 14th July 2009

HC677
SG/2009/83
N/A 121/08-09

London: The Stationery Office

£19.15

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ISBN: 9780102958713

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FOREWORD



The 2008-2009 financial year was significant not only for the fantastic achievements by British athletes at the Beijing Olympic and Paralympic Games, but because it also marked the start of the 'London cycle' and the Road to 2012. This Annual Report reviews the responsibilities of the United Kingdom Sports Council at this exciting time and the significant achievements across all areas of its business. In addition to outlining our strategy and delivery management, it also marks the progress made against the key performance indicators underpinning its Funding Agreement with The Department for Culture, Media and Sport (DCMS).

The Accounts section of this report is separated into two distinct areas in line with statutory requirements; Grant-in-Aid Account and Lottery Distribution Fund Accounts. The former includes account information on British Performance Basketball Limited, International Development through Sport and the English Institute of Sport.

Chris Holmes

Chris Holmes
Chair of Audit Committee
UK Sport

UK SPORT – AT A GLANCE

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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 2008-2009, UK Sport received £72.2m 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 receipts for the same period were £49.8m, 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.

FUNDING FOR LONDON 2012

In the immediate aftermath of the Government's announcement in March 2006 of additional Exchequer investment through to London 2012, UK Sport set investment levels up to the Beijing Games. Funding for the London cycle was to be determined on the basis of performances at the Beijing Games coupled with evidence of future potential.

With up to £100m of the outline budget for 2009-13 dependent upon efforts to raise investment from the commercial sector, the exact level of confirmed resource available was not finally determined until December 2008. Additional public investment of £50m accounted for the fact that efforts to raise funds from the commercial sector were being hampered by the global economic climate and resulted in an eventual £304m budget for 2009-13. A scheme to raise additional funds against the residual £50m private sector funding gap – Team 2012, a partnership between UK Sport, the BOA, BPA and LOCOG – has been devised and is in the process of being taken to the commercial market.

UK Sport made funding decisions for 2009-13 in December 2008 and January 2009 based on its 'No Compromise' approach, and against a set of Funding Principles devised prior to the Beijing Games, resulting in 33 sports receiving 'Optimal' funding packages and 12 sports supported at a 'Basic' level.

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 stay fixed until 2019. Following the transfer of full responsibilities for high performance sport from Sport England to UK Sport in 2006, UK Sport distributes 3.8% of the total funding allocated to the Lottery good causes and 23% of the total sport allocation.

MISSION 2012

Mission 2012 – UK Sport's way of measuring each sport's progress against their goals for the 2012 Games (both in terms of performance targets and system development) – has continued to develop over the past 12 months. The approach delivers clear accountability against UK Sport's investment and the emphasis on delivering performance and governance solutions to the issues facing sports has increased.

The process encourages individual sports to identify either areas of excellence or issues of concern that can be shared or addressed as appropriate. UK Sport's Olympic and Paralympic Mission 2012 Panels are able to examine sport's input and advise on the provision of solutions to challenges. In addition to UK Sport's performance leads in the shape of John Steele, Liz Nicholl and Peter Keen, the Panels boast the experience of Rod Carr, Steve Cram and Sir Clive Woodward (Olympic) and Dame Tanni Grey-Thompson, Chris Holmes and Sue Wolstenholme (Paralympic).

Post-Beijing the emphasis has been on defining the issues that will matter most in delivering performance goals in 2012 and beyond and tracking progress against them.

PROGRAMME SUPPORT

During the year, significant reviews into investment in Paralympic sport and the delivery of Sport Science and Medicine support through the English Institute of Sport were completed in time for the outcomes to be incorporated into the investment decision-making process.

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 on average £3.3m of National Lottery money per annum 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 14 were supported in the financial year 2008-2009 alone, including four World Championships. Over 25 events are scheduled so far for support in 2009-2010, including the 2009 World Modern Pentathlon Championships and the 2009 European Jumping and Dressage Championships.

INTERNATIONAL INSPIRATION

UK Sport's 18 year record of engagement in international sport development and working in partnership with other organisations has enabled the realisation of a unique global initiative. International Inspiration is an international legacy programme of London 2012. It aims to use the power of sport to transform the lives of millions of children and young people in schools and communities across the world, particularly in developing countries, through the power of high quality and inclusive physical education, sport and play.

Delivery of the Programme, which was announced by the Prime Minister in India in January 2008, is led by UK Sport in partnership with the British Council and UNICEF UK. DCMS, DFID, the British Council and the Premier League are key funding partners, and LOCOG, the British Olympic Foundation and the British Paralympic Foundation are also central to the programme. The complexity of the rollout over a number of countries is managed centrally through a programme board and it is anticipated that this will be formally constituted as the International Inspiration foundation in due course. In each country International Inspiration is supported by National Olympic and Paralympic Committees, and plans are delivered with expert input from the Youth Sport Trust and from organisations such as Right to Play, as well as local sports federations and NGOs.

Already making a difference to young people's lives, projects are underway in eight countries: Azerbaijan, Bangladesh, Brazil, India, Jordan, Mozambique, Palau and Zambia. Projects are also due to start in Ghana and Trinidad and Tobago, with planning underway for a further three countries to start activity this year. The aspiration is to reach 12 million children in 20 countries by 2012. For more detail on the programme please refer to the International Inspiration Annual Report at www.london2012.com/internationalinspiration

During 2008/09, income of £1.65m was received by UK Sport from the Department for International Development via DCMS and £1.4m was received by IDS from the Premier League. Expenditure of £0.9m was incurred by UK Sport on programme activity.

MODERNISED NATIONAL ANTI-DOPING ORGANISATION (NADO)

Work has continued towards the establishment of a stand-alone body to take over the responsibility of the UK's National Anti-Doping Organisation currently held by UK Sport. The move, which was recommended by UK Sport's Board in December 2007, reflects the changing nature of the fight against doping in sport which necessitates the need for a more centralised approach to case management and greater links with law enforcement agencies. In February 2009, Minister for Sport Gerry Sutcliffe confirmed that the new body – titled UK Anti-Doping – would be open for business by the end of 2009, with a budget of £7.2m in its first full year of operation (an increase of 60%). The Minister asked UK Sport to lead on the establishment of the organisation and a Project Team is in place to manage the transition from UK Sport to UKAD, with its work overseen by a Board chaired by Phil Carling. It is anticipated that a Chair for UKAD will be appointed in July 2009.



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.

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 105 staff across seven work areas.

Chief Operating Officer:

Performance Director:

Finance Director:

Director of Drug-Free Sport:

Director of Business Support:

Director of Policy and Communications:

Head of International Development and International Inspiration Programme Director:

Liz Nicholl OBE

Peter Keen

Chris Walker

Andy Parkinson

David Cole

Tim Hollingsworth

Debbie Lye

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. Baroness Sue Campbell CBE was initially appointed as Reform Chair of UK Sport in September 2003 for an 18-month term. She was confirmed as UK Sport's Chair for an additional four-year term in March 2005 and reappointed as Chair for a further four-year term in March 2009.

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 2008-2009 were as follows, detailed information including date and duration of appointment is available on the UK Sport website www.ukssport.gov.uk:

NAME	POSITION	START DATE	2008/09
Baroness Sue Campbell CBE	Chair	March 2005	Four years – reappointed 19/03/09
Ian Beattie	Member (interim Chair sportsotland)	March 2008	Term ended
Nick Bitel	Member	November 2002	Term ended
Philip Carling	Member (Chair Sports Council for Wales)	February 2004	Three years – reappointed 01/02/07
Rod Carr OBE	Member	September 2005	Three years – reappointed to 18/09/2011
Chris Holmes MBE	Member	September 2005	Three years – reappointed to 18/09/2011
Philip Kimberley	Member	March 2009	Three years
Richard Lewis	Member (Chair Sport England)	March 2009	Three years
Louise Martin CBE	Member (Chair sportsotland)	November 2002	Three years – reappointed 13/11/08
Ged Roddy	Member (Vice Chair Sport England)	March 2008	Term ended October 2008
Jonathan Vickers	Member	October 2008	Three years
Nigel Walker	Member	July 2006	Three years
Dominic Walsh	Member (Chair Sports Council for Northern Ireland)	February 2008	One year – reappointed to 02/03/2012

(Correct as at 31 March 2009)



STRATEGY & STRUCTURE

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 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.

We expect our staff, and the athletes, programmes, projects and initiatives we invest in to be continually striving for excellence – benchmarked against the world's best. In return for this commitment we strive to ensure that the resources needed to compete with the world's best are in place, and where these are finite, to allocate what is needed on the basis of current performance and future potential.

THE SUPPORT SYSTEM – THE WORLD CLASS PERFORMANCE PROGRAMME

The new World Class Performance Programme, incorporating world class talent and development level investment formerly the responsibility of Sport England and the other home countries, was introduced in April 2006.

On 31 March 2009, 1,442 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 athletes with realistic medal winning capabilities for 2016. 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 emerging 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.

STRATEGIC REVIEW

In November 2008, UK Sport embarked on an internal Strategic Review to ensure it is best placed to maximise the opportunities provided by Britain hosting the 2012 Olympic and Paralympic Games. The primary aim of this Review was to ensure that all UK Sport activities fully support the performance objectives of the organisation in terms of delivering success on the world stage. This resulted in a new Mission being created: 'One Team One Mission – Best Prepared For 2012', which reflects the desire to ensure everything is done to get Britain's sports and athletes to the start line in 2012 in the best possible shape. It has also led to some internal restructuring and the establishment of new ways of working to maximise the effectiveness and efficiency of day-to-day operations.



MANAGING DELIVERY

CHIEF OPERATING OFFICER AND PERFORMANCE

As a result of the Strategic Review, three teams are now aligned to the overall responsibility of 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 managed by the organisation – Lottery and Exchequer – are delivered to sports in the most effective way. Liz Nicholl, in a new role as Chief Operating Officer, leads the Investment and Governance and Major Events teams while Peter Keen as Director of Performance leads the Performance team. Alongside funding managed by the Investment and Governance team that goes directly to partner organisations and to the sports through the World Class Pathway, the Performance team leads and develops areas which have been identified as having an influential impact on an athlete's performance: Performance Solutions, Athlete Development and Research and Innovation. The Events team work with national governing bodies to develop performance 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 event bidding and staging costs.

INTERNATIONAL

UK Sport has been involved in International Sport Development for the last 18 years and has worked in over 20 different countries, mainly within Southern Africa but also in Asia and the Caribbean. The largest single element of the international team's work is currently International Inspiration. Alongside this Olympic-related initiative, the International Development team continues their strategy of strengthening sports systems within developing countries by working with Ministries, Sports Federations and Non-Governmental Organisations. In line with the recommendations of the International Working Group on Sport for Development and Peace on which UK Sport represented the UK Government, there is a focus on advocating the role sport can play in developing countries' poverty reduction strategies. The UK Sport International Development programme engages in policy development, capacity building through coach and sport leader education, and the strengthening of community based sport, including programmes linked to human and social development goals such as gender empowerment, educational opportunity and health education. The team also provides the executive and a range of services for the charity International Development through Sport (IDS). By managing the portfolio of projects the team supports the development of the IDS mission of "Harnessing the power of sport to change lives".

DRUG-FREE SPORT

As the country's national anti-doping organisation, UK Sport is currently 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 7,500 tests carried out. The results of the testing programme are published quarterly and made available on the corporate 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. These responsibilities will be taken over by UK Anti-Doping (UKAD) by the end of 2009.

BUSINESS SUPPORT

The Business Support team provides essential support and advice to the organisation in the areas of human resources, information technology, facilities, legal advice, corporate planning/risk management and project management.

The concept of 'world class support' was launched in 2008/09, aiming to ensure that UK Sport operates as efficiently and effectively as possible. Key to this, in addition to the new ways of working associated with the Strategic Review, has been the establishment of a Programme Management Office for UK Sport to help coordinate the delivery of key projects and initiatives across the organisation. The team also manages UK Sport's corporate relationship with the DCMS, co-ordinating the production of the organisation's Funding Agreement with the department for the next three years (2008-2011), as well as taking responsibility for the organisation's Business Plan for the London Olympiad cycle.

INFLUENCE

UK Sport's Communications, Policy and International Influence teams operate under an over-arching 'Influence' banner designed to create the best possible environment in terms of reputation, positioning and advocacy in which UK Sport can deliver its objectives. For the Communications team this means ensuring the right messages are delivered to the right people in the right way at the right time, be it through media relations, publications, branding, events or e-communications, as well as handling stakeholder and internal communications. Meanwhile the Policy team underpins the work of UK Sport by ensuring all policies and procedures meet the standards required of a government agency and Lottery distributor, as well as carrying out regular research projects to inform and guide work and provide the evidence base for our activity. Finally, the International Influence team ensures the UK has as voice in the global sporting arena. For example, it runs the International Leadership Programme which develops those with the potential to reach high positions within the governance and administration of international sport. Finally, the Influence team also includes responsibility for commercial partnership and sponsorship activity, including UK Sport's role in the newly formed Team 2012 partnership.

FINANCE

The Finance team manages UK Sport's Lottery and Exchequer incomes, investing and managing it so as much as possible can be distributed to sport. In the 2008/09 period, the Finance team was restructured around two distinct functions – management accounting and financial accounting. This also optimises the ability to manage risk in challenging economic circumstances.

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 three partner organisations, the British Paralympic Association (BPA), the English Institute of Sport (EIS) and British Performance Basketball (BPB). The number of staff that can be accommodated in this modern, friendly and largely open-plan working environment is 151.

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 Pathway 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 ambitions and legacy for London 2012.



MANAGING DELIVERY

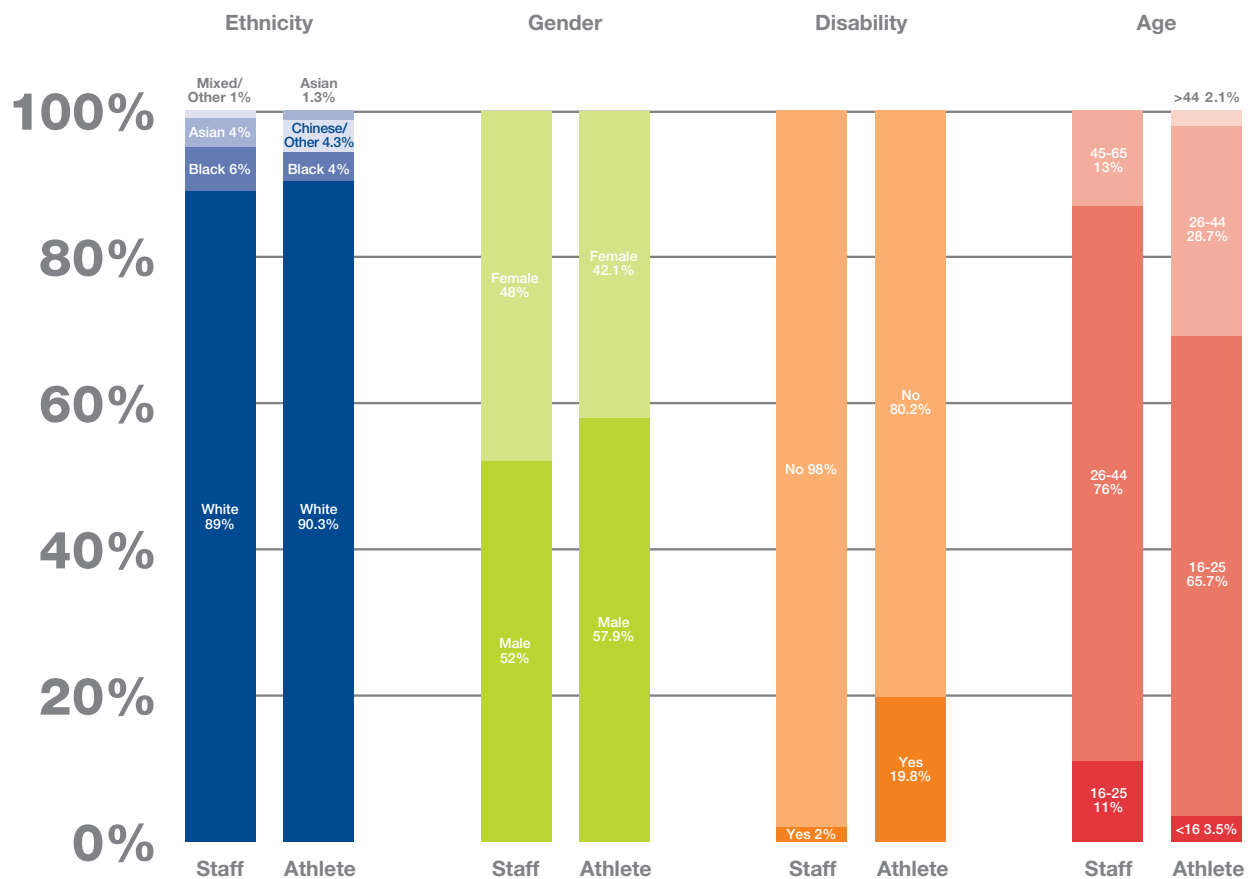
STAFF AND FUNDED ATHLETE PROFILE

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 2009, the race, age, gender and disability profile of UK Sport's 105 staff and 1,442 funded athletes was as below. Ethnicity, disability and age information for funded athletes is based on the 765 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 4.6%.

UK SPORT STAFF AND FUNDED ATHLETE PROFILING



DATA SAFEGUARDS

UK Sport has suffered no protected personal data incidents during 2008/09 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 2008/09, 93% (2007/08 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 £34,515 and £27,700 respectively for each set of accounts (£33,450 and £26,200 in 2007/08).

REMUNERATION REPORT

Directors' Remuneration – Director's recruitment, remuneration and employment terms and conditions are overseen by the Remuneration Panel, which comprises 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 three elements:

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

Performance Related-Pay – depends on the outcome of annual performance review of objectives and competences, and on still being in post at 1st of July. In 2008/09 the maximum performance related pay available was 20% of basic salary for the CEO and 15% for the other Directors. These payments are not pensionable.

Pension arrangements – Directors are members of the Local Government Pension Scheme (LGPS), a tax approved 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 1/60 of final pensionable salary. Death in service cover is three years pay plus spouses/civil partner's pension equal to 1/160 of the final salary, times total membership. At 31/03/09 all Directors, but not the Chair, were members of LGPS.

Director's 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.



MANAGING DELIVERY

Other benefits include healthy lifestyle allowance and considerable leave entitlement.

Emoluments of the Chair and Directors, including performance related pay but excluding pension arrangements, for the year ending 31/03/2009 were as follows:

AUDITED INFORMATION £,000		2008/09	2007/08
S Campbell	Chair	35-40	35-40
J Steele	CEO	140-145	135-140
L Nicholl	Director/COO	105-110	100-105
J Scott*	Director	40-45	95-100
T Hollingsworth	Director	100-105	90-95
P Keen	Director	90-95	80-85
D Cole	Director	75-80	70-75
C Walker**	Director	55-60	–
A Parkinson	Director	75-80	60-65

* J Scott emoluments do not reflect a full year, since he left UK Sport during 08/09

** C Walker's emoluments do not reflect a full year, since he joined UK Sport in July 2008

Pension entitlement

AUDITED INFORMATION £,000	REAL PENSION INCREASE	REAL LUMP SUM INCREASE	VALUE OF ACCRUED PENSION	VALUE OF ACCRUED LUMP SUM	CETV AT 31/03/2008	CETV AT 31/03/2009	REAL INCREASE IN CETV
J Steele	0-2.5	0-2.5	5-10	10-15	48	79	19
D Cole	0-2.5	0-2.5	5-10	20-25	56	69	5
T Hollingsworth	0-2.5	0-2.5	5-10	20-25	100	122	10
A Parkinson	0-2.5	0-2.5	0-5	0-5	16	29	7
P Keen	0-2.5	0-2.5	5-10	10-15	44	65	13
E Nicholl	0-2.5	0-2.5	25-30	80-85	591	637	9
J Scott	n/a	n/a	30-35	100-105	n/a	789	n/a
C Walker	n/a	n/a	0-5	0-5	n/a	7	n/a

Accrued pension represents amount 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 qualified actuary in accordance with guidance note GN11, published by the Institute of Faculty 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 £215 per day (£209 2007/2008) and half that amount for half-day meetings, up to 36 days each year. Members who have received remuneration are as follows:

AUDITED INFORMATION (£)	2008/09	2007/08
Chris Holmes	5913	7625
Derek Mapp	–	836
Dominic Walsh	860	–
Eric Saunders	–	1045
Ged Roddy	430	–
Jennie Price	–	–
Jonathan Vickers	753	–
Julia Bracewell	–	1986
Louise Martin	1398	836
Nick Bitel	645	1462
Nigel Walker	3117	2612
Philip Carling	4515	3448
Rod Carr	2042	836
	19,673	20,686



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 SUCCESS

PRIMARY ACTIVITY	DELIVERABLE	PERFORMANCE TARGET 08/09	ACTUAL PERFORMANCE 08/09
1. Support athletes and sports to succeed in World Class events	i) Medal Table Ranking achieved by Team GB in 2008 Beijing Summer Olympics	8th	4th
	ii) Number of medals won at the Olympic Games or in a non-Olympic year the sports most significant international event	35	47
	iii) Medal Table Ranking achieved by ParalympicsGB in the 2008 Beijing Paralympic Games	2nd	2nd
	iv) Number of medals won at the Paralympic Games or in a non-Paralympic year the sports most significant international event	95	102
	v) Number of Olympic Pathway athletes with a rising profile finishing in the top 4-8 at their agreed targeted events	49	38
	vi) Number of Paralympic Pathway athletes with a rising profile finishing in the top 4-8 at their agreed targeted events	48	36

Another four years of hard work came to fruition during 08/09 for many British athletes during the Beijing Olympic and Paralympic Games. The performance of Team GB in Beijing was the nation's most successful Olympic performance for 100 years, and ParalympicsGB retained second place in the medal table for the third Games in a row. Notable performances in Olympic sport included Cycling, Sailing and Rowing where Team GB topped the medal table. In Paralympic sport, GB topped the medal table in Cycling, Equestrian and Rowing.

2. Develop skilled people and provide solutions to support UK World Class athletes	i) The number of support personnel participating within the year in UKS professional development programmes	100	120
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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. The Elite Coach programme and World Class Coaching Conference enjoyed another successful year, as did UK Sport's Performance Lifestyle service and the Fast-track Practitioner Programme.

STRATEGIC OBJECTIVE – OLYMPIC AND PARALYMPIC PATHWAY

<p>3. Support the development of a World Class high performance sports system in the United Kingdom</p>	<p>i) Percentage of UKS and SE performance funded elite performance sports that agree that EIS service delivery meets or exceeds expectations</p>	<p>95%</p>	<p>87%</p>
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In February 2008 UK Sport, in consultation with the English Institute of Sport (EIS), undertook a review of sports science and medical service delivery through the EIS as an important element of investment planning towards London 2012 and beyond. Following a period of consultation with key stakeholders, the joint review process developed an approach to the delivery and future development of sports science and medical support – and its associated business model. The new model came into effect on 1 April 2009 and provides the EIS with a clear and focused remit to be the developer and deliverer of world class services to meet the needs of athletes and their NGBs, both now and into the future.



UK SPORT'S PERFORMANCE

STRATEGIC OBJECTIVE – WORLDWIDE IMPACT

PRIMARY ACTIVITY	DELIVERABLE	PERFORMANCE TARGET 08/09	ACTUAL PERFORMANCE 08/09
4. To increase the influence of the UK in the governance and administration of international sport via the implementation of 33 NGB/KFA strategies	i) % of organisations with International Influence Strategies actively delivering on the aims and objectives contained within them	90%	97.5%
5. To achieve a demonstrable impact on the development of sport in targeted countries through International Inspiration (a partnership of UK Sport, British Council and UNICEF)	i) By the end of each Phase One country programme, a component of International Inspiration is embedded in at least one National/ Regional Government strategies, including NOC, NPC and National Sport Councils, and/or curricula as a sustainable model for delivery of high quality and inclusive PE, sport and play	3 national strategies influenced/ International Inspiration embedded as a component	3 national strategies influenced/ International Inspiration embedded as a component
	ii) By the end of each Phase One country programme the capacity of teacher trainers, coach educators, coaches (including community coaches), care givers, teachers, volunteers, officials and young people to deliver high quality and inclusive PE, sport and play has been increased	25,000	51,182
	iii) 4 million children and young people of all abilities; 3 million reached (regularly participating) and 1 million engaged (with access), take part on high quality and inclusive PE, sport and play by 2011	250,000 (engaged)/ 750,000 (reached)	278,163 (engaged)/ 1,203,456 (reached)
6. To achieve a demonstrable impact on development through sport in targeted countries	i) the number of tutor trainers and peer leaders trained in sports leadership activities within SCSA Zone VI	800 peer leaders	930 peer leaders
		30 tutor trainers	41 tutor trainers
		6 countries	6 countries
	ii) The number of Level 1 and 2 coaches developed within SCSA Zone VI via the coach education framework and the number of countries using the framework	Year 1 250 coaches 2 countries	40 coaches
7. To maintain and develop a UK-wide World Class sports events strategy/ programme in partnership with the national elite sports structure leading up to 2012	i) Percentage of events in the WCEP strategy to 2012 secured for the UK	70%	87%
	ii) The number of events approved by WCEP meeting grant conditions and achieving delivery within the agreed budget	15	14
	iii) Leverage funds to support the WCEP from external public and commercial sources	Ratio 1:2	Ratio 1:3

UK Sport's World Class Events Programme supported a record six World Championships in 2008; Between 2009 and 2012, 24 World Championships and 15 European Championships are being targeted, with £14m likely to be invested during the London Olympiad.

International Development projects outside of International Inspiration delivered sport in 11 countries in 2008. Over 800 young people have been empowered through training in leadership, life skills and sport coaching.

The International Relations team continued their work in the three key areas of international influence, international relations and international policy with significant progress made and new strategies rolled out across the three business areas during the year. The International Relations team organised UK Sport's presence at the 2008 Beijing Olympic Games. This included arranging a series of targeted meetings with key contacts in the International Olympic Committee, International Federations and other relevant international bodies in addition to supporting national governing bodies during competition.

STRATEGIC OBJECTIVE – WORLD CLASS STANDARDS

PRIMARY ACTIVITY	DELIVERABLE	PERFORMANCE TARGET 08/09	ACTUAL PERFORMANCE 08/09
8. Lead a world class anti-doping programme for the UK	i) To maintain compliance by NGBs on the testing programme with the WADA Code and the NGB Agreement at all times	100%	100%
	ii) To successfully transition all NGBs on the testing programme to the 2009 WADA Code	100%	92%
	iii) The number of missions per testing year (April-March) undertaken to deter and detect athletes in accordance with applicable international standards	7,500	7,545
	iv) The percentage of overall number of 'missions' allocated to out-of-competition	60%	62%
9. Work with athletes and others to promote the highest standards of conduct in sport	i) The satisfaction of NGBs on the testing programme (%) with the provision of up to date information resources and support of acknowledged education programmes and strategies	90%	100%
10. Maintain and establish sustainable programmes and structure to ensure fit for purpose into the future	i) To lead on the delivery of separation of the NADO from UK Sport and the establishment of UK Anti-Doping	Business case end of April 08	Business case delivered in April 08 with revised business case delivered in October 08



UK SPORT'S PERFORMANCE

UK Sport's domestic and international testing programme delivered over 7,500 Missions in 2008/9 this included over 1,300 tests on Britain's 523 Olympic and Paralympic athletes in the run-up to the summer Beijing 2008 Olympics and Paralympic Games. Over 400 tests were conducted on the 151 British athletes who won medals as part of the most comprehensive pre-Games testing programme ever conducted in the UK. Of the 523 athletes who went to Beijing, 21% were tested four or more times, 22% were tested three times, and 35% were tested twice. 98% of athletes in high priority sports were tested at least twice out-of-competition. All British Olympic medallists in rowing, cycling and athletics were tested at least three times.

UK Sport published both the UK Anti-Doping Rules and the UK Anti-Doping Procedures Guide in line with the revised World Anti-Doping Code (Code) and International Standard for Testing (IST) which came into effect on 1 January 2009. The 2009 List of Prohibited Substances and Methods was also issued by the World Anti-Doping Agency (WADA) in October. Both the Rules and Procedures guide were developed to make the transition to the new Code as simple as possible for NGBs. All NGBs on the Testing Programme were informed of their responsibilities in amending their Anti-Doping Rules by the New Year's Day deadline.

The 100% ME team also addressed those athletes affected by changes to the new Code and in particular their requirements under the International Standard for Testing and the provision of individual whereabouts information by offering face-to-face reinduction sessions to all athletes on the National Registered Testing Pool. In total 17 face-to-face re-induction sessions were delivered across the UK and a further 21 phone re-inductions were carried out. Ongoing day-to-day support is offered through a dedicated Athlete Whereabouts officer who provides a point of contact and sends regular SMS text reminders to athletes of their responsibilities each quarter.

STRATEGIC OBJECTIVE – BUDGET MANAGEMENT

PRIMARY ACTIVITY	DELIVERABLE	PERFORMANCE TARGET 08/09	ACTUAL PERFORMANCE 08/09
11. Ensure UK Sport operates and allocates resources with maximum effectiveness, efficiency and accountability	i) Corporate costs as a percentage of total expenditure (includes Lottery and Exchequer)	<5.5%	4.6%
	ii) Lottery administration costs as a percentage of total Lottery income, including interest	<6.0%	4.8%

FINANCIAL PERFORMANCE

Following the tremendous success of British athletes at the Beijing Olympic and Paralympic Games, the second half of the 2008/09 year was dominated by financial planning and funding decisions for the new Olympic Cycle that will culminate in London 2012.

The need to invest and public expectation could not have been higher.

In normal economic circumstances the challenge faced by UK Sport at the start of a cycle is to strike a balance between the provision of a secure financial platform to sports in which athletes can be developed to an optimal level over a four year period with the uncertainties of lottery and exchequer funding streams that are variable over shorter timescales.

Economic circumstances in the second half of 2008/09 were far from normal – with a significant worldwide downturn and severe pressure on public sector spending: pressures which are likely to increase for the remainder of the Cycle.

Against this background, ongoing uncertainty around the £100m of fundraising that Government had announced as part of the budget package announced in 2006 became a very significant issue.

UK Sport's Board met in December 2009 to determine the funding for all sports on the World Class Performance Programme (WCPP) in the London 'cycle'. In making those decisions it had available a record amount of Government and Lottery funding: £304 million. This included a further £50 million from the Exchequer and Lottery, in addition to the amount first announced in March 2006, which was £300 million of Lottery funding, and an additional £200 million of Exchequer investment, to be matched by £100 million from the private sector. However, this still left a £50 million private sector shortfall when compared to the original planned budget. The impact of the remaining private sector shortfall has been to reduce investment in both individual sports and programme activity. In particular, 12 sports have received four year basic awards at a reduced level, which they have chosen to take over the first two years at their own risk.

In addition, a prudent view has been taken of other income flows and UK Sport has put in place a performance review programme that will reflect not only the progress of sports towards performance objectives but also the economic realities of reduced public spending commitments should this become necessary to maintain the overall financial stability of the mission and the continued prioritisation of medal success.

The challenge to raise additional funds for investment across all sports has been taken up jointly by UK Sport; LOCOG; the British Olympic Association and the British Paralympic Association under the banner of 'Team 2012'. The objective is twofold: to provide extra support for the London Cycle and develop a 'third strand' for the longer term funding of Performance Sport.

The new funding cycle has also crystallised a number of long standing financial issues, including funding for an independent UK Anti-Doping organisation and the tax status of Doping Control Staff and Chaperones which originated to the late 1990s. For the former, UK Sport has contributed £3.8m to the start up and year one running costs of the new agency. For the latter, a settlement is now under discussion with HMRC and a payment of £0.66m has been made on account of the anticipated final liability.



UK SPORT'S PERFORMANCE

Detailed Analysis

The financial statements for Exchequer and Lottery income are summarised below. Lottery figures are restated on an accruals basis for ease of comparison.

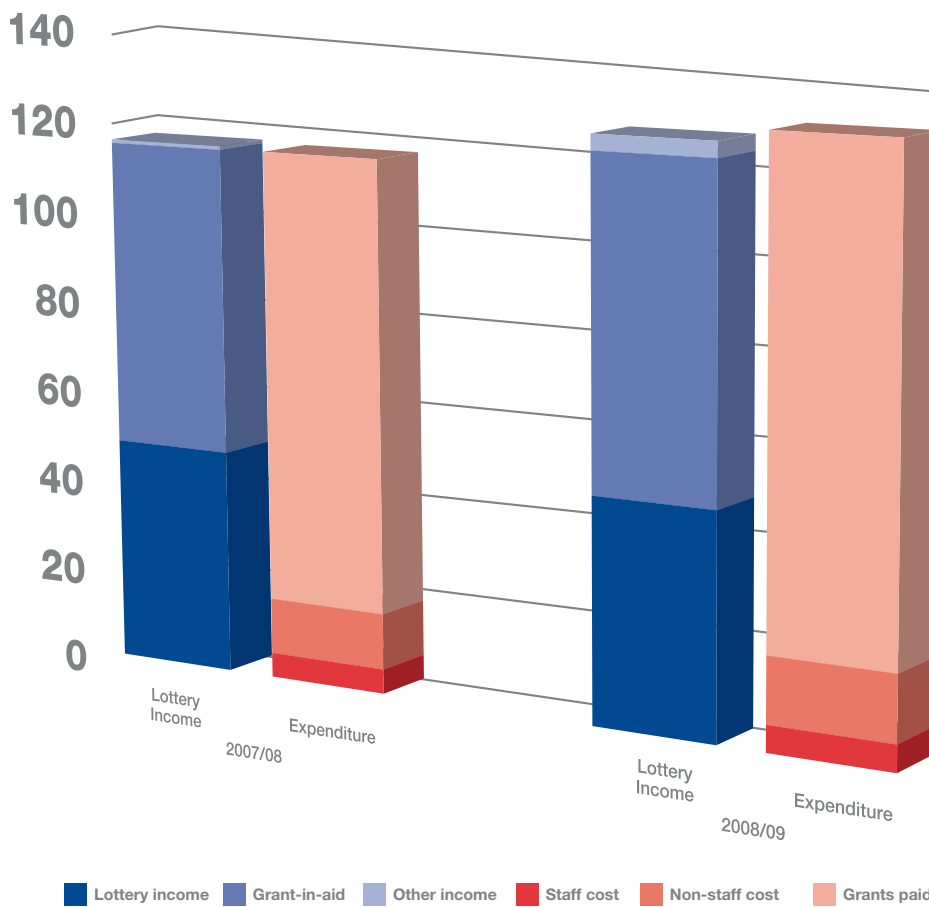
£M	2008/09				2007/08			
	GIA	Lottery	Intra-gp	Total	GIA	Lottery	Intra-gp	Total
GIA	72.2	–	–	72.20	67.38	–	–	67.38
NLDF	–	49.84	–	49.84	–	49.51	–	49.51
Other	2.75	–	(1.37)	1.38	1.85	0.04	(1.10)	0.79
Total Inc	74.95	49.84	(1.37)	123.42	69.23	49.55	(1.10)	117.68
Staff	5.03	0.88	–	5.91	4.84	0.76	–	5.60
Programme	12.77	1.87	(1.37)	13.27	11.96	1.48	(1.10)	12.34
Grants	60.1	47.36	–	107.46	52.78	46.52	–	99.30
Total Exp	77.9	50.11	(1.37)	126.64	69.58	48.76	(1.10)	117.24
Interest/Tax	0.12	0.62	–	0.74	0.17	0.09	–	0.26
Surplus/(Deficit)	(2.83)	0.35	–	(2.48)	(0.18)	0.88	0.00	0.70
Fixed assets	0.83	–	–	0.83	0.59	0.02	–	0.61
NLDF balance	–	18.81	–	18.81	–	18.14	–	18.14
Debtors	1.84	–	(0.40)	1.44	5.08	0.05	–	5.13
Cash	0.72	0.08	–	0.80	0.83	0.50	–	1.33
Current assets	2.56	18.89	(0.40)	21.05	5.91	18.69	0.00	24.60
Accruals	0.43	0.45	–	0.88	0.56	0.33	–	0.89
Other creditors	1.03	0.38	(0.40)	1.01	1.25	0.08	0.00	1.33
Net Current liabilities	1.10	18.06	–	19.16	1.81	0.41	0.00	22.38
Pension asset/(liability)	(2.12)	(0.83)	–	(2.95)	(0.53)	(0.41)	–	(0.94)
Dilapidation provision	(0.34)	–	–	(0.34)	(0.28)	–	–	(0.28)
Total assets less liabilities	(0.53)	17.23	0.00	16.70	3.88	17.89	0.00	21.77
NET CASH FLOW	(0.11)	(0.42)	–	(0.53)	0.43	0.07	–	0.50

Income

Exchequer income has increased in line with the projection in our Business Plan to £72.2m, including £1.65m originating from the Department for international Development to support the International Inspiration programme. However, central Government budget constraints have severely limited access to End of Year Flexibility funding and the anticipated drawdown of £1.5m was not agreed. Investment in Programme activity has been reduced accordingly.

The UK Sport share of National Lottery proceeds is £1.7m higher than anticipated in the Business Plan reflecting better than expected ticket sales. However, this is offset by a reduction of £0.7m in investment returns earned on centrally invested funds and overall there is a modest increase in income from the National Lottery compared to 2007/08.

INCOME AND EXPENDITURE DEVELOPMENT

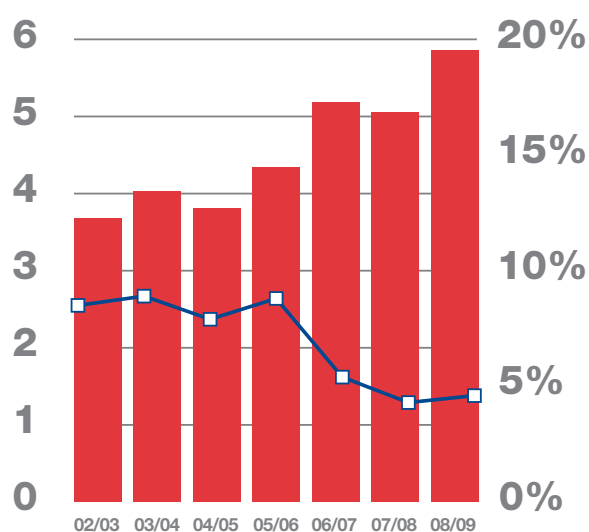


UK SPORT'S PERFORMANCE

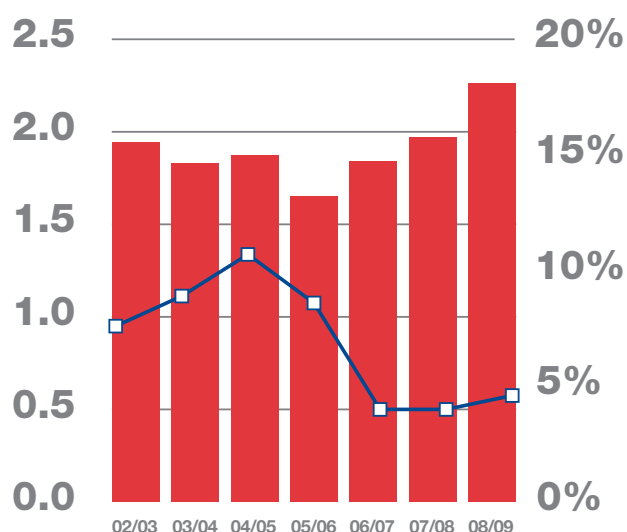
Expenditure

Grant investment in sports has increased to reflect additional expenditure in the Olympic year and wider scope of the International Inspiration Programme. This additional activity is reflected in the non grant areas where expenditure in UK Sport Programmes has also increased and provision has been made for settlement of the long standing dispute with HMRC on the tax status of Doping Control Staff.

CORPORATE COSTS



LOTTERY COSTS

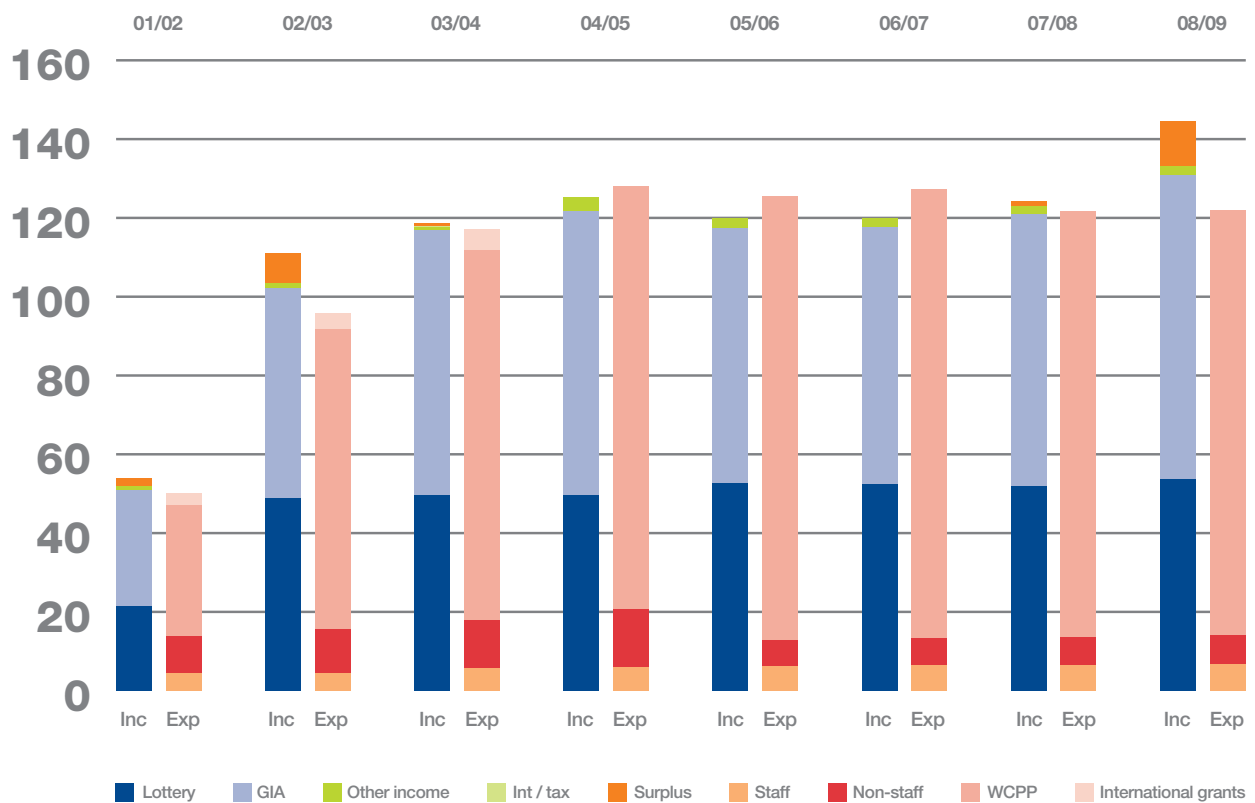


Business Efficiency

Corporate costs increased slightly from £5.05m to £5.91m representing 4.6% of total spend. This remains within the KPI agreed with DCMS and reflects the continued close scrutiny of costs, and efficiency gains in the service teams.

There was a small increase in Lottery administration costs reflecting the balance of time spent on lottery funded activities in respect of Individual Athlete Awards and Major Events. The net result in the Lottery accounts is a surplus of £0.35m for the year and overall current assets remain stable at £18.89m. As noted in the financial review last year, this remains modest in comparison with other lottery distributors and will be the prime mechanism by which UK Sport manages cashflow over the London Cycle.

UK SPORT FINANCIAL PROJECTION (£M)



Business Plan

The Business Plan for the London Cycle 2009/10–2012/13 has been revised to reflect the gap in private sector funding of £50m. The impact is to reduce overall investment by £50m, and increase the deficit in the first two years of the Cycle. This will be funded by increased drawdown from the lottery balance together with any additional income raised through the Team 2012 initiative.

Sickness Absence

UK Sport has policies and procedures in place to monitor sickness absence, both long and short term. This information is regularly considered by the Executive Team. During 2008-09, sick absence excluding long term sick absence averaged 0.6 days per person (2007-08 1.3) and 3 individuals had long term sick absences (2007-08 1 individual). Long term sick absence is defined as a period of 4 weeks or longer.





ANNUAL REPORT

2008-2009



The United Kingdom Sports Council Grant-in-Aid and The United Kingdom Sports Council Group Accounts for the Year Ended 31 March 2009

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 show a true and fair view of UK Sport's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts UK Sport is required to 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
- > Prepare the financial statements on the going concern basis.

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



John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council
4 July 2009



Sue Campbell
Chair
United Kingdom Sports Council
4 July 2009



STATEMENT ON INTERNAL CONTROL

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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 2009 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 was revised during 2007-8 to promote focus on the most significant risks facing the organisation.



STATEMENT ON INTERNAL CONTROL

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.

Currently the most significant risks in terms of high net exposure are:

- > The potential impact to our 2012 targets of the failure to raise the required £50m shortfall from the original investment plan
- > Our ability to manage cashflow through the London cycle
- > Credibility of our people in the sports world and their ability to deliver change
- > The distraction from core purpose of establishing NADO to the required timescale and cost
- > The potential for distraction in establishing and operating the Team 2012 concept
- > The increasing competition for key staff in the build up to the Games.

The next highest risks in terms of net exposure include:

- > Failure to secure the required funding for the International Inspiration programme
- > Loss/disclosure of confidential information from the organisation
- > Potential for reputational risk if non-adherence to our agreed funding principles.

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 organisation 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. Subject to the matter referred below, I believe that the systems are working effectively and a plan to address weaknesses and ensure continuous improvement of the system is in place.

During the year, UK Sport undertook a Strategic Review to ensure the organisation was best placed to maximise the opportunities of London 2012. As part of this process, a severance payment was made to a member of staff including a non statutory amount representing 4 months gross salary. This payment was not authorised by DCMS and constituted a breach of the overall control process between UK Sport & DCMS/HM Treasury. The payment was approved by the CEO and Chair on the basis that it represented the best value for money and the best course of action for the business.

An Internal Audit of our risk management and SIC were undertaken by Deloitte in November 2008 which assigned a substantive assurance rating to the process. Management are following up on the recommendations highlighted through the audit.

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 Audit Committee reviews UK Sport financial results and the latest quarterly forecast for current financial year income and expenditure and considers identified financial risks including National Lottery income projections and the potential shortfall in commercial income for the period to 2012/13. Board approves the annual Budget prior to each financial year in the context of the current Olympic cycle.

In the past year, the Audit Committee has been further strengthened by the appointment of a third independent member with significant public and private sector operational and governance experience. 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 UK Sport's financial strategy in detail and make recommendations to Board accordingly
- > 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 were reappointed in 2008/09 for a further 3 year term to 2011/12.

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 2008/09. Internal audit work was performed in accordance with Government Internal Audit Standards issued by HM Treasury.

In recognition of the increased investment now being made through UK Sport the Audit Committee agreed to increase the internal audit plan for 2008/09 from 75 days up to 85 – this has enabled a programme to be developed that allows for assurance requirements to be identified within process design and development as well as the more traditional audit of existing process and procedures.

As at the June Audit Committee nine internal audits had been completed – of these six were considered as having substantial assurance and three (Procurement, Information Security and Accounts Payable) limited assurance. Eleven follow-ups have also been completed in this period. Four level one issues were identified in 2008/09 – three of these within the Information Security arrangements in place within the organisation. Despite significant work in this area in the last 12 months UK Sport still does not yet conform to all of the Government's Minimum Mandatory Measures (MMMs); in this area, addressing these issues has been made a priority in our planning for 2009/10.

The Audit Committee continue to review all reports, with an emphasis on high risk areas and those receiving less than substantial assurance. Follow up is also undertaken on any outstanding recommendations from previous reports.



STATEMENT ON INTERNAL CONTROL

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 2009-2013 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 16 NGB or other UK Sport funded organisations and major event reviews were undertaken by AHL during the year.

The 2008/09 management audit programme focused on the areas of highest risk; in selecting the programme the following points were considered:

- > 2007 Self Assurance Process rating
- > Risk assessment rating
- > Material changes to NGB status or absence of key personnel
- > Financial stability
- > Current management audit assurance rating
- > Time elapsed since the last audit was undertaken and the audit rating received.

Since 2005, 32 out of 39 funded sports/other organisations have been subject to an audit review. A review is planned for the remaining organisations in 2009-10. Of these, 17 have a 'reasonable' assurance rating and 15 have been assessed as providing 'limited' assurance.

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

- > All NGBs in receipt of UK Sport or Home country Sports Council funding are obliged to comply with the WAD Code through an NGB Anti-Doping Agreement. Priority is given to those NGBs on the Testing Programme. Their performance in fulfilling this is monitored by UK Sport staff through delivery of the NGBs testing programme and through provision of evidence of WAD Code compliant anti-doping regulations
- > ISO 9001: 2008 Certification for management, administration, education and conducting sampling for doping control testing is maintained and audited biannually by BSI
- > 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
- > Education materials provided to athletes and available on 100%ME website and Handbook used by Doping Control Staff is continuously reviewed and updated to ensure full compliance with the WAD Code and associated International Standards (as amended from time to time).

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.

DATA INCIDENTS

In accordance with Cabinet Office guidance under the Security Policy Framework – December 2008 (SPF), UK Sport has in place various robust and specific measures to ensure information security applies to all staff and third parties as applicable. In line with the SPF, UK Sport is currently reviewing its security systems and will be introducing further measures as required.

UK Sport has suffered no protected personal data incidents during 2008/09, and has made no reports to the Information Commissioner's office.

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 for the first time. Its accounts have been approved by the Board of EIS.

British Performance Basketball Limited (BPB) continued to be a wholly-owned subsidiary company (with Board members appointed by UK Sport) for the accounting year before being transferred to the British Basketball Federation from 01/04/09 and its accounts have been approved by 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.

Two subsidiaries were set up during the year, Boxing Performance Management Limited and UK Sport International Foundation, and remained dormant throughout the year.



John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council
4 July 2009




Sue Campbell
Chair
United Kingdom Sports Council
4 July 2009



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 2009 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 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, which includes 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 Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited 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 by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. I report to you whether, 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 the unaudited part of the Remuneration Report, 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 OPINIONS

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 Accounting Officer 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 the Council's affairs as at 31 March 2009 and of its deficit, recognised gains and losses and cash flows 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 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.

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.

Amyas CE Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

10 July 2009



INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Note	UK SPORT		GROUP	
		2008/09	2007/08	2008/09	2007/08
		£,000	£,000	£,000	£,000
INCOME					
Lottery Grant Received	2.1	–	–	11,648	10,874
Other Operating Income	3	2,751	1,845	8,183	5,595
		2,751	1,845	19,831	16,469
EXPENDITURE					
Staff Costs	4.1	5,003	4,836	14,911	13,828
Grants and Other Operating Costs	5	72,819	64,740	79,662	69,390
Notional Interest on Capital Employed		57	49	57	49
		77,879	69,625	94,630	83,267
Net Expenditure Before Taxation and Interest		(75,128)	(67,780)	(74,799)	(66,798)
Net Return on Pension Assets	20	(42)	21	165	187
Interest Receivable	7	119	185	185	228
Taxation	8	–	(34)	(7)	(41)
Reversal of Notional Interest on Capital Employed		57	49	57	49
Net Expenditure for the Period		(74,994)	(67,559)	(74,399)	(66,375)

STATEMENT OF RECOGNISED GAINS AND LOSSES

	Note	UK SPORT		GROUP	
		2008/09	2007/08	2008/09	2007/08
		£,000	£,000	£,000	£,000
Pension Actuarial Gain/(Loss)	20	(1,530)	992	(3,319)	2,155

BALANCE SHEET AS AT 31 MARCH 2009

	Note	UK SPORT		GROUP	
		2008/09	2007/08	2008/09	2007/08
		£,000	£,000	£,000	£,000
FIXED ASSETS					
Tangible Assets	9	832	591	3,229	2,172
CURRENT ASSETS					
Debtors	10	1,837	5,079	2,100	5,290
Cash at bank and in hand		715	827	2,867	3,071
		2,552	5,906	4,967	8,361
CREDITORS					
Amounts falling due within one year	11	(1,456)	(1,808)	(2,836)	(3,212)
Net Current Assets/(Liabilities)		1,096	4,098	2,131	5,149
TOTAL ASSETS LESS CURRENT LIABILITIES		1,928	4,689	5,360	7,321
Provision for liabilities	12	(336)	(280)	(387)	(280)
Pension (Liabilities)/Assets	20	(2,122)	(534)	(462)	2,019
TOTAL ASSETS LESS ALL LIABILITIES		(530)	3,875	4,511	9,060
Represented by:					
Pension Reserve	20	(2,122)	(534)	(462)	2,019
Revenue Reserve	13	1,592	4,409	4,973	7,041
		(530)	3,875	4,511	9,060



John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council
4 July 2009




Sue Campbell
Chair
United Kingdom Sports Council
4 July 2009



CASH FLOW STATEMENT

	Note	UK SPORT		GROUP	
		2008/09	2007/08	2008/09	2007/08
		£,000	£,000	£,000	£,000
NET CASH INFLOW FROM OPERATING ACTIVITIES	14	(71,773)	(66,459)	(70,162)	(64,601)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest Received		119	185	185	228
Net cash inflow from returns on investment		119	185	185	228
TAXATION					
Corporation Tax Paid		–	(18)	(6)	(23)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Payments to acquire tangible fixed assets		(659)	(656)	(2,422)	(1,883)
		(659)	(674)	(2,428)	(1,906)
Net cash outflow before financing		(72,313)	(66,948)	(72,405)	(66,277)
FINANCING					
Grant-in-Aid	2	72,201	67,380	72,201	67,380
Increase/(Decrease) in cash		(112)	432	(204)	1,103
There are no discontinued activities. The notes on pages 13 to 31 form part of these accounts.					



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 and that there will be no material reduction in funding as a result of either the 2010/11 Comprehensive Spending Review or Government efficiency targets.

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 subsidiaries companies using merger accounting, in accordance with the guidance set out in the Financial Reporting Manual (FRM) issued by HM Treasury. BPB ceased to be a subsidiary from 31 March 2009.

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 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.

1.5 Fees for Consultancy Services

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

1.6 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

1.7 Research and Development

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

1.8 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.

1.9 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.

1.10 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 over the life of the lease.

1.11 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'.

1.12 Investment

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



NOTES TO THE ACCOUNTS

1.13 Value Added Tax

UK Sport is registered for VAT and makes supplies for both business and non-business purposes. Business supplies are subject to VAT at the standard rate. Recovery of input VAT is restricted by non business activities and a suitable methodology has been agreed with HM Revenue and Customs.

The EIS is registered for VAT, and makes supplies for both business and non-business purposes. Supplies made in the course of business are both standard rated and exempt. Recovery of input VAT is therefore subject both to both a partial exemption calculation and business/non business apportionment in accordance with the methodologies agreed with HM Revenue and Customs.

1.14 Notional Costs

Notional interest on capital is calculated on the basis of 3.5% (2007/08 3.5%) of average net assets.

2. GRANT-IN-AID

	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
Received from DCMS – Revenue	69,971	66,071	69,971	66,071
Received from DCMS – Capital	580	34	580	34
Received from DCMS – International Inspiration	1,650	1,275	1,650	1,275
TOTAL	72,201	67,380	72,201	67,380

A total of £72.2 (2007/08 £67.4m) Grant in Aid was made available and drawn down during the year.

2.1 Lottery Grant

	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
Received from UK Sport Lottery Distribution funds	–	–	11,648	10,874

3. OTHER OPERATING INCOME

	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
Doping Control Receipts	650	620	650	620
Other	2,101	1,225	7,533	4,975
Total	2,751	1,845	8,183	5,595

Other income in UK Sport consists primarily of costs apportioned from the UK Sport GIA account to the Lottery Account (2008/09 £1,366,902; 2007/08: £1,100,100) and income received from subsidiary companies.

4. STAFFING AND MANAGEMENT

4.1 Staff costs

	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
Wages and Salaries (including bonuses)	4,088	3,749	13,009	11,431
Temporary and Agency Staff	186	166	186	184
Social Security Costs	353	341	1,064	988
Pension Costs: Current Service Cost	376	580	652	1,225
Total Staff Costs	5,003	4,836	14,911	13,828



NOTES TO THE ACCOUNTS

4.2 Average number of staff for the Group during the year

	UK SPORT	
	2008/09	2007/08
	£,000	£,000
EMPLOYEES		
UK Sport	91	80
English Institute of Sport	253	209
BPB	8	2
IDS	–	1
Sub Total	352	292
AGENCY		
UK Sport	4	3
English Institute of Sport	–	10
BPB	–	–
IDS	–	–
Group Total	356	305

5. GRANTS AND OTHER OPERATING COSTS

	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
NATIONAL SUPPORT – GRANTS				
Sports Bodies	56,290	49,638	58,045	49,089
Performance	952	1,220	712	1,220
International Representation	2,826	1,921	948	1,921
	60,068	52,779	59,705	52,230
NATIONAL SUPPORT – OTHER COSTS				
Performance	4,639	4,974	4,560	4,582
Communications	508	532	508	532
International Representation	815	903	689	892
Drug Free Sport	4,031	2,882	4,031	2,881
English Institute of Sport	–	–	3,435	3,404
British Performance Basketball	–	–	1,732	1,774
IDS	–	–	2,198	384
	9,993	9,291	17,153	14,449
FINANCE AND MANAGEMENT SERVICES				
HQ office costs	2,758	2,670	2,804	2,711
TOTAL	72,819	64,740	79,662	69,390
The note has been presented in a different format from previous years and 2007/08 figures have been represented for comparison.				



NOTES TO THE ACCOUNTS

6. OPERATING RESULT

	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
This is stated after charging:				
Travel, subsistence and hospitality:				
Chair and members	32	23	32	23
Employees	473	429	1,206	1,152
Consultants' fees and legal fees	1,232	1,321	1,449	1,454
Operating Lease – 40 Bernard Street	754	747	754	570
Operating Lease: EIS Property	–	–	1,142	1,118
Operating Lease: Plant and Equipment	–	–	8	545
Depreciation	418	447	1,352	1,318
Loss on disposal of Fixed Assets	–	30	12	49
Auditor's remuneration for audit work	35	33	51	50

7. INVESTMENT INCOME

	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
Overnight and short term investment of bank balances	119	185	185	228

Interest rates vary from day to day and averaged approximately 2.7% (2007/08 4.5%) during the year.

8. TAXATION

	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
Corporation Tax payable on interest received	–	34	7	41

In 2008/09 UK Sport reached agreement with HMRC that payments to charitable entities may be treated as a charge on income under S.338 ICTA 1988 and offset in full against taxable investment income. Accordingly, no corporation tax liability arises.

9. UK SPORT – TANGIBLE FIXED ASSETS

	Leasehold improvement	IT Equipment	Office equipment	Total
	£,000	£,000	£,000	£,000
AT COST				
At 01/04/08	554	1,945	93	2,592
Additions	319	320	20	659
Disposals	–	(39)	–	(39)
At 31/03/09	873	2,226	113	3,212
DEPRECIATION				
At 01/04/08	462	1,486	53	2,001
Charge for year	76	323	19	418
Depreciation on disposal	–	(39)	–	(39)
At 31/03/09	538	1,770	72	2,380
NET BOOK VALUE				
At 01/04/08	92	459	40	591
At 31/03/09	335	456	41	832

9.1 Group – Tangible Fixed Assets

	Leasehold improvement	IT Equipment	Office equipment	Total
	£,000	£,000	£,000	£,000
AT COST				
At 01/04/08	787	4,224	2,723	7,734
Additions	329	533	1,560	2,422
Disposals	–	(780)	(248)	(1,028)
At 31/03/09	1,116	3,977	4,035	9,128
DEPRECIATION				
At 01/04/08	578	2,927	2,057	5,562
Charge for year	118	756	479	1,353
Depreciation on disposal	–	(770)	(246)	(1,016)
At 31/03/09	696	2,913	2,290	5,899
NET BOOK VALUE				
At 01/04/08	209	1,297	666	2,172
At 31/03/09	420	1,064	1,745	3,229



NOTES TO THE ACCOUNTS

10. DEBTORS

	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
Trade Debtors	852	329	990	363
Other Debtors	17	9	23	9
Prepayments and Accrued Income	968	4,741	1,087	4,918
TOTAL	1,837	5,079	2,100	5,290
All amounts fall due within one year.				
Intra-government Balances	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
Balances with central government bodies	758	64	758	71
Balances with public corporations and trading funds	4	–	4	–
Subtotal: intra-government balance	762	64	762	71
Balances with bodies external to government	1,075	5,015	1,338	5,219
TOTAL	1,837	5,079	2,100	5,290

11. CREDITORS

	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
Trade Creditors	893	1,086	1,115	1,539
Other Creditors	5	4	18	101
Corporation Tax	–	34	8	41
Other taxation and Social Security	130	127	536	427
Accruals	428	557	1,159	1,104
TOTAL	1,456	1,808	2,836	3,212

All amounts fall due within one year.

Intra-government Balances	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
Balances with central government bodies	242	39	241	54
Balances with local authorities and police authorities	40	1	40	107
Balances with public corporations and trading funds	40	–	40	–
Subtotal: intra-government balance	322	40	322	161
Balances with bodies external to government	1,134	1,768	2,514	3,051
TOTAL	1,456	1,808	2,836	3,212

12. PROVISION FOR LIABILITIES

	UK SPORT	GROUP
	2008/09	2008/09
	£,000	£,000
Opening balance	280	280
Charge in year	56	107
Closing balance	336	387

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.

A provision of £50,111 has been recognised by the English Institute of Sport for redundancy costs where official notice of redundancy was issued prior to 31 March 2009.



NOTES TO THE ACCOUNTS

13. REVENUE RESERVES

	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
Opening balance	4,409	4,425	7,040	6,258
Net Expenditure	(74,994)	(67,560)	(74,399)	(66,510)
Grant in Aid received from DCMS	72,201	67,380	72,201	67,380
Transfer from Deferred Income	–	–	1,053	135
Transfer from Pension Reserve*	(24)	164	(922)	(222)
Closing balance	1,592	4,409	4,973	7,041

* 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	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
Net expenditure before taxation and interest	(75,128)	(67,780)	(74,799)	(66,798)
Depreciation of Fixed Assets	418	447	1,353	1,318
Loss on Disposal of Fixed Assets	–	30	12	49
Movement in Deferred income account	–	–	1,053	135
Notional Interest on Capital Employed	57	49	57	49
(Increase)/Decrease in Debtors	3,242	297	3,190	349
Increase/(Decrease) in Creditors	(352)	279	(376)	296
Increase/(Decrease) in Provision	56	35	107	35
Pension Scheme:Non Cash Movement	(66)	184	(759)	(34)
Net cash outflow from operating activities	(71,773)	(66,459)	(70,162)	(64,601)

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

	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
Increase/(Decrease) in Cash during year	(112)	432	(204)	1,103
Net funds at start of Period	827	395	3,071	1,968
Net Funds at end of Period	715	827	2,867	3,071

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

	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
Opening balance	827	395	3,071	1,968
Cash (outflow)/inflow	(112)	432	(204)	1,103
Closing balance	715	827	2,867	3,071

17. FINANCIAL INSTRUMENTS

UK Sport has adopted FRS25, FRS26 and FRS29 and has undertaken a review of major contracts to identify transactions that require disclosure. The majority of financial instruments relate to contracts for non-financial items in line with UK Sport's expected purchase and usage requirements and UK Sport therefore is exposed to limited credit, liquidity or market risk over the next 12 months.

Liquidity Risks

In 2008/09 £72.2m or 81% (2007/08 £67.4m or 81%) of the Group's income derived from DCMS Grant-in-Aid and £10.9m or 13% (2007/08 £11.2m or 17% from the Lottery Distribution Fund. The remaining balance of £5.5m or 6% (2007/08 £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 and UK Sport is thus not considered to be exposed to any significant liquidity risk over the next 12 months.

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 2.7% (2007/08 4.5%) in the year. UK Sport's closing balance was £715,000 (2007/08 £827,000).

Foreign Currency Risk

There is no material exposure to foreign exchange risks.



NOTES TO THE ACCOUNTS

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 nine 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 £344,517 or 10.2% of pensionable pay (2007/08 £301,280 or 10.2%). An additional pension contribution of £98,224 (2007/08 £567,145) was also made to reduce the pension liability in respect of prior years.

The scheme is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation was at 31/3/07, with the next formal evaluation due at 31 March 2010. 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 Pension Commitments

Financial Assumptions

	2009	2008
Price increases	3.1%	3.6%
Salary increases	4.6%	5.1%
Pension increases	6.4%	7.0%
Discount rate	6.9%	6.9%

Average future life expectancies at age 65

	Males	Females
Current pensioners	19.6 years	22.5 years
Future Pensioners	20.7 years	23.6 years

18.2 Fair Value of Employers Assets

	2009 Long term return	Assets	2008 Long term return	Fund Value at 31/3/08
	%	£,000	%	£,000
Equities	7.0%	4,351	7.5%	5,569
Target return funds	5.5%	764	6.3%	1,799
Alternative assets	6.0%	1,909	6.7%	1,676
Cash	4.0%	610	4.8%	280
Total Fair Value of Assets		7,634		9,324
Present Value of Scheme Liabilities		9,756		9,858
Net Pension Liability		(2,122)		(534)

The major categories of plan assets as a percentage of total assets are as follows

	31-Mar-09	31-Mar-08
Equities	57%	60%
Target return funds	10%	19%
Alternative assets	25%	18%
Cash	8%	3%

18.3 Amounts recognised in the income and expenditure account are as follows

	31-Mar-09	31-Mar-08
Current Service Cost	301	580
Interest Cost	707	636
Expected return on Employees Assets	(665)	(657)
Past Service Cost	75	0
TOTAL	418	559
ACTUAL RETURN ON PLAN ASSETS	(1,992)	(191)

18.4 Amounts recognised in Statement of Recognised Gains and Losses

	31-Mar-09	31-Mar-08
Actuarial Gains/(Losses)	(1,530)	992
Actuarial Gains/(Losses) recognised in SRGL	(1,530)	992
Cumulative Actuarial Gains and Losses	(538)	992



NOTES TO THE ACCOUNTS

18.5 Changes in the present value of the defined benefit obligation are as follows

	31-Mar-09	31-Mar-08
Opening defined benefit obligation	9,857	10,590
Current Service Cost	301	580
Interest Cost	707	636
Contributions by Members	252	188
Actuarial Gains	-1,151	-1,831
Past Service Cost	75	0
Estimated Benefits Paid	-285	-306
Closing defined benefit obligation	9,756	9,857

18.6 Changes in the fair value of plan assets are as follows

Opening fair value of employers assets	9,324	8,726
Expected return on assets	665	657
Contributions by Members	252	188
Contributions by Employer	360	997
Actuarial Losses	-2,682	-938
Benefits paid	-285	-306
Closing fair value of Employer assets	7,634	9,324

18.7 History of Experience Gains and Losses

	2008/09	2007/08
Fair Value of Employer Assets	£,000	£,000
Present Value of Defined benefit obligation	7,634	9,324
Surplus/(Deficit)	9,756	9,857
Experience gains/(losses) on assets	-2,122	-533
Experience gains/(losses) on liabilities	-2,685	-849
	25	61

1. In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31/3/09, 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 £4,776,000, £3,871,000 and £3,456,000 (2007/08 - £4,4437,000, £4,155,000 and £3,660,000) in respect of employee members, deferred pensioners and pensioners respectively as at 31/3/09. 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 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 2009/10.

The Actuarial Valuation for FRS 17 purposes has been allocated between the Lottery and Exchequer (GIA) accounts in accordance with accounting policy note 11.

19. SUPERANNUATION SCHEME – EIS

The company participates in the London Pension Fund Authority Superannuation Scheme (LPFA). It is one of a large number of employers whose staff participate in the scheme, but the data given in this note relates just to the company. The majority of the company's staff are members of the scheme.

The Pension Scheme is of the defined benefit type and it is funded by employees and employers at actuarially determined rates. Employer contributions charged for members of the scheme amounted to £442,741 (2008: £301,280).

The Actuaries estimate the employers contributions for the year ended 31 March 2010 will be approximately £414,000.

Following advice of the consulting actuaries to the LPFA, the English Institute of Sport Limited's initial employer contributions (as a percentage of pensionable salary) were set at 12.5% from the date of admittance to the scheme.

A valuation for FRS17 purposes as at March 2009 was carried out by a qualified independent actuary. The assumptions used by the actuary for FRS17 valuation purposes were:

19.1 Pension Commitments

Financial Assumptions

	2009	2008
	%	%
Rate of increase in salaries	3.3	3.3
Rate of increase in pensions in payment	3.1	3.6
Discount rate	6.9	6.9
Inflation assumption	3.1	3.6

Average future life expectancies at age 65

	Males	Females
Current pensioners	19.6 years	22.5 years
Future Pensioners	20.7 years	23.6 years



NOTES TO THE ACCOUNTS

The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting surplus is:

19.2 Fair Value of Employers Assets

	2009 Long	Value	2008 Long	Value
	term rate		term rate	
	of return	£,000	of return	£,000
	expected		expected	
	%		%	
Equities	7.0%	3,810	7.5%	4,063
Bonds	5.5%	668	6.3%	1,313
Property	6.0%	1,671	6.7%	1,222
Cash	4.0%	535	4.8%	204
Total Market Value of Assets		6,684		6,802
Present Value of Scheme Liabilities		(5,024)		(4,249)
Net Pension asset		1,660		2,553

The major categories of plan assets as a percentage of total assets are as follows:

	31-Mar-09	31-Mar-08
Equities	57%	60%
Target return funds	10%	19%
Alternative assets	25%	18%
Cash	8%	3%

The overall expected rate of return on scheme assets is projected by the scheme actuaries using modelling techniques, with reference to key assumptions and the relative weighting of scheme assets.

19.3 Amounts recognised in the income and expenditure account are as follows

	31-Mar-09		31-Mar-08	
	% of pay	£,000	% of pay	£,000
Current Service Cost	2.7%	209	9.3%	646
Interest Cost	4.1%	321	3.8%	261
Expected return on Employers Assets	(6.8%)	(528)	(6.1%)	(427)
Past Service Cost	0.9%	72	-	0
Total	0.9%	74	7.0%	480
Actual Return on Plan Assets		(1,587)		(132)

19.4 Amounts recognised in Statement of Recognised Gains and Losses (SRGL)

	31-Mar-09	31-Mar-08
	£,000	£,000
Actuarial Gains/(Losses)	(1,789)	1,163
Actuarial Gains/(Losses) recognised in SRGL	(1,789)	1,163
Cumulative Actuarial Gains and Losses	(234)	1,555

19.5 Changes in the present value of the defined benefit obligation are as follows

	31-Mar-09	31-Mar-08
	£,000	£,000
Opening defined benefit obligation	4,249	4,309
Current Service Cost	209	646
Interest Cost	321	261
Contributions by Members	540	417
Actuarial Gains	(358)	(1,365)
Past Service Costs	72	0
Estimate Benefits Paid	(9)	(19)
Closing defined benefit obligation	5,024	4,249

19.6 Changes in the fair value of plan assets are as follows

	31-Mar-09	31-Mar-08
	£,000	£,000
Opening fair value of employers assets	6,802	5,313
Expected return on assets	528	427
Contributions by Members	540	417
Contributions by Employer	970	866
Actuarial Losses	(2,147)	(202)
Benefits paid	(9)	(196)
Closing fair value of Employers assets	6,684	6,802



NOTES TO THE ACCOUNTS

19.7 History of Experience Gains and Losses is shown below:

	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06	31-Mar-05
	£,000	£,000	£,000	£,000	£,000
Fair Value of Employer Assets	6,684	6,802	5,313	3,984	2,468
Present Value of Defined benefit obligation	(5,024)	(4,249)	(4,309)	(3,432)	(2,118)
Surplus/(Deficit)	1,660	2,553	1,004	552	350
Experience gains/(losses) on assets	(2,147)	(202)	43	462	60
Experience gains/(losses) on liabilities	–	(408)	–	3	(480)

20. GROUP PENSION AMOUNTS

	Note	2009	2008
		£,000	£,000
Pension Assets/(Liabilities) UK Sport	18.2	(2,122)	(534)
Pension Assets/(Liabilities) EIS	19.2	1,660	2,553
Total Pension Assets/(Liabilities) Group		(462)	2,019
Pension actuarial gain/(loss) UK Sport	18.4	(1,530)	992
Pension actuarial gain/(loss) EIS	19.4	(1,789)	1,163
Total Pension actuarial gain/(loss) Group		(3,319)	2,155
Net return on assets UK Sport		(42)	21
Net return on assets EIS		207	166
Total Net return on assets Group		165	187

21. ANNUAL COMMITMENTS – LEASES AND OPERATING LICENCES

	UK SPORT		GROUP	
	2008/09	2007/08	2008/09	2007/08
	£,000	£,000	£,000	£,000
Leases and service charges due in next 12 months expiring:				
Within 1 year	–	–	156	750
Within 2 to 5 years	–	–	7	157
After 5 years	660	674	660	466
Total	660	674	823	1,373

22. GRANT COMMITMENTS

On the undertaking that funds are to be provided by DCMS, UK Sport at 31/3/09, had entered into commitments to pay grants to governing bodies in respect of their approved programmes in the following years (these commitments at 31/3/09 have not yet been recognised in the income and expenditure account nor balance sheet).

	2008/09	2007/08
	£,000	£,000
2008/09	–	45,023
2009/10	6,200	454
2010/11	6,787	–
2011/12	14,726	–
	27,713	45,477

23. CONTINGENT LIABILITIES

A payment on account has been made at 31 March 2009 for the liability in respect of Doping Control Staff tax status to the extent that it is anticipated that an expense will crystallise. However, final settlement has not been agreed and UK Sport recognises that there remains a contingent liability, the quantum of which is uncertain.

24. POST BALANCE SHEET EVENTS

There were no reportable post balance sheet events between the balance sheet and the date when the accounts were authorised for issue on 10th July 2009.

25. RELATED PARTY TRANSACTIONS

Meeting date	Award	Benefiting Organisation	Panel/Board Member	Relationship
02/12/2008	£27,470	Royal Yachting Association	Rod Carr OBE	Chief Executive

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

The DCMS is regarded as a related party. During the period of 1/4/08 to 31/3/09 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

2008-2009



The United Kingdom Sports Council Lottery Distribution Fund
Accounts for the Year Ended 31 March 2009

STATEMENT OF THE BOARD'S AND CHIEF EXECUTIVE OFFICER'S RESPONSIBILITIES

Under section 35(2) and (3) of the National Lottery etc. Act 1993 the UK Sports Council is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for Culture, Media and Sport with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the state of affairs of the UK Sport Lottery Fund distribution activities at the period end and of its income and expenditure and cash flows for the financial period.

In preparing the accounts the Council is required to:

- > Observe the accounts directions issued by the Secretary of State, including the relevant accounting and disclosure requirements; apply suitable accounting policies on a consistent basis
- > Make judgements and estimates on a reasonable basis
- > State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- > Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that UK Sport will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Chief Executive Officer of UK Sport as Accounting Officer for the Council. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the finances for which he is answerable and for the keeping of proper records, 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
4 July 2009



Sue Campbell
Chair
United Kingdom Sports Council
4 July 2009



STATEMENT ON INTERNAL CONTROL

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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 2009 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 was revised during 2007-8 to promote focus on the most significant risks facing the organisation.



STATEMENT ON INTERNAL CONTROL

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.

Currently the most significant risks in terms of high net exposure are:

- > The potential impact to our 2012 targets of the failure to raise the required £50m shortfall from the original investment plan
- > Our ability to manage cashflow through the London cycle
- > Credibility of our people in the sports world and their ability to deliver change
- > The distraction from core purpose of establishing NADO to the required timescale and cost
- > The potential for distraction in establishing and operating the Team 2012 concept
- > The increasing competition for key staff in the build up to the Games.

The next highest risks in terms of net exposure include:

- > Failure to secure the required funding for the International Inspiration programme
- > Loss/disclosure of confidential information from the organisation
- > Potential for reputational risk if non-adherence to our agreed funding principles.

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 organisation 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.

An Internal Audit of our risk management and SIC were undertaken by Deloitte in November 2008 which assigned a substantive assurance rating to the process. Management are following up on the recommendations highlighted through the audit.

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 Audit Committee reviews UK Sport financial results and the latest quarterly forecast for current financial year income and expenditure and considers identified financial risks including National Lottery income projections and the potential shortfall in commercial income for the period to 2012-3. Board approves the annual Budget prior to each financial year in the context of the current Olympic cycle.

In the past year, the Audit Committee has been further strengthened by the appointment of a third independent member with significant public and private sector operational and governance experience. 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 UK Sport's financial strategy in detail and make recommendations to Board accordingly
- > 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 were reappointed in 2008/09 for a further 3 year term to 2011/12.

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 2008/09. Internal audit work was performed in accordance with Government Internal Audit Standards issued by HM Treasury.

In recognition of the increased investment now being made through UK Sport the Audit Committee agreed to increase the internal audit plan for 2008/09 from 70 days to 85 – this has enabled a programme to be developed that allows for assurance requirements to be identified within process design and development as well as the more traditional audit of existing process and procedures.

As at the June Audit Committee nine internal audits had been completed – of these six were considered as having substantial assurance and three (Procurement, Information Security and Accounts Payable) limited assurance. Eleven follow-ups have also been completed in this period. Four level one issues were identified in 2008/09 – three of these within the Information Security arrangements in place within the organisation. Despite significant work in this area in the last 12 months UK Sport still does not yet conform to all of the Government's Minimum Mandatory Measures (MMMs); in this area, addressing these issues has been made a priority in our planning for 2009/10.

The Audit Committee continue to review all reports, with an emphasis on high risk areas and those receiving less than substantial assurance. Follow up is also undertaken on any outstanding recommendations from previous reports.



STATEMENT ON INTERNAL CONTROL

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 2009-2013 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 16 NGB or other UK Sport funded organisations and major event reviews were undertaken by AHL during the year.

The 2008/09 management audit programme focused on the areas of highest risk; in selecting the programme the following points were considered:

- > 2007 Self Assurance Process rating
- > Risk assessment rating
- > Material changes to NGB status or absence of key personnel
- > Financial stability
- > Current management audit assurance rating
- > Time elapsed since the last audit was undertaken and the audit rating received.

30 out of the 39 funded sports/other organisations have now been subject to an audit review at least once since 2005. Of these, 15 have a 'reasonable' assurance rating and 15 have been assessed as providing 'limited' assurance.

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 revised World Anti-Doping Code (WAD Code) comprise the following:

- > All NGBs in receipt of UK Sport or Home country Sports Council funding are obliged to comply with the WAD Code through an NGB Anti-Doping Agreement. Priority is given to those NGBs on the Testing Programme. Their performance in fulfilling this is monitored by UK Sport staff through delivery of the NGBs testing programme and through provision of evidence of WAD Code compliant anti-doping regulations
- > ISO 9001: 2008 Certification for management, administration, education and conducting sampling for doping control testing is maintained and audited biannually by BSI
- > 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
- > Education materials provided to athletes and available on 100%ME website and Handbook used by Doping Control Staff is continuously reviewed and updated to ensure full compliance with the WAD Code and associated International Standards (as amended from time to time).

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.

DATA INCIDENTS

In accordance with Cabinet Office guidance under the Security Policy Framework – December 2008 (SPF), UK Sport has in place various robust and specific measures to ensure information security applies to all staff and third parties as applicable. In line with the SPF, UK Sport is currently reviewing its security systems and will be introducing further measures as required.

UK Sport has suffered no protected personal data incidents during 2008/09, and has made no reports to the Information Commissioner's office.



John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council
4 July 2009



Sue Campbell
Chair
United Kingdom Sports Council
4 July 2009



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 2009 under the National Lottery Act 1993 (as amended). These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and 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 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 and the part of the remuneration report to be audited 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 Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. I report to you whether, 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 the unaudited part of the Remuneration Report, 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 OPINIONS

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 Accounting Officer 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 2009 and of its increase in funds, recognised gains and losses and cash flows 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.

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.

Amyas CE Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

10 July 2009



INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Note	2008/09	2007/08
		£,000	£,000
INCOME			
National Lottery share of proceeds	2	47,452	45,716
Investment returns from NLDF	2	2,378	3,795
Other Operating Income		1	38
Interest Receivable		62	89
Grant refunds		–	–
		49,893	49,638
EXPENDITURE			
Hard commitments	3	45,685	23,003
Hard de-commitments	3	(4,849)	(4,328)
Staff costs	6	872	796
Depreciation tangible assets	9	15	15
Other operating costs		490	362
Costs apportioned from UK Sport GIA account		1,367	1,100
		43,580	20,948
Increase/(decrease) in Lottery funds before taxation		6,313	28,690
Net Return on Pension Liabilities		(12)	6
Taxation	8	–	(18)
Increase/(decrease) in Lottery funds		6,301	28,678

STATEMENT OF RECOGNISED GAINS AND LOSSES

	Note	2007/08	2006/07
		£,000	£,000
Pension actuarial gain/(loss)	13.4	(413)	278

BALANCE SHEET AS AT 31 MARCH 2009

	Note	2008/09 £,000	2007/08 £,000
FIXED ASSETS			
Tangible Assets	9	–	15
CURRENT ASSETS			
Investments balance in NLDF	2	18,809	18,137
Debtors and prepayments	10	2	51
Cash at bank and in hand		80	500
		18,891	18,688
CREDITORS			
Sundry creditors falling due within one year	11	(828)	(415)
Hard grant commitments falling due within one year	3	(19,653)	(44,364)
		(20,481)	(44,779)
NET CURRENT LIABILITIES			
Hard grant commitments falling due after one year	3	(20,742)	(2,558)
Pension Liability	13.2	(832)	(405)
TOTAL ASSETS LESS ALL LIABILITIES			
		(23,164)	(29,039)
Represented by:			
Pension Reserve	13.2	(832)	(405)
Revenue Reserve	12	(22,332)	(28,634)
		(23,164)	(29,039)



John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council
4 July 2009




Sue Campbell
Chair
United Kingdom Sports Council
4 July 2009



CASH FLOW STATEMENT

	<i>Note</i>	2008/09	2007/08
		£,000	£,000
OPERATING ACTIVITIES			
Cash drawn down from NLDF	2	49,158	48,508
Other Income		–	–
Staff Costs		(872)	(759)
Operating Costs		(1,405)	(1,241)
Award payments	5	(47,363)	(46,518)
Net cash (outflow)/inflow from operating activities	14	(482)	(10)
RETURNS ON INVESTMENTS			
Interest received		62	89
TAXATION			
Corporation tax paid		–	(8)
(Decrease)/increase in cash	16	(420)	71
There are no discontinued activities. The notes on pages 44 to 57 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 2009, 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.

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 Value Added Tax

The making of Lottery award is deemed to be a non business activity. Accordingly VAT is not charged on Grant made and input tax is not recovered but treated as additional expense of the item to which it relates.

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.



NOTES TO THE ACCOUNTS

2. NATIONAL LOTTERY DISTRIBUTION FUND

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

	2008/09	2007/08
	£,000	£,000
Balance brought forward	18,137	17,134
Share of net operator proceeds	47,452	45,716
Investment returns from NLDF	2,378	3,795
Available for distribution	67,967	66,645
Funds drawn down	(49,158)	(48,508)
Balance carried forward	18,809	18,137

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 31/3/09 is £18.809m (2007/08 £18.137m)

The NLDF balance increased during 2008/09 to stand at £18.809m at 31/3/09, representing 47% of outstanding commitments made at that point.

3. HARD COMMITMENTS

	2008/09	2007/08
	£,000	£,000
Hard commitments brought forward	46,922	74,765
Hard commitments made this year	45,685	23,003
Hard de-commitments	(4,849)	(4,328)
Total Hard commitments	87,758	93,440
Hard commitments met in the period	(47,363)	(46,518)
Hard commitments carried forward as at year end	40,395	46,922
Hard Commitments by year	2008/09	2007/08
	£,000	£,000
Amounts falling due during 2007/08	–	44,364
Amounts falling due during 2008/09	19,653	2,215
Amounts falling due during 2009/10	9,447	305
Amounts falling due during 2010/11	6,436	38
Amounts falling due during 2011/12	4,859	4
	40,395	46,922

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 2008 and actual amount paid in 2009.

4. SOFT COMMITMENTS

	2008/09	2007/08
	£,000	£,000
Soft commitments brought forward	2,789	2,380
Soft commitments made	142,498	23,930
Soft commitments transferred to hard commitments	(45,685)	(23,003)
Soft de-commitments	(448)	(518)
Soft commitments carried forward as at 31 March	99,154	2,789

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.



NOTES TO THE ACCOUNTS

5. LOTTERY GRANT PAYMENTS DURING THE YEAR

	2008/09	2007/08
	£,000	£,000
To Athletes:		
Amateur Boxing Association	152	318
British Amateur Boxing Association	132	–
Amateur Rowing Association	1,120	1,109
Badminton England	427	438
British Canoe Union	287	304
British Cycling Federation	1,007	969
British Equestrian Federation	388	427
British Fencing Association	137	133
British Gymnastics	226	142
British curling Association	151	–
British Handball Association	226	112
British Judo Association	359	421
British Shooting	200	208
British Swimming	1,947	1,657
British Triathlon Association	136	142
British Volleyball Federation	252	242
English Hockey	316	369
Grand National Archery	359	302
Great Britain Wheelchair Basketball Association	208	212
Modern Pentathlon Association of Great Britain	223	207
Royal Yachting Association	768	841
Sport Taekwondo	149	127
UK Athletics	1,273	1,263
Other Athletes	758	754
	11,201	10,697
To Governing Bodies:		
Amateur Rowing Association	232	243
Amateur Swimming Federation of Great Britain	5,835	3,713
Badminton England	873	981
British Gymnastics	1,029	1,383
British Badminton Olympic Committee	120	120
British Bob Skeleton Association	307	422
British Canoe Union	1,743	2,177
British Cycling Federation	995	1,636
British Equestrian Federation	1,333	1,027
British Fencing Association	252	256
British Handball Association	98	102
British Judo Association	928	918

	2008/09	2007/08
	£,000	£,000
British Paralympic Association	375	500
British Ski and Snowboard Federation	–	–
British Table Tennis Association	16	16
British Taekwondo Council	239	274
British Tennis Foundation	–	–
British Triathlon Federation	780	584
British Wrestling Association	132	163
English Hockey	61	105
English Institute of Sport	10,500	10,500
English Table Tennis Association	225	135
Grand National Archery Society	280	224
British Shooting	288	337
Great Britain Wheelchair Basketball Association	277	296
Great Britain Wheelchair Rugby Association	48	41
Modern Pentathlon Association of Great Britain	827	763
National Ice skating Association	109	223
Royal Yachting Association	1,074	2,089
Sports Aid	625	1,125
UK Athletics	1,887	1,584
Other Governing Bodies	697	315
	32,185	32,252
For Events:		
Archery World Cup & EMAU GP 2007	19	180
EAA European Indoor Championships in Athletics	–	–
FINA World Swimming Championships 2008	–	398
Le Tour de France Grand Depart 2007	–	500
Men & Womens European Hockey Championship 2007	64	198
FEI Show Jumping and Dressage European Championships 2009	572	–
Modern Pentathlon World Championships 2009	379	–
IFNA World Netball Series 2009 (link to ME20194)	201	–
Paralympic World Cup 2009	200	–
European Team Badminton Championships 2009	194	–
Senior European Boxing Championships 2008	181	–
Beach Volleyball U21 World Championships 2008	167	–
World Wheelchair Basketball Championships 2010	164	–
9th FINA World Swimming Championships (25m) 2008	143	–
UCI Track Cycling World Cup Classic 2008	111	–
FINA Diving World Series 2008	104	–



NOTES TO THE ACCOUNTS

	2008/09	2007/08
	£,000	£,000
ECA European Canoe Slalom Championships 2009	100	–
RS:X and Techno World Championships 2009	100	–
Paralympic World Cup 2005	–	–
Paralympic World Cup 2006	–	–
Paralympic World Cup 2007	–	358
Paralympic World Cup 2008	–	437
Sail for Gold Regatta 2007	21	148
U19 Rugby World Championships 2007	–	–
World Cup Final in Trampoline & Tumbling 2006	–	–
World Mountain Bike Championship 2007	6	186
World Rowing Championship 2006	–	–
World Rowing Championships 2006	–	–
World Track Cycling Championships 2008	32	–
Other Events	1,219	1,164
	3,977	3,569
Total Grant payments in the year	47,363	46,518

6. STAFF COSTS

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

	2008/09	2007/08
	£,000	£,000
Wages and salaries	753	643
Social security costs	69	59
Current service costs	50	94
Total employee costs	872	796

7. STAFFING

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

	2008/09	2007/08
	£,000	£,000
Employees	16	14
Average staff numbers	16	14

8. LOTTERY FUNDS

	2008/09	2007/08
	£,000	£,000
The Lottery Fund is stated after charging for:		
External Auditors' remuneration	28	26
Corporation tax on interest received	–	18

UK Sport Lottery Fund has reached agreement with HMRC that payments to charitable entities may be treated as a charge on income under S.338 ICTA 1988 and offset in full against taxable investment income. Accordingly, no corporation tax liability arises.

9. TANGIBLE FIXED ASSETS

All tangible fixed assets are computer software or equipment.

	2008/09	2007/08
	£,000	£,000
Cost		
At 1 April 2008 and 31 March 2009	535	535
Depreciation		
Start of year	(520)	(505)
Charge for year	(15)	(15)
End of year	(535)	(520)
Net book value		
At 1 April 2008	15	30
At 31 March 2009	–	15



NOTES TO THE ACCOUNTS

10. DEBTORS

	2008/09	2007/08
	£,000	£,000
Debtors	1	38
Prepayments	1	13
Accrued Income	2	51
All amounts fall due within one year		

Intra-government Balances	2008/09	2007/08
	£,000	£,000
Balances with local authorities and police authorities	–	38
Subtotal: intra-government balance	–	38
Balances with bodies external to government	2	13
	2	51

11. CREDITORS

	2008/09	2007/08
	£,000	£,000
Trade Creditors	383	66
Accruals	445	331
Corporation tax	–	18
	828	415
All amounts fall due within one year		

Intra-government Balances	2008/09	2007/08
	£,000	£,000
Balances with central government bodies	764	28
Balances with local authorities and police authorities	–	–
Subtotal: intra-government balance	764	28
Balances with bodies external to government	64	387
	828	415

12. REVENUE RESERVE

	2008/09	2007/08
	£,000	£,000
Income and Expenditure Account		
Opening Balance	(28,634)	(57,343)
Increase/(Decrease) in Lottery Fund	6,301	28,678
Transfer from Pension Reserve*	1	31
Fund balance as at 31 March	(22,332)	(28,634)

*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 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 £59,167 or 10.2% of pensionable pay (2007/08 £56,262 or 10.2%).

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 2007 with the next formal valuation due at 31 March 2010. 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.



NOTES TO THE ACCOUNTS

13.1 Pension Commitments

Financial Assumptions

	2009	2008
Price increases	3.1%	3.6%
Salary increases	4.6%	5.1%
Pension increases	6.4%	7.0%
Discount rate	6.9%	6.9%

Average future life expectancies at age 65:

	Males	Females
Current pensioners	19.6 years	22.5 years
Future Pensioners	20.7 years	23.6 years

13.2 Fair Value of Employers Assets

	2009 Long term return	Fund Value at 31/3/09	2008 Long term return	Fund Value at 31/3/08
	%	£,000	%	£,000
Equities	7.0%	1,165	7.5%	1,524
Target return funds	5.5%	204	6.3%	493
Alternative assets	6.0%	511	6.7%	459
Cash	4.0%	164	4.8%	76
Total Fair Value of Assets		2,044		2,552
Present Value of Scheme Liabilities		2,876		2,957
Net Pension Liability		(832)		(405)

The major categories of plan assets as a percentage of total assets are as follows

	31-Mar-09	31-Mar-08
Equities	57%	60%
Target return funds	10%	19%
Alternative assets	25%	18%
Cash	8%	3%

13.3 Amounts recognised in the income and expenditure account are as follows

	31-Mar-09	31-Mar-08
Current Service Cost	40	94
Interest Cost	190	178
Expected return on Employees Assets	(179)	(184)
Past Service Cost	10	0
TOTAL	61	88
ACTUAL RETURN ON PLAN ASSETS	(529)	(54)

13.4 Amounts recognised in Statement Total of Recognised Gains and Losses

	31-Mar-09	31-Mar-08
Actuarial Gains/(Losses)	(413)	278
Actuarial Gains/(Losses) recognised in SRGL	(413)	278
Cumulative Actuarial Gains and Losses	(135)	278

13.5 Changes in the present value of the defined benefit obligation are as follows

	31-Mar-09	31-Mar-08
Opening defined benefit obligation	2,957	3,231
Current Service Cost	40	94
Interest Cost	190	178
Contributions by Members	33	30
Actuarial Gains	(315)	(526)
Past Service Cost	10	0
Estimated Benefits Paid	(39)	(50)
Closing defined benefit obligation	2,876	2,957

13.6 Changes in the fair value of plan assets are as follows

	2,551	2,490
Opening fair value of employers assets	2,551	2,490
Expected return on assets	179	184
Contributions by Members	33	30
Contributions by Employer	48	46
Actuarial Losses	(728)	(149)
Benefits paid	(39)	(50)
Closing fair value if Employer assets	2,044	2,551



NOTES TO THE ACCOUNTS

13.7 History of Experience Gains and Losses

	2008/09	2007/08
	£,000	£,000
Fair Value of Employer Assets	2,044	2,551
Present Value of Defined benefit obligation	2,876	2,957
Surplus/(Deficit)	(832)	(406)
Experience gains/(losses) on assets	(725)	(237)
Experience gains/(losses) on liabilities	7	17

1. In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31 March 2009, 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 £4,776,000, £3,871,000 and £3,456,000 (2007/08 - £4,437,000, £4,155,000 and £3,660,000) in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2009. 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.

The Actuarial Valuation for FRS 17 purposes has been allocated between the 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

	2008/09	2007/08
	£,000	£,000
Increase/(Decrease) in lottery funds before taxation	6,313	28,690
Depreciation of tangible assets	15	15
(Increase)/Decrease in debtors	49	(49)
Increase/(Decrease) in creditors	(6,114)	(27,611)
Interest receivable	(62)	(89)
(Increase)/Decrease in NLDF	(673)	(1,003)
Pension scheme: non cash movement	(10)	37
Net cash (outflow) / inflow from operating activities	(482)	(10)

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

	2008/09	2007/08
	£,000	£,000
(Decrease)/Increase in cash	(420)	71
Net funds at start of period	500	429
Net funds at end of period	80	500

16. CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	2008/09	2007/08
	£,000	£,000
Opening cash balance	500	429
Net cash (outflow) /inflow	(420)	71
Cash and bank balances at year end	80	500

17. FINANCIAL INSTRUMENTS

UK Sport Lottery Fund has adopted FRS25, FRS26 and FRS29 and has undertaken a review of major contracts to identify transactions that require disclosure. The majority of financial instruments relate to contracts for non- financial items in line with UK Sport's expected purchase and usage requirements and UK Sport therefore is exposed to limited credit, liquidity or market risk.

Liquidity Risks

In 2008/09 £49.83m or 99.88% (2007/08 £49.51m or 99.87%) 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 £18.809m (2007/08 £18.137m). In the year the average return on these investments was %12.84 (2007/08 20.92%). 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 2.49% (2007/08 4.63%) in the year. Cash on deposit is gross of corporation tax. The cash balance at the year-end was £80,000 (2007/08 £500,000) The Members consider that the Fund is not exposed to significant interest rate risks.

Foreign Currency Risk

The Fund is not exposed to material foreign exchange risks.



NOTES TO THE ACCOUNTS

18. CONTINGENT LIABILITIES

A NLDF Balance Transfer of £5m took place at the time of the Transfer of Responsibilities for the English Institute of Sport 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 2009, the Lottery Fund had made no commitments to purchase further capital equipment (2007/08 Nil).

20. POST BALANCE SHEET EVENTS

There were no reportable post balance sheet events between the balance sheet and the date when the accounts were authorised for issue on 10th July 2009.

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:

	LOTTERY ACCOUNTS ON COMMITMENT BASIS		RE-STATED ON AN ACCRUAL BASIS	
	2008/09	2007/08	2008/09	2007/08
INCOME & EXPENDITURE – EXCERPT				
	£,000	£,000	£,000	£,000
Expenditure				
Hard commitments	45,685	23,003	–	–
Hard de-commitments	(4,849)	(4,328)	–	–
Hard de-commitments transfer to GIA	–	–	–	–
Grants paid	–	–	47,363	46,518
Staff costs	872	796	872	796
Depreciation	15	15	15	15
Other operating costs	490	362	490	362
Costs apportioned from GIA	1,367	1,100	1,367	1,100
	43,580	20,948	50,107	48,791
Increase / decrease in Lottery funds	6,313	28,690	(214)	847
BALANCE SHEET – EXCERPT				
Creditors				
Sundry creditors due <1 year	(828)	(415)	(828)	(415)
Hard grant commitments due <1 year	(19,653)	(44,364)	–	–
	(20,481)	(44,779)	(828)	(415)
Net Current Assets/Liabilities	(1,590)	(26,091)	18,063	18,273
Hard grant commitments due >1 year	(20,742)	(2,558)	–	–
Pension liability	(832)	(405)	(832)	(405)
Total assets less all liabilities	(23,164)	(29,039)	17,231	17,883



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Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID6061059 07/09

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