

Annual Report

The United Kingdom Sports Council
Grant-in-Aid and Lottery Distribution Fund
Report and Accounts for the Year Ended 31 March 2010

09/10





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GREAT BRITAIN
ATHLETICS TEAM



Annual Report 09/10

The United Kingdom Sports Council Grant-in-Aid and Lottery Distribution Fund
Report and Accounts for the Year Ended 31 March 2010

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I Foreword



This Annual Report outlines the responsibilities of the United Kingdom Sports Council and reviews 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 2009-2010 financial year saw some significant changes to UK Sport's operating environment as well as further performance success, with Olympic and Paralympic performance medal targets met and the Mission 2012 process firmly established.

In addition to Lottery and Exchequer funding, 'Team 2012' was launched in 2009 with 'Visa' as the Presenting Partner, offering a third income stream for British athletes from the private sector. This initial announcement led to a further £6.5m being made available for investment in the World Class Performance Programme in the 2009 /13 period.

Furthermore, UK Sport's Drug-Free Sport team moved to a stand-alone body – UK Anti-Doping Limited - in December, following a recommendation by the UK Sport board in 2007. As such, accounting figures relating to UK Sport's anti-doping work for the 2009-2010 financial year will appear in the UK Anti-Doping Limited Annual Report and will not be reported in this document.

The Accounts section of this report is separated into two distinct areas in line with statutory requirements; Grant-in-Aid Accounts and Lottery Distribution Fund Accounts. The former also includes information on the English Institute of Sport.



Chris Holmes MBE

Chair of Audit Committee, UK Sport

I UK Sport – Management Commentary

Legislative Background

UK Sport (the United Kingdom Sports Council) was established by Royal Charter on 23 July 1996 and became fully operational on 1 January 1997.

Funding

UK Sport is responsible for managing and distributing public investment. It is a statutory distributor of funds raised by the National Lottery. It also distributes private income raised via the 'Team 2012' partnership.

In 2009-2010, UK Sport received £59.65m of Exchequer funds which were used to support sports bodies, 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 £56.57m, 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 system, programmes and athletes and the World Class Events Programme.



I Operating Environment

UK Sport's activities continued to be strongly influenced by the impact of London 2012. However, with two years to go we are increasingly focusing attention, resources and staff activity on the sporting landscape post 2012.

Funding for London 2012

Additional public investment of £50m in December 2008 accounted for the fact that Government-led efforts to raise a target of £100m from the commercial sector were hampered by the global economic climate. This resulted in an eventual, and lower than expected, £304m budget for 2009-2013 for direct investment in the World Class Performance Programmes of National Governing Bodies.

'Team 2012' - a scheme to raise additional funds against the remaining £50m private sector funding gap was initiated in February 2009, comprising a unique partnership between UK Sport, the British Olympic Association, British Paralympic Association and The London Organising Committee for the Olympic and Paralympic Games. It was launched in September 2009 with VISA announced as the presenting partner and offers the opportunity for sponsorship of the total Olympic and Paralympic ambition - approximately 1200 athletes from 47 sports and disciplines, Olympic and Paralympic. The launch marked the start of a major long term fundraising drive through to 2012 and beyond, including commercial sponsorship, corporate and individual donors, a small firms sponsorship programme and the potential for a public appeal.

In December 2009, £6.5m of new funds made available through the Team 2012 sponsorship scheme were invested in sports. In addition, UK Sport reacted to changing economic conditions by adjusting the inflation level in all previously-made awards to 1.5%, making a further £6.5m available.

This enabled UK Sport to:

- > support women's boxing to the tune of £950,000 following the IOC announcement of its inclusion in the Olympics
- > allowed for a proposed contingency fund of over £1m to be available for further medal priorities including Paralympic disciplines for athletes with intellectual disability following the decision to reintroduce events for those athletes in London 2012
- > Double the funding of 11 of the 12 sports which had, from April 2009, only received 'basic' level support

National Lottery Funding

On 19 May, The Secretary of State for Culture, Olympics, Media and Sport announced a consultation into the allocation of Lottery money between the 'good causes'. If approved the proposals would result in an increase in the share allocated to sport from 16.6% to 20% phased over two years from 1 April 2011.

Mission 2012

Mission 2012 - UK Sport's way of measuring each sport's progress against their goals for the 2012 Games in terms of both performance targets and system development - has been established for more than two years and has continued to develop over the past 12 months. By analysing each sport's progress in three dimensions: athlete performance, system and leadership, and climate - it is able not only to deliver clear accountability and return against UK Sport's investment, but also to provide sports with an opportunity to highlight performance or governance barriers that they face and offer potential solutions based on identified best practice.

I Operating Environment

Life After London

While the collective focus of Olympic and Paralympic sport primarily must be on ensuring that all athletes and their support staff are driving forward towards success in London 2012, UK Sport has started the process of planning for what happens after the Games. The Life After London Project is designed to investigate how we can collectively ensure that the high performance system continues to be robust, resourced and sustainable post-2012, that we have the right people in place to continue to lead and run our organisations in a way that will both service and benefit from that world class system, and that we are still in position to continue to deliver success once the unique excitement of a home games has passed.

Over a period of several months from the Autumn of 2009, through close consultation with Board, NGBs and other partners, UK Sport instigated a project looking precisely at this area and seeking to deliver a vision for the high performance landscape post-2012. The output will include a clear vision for the future and narrative to explain it, as well as more detailed exploration of the structure and funding of Olympic and Paralympic sports and athletes after London 2012.

World Class Events Programme

UK Sport's World Class Events Programme (WCEP) co-ordinates the UK's effort to bid for and stage major international sporting events on home soil. It invests on average £4m of National Lottery money per annum in supporting strategically important events across the UK. This figure is more than double the £1.6m per annum 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, showcasing our world class athletes and preparing them for the experience of a home games – 38 events were supported in the period 2001-2006, whilst 21 were supported in the financial year 2009-2010 alone, including the FEI Show Jumping and Dressage European Championships, the ITU World Triathlon Championships Series and the Modern Pentathlon World Championships – all of which took place in August 2009.

In October, UK Sport was able to announce the most ambitious programme of events ever compiled in the UK, with the aim of hosting 64 major international competitions in the final 1000 days before London 2012 in more than twenty towns and cities across the country. This programme represents a £32m investment in total by all partners, of which UK Sport is providing £11m direct from its Lottery Funded World Class Events Programme. Twenty-four events are scheduled so far for support in 2010, including the World Wheelchair Basketball Championships and the Women's Rugby World Cup. Work has also already started on the 2013-2018 Major Events programme ensuring that the legacy of hosting major sporting events across the UK continues long after the 2012 Olympic & Paralympic Games have ended.

International Inspiration

International Inspiration (II) inspires and enables millions of young people in countries around the world to play sport. This changes lives, opening doors to leadership, health, inclusion, excellence or simply the joy of participation. As the international sports legacy programme of London 2012, International Inspiration aims to use the power of sport to enrich the lives of millions of children and young people in schools and communities across the world through the power of high quality and inclusive physical education, sport and play.

International Inspiration is the responsibility of LOCOG and supported by the II Foundation and a unique partnership of organisations including the BOA, the BPA, the UK Government, DfID, the Premier League and a delivery partnership led by UK Sport alongside the British Council and UNICEF UK. Delivery in each country is planned and implemented in consultation with Governments and local National Olympic and Paralympic committees and is supported by the Youth Sport Trust.



International Inspiration has enriched the lives of 4.4 million young people in 12 countries to date; Azerbaijan, Bangladesh, Brazil, India, Jordan, Malaysia, Mozambique, Nigeria, Palau, South Africa, Trinidad & Tobago and Zambia. Projects are also due to start in Turkey soon, with planning underway for further countries to start activity this year. The aspiration is to reach 12 million children in 20 countries by 2012.

Modernised National Anti-Doping Organisation (NADO)

UK Sport handed over responsibility for testing and policing doping in sport to UK Anti-Doping in December 2009. 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. Former Minister for Sport Gerry Sutcliffe asked UK Sport to lead on the establishment of the organisation. The new Agency is Chaired by David Kenworthy, and its Chief Executive is Andy Parkinson.

It has been agreed that all accounting figures relating to UK Sport's anti-doping work in the period 1 April to 14 December will be accounted for in the UK Anti-Doping Annual Report for 2009-2010.



I 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 UK Sport 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 89 staff across six work areas.

Chief Operating Officer:

Performance Director:

Finance Director:

Director of Business Support:

Director of Policy and Communications (Influence):

Head of International Development and International Inspiration Programme Director:

Liz Nicholl OBE

Peter Keen OBE

Chris Walker

David Cole

Tim Hollingsworth

Debbie Lye

Board & Governance

UK Sport's Board meets normally six times each year to provide strategic direction to the organisation, as well as considering and making decisions on those recommendations put forward by UK Sport's officers, panels and internal committees. 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, Olympics, Media and Sport. Representatives (usually the Chair) of the Home Country Sports Councils automatically sit on UK Sport's Board.

Panels also 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 2009-2010 were as follows, and detailed information including date, duration of appointment and conflict of interest statement are available on the UK Sport website www.uk sport.gov.uk/pages/board:

Name	Position	Start Date	Term Duration
Baroness Sue Campbell CBE	Chair	March 2005	Four years – reappointed to March 2013
Philip Carling	Member (Chair Sports Council for Wales)	February 2004	Term Ended
Rod Carr OBE	Member	September 2005	Three years - reappointed to September 2011
Chris Holmes MBE	Member	September 2005	Three years – reappointed to September 2011
Philip Kimberley	Member	March 2009	Three years
Richard Lewis	Member (Chair Sport England)	March 2009	Three years
Louise Martin CBE	Member (Chair sportscotland)	November 2002	Three years – reappointed to June 2011
Laura McAllister	Member (Chair Sports Council for Wales)	February 2010	Three years
Jonathan Vickers	Member	October 2008	Three years
Nigel Walker	Member	July 2006	Three years – reappointed to July 2012
Dominic Walsh	Member (Chair Sports Council for Northern Ireland)	February 2008 (Was appointed for one year whilst acting Chair of SCNI)	Appointed 3 March 2009 for three years

(Correct as at 31 March 2010)

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, NGBs, the Home Country Sports Institutes and Councils, the British Olympic Association, the British Paralympic Association, the British Athletes Commission, Sportscoach UK, Sports Resolution UK, UK Anti-Doping, LOCOG, the Youth Sport Trust and the CCPR. In addition UK Sport works closely with the British Council and UNICEF UK, among others, to lead the delivery of the International Inspiration programme.

The Support System – The World Class Performance Programme

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

On 31 March 2010, 1,399 athletes were funded through the Programme - which essentially offers three levels of Pathway support to high performance Olympic and Paralympic athletes:

- > **Podium** – supports athletes with realistic medal capabilities at the next Olympic/Paralympic Games
- > **Development** – supports athletes with realistic medal winning capabilities for 2016 and sports with the emerging potential to medal in the next Olympic/Paralympic cycle. 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
- > **Talent** – designed to support the identification and confirmation of athletes who have the potential to progress through the pathway with the help of targeted investment. Olympic athletes will be a maximum of eight years away from the podium, but could be much less for Paralympic athletes

This operates under UK Sport's 'No Compromise' principle, which targets investment at those most likely to deliver medals at Olympic and Paralympic level.

I Managing Delivery

Chief Operations Office (Investment and Governance and Events)

The Chief Operating Officer (COO) oversees the work of the Investment & Governance (I&G) Team and the Major Events Team which, between them, manage the great majority of UK Sport's grant awards, sourced from the three funding streams: Lottery, Exchequer and Team 2012.

The investment strategy is based around the established principle of 'No Compromise' which targets funding at those sports and athletes most likely to compete and win on the world stage, and thereby deliver medals at Olympic and Paralympic level.

As part of the oversight of its investment strategy, UK Sport has strengthened its Annual Investment Review process for the 2009/13 Olympic & Paralympic Cycle. An internal Investment Committee – chaired by the COO and drawing on officers from the Finance, Performance, Investment & Governance and Communications Teams – now proposes Investment Principles, and also scrutinizes grant award funding recommendations against UK Sport's Investment Model, before these are presented to the UK Sport Board for decision.

The I&G Team is then responsible for preparing and issuing Grant Funding Awards to national governing bodies and high performance sport system partners, as well as Athlete Personal Awards to elite athletes. In order for UK Sport to assure itself on the effective use of its funding, the I&G Team then monitors and analyses grant recipients' budgets and spend reports and oversees – in coordination with Sport England – an annual programme of management & governance audits of grant recipients. Where appropriate, the I&G Team also supports grant recipients to identify and implement solutions to investment and governance issues, as and when they arise.

The Events team work with NGBs to develop performance focused strategies for the staging of major events across the UK and distribute approximately £4m of Lottery funding each year through the World Class Events Programme to support events' bidding and staging costs, as well as providing specialist technical support.

Performance

The Performance Team is concerned with UK Sport's primary goal of supporting world class performance.

The Performance Team works with the performance teams in each sport to maximise the impact of UK Sport's investment and leads and develops areas which have been identified as having an influential impact on a sportsman or woman's performance: Performance Solutions, Athlete Development (including Talent Identification and Confirmation), Coaching and Research and Innovation. The team also works closely with the English Institute of Sport and other Home Country Sports Institutes to ensure the creation and delivery of world class sports science and medicine services to athletes.

International

Alongside their work on International Inspiration, the International Development team is contributing to the strengthening of sports systems within developing countries by working with international and regional sports bodies, Ministries, National Sports Federations and Non-Governmental Organisations. The UK Sport International team engages in policy development, capacity building through teacher, coach and youth leadership education, and the strengthening of community based sport.

A major project with a global impact is the International Community Coach Education (ICES) initiative which aims to develop quality community coaching to improve children and young people's experience in sport by providing an international platform for advocacy, organisational support and quality assurance of the training and development of coaches working at the community level.



UK Sport International also provides a range of services for the charity International Development through Sport (IDS). By developing and managing a portfolio of projects funded by DfID, Comic Relief, the Big Lottery and the TOP Foundation as well as smaller income streams the team brings additional resources to increase the impact of their work and supports the fulfilment of the IDS mission of 'Harnessing the power of sport to change lives'.

Business Support

The Business Support team provide 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 team continue to deliver 'world class support' aiming to ensure that UK Sport operates as efficiently and effectively as possible. Key developments in 2009/10 have been:

- > the establishment of a Programme Management Office for UK Sport, embedding a project-based approach to all that we do
- > the launch of a new pay and grading system for UK Sport staff (in line with Civil Service pay reform guidance)
- > the development of internal processes and associated IT systems to support our Performance teams manage their relationships with NGBs better
- > the implementation of a robust control environment to ensure all UK Sport information is secure

The team also coordinates UK Sport's relationship with the DCMS ensuring effective ongoing reporting against the Business Plan; as well as one-off information requests such as "Making the Case" (around the impact of UK Sport's activity) or the "Data Champions" initiative in support of No.10 .

Influence

UK Sport's Communications, Policy, International Relations and Commercial 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 all relevant stakeholders, as well as handling partner 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.

The International Influence team ensures the UK has a strong voice in the global sporting arena and create effective partnerships with other nations to maximise our performance knowledge. It invests £800,000pa in support of targeted NGB international relations strategies providing guidance, support and evidence bases to underpin that. It also 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 Team 2012 partnership developed with BOA, BPA and LOCOG to deliver sponsorship funds into the World Class Performance Programme.

Finance

The Finance team deal with UK Sport's Lottery and Exchequer incomes - managing them so as much as possible can be distributed to sport. In the 2009/10 period, these sources were supplemented by the first receipts from the Team 2012 fundraising joint venture, for which UK Sport also provides accounting support. The Team also manages financial risk in increasingly challenging economic circumstances and provides assurance to the Accounting Officer and Audit Committee on financial matters.

I Managing Delivery

Office and IT Facilities

UK Sport's 15,000 square feet (1369 m²) facility at 40 Bernard Street, opposite Russell Square Underground station in London, is leased at a competitive rate until 2015. To work this space as hard as possible, it is shared with staff from two partner organisations, the English Institute of Sport (EIS) and British Basketball.

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 Performance Programmes which are geared to achieving long-term Olympic and Paralympic success. The World Class Events Programme and funding of Athletes Personal Awards are solely Lottery Funded. These are prime examples of Lottery funded programmes that are not provided as a statutory responsibility or funded by Government but add real value to the UK's sporting ambitions and legacy for London 2012.

Staff and funded athlete profile

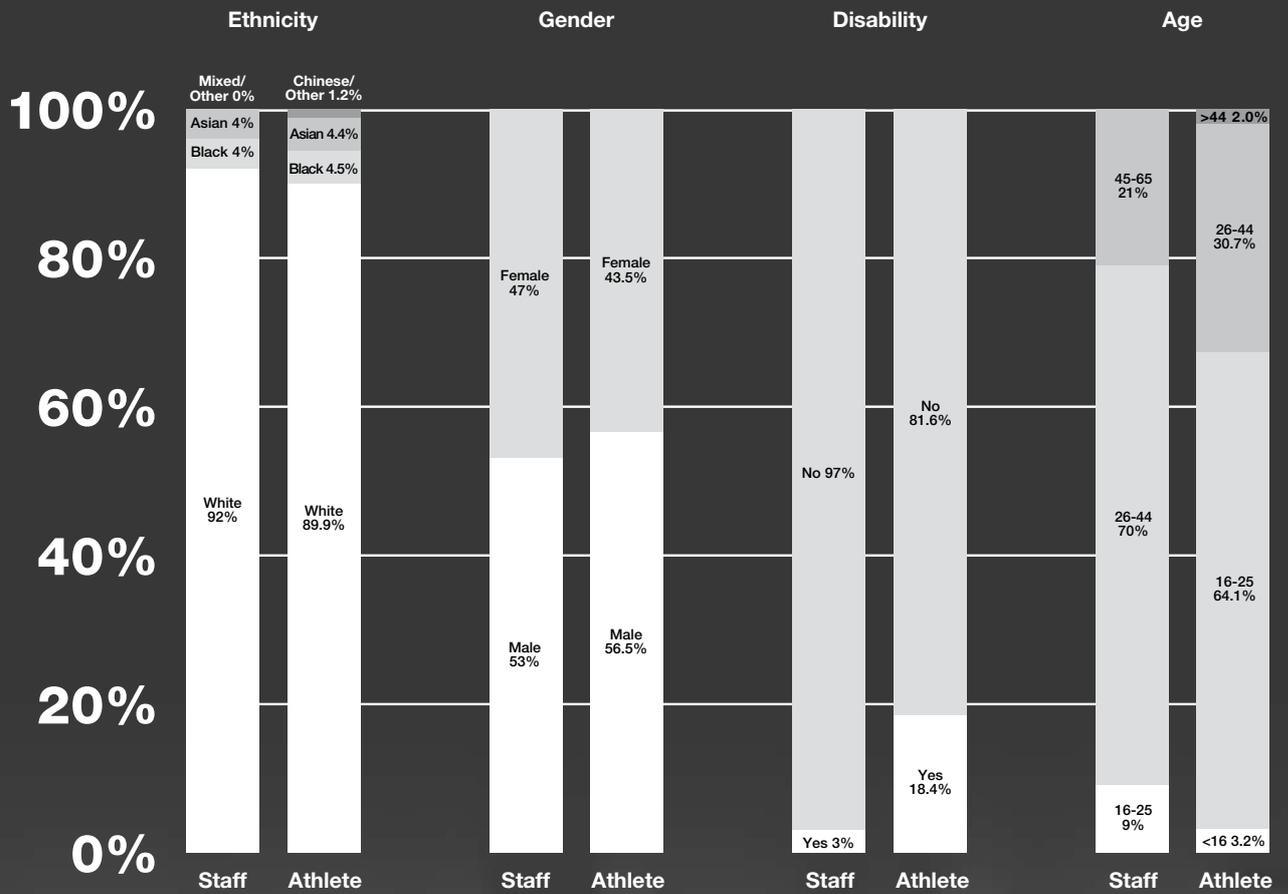
UK Sport will take necessary action to eliminate individual and institutional discrimination; to comply with its statutory and legislative obligations; to meet the needs of its staff and partners and to make equality and equal treatment a core issue in the development, delivery and refinement of its policies, initiatives and services and the way it manages its staff.

UK Sport's Equality Strategy 2010-2013 sets out our commitment to equality as an employer and a strategic investor in high performance sport. In March 2010, UK Sport became only the third organisation in the UK to achieve the Intermediate Level of the Sport Equality Standard.

UK Sport equality impact assesses projects and monitors the profiles of staff, World Class Performance Programme athletes and those individuals involved with UK Sport programmes.

At 31 March 2010, the race, age, gender and disability profile of UK Sport's 89 staff and 1399 funded athletes was as below. Ethnicity, disability and age information for funded athletes is based on the 706 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 4.5%.

UK Sport Staff and Funded Athlete Profiling



I Managing Delivery

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 10 days. During 2009/10, 92.4% 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 £35,185 and £27,700 respectively for each set of accounts, reflecting the increase in the rate of VAT from 15% to 17.5%. Additional fees of £8,000 and £1,500 have been agreed for IFRS restatements and Whole of Government Accounts audit work.

Remuneration Report

Directors' Remuneration – Director recruitment, remuneration and employment terms and conditions are overseen by the Remuneration Committee, which is a formal Subcommittee of the UK Sport Board operating under published Terms of Reference and comprising Sue Campbell, Louise Martin and Phil Carling (replaced by Rod Carr from 1 April 2010). 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 four elements:

Salaries – are consistent with public sector standards whilst 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 1 July. In 2009/10 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. Directors have an option to consolidate an element of this payment into their base salary.

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 final pensionable salary, times total membership. At 31 March 2010 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.

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 March 2010 were as follows:



Audited information (£)		2009/10	2008/09
S Campbell	Chair	35-40	35-40
J Steele	CEO	145-150	140-145
L Nicholl	COO	105-110	105-110
T Hollingsworth	Director	100-105	100-105
P Keen	Director	95-100	90-95
D Cole	Director	80-85	75-80
C Walker	Director	75-80	55-60*

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

Pension Entitlement

Audited information (£)	Real Pension Increase	Real Lump Sum Increase	Value of Accrued Pension	Value of Accrued Lump Sum	CETV at 31/03/2009	CETV at 31/03/2010	Real Increase in CETV
J Steele	0-2.5	0-2.5	5-10	10-15	83	109	17
D Cole	0-2.5	0-2.5	10-15	20-25	95	112	11
T Hollingsworth	0-2.5	0-2.5	10-15	20-25	128	147	12
P Keen	0-2.5	0-2.5	5-10	10-15	71	91	13
E Nicholl	2.5-5	2.5-5	30-35	85-90	690	750	53
C Walker	0-2.5	0	0-2.5	0	9	23	9

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 £218 per day (£215 2008/2009) and half that amount for half-day meetings, up to 36 days each year. Members who have received remuneration are as follows:

Audited information (£)	2009/10	2008/09
Chris Holmes	4,581	5,913
Dominic Walsh	872	860
Jonathan Vickers	2,398	753
Laura McAllister	218	–
Louise Martin	872	1,398
Nigel Walker	3,270	3,117
Phillip Kimberley	1,744	–
Phillip Carling	2,398	4,515
Rod Carr	1,308	2,042
Ged Roddy	–	430
Nick Bitel	–	645

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 tables.

Strategic Objective – World Class Success

Primary Activity	Deliverable	Performance Target 09/10	Actual Performance 09/10
1. Support athletes and sports to succeed in World Class events	Number of medals won at the Olympic Games or in a non-Olympic year the sports most significant international event of equivalent standard (eg World and European Championships)	37	43
	Number of medals won at the Paralympic Games or in a non-Paralympic year the sports most significant international event	117	134
	Number of medals won at 2010 Vancouver Winter Olympics	3 (Range 1-5)	1
	Number of medals won at Vancouver Winter Paralympics	1 (Range 0-1)	0

Summer sport targets were exceeded in both Olympic and Paralympic sports; a significant reason for the latter being the exceptional results of the Paralympic cycling and equestrian teams at their respective events. Amy Williams' outstanding performance secured gold in the bob skeleton in Vancouver, but the British team missed UK Sport's medal target of three at the Winter Olympics and one at the Winter Paralympic Games. Investment reviews, as normal, will take place, but overall results show that the level of funding in winter sports from 2006-2010 is both right and proportionate in terms of the 2010 opportunity and outcome.

Primary Activity	Deliverable	Performance Target 09/10	Actual Performance 09/10
2. Develop skilled people and provide solutions to support UK World Class athletes	The number of support personnel participating within the year in UKS professional development programmes	200	218

Successful development experiences were delivered through Fast Track Practitioner Programme, UKS induction programme, Coaching Science Forum, Elite Coach, Performance Lifestyle Advisor development, Elite Coach Apprenticeship Programme and coaching workforce health checks.



Strategic Objective – Olympic and Paralympic Pathway

Primary Activity	Deliverable	Performance Target 09/10	Actual Performance 09/10
3. Support the development of a World Class high performance sports system in the United Kingdom	Percentage of UKS and SE performance funded elite performance sports that agree that EIS service delivery meets or exceeds expectations	90%	94%

Strategic Objective – Worldwide Impact

Primary Activity	Deliverable	Performance Target 09/10	Actual Performance 09/10
4. To increase the influence of the UK in the governance and administration of international sport via the implementation of 33 NGB/KFA strategies	Percentage of organisations with International Influence Strategies actively delivering on the aims and objectives contained within them	90%	100%

62 individuals were elected, re-elected or appointed to positions of influence during 2009 (calendar year); 28 GB holders of position on IF Executive Board or higher; of 36 International Leadership Programme graduates 17 now hold positions of influence within IFs. The value of the programme to participants was rated as 94% in 2009.



I UK Sport's Performance

Primary Activity	Deliverable	Performance Target 09/10	Actual Performance 09/10
5. To achieve a demonstrable impact on the development of sport in targeted countries through International Inspiration	By the end of each Phase One country programme, a component of International Inspiration is embedded in at least one National/regional Government strategy, 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	4 national strategies influenced / 11 embedded as a component	7
	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	35,000	51,182
	Four million children and young people of all abilities; three million reached (with access) and one million engaged (regularly participating), take part in high quality and inclusive PE, sport and play by 2011	500,000 (engaged) / 1.5m (reached)	805,410 (engaged) / 3,468,448 (reached)
6. To achieve a demonstrable impact on development through sport in targeted countries	The number of tutor trainers and peer leaders trained in sports leadership activities within Supreme Council of Sport in Africa Zone VI	800 peer leaders	863 peer leaders
		50 tutor trainers	50 tutor trainers
		6 countries	6 countries
	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 2 – 100 coaches – 2 countries	226 4 countries

In addition to the six countries engaged in tutor training, UK Sport's partnership with the Supreme Council of Sport in Africa impacts on sport development in all ten member countries of the Zone VI region.



Primary Activity	Deliverable	Performance Target 09/10	Actual Performance 09/10
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	80%	100%
	ii) The number of events approved by WCEP meeting grant conditions and achieving delivery within the agreed objectives	17	19
	iii) Leverage funds to support the WCEP from external public and commercial sources	Ratio 1:2	1:3.1

Strategic Objective – Budget Management

Primary Activity	Deliverable	Performance Target 09/10	Actual Performance 09/10
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)	5.2%	4.9%
	ii) Lottery administration costs as a percentage of total Lottery income, including interest	4.4%	4.4%
	iii) Realise £600K of efficiency savings by March 2011	On track	On track



I UK Sport's Performance

Financial Performance

2009/10 has been a year of significant structural change for UK Sport. On 15 December 2009, the Anti Doping activities of UK Sport transferred to a new entity, UK Anti-Doping, and relocated to separate premises in order to provide a more centralised approach to case management and greater links with law enforcement agencies. The reorganisation has been accounted for using the principles of merger accounting, and, in accordance with the provisions of the Financial Reporting Manual, UK Sport and UKAD have been treated as separate entities from 1 April 2009. Therefore the Financial Statements of UK Sport exclude anti-doping activities for 2009/10. The comparative figures for 2008/09 have also been restated on this basis.

Post separation, Grant in Aid originally awarded to UK Sport has been made available to UK Anti-Doping Limited, although for a limited transitional period UK Sport has continued to provide transaction processing services under a service level agreement. Overall, net investment in UK Anti-Doping Limited during the year by UK Sport was £5.73m, and this is reported as an offset against Grant in Aid in UK Sport reserves.

The Team 2012 fundraising joint venture was formally incorporated on 21 July 2009 as a Company Limited by Guarantee to bring together the fundraising and investment expertise of the Partners, with UK Sport, LOCOG, British Olympic Association and British Paralympic Association as equal guarantors. Trading commenced immediately, and VISA were secured as presenting Sponsor for a sum of £10m covering the period to December 2012.

Income raised by Team 2012 is distributed to the Partners in accordance with the terms of the Joint Venture Agreement after deduction of fixed commitments and running costs. £600,000 was received by UK Sport in 2009/10 and is recognised within other income in these Accounts in accordance with the Accounting Policy set out at Note 1.5.

The total projected share of Team 2012 income across the London Cycle enabled UK Sport to agree an additional investment of £6.5m in sports at the first Annual Performance Reviews of National Governing bodies in December 2009. A further £6.5m was released from a reassessment of the underlying inflation assumption and overall this enabled UK Sport to extend the financial support for basic funded Sports through to the London Games.

2009/10 has also been a transitional year for the management of the International Inspiration programme. Hitherto, International Inspiration has been an unincorporated joint venture of UK Sport, The British Council and UNICEF with a significant element of funding managed and distributed to partners by UK Sport. In 2009/10 funds of £2.35m were received from DFID via DCMS and £0.3m from the Premier League Foundation via International Development through Sport, of which £0.9m and £1.14m were distributed to The British Council and UNICEF respectively. The I.I. Foundation was incorporated on 30 July 2009 and registered as a charity on 1 December 2009. The business of International Inspiration was formally transferred to the new Foundation with effect from 1 April 2010 and going forward UK Sport will focus on programme coordination and service delivery rather than financial administration of the scheme.



Detailed Analysis

The financial statements for UK Sport Exchequer and Lottery accounts, excluding the English Institute of Sport, are summarised below. Lottery figures are restated on an accruals basis for ease of comparison:

£M	2009/10				2008/09			
	GIA	Lottery	Intra-gp	Total	GIA	Lottery	Intra-gp	Total
GIA	59.65	–	–	59.65	67.89	–	–	67.89
NLDF	–	56.58	–	56.58	–	49.83	–	49.83
Other	2.94	–	(1.53)	1.41	2.10	–	(1.37)	0.73
Total Income	62.59	56.58	(1.53)	117.64	69.99	49.83	(1.37)	118.45
Staff	4.59	0.74	–	5.33	4.07	0.87	–	4.94
Programme	8.89	1.77	(1.53)	9.13	8.72	1.87	(1.37)	9.22
Grants	48.97	49.25	–	98.22	60.07	47.36	–	107.43
Total Expenditure	62.45	51.76	(1.53)	112.68	72.86	50.10	(1.37)	121.59
Interest/Tax	–	–	–	0.00	0.12	0.06	–	0.18
	–	–	–	0.00	–	–	–	0.00
Surplus/(Deficit)	0.14	4.82	–	4.96	(2.75)	(0.21)	0.00	(2.96)
Non Current Assets	0.79	–	–	0.79	0.83	–	–	0.83
NLDF balance	–	21.65	–	21.65	–	18.81	–	18.81
Receivables	0.99	–	(0.30)	0.69	1.55	0.00	(0.39)	1.16
Cash	1.30	1.57	–	2.88	0.44	0.08	–	0.52
Current assets	2.29	23.22	(0.30)	25.22	1.99	18.89	(0.39)	20.49
Accruals	0.60	0.33	(0.30)	0.63	0.33	0.44	–	0.77
Other Payables	0.57	0.02	–	0.59	0.56	0.39	(0.39)	0.56
Current liabilities	1.17	0.35	(0.30)	1.22	0.89	0.83	(0.39)	1.33
Pension asset/(liability)	(5.17)	(1.73)	–	(6.90)	(2.12)	(0.83)	–	(2.95)
Dilapidation provision	(0.38)	–	–	(0.38)	(0.34)	–	–	(0.34)
Total assets less liabilities	(3.63)	21.14	0.00	17.51	(0.53)	17.23	0.00	16.70
NET CASH FLOW	0.86	1.49	–	2.35	(0.25)	(0.42)	–	(0.67)

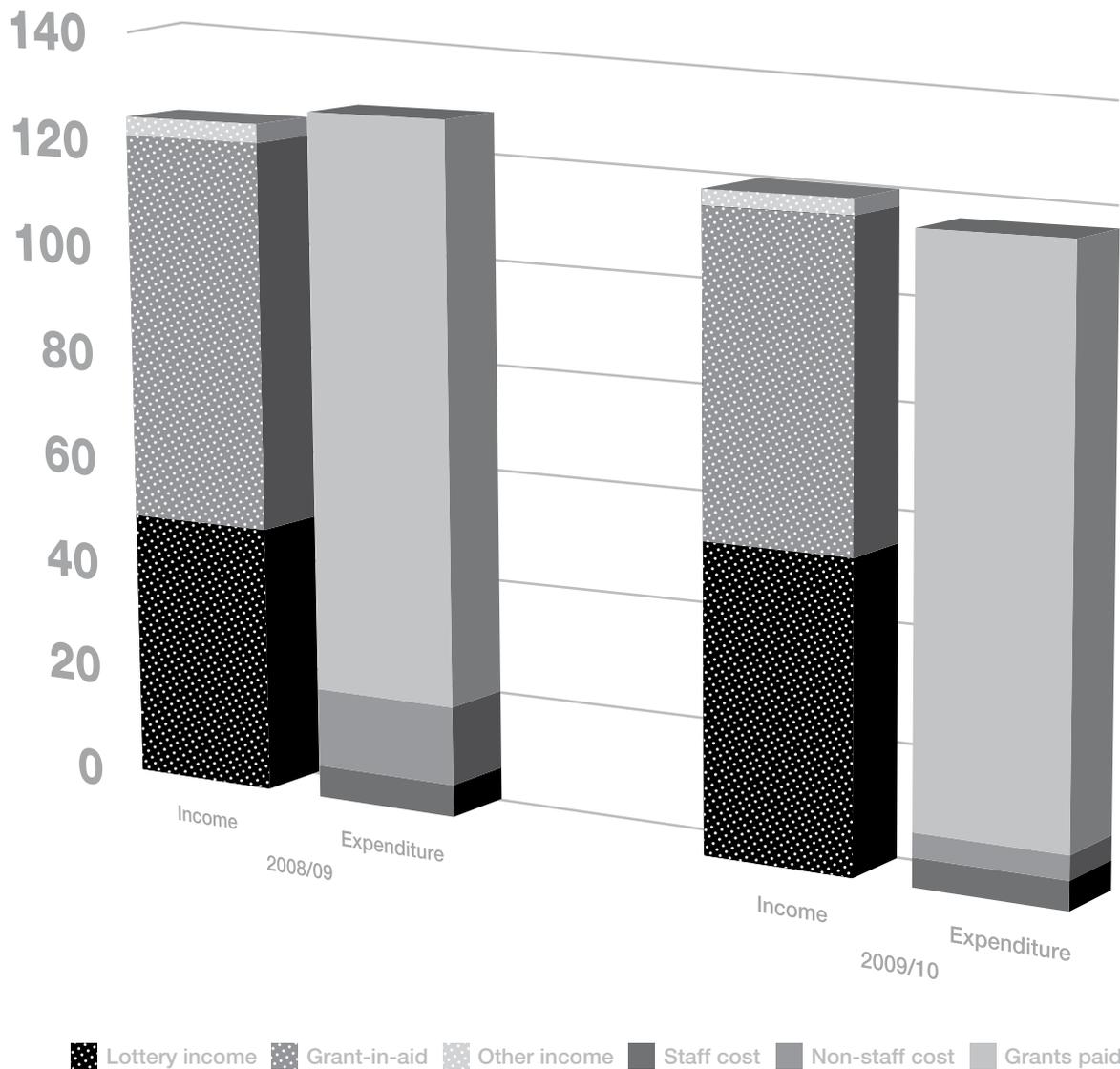
I UK Sport's Performance

Income

The significant reduction in Grant in Aid in 2009/10 compared to the prior year reflects both the impact of phasing within Olympic and Paralympic cycles and the demerger of UKAD, whereby UK Sport investment of £5.73m is reported as an offset against Grant in Aid income.

The reduction in Grant in Aid is offset by higher than anticipated income from the National Lottery, where ticket sales have exceeded expectation during the recession. A significant deficit is anticipated on the Lottery Account for 2010/11 in the overall Business Plan and the final outturn in 2009/10 will enable UK Sport to meet this challenge with greater confidence.

UK Sport Income & Expenditure Development (£M)

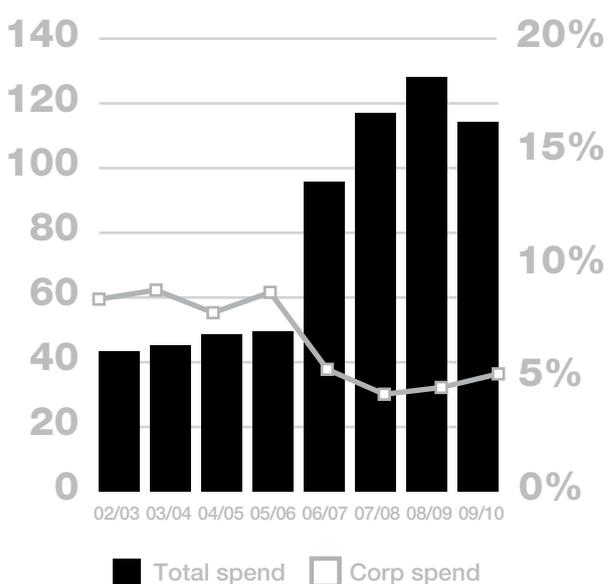




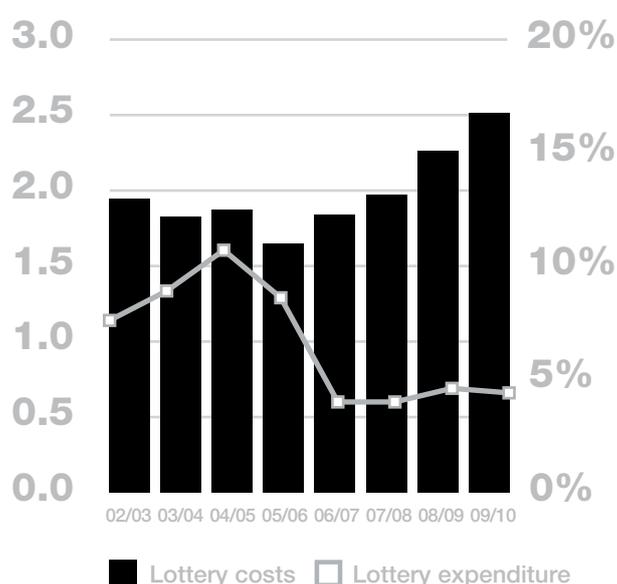
Expenditure

The reduction in grant spend reflects the start of the new Olympic Cycle in 2009/10 compared to the Olympics year in 2008/09, while the reduction in non grant spend reflects the demerger of UKAD in 2009/10.

Corporate Costs



Lottery Costs



Business Efficiency

Corporate costs remained static in absolute terms at £5.9m, but represented a slightly higher proportion of total spend at 5.2% (2008/09 4.9%) given the reduction in grant spend. This remains within the KPI of 5.5% agreed with DCMS.

Lottery costs fell slightly from £2.7m to £2.5m, which represents 4.4% of income and remains within the KPI of 6% agreed with DCMS.

Business Plan

The overall Business Plan for the London Cycle 2009/10 – 2012/13 remains on track. As noted above, additional investment was made at the first annual review of sports NGBs in December 2009 as the result of securing VISA as lead sponsor for Team 2012. Work continues to secure additional funding from the private sector and minimise the impact of the Spending Review anticipated in autumn 2010.

Sickness Absence

UK Sport has policies and procedures in place to monitor sickness absence, both long and short term, and this information is regularly considered by the Senior Management Team. During 2009/10, sick absence excluding long term sick absence averaged 0.38 days per person (2008/09 – 0.6) and no individuals had long term sick absences (2008/09 – 3 individuals). Long term sick absence is defined as a period of 4 weeks or longer.

Reporting of Personal Data Related Incidents

UK Sport has suffered no protected personal data incidents 2009/10 and has made no reports to the Information Commissioner's Office.

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation. (See table 1 and 2 on page 26)

Table 1: Summary of Protected Personal Data Related Incidents Formally Reported to the Information Commissioner's Office in 2009-10

In the Statement of Internal Control (SIC) the Accounting Officer states:

'UK Sport holds personal information relating to employees, athletes, athlete support personnel and others relating to activities arising out of its operating environment within the high performance sport system.

Statement on information risk:

UK Sport has in place robust and specific measures to ensure information security applies to all staff and third parties.

In accordance with the Data Protection Act 1998, guidance from the Information Commissioner's Office and the Cabinet Office Guidance under the HMG Security Policy Framework (SPF), UK Sport is currently reviewing its security systems and will be introducing further measures during 2010/11 to ensure information is handled securely.

In addition all staff will be given further training on information security to raise further awareness on information and data security.'

Date of Incident	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
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Further action on information risk
None

During 2010-11 UK Sport will be introducing an updated and consolidated Information Data Security and Communications Systems Policy and Procedure. The policy will cover UK Sport's approach to information risk management, setting out procedures for all staff and third parties to follow when handling confidential and personal information.

UK Sport will monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of its systems.

Table 2: Summary of Other Protected Personal Data Related Incidents in 2009-10

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within UK Sport are set out in the table below. Small localised incidents are not recorded centrally and are not cited in these figures.

Category: V Other
Nature of Incident: Loss of incrypted electronic equipment devices outside premises
Total: 2

- I Loss of inadequately protected electronic equipment, devices or paper documents from secured government premises
- II Loss of inadequately protected electronic equipment, devices or paper documents from outside secured government premises
- III Insecure disposal of inadequately protected electronic equipment, devices or paper documents
- IV unauthorised disclosure
- V Other



John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council
30 June 2010



Sue Campbell
Chair
United Kingdom Sports Council
30 June 2010





Annual Report 09/10

The United Kingdom Sports Council Grant-in-Aid and The United Kingdom Sports Council Group Accounts for the Year Ended 31 March 2010

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, Olympics, 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.

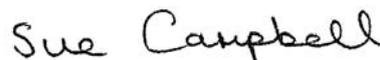
In preparing the accounts UK Sport is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- > Observe the accounts direction issued by the Secretary of State for Culture, Olympics, 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 are set out in "Managing Public Money" published by the Treasury.



John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council
30 June 2010



Sue Campbell
Chair
United Kingdom Sports Council
30 June 2010





I Statement on internal control

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control within UK Sport that supports the achievement of our policies, aims and objectives. The purpose of the system is to safeguard the public funds and departmental assets for which I am personally accountable, in accordance with both the responsibilities assigned to me in “Managing Public Money” and the requirements of our Framework Document with DCMS.

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.

I am appointed Accounting Officer for UK Sport by the departmental Accounting Officer at DCMS. Acting within this authority it is my responsibility to ensure that UK Sport (and any subsidiary to it or organisation sponsored by it) operates effectively and to a high standard of probity.

I manage these responsibilities through the maintenance of a sound system of internal control for the organisation. UK Sport’s overarching policy on internal control was most recently reviewed and updated in November 2009 to ensure consistency with current best practice.

In my role as Accounting Officer I attend both Board and Audit Committee and ensure that any significant risks/issues of control are brought to their attention and discussed.

In addition, as Accounting Officer, I have separate responsibilities to Parliament, in particular 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.

2. 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 the organisation’s 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.

The overarching system of internal control (described herein) has been in place in UK Sport for the year ended 31 March 2010 (and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance).

3. Capacity to handle risk

As stated, the organisation has a system of internal control policy that defines risk management processes (reviewed in November 2009). 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, which is to use a Risk Heat Map has been in place since 2007-8 to promote focus on the most significant risks facing the organisation.

I Statement on internal control

Risks to the organisation are identified in two ways:

- > environmental i.e. to the landscape in which we operate; or
- > operational i.e. to the successful delivery of organisational objectives, and are identified either within our local operational planning or through the management of risk within a project environment

Risks to the organisation are grouped according to the broad categories outlined in the Combined Code: Risk to Reputation; Risk to Delivery; Financial risk and People risks – no category is mutually exclusive.

The importance of the identification and subsequent management of risk has received significant attention in 2009/10 through

- > the establishment of the Programme Management Office enabling all risks to the successful completion of projects to be monitored and reported to directors
- > continuing education/awareness of staff by the Director of Business Support through risk identification workshops etc
- > the completion by all teams of a Risk Heat Map for their respective areas in January 2010

4. 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 team level and is reviewed bi-monthly by the directors' team who assess actions to mitigate each risk and the adequacy and effectiveness of controls to manage them.

Our appetite to risk needs to flex according to individual circumstance and situation. By nature as a NDPB we are required to be generally risk averse, however to maintain our competitive advantage we often need to explore innovative and creative solutions, often at short notice, to complex problems and opportunities – this requires a degree of acceptance of risk. When required, this is done in a calculated and informed way, with implications and benefits considered, prior to decisions being taken.

Where significant risks are recognised and accepted then potential impacts are identified and potential scenario plans developed.

This assessment of net exposure is used quarterly in reporting to the Department of Culture, Media and Sport (DCMS) and to our Audit Committee and Board, through standing agenda items.



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

Risk	Key mitigating activity
The potential impact to our business plan of any decline in income (exchequer, lottery or commercial)	<ul style="list-style-type: none"> > Development of additional income streams > Commitment of any additional Lottery income to Lottery balance (contingency) > Regular review of priorities versus plan > Significant scenario-planning
Our potential inability to meet the cashflow requirements of sports over the London cycle	<ul style="list-style-type: none"> > Management focus to accurate financial reporting > Additional flexibility to Funding Agreements and ability to decommit Lottery grants if necessary > Finance meetings with sports to understand requirements
The potential change in priorities of a new government (and subsequent Spending Review)	<ul style="list-style-type: none"> > Influencing strategies for key Ministers/Officials > Scenario plans/Impact Statements > Evidence-base for impact of UK Sport work > Coordination of Life after London project with all Olympic/Paralympic sports

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

- > the size of contingency we have to cover potential financial liabilities
- > the risk that we might lose key staff in the build up to London 2012
- > the relative competence of different NGBs with respect to the governance of our investment
- > the potential for conflict/duplication with other landscape partners (particularly at a time when strategies are being prepared to influence the shape of the landscape post-London)

All identified risks have associated mitigation plans which are reviewed by officers and shared with Audit Committee as part of the quarterly reporting process.

In reviewing our control environment for 2009/10 we have made a number of enhancements:

- > the development of a three-year Internal Audit Plan for UK Sport following the development of a risk assurance map (involving Audit Committee members, executive directors and our Internal Audit partners)
- > the retender for provision of audit services for the Funded-Partner Audit and Assurance Programme
- > the establishment of a Directors Portfolio Board to oversee project and programme activity across UK Sport
- > specific training for Senior Responsible Owners of projects as to their responsibilities regarding accountability and governance within projects
- > agreement of a new Framework Document with DCMS to replace the previous Management Statement/Financial Memorandum
- > an enhanced budget-setting process adopting a near zero-based approach to business requirements
- > an assessment of our Security Policy Framework leading to the instigation of an ongoing project around Information and Data Security
- > the establishment of a joint SPV with partners to manage and administer income from the Team 2012 initiative

I Statement on internal control

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 updates Board on any recommendations or concerns emanating from the Committee. Any risks deemed significant enough to require Board intervention/action (i.e. of Impact 5 in the rating system) are scheduled for discussion. Maintaining sufficient financial and governance expertise on both the Board and Audit Committee remains a priority, and will continue to be taken into consideration in the selection of new members.

The Board reviews UK Sport financial results and the most recent forecast (for both income and expenditure) for the current financial year at each meeting. This review includes analyses of all identified financial risks including National Lottery income projections. It approves the annual Budget for each financial year in the context of a projection of UK Sport income and expenditure for the whole four-year cycle. In addition key financial risks are also reviewed, by the Audit Committee at each meeting through the submission of a specific Financial Risk Heat Map. Ongoing risk assessments of shortfalls in Lottery income and the potential shortfall in commercial income for the period to 2012-3 have been considered.

Membership of the Audit Committee draws significant experience in financial management, risk control and governance from both the public and private sectors. In addition both our internal and external auditors attend all meetings to ensure a linked approach to all aspects of internal control.

The primary functions of the Audit Committee are to:

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

2009/10 also saw the separation of our anti-doping responsibilities from UK Sport (to establish a separate NADO). To avoid any lapses in the overall control environment during this transition a number of additional controls were adopted e.g. OGC Gateway Review of the project at key decision-points; and dedicated resource to consider and manage the implications to UK Sport of this separation. Going forwards I meet monthly with the CEO and Business Support Director of UKAD to ensure any remaining transitional issues are being managed effectively.

Information Security

UK Sport holds personal information pertaining to employees, athletes, athlete support personnel and others relating to activities arising out of its operating environment within the high performance sport system.

UK Sport has in place robust and specific measures to ensure information security applies to all staff and third parties.

In accordance with the Data Protection Act 1998, guidance from the Information Commissioner's Office and the Cabinet Office Guidance under the HMG Security Policy Framework (SPF), UK Sport is currently reviewing its security systems and will be introducing further measures during 2010/11 to ensure information is handled securely. This will include clear ownership of information risk, accountability of staff and clear procedures in relation to the handling of personal information. This review is being managed as a Category One project reporting into me directly as Chair of the Directors Portfolio Board. In addition all staff will be given further training on information security to further raise their awareness on information and data security, utilising training materials prepared by the National School for Government.



The Director of Business Support has been identified as Designated Security Officer (DSO) and Senior Information Risk Owner (SIRO) for UK Sport.

Independent assurance as to our approach to this work has been provided by external expertise. As at end of March 2010 UK Sport complied with (or had audited plans in place to achieve compliance with) 68 of the SPFs 70 Mandatory Minimum Requirements (21 of which were deemed "non-applicable"). The two outstanding MMRs related to external arrangements at third-party IT suppliers which are currently being investigated.

5. Review of effectiveness

As Accounting Officer, I also 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 (who provide independent assurance)
- > 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 LLP in November 2008 which assigned a substantive assurance rating to the process. A follow-up audit was conducted in November 2009 to ensure that officers were in the process of closing-down any outstanding recommendations. No new issues were identified.

Internal Audit

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

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

The annual assurance statement from Deloitte LLP shows the level of assurance achieved in the internal audit programme undertaken for 2009/10. Internal audit work was performed in accordance with Government Internal Audit Standards issued by HM Treasury.

As at the June 2010 Audit Committee seven internal audits had been completed in the programme for 2009/2010. Four have been reported to date and 100% substantial assurance has been given and no level one issues have been raised. There were twelve level two and sixteen level three issues identified from these audits. Seven follow-ups have also been completed in this period, they have identified that of the twenty-seven original recommendations raised only eleven were outstanding.

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.

Internal Audit activity was profiled to the second half of the year whilst the Audit Plan for 2009/10 and indicative plans for 2010/11 and 2011/12 were developed (following the retender for IA services in early 2009). Additional focus is placed, for this period, on the scrutiny and management of our Risk Heat Map for UK Sport by both Audit Committee and Directors Team.

I Statement on internal control

Assurance of Grant Funding Awards made by UK Sport to National Governing Bodies

Both our Investment Principles (and the Investment Model that underpins them) provide a transparent process for determining levels of UK Sport funding to NGBs and athletes for the period 2009-2013.

Moore Stephens LLP are contracted jointly to UK Sport and to Sport England to undertake the Funded Partner Audit & Assurance Programme, which covers the evaluation of online self assurance submissions and the programme of onsite management & governance audits of those NGBs & partner organisations in receipt of UK Sport funding. A total of 20 management & governance audits and three major event reviews were undertaken by Moore Stephens LLP during the year.

The 2009/10 management audit programme focused on the areas of highest risk; in selecting the programme the following points were considered:

- > 2008 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

34 out of the 39 funded sport & partner organisations have now been subject to an audit review at least once since 2007. Of these, 20 received a “reasonable” assurance rating and 14 received a “limited” assurance rating.

All bodies reviewed were considered fit to receive and manage public funding, although one body was required to implement a rectification plan in order to reach the necessary assurance level for this. There were no instances of fraud, malpractice or significant losses reported to UK Sport.

The contract for the joint UK Sport and Sport England Funded Partner Audit & Assurance Programme was re-tendered during the year, with Moore Stephens LLP being reappointed for an initial period of one year commencing on 1 June 2010, with the option to extend the contract for two further periods of one year each.



Assurance of UK Sport anti-doping processes

Until the end of 2009 UK Sport retained responsibilities for drug-testing processes to meet the requirements of the revised World Anti-Doping Code (WAD Code) comprise the following. Key controls included:

- > 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 was 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 continues to be 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)

For the time that this function remained within UK Sport an independent Scrutiny Panel was in operation to minimise any risk of a conflict of interest existing between UK Sport's performance responsibilities and its anti-doping duties.

Subsidiary companies

UK Sport was given responsibility for the English Institute of Sport (EIS) in April 2006. Its accounts are approved separately by the Board of EIS and are subject to external audit by the NAO.

6. Significant internal control issues

No significant issues of internal control were identified/acted upon in 2009/10. A number of risks were either realised or required managing through the year. This was successfully achieved within the Internal Control processes described within this statement and through the overarching Policy on Internal Control.

John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council
30 June 2010



Sue Campbell
Chair
United Kingdom Sports Council
30 June 2010



INDEPENDENT AUDITOR'S REPORT TO THE UNITED KINGDOM SPORTS COUNCIL

I have audited the group and council financial statements of the United Kingdom Sports Council for the year ended 31 March 2010. These comprise the Income and Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity 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 Board, Chief Executive and auditor

As explained more fully in the Statement of the Board and Chief Executive's Responsibilities, the Chief Executive and Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the United Kingdom Sports Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the United Kingdom Sports Council; and the overall presentation of the financial statements.

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

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.

Opinion on financial statements

In my opinion:

- > the financial statements give a true and fair view of the United Kingdom Sports Council's and group's state of affairs as at 31 March 2010 and of their deficit, changes in taxpayers' equity and cash flows for the year then ended; and
- > the financial statements have been properly prepared in accordance with Article 14 of the Royal Charter of the United Kingdom Sports Council and directions made thereunder.

Opinion on other matters

In my opinion:

- > the part of the Remuneration Report to be audited has been properly prepared in accordance with Article 14 of the Royal Charter of the United Kingdom Sports Council and directions made thereunder; and
- > the information given in the Operating Environment; Strategy & Structure; Managing Delivery; and UK Sport's Performance sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Matters on which I report by exception

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

- > adequate accounting records have not been kept; or
- > the financial statements are not in agreement with the accounting records or returns; or
- > I have not received all of the information and explanations I require for my audit; or
- > the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
12 July 2010

Income and expenditure account for the year ended 31 March 2010

	Note	UK SPORT		GROUP	
		2009/10	Re-stated 2008/09	2009/10	Re-stated 2008/09
		£,000	£,000	£,000	£,000
INCOME					
Lottery Grant Received	2.1				11,648
Other Operating Income	4	2,944	2,099	9,606	5,686
		2,944	2,099	9,606	17,334
EXPENDITURE					
Staff Costs	5.1	4,591	4,071	14,020	13,979
Grants and Other Operating Costs	6	57,861	68,788	54,291	73,432
Notional Interest on Capital Employed		8	57	8	57
		62,460	72,916	68,319	87,468
Net Expenditure before Taxation and Interest		(59,516)	(70,817)	(58,713)	(70,134)
Net Return on Pension Liabilities	18	18	(42)	127	165
Interest Receivable	8	5	119	11	155
Taxation	9			(1)	(7)
Reversal of Notional Interest on Capital Employed		8	57	8	57
Net Expenditure for the Period		(59,485)	(70,683)	(58,568)	(69,764)

Statement of changes in Taxpayer's Equity for the year ended 31 March 2010

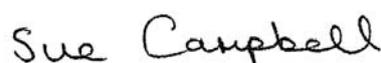
	UK SPORT				GROUP			
	2009/10		2008/09		2009/10		2008/09	
	Revenue Reserve	Pension Reserve	Revenue Reserve Restated	Pension Reserve	Revenue Reserve	Pension Reserve	Revenue Reserve Restated	Pension Reserve
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Balance Brought Forward	1,591	(2,122)	4,409	(534)	4,338	(462)	6,080	2,019
Retained Surplus/(Deficit) for year	(59,485)		(70,682)		(58,568)		(69,764)	
Transfer to the Pension reserve	(210)	210	(25)	25	(1,143)	1,143	(921)	921
Disposal of Subsidiary	–	–	–	–	(36)	–	–	–
Movement from Deferred income	–	–	–	–	(666)	–	1,054	–
Grant in Aid income received	59,645	–	67,889	–	59,645	–	67,889	–
Recognition of actuarial gains and (losses)	–	(3,240)	–	(1,530)	–	(5,830)	–	(3,319)
Other movements	–	(22)	–	(83)	–	(22)	–	(83)
Balance at 31 March	1,541	(5,174)	1,591	(2,122)	3,570	(5,171)	4,338	(462)

Statement of Financial Position as at 31 March 2010

	Note	UK SPORT			GROUP		
			Restated	Restated		Restated	Restated
		2009/10	2008/09	2007/08	2009/10	2008/09	2007/08
		£,000	£,000	£,000	£,000	£,000	£,000
NON CURRENT ASSETS							
Property Plant and Equipment	10	611	687	442	2,568	3,083	2,023
Intangible Assets	10.1	180	145	149	180	145	149
Total Non Current Assets		791	832	591	2,748	3,228	2,172
CURRENT ASSETS							
Trade and other receivables	11	989	1,548	4,679	1,327	1,811	4,890
Cash and cash equivalents		1,304	444	694	2,229	1,947	1,967
Total Current Assets		2,293	1,992	5,373	3,556	3,758	6,857
Total Assets		3,084	2,824	5,964	6,304	6,986	9,029
CURRENT LIABILITIES							
Trade and other payables	12	(1,167)	(898)	(1,276)	(2,358)	(2,262)	(2,669)
Total Current Liabilities		(1,167)	(898)	(1,276)	(2,358)	(2,262)	(2,669)
Total Assets less current liabilities		1,917	1,926	4,688	3,946	4,724	6,360
NON CURRENT LIABILITIES							
Provisions	13	(376)	(335)	(280)	(376)	(386)	(280)
Pension Liabilities	18	(5,174)	(2,122)	(534)	(5,171)	(462)	2,019
Total Non Current Liabilities		(5,550)	(2,457)	(814)	(5,547)	(848)	1,739
Assets less Liabilities		(3,633)	(531)	3,874	(1,601)	3,876	8,099
Taxpayer's equity							
Pension Reserve		(5,174)	(2,122)	(534)	(5,171)	(462)	2,019
Revenue Reserve		1,541	1,591	4,408	3,570	4,338	6,080
Total Taxpayer's Equity		(3,633)	(531)	3,874	(1,601)	3,876	8,099



John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council
30 June 2010

Sue Campbell
Chair
United Kingdom Sports Council
30 June 2010





Statement of Cash Flows

	Note	UK SPORT		GROUP	
		2009/10	Restated 2008/09	2009/10	Restated 2008/09
		£,000	£,000	£,000	£,000
CASH FLOWS FROM OPERATING ACTIVITIES					
Lottery Grant received	2.1				11,648
Other Income received		2,511	1,559	7,464	5,007
Staff Costs paid		(4,378)	(3,963)	(14,163)	(13,937)
Operating Costs paid		(7,531)	(5,127)	(11,867)	(8,651)
Grants paid	6	(48,966)	(60,068)	(39,862)	(59,705)
Cash generated from operations		(58,364)	(67,599)	(58,428)	(65,638)
Interest Received	8	5	119	11	155
Corporation Tax paid		–	–	(7)	(6)
Net Cash Flow from Operating Activities		(58,359)	(67,480)	(58,424)	(65,489)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments to acquire property, plant and equipment		(312)	(553)	(825)	(2,314)
Payments to acquire Intangible assets		(114)	(106)	(114)	(106)
Net cash Flow from Investing Activities		(426)	(659)	(939)	(2,420)
CASH FLOWS FROM FINANCING ACTIVITIES					
Grant in Aid	2	59,645	67,889	59,645	67,889
Net Cash Flow from Financing activities		59,645	67,889	59,645	67,889
Net Increase/(Decrease) in cash and cash equivalents in the period		860	(250)	282	(20)
Cash and cash equivalents at 1 April		444	694	1,947	1,967
Cash and cash equivalents at 31 March		1,304	444	2,229	1,947

There are no discontinued activities. The notes on pages 42 to 65 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FReM) issued by HM Treasury and on the basis of the Accounts Direction issued by the Secretary of State for Culture, Olympics, 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 which can be obtained from UK Sport at 40 Bernard Street, London, WC1N 1ST.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of UK Sport for the purpose of giving true and fair view has been selected. The particular policies adopted by UK Sport are described below. They have been applied consistently in dealing with items that are considered material to the accounts

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

An explanation of how the adoption of IFRS has affected the reported financial position, financial performance and cash flows of UK Sport is provided in note 3. Transition to IFRS resulted in de-recognition of IDS as a subsidiary but beside that has had no material impact on UK Sports' financial position, income and expenditure and cash flows.

There are no standards and interpretations in issue but not yet adopted that the directors anticipate will have a material effect on the reported income or net assets of the group.

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 statement of financial position shows the value of non-current assets, current asset investments and (if material) inventories 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 2006, the International Accounting Standards issued or adopted by the International Accounting Standards Board and HM Treasury guidance on accounts of Non-Departmental Public bodies in so far as those requirements are appropriate.

1.2 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make key judgements, assumptions and estimates that affect the application of policies and reported amounts of assets and liabilities, income and expenses. UK Sport has not made any estimates and judgements with material effect in the financial statements.

1.3 Basis of consolidation

The English Institute of Sport (EIS) has been accounted for as subsidiary entity during 2009/10 using merger accounting, in accordance with the guidance set out in the Financial Reporting Manual (FReM) issued by HM Treasury and on the basis that UKS is the sole member.

British Performance Basketball was a subsidiary entity during 2008/09 and was consolidated in the UKS Group Accounts for that year. BPB transferred its operations to British Basketball Federation and ceased to be a subsidiary as at 1 April 2009. BPB has not been reported in the 2009/10 Accounts.

Boxing Performance Management Ltd and UKSIF were dormant at 1 April 2009 and remained dormant throughout the year.



Finally, UK Sport is one of the Joint Venture partners in Team 2012 Limited, which was formally constituted as a Company Limited by Guarantee on 21 July 2009. The other Joint Venture partners are the London Organising Committee of the Olympic and Paralympic Games; British Olympic Association and British Paralympic Association. Given the nature of the agreement between the partners, UK Sport's interest in the assets, liabilities and expenditure of Team 2012 Limited is not consolidated into the UK Sport Group Accounts. Income derived from Team 2012 Ltd is accounted for on a receivable basis in accordance with note 5.

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 De-merger of Drug Free Sport (DFS) to United Kingdom Anti-Doping

With effect from 14 December 2009 the DFS activities of UK Sport were transferred to a new entity UK Anti-Doping. In accordance with the FReM, the financial results and cash flows of DFS have been reflected in the financial statements of the new body from the start of the financial year and excluded from the financial statements of UK Sport. Comparative figures for 2008/09 and 2007/08 have been restated accordingly. An explanation of the how the transfer of Drug Free Sport has affected the reported financial position, financial performance and cash flows of UK Sport is provided in note 23.

1.5 Income Recognition

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.

Fundraising Income

Income from fundraising activities is recognised in the Income & Expenditure Account on a receivable basis at the point when UK Sport has legal entitlement; there is a reasonable certainty of receipt; the amount can be quantified with reasonable accuracy and any preconditions for receipt have been met.

Investment Income

Investment income comprises interest receivable on cash balances and short term deposits. Interest receivable is credited to the Income & Expenditure Account on an accruals basis.

Other Operating Income

Other operating income comprises the recharge of services provided from the UK Sport Exchequer Account to the Lottery Account and income received for the funding of International Development activities. Both income streams are recognised on a receivable basis at the point when UK Sport has legal entitlement; there is a reasonable certainty of receipt; the amount can be quantified with reasonable accuracy and once any conditions for receipt have been met.

1.6 Property Plant & Equipment

There are no freehold land and buildings.

The assets of UK Sport are computers, leasehold improvements and other office equipment together. All assets are stated in the statement of Financial Position at depreciated historical cost as proxy to fair value. The minimum capitalisation threshold is £2,500 for UK Sport whilst EIS is £500.

Depreciation is provided on all property plant & equipment, 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 The gain or loss arising on the disposal of an asset is determined as the difference between the sales and the carrying amount of the asset and is recognised in the income and expenditure statement for the period:

Computer equipment	2-5 years
Office refurbishment	5-7 years
Office Equipment	2-5 years

I Notes to the accounts

1.7 Intangible Assets

The intangible assets of UK Sport are computer software and software licences. Intangible assets are initially measured at cost and amortised on a straight line basis over their useful lives.

Amortisation on intangibles assets is charged over their useful economic life, on the following basis:

Computer Software	2-5 years
Licences	2-5 years

1.8 Research and Development

Research and Development costs are written off as incurred and not carried forward as an asset as the recognition criteria of IAS 38 are not met.

1.9 Grants and Loans Awarded

Grants payable are charged to the Income and Expenditure Account on an accruals basis. UK Sport may give financial assistance by way of grants and loans to any person or organisation in furtherance of the objectives of the Council.

1.10 Pension Costs

The pension liabilities and assets are recorded in line with IAS 19, with a valuation undertaken by an independent actuary. IAS 19 measures the value of pension assets and liabilities at the end of each reporting period, 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 Changes in Taxpayers Equity. The resulting pension liability or asset is shown on the Statement of Financial Position.

Further information on the pension scheme is available in notes 16 and 18 to the accounts.

1.11 Leases and Provisions

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

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

1.12 Charges to and from UK Sport

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

1.13 Investment

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

1.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short term high liquid investments that are ready convertible to a known amount of cash and are subject to an insignificant risk of changes in value.



1.15 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 HMRC.

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 a partial exemption calculation and business/non business apportionment in accordance with the methodologies agreed with HM Revenue and Customs.

1.16 Notional Costs

A charge reflecting the cost of capital utilised by UK Sport, is included in the Income and Expenditure Account. The charge is calculated at the real rate set by HM Treasury 3.5% (2008/09 3.5%) on the average carrying amount of all assets less liabilities except for:

- a. property plant and equipment and intangible assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
 - > additions at cost
 - > disposals as valued in the Opening balance sheet (plus any subsequent capital expenditure prior to disposal)
 - > impairments at the amount of the reduction of the opening balances sheet value (plus any subsequent capital expenditure)
 - > depreciation of property plant and equipment and amortisation of intangible assets
- b. donated assets, and cash balances with the Office of the Paymaster General where the charge is nil

2. Grant-in-Aid

	UK SPORT		GROUP	
	2009/10	Restated 2008/09	2009/10	Restated 2008/09
Received from DCMS-Revenue	£,000	£,000	£,000	£,000
Received from DCMS-Capital	56,821	65,659	56,821	65,659
Received from DCMS-International Inspiration	474	580	474	580
	2,350	1,650	2,350	1,650
Total	59,645	67,889	59,645	67,889

A total of £59.64m (2008/09 £67.88m) Grant in Aid was made available and drawn down during the year.

2.1 Lottery Grant

	UK SPORT		GROUP	
	2009/10	2008/09	2009/10	2008/09
Received from UK Sport Lottery Distribution funds	£,000	£,000	£,000	£,000
	–	–	–	11,648

I Notes to the accounts

3. Explanation of transition to adopted IFRS

As explained above in note 1, these are the Group's first consolidated financial statements prepared in accordance with adopted IFRS.

The accounting policies set out above have been applied in preparing the financial statements for the year ended March 2009 and in the preparation of an Opening Adopted IFRS Statement of Financial Position at 1 April 2008 (date of transition).

In preparing its Opening Adopted IFRS Statement of Financial Position, UK Sport has adjusted amounts and presentation format reported previously as necessary in financial statements prepared in accordance with its previous basis of accounting (UK GAAP).

The transition from UK GAAP to IFRS resulted in de-recognition of IDS as subsidiary but beside that has had no material impact on UK Sports' financial position; financial performance and cash flows. An explanation of the differences and the adjustments made is set out in the following notes and tables.

- (i) the classification adjustment of Non-Current assets between Tangibles and Intangibles assets
- (ii) the adoption of direct method from indirect in the cash flow statement as encouraged by IAS 7
- (iii) the replacement of the Statement of Recognised Gains and Losses with the statement of changes in Taxpayer's Equity(SOCTE)
- (iv) Under IAS 19 UK Sport recognises an accrual for untaken holiday leave at the year end, however, this figure is not material for 2007/08 and 2008/09, and so it has not been recognised in those years.
- (v) IDS does not meet the criteria for consolidation set out in IAS 27 Consolidated and Separate Financial Statements and has not been consolidated.

First Time Adoption

	UK SPORT		GROUP	
	Revenue Reserve	Pension Reserve	Revenue Reserve	Pension Reserve
	£,000	£,000	£,000	£,000
Taxpayers' Equity as at 31 March 2009 under UK GAAP	1,591	(2,122)	4,973	(462)
Adjustments for:				
De-recognition of Subsidiary	0	0	(635)	0
Taxpayers' Equity as at 1 April 2009 under IFRS	1,591	(2,122)	4,338	(462)

	UK SPORT	GROUP
	£,000	£,000
Restated Net Expenditure for 2008/09 under UK GAAP	(70,683)	(70,089)
Adjustments for:		
De-recognition of Subsidiary	–	325
Restated Net Expenditure for 2008/09 under IFRS	(70,683)	(69,764)



	UK SPORT	GROUP
Restated cash and cash equivalents as at 31 March 2009 under UK GAAP	£,000 444	£,000 2,596
Adjustments for:		
De-recognition of Subsidiary		– (649)
Restated cash and cash equivalents as at 1 April 2009 under IFRS	444	1,947

4. Other Income

	UK SPORT		GROUP	
	2009/10	Restated 2008/09	2009/10	Restated 2008/09
	£,000	£,000	£,000	£,000
Funding for International programme	272	430	272	430
Funding for World Class programme	600	–	600	–
Costs apportioned to UKS Lottery account	1,533	1,367	1,533	1,367
Other	539	302	539	301
EIS Income			6,662	3,588
	2,944	2,099	9,606	5,686

5. Staffing and Management

5.1 Staff costs

	UK SPORT		GROUP	
	2009/10	Restated 2008/09	2009/10	Restated 2008/09
	£,000	£,000	£,000	£,000
Wages and Salaries (including Performance Related Pay)	3,942	3,226	12,537	12,213
Temporary and Agency Staff	94	184	94	184
Social Security Costs	324	285	1,008	997
Pension Costs: Current and Past Service Cost	231	376	381	585
Total Staff Costs	4,591	4,071	14,020	13,979

I Notes to the accounts

5.2 Average number of staff by directorate during the year

	UK SPORT	
	2009/10	Restated 2008/09
	£,000	£,000
EMPLOYEES		
UK Sport	74	68
English Institute of Sport	241	253
	315	321
AGENCY		
UK Sport	2	4
English Institute of Sport	–	–
	2	4

6. Grants and Other Operating Costs

	UK SPORT		GROUP	
	2009/10	Restated 2008/09	2009/10	Restated 2008/09
	£,000	£,000	£,000	£,000
NATIONAL SUPPORT – GRANTS				
Sports Bodies	45,056	56,290	36,011	58,045
Sports Services:				
Performance	601	952	542	712
International Representation	3,309	2,826	3,309	948
	48,966	60,068	39,862	59,705
NATIONAL SUPPORT – OTHER COSTS				
Performance	5,209	4,639	5,209	4,560
Communications	646	508	646	508
International Representation	367	815	367	688
English Institute of Sport			5,534	3,435
British Performance Basketball				1,732
	6,222	5,962	11,756	10,923
FINANCE AND MANAGEMENT SERVICES				
HQ office costs	2,673	2,758	2,673	2,804
Total	57,861	68,788	54,291	73,432



7. Operating Results

	UK SPORT		GROUP	
	2009/10	Restated 2008/09	2009/10	Restated 2008/09
	£,000	£,000	£,000	£,000
This is stated after charging:				
Travel, subsistence and hospitality:				
Chair and members	21	32	21	32
Employees	391	399	1,187	1,132
Consultants' fees and legal fees	56	142	164	358
Performance Programme Delivery- Specialist Services	1,451	1,027	1,451	1,027
International Programme Delivery- Specialist Services	84	52	84	52
Operating Lease – 40 Bernard Street	643	660	643	660
Operating Lease : EIS Property	–	–	1,267	1,142
Operating Lease: Plant and Equipment	–	–	13	8
Depreciation	388	308	1,291	1,244
Amortisation	79	110	79	110
Loss on disposal of Tangible Assets	–	–	49	12
Auditor's remuneration for audit work	45	35	55	47

8. Investment Income

	UK SPORT		GROUP	
	2009/10	Restated 2008/09	2009/10	Restated 2008/09
	£,000	£,000	£,000	£,000
Overnight and short term investment of bank balances	5	119	11	155
Interest rates vary from day to day and averaged approximately 0.23% (2008/09 2.7%) during the year.				

9. Taxation

	UK SPORT		GROUP	
	2009/10	Restated 2008/09	2009/10	Restated 2008/09
	£,000	£,000	£,000	£,000
Corporation Tax payable on interest received			1	7
UK Sport 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.				

I Notes to the accounts

10. UK Sport – Property Plant & Equipment

	Leasehold improvement	IT Equipment	Office equipment	Total
	£,000	£,000	£,000	£,000
AT COST				
At 01/04/08	554	650	93	1,297
Additions	318	215	20	553
Disposals		(39)		(39)
At 31/03/09	872	826	113	1,811
Additions	134	169	9	312
Disposals		(61)	(38)	(99)
At 31/03/10	1,006	934	84	2,024
DEPRECIATION				
At 01/04/08	462	340	53	855
Charge for year	76	213	19	308
Depreciation on disposal		(39)		(39)
At 31/03/09	538	514	72	1,124
Charge for year	87	286	15	388
Depreciation on disposal		(61)	(38)	(99)
At 31/03/10	625	739	49	1,413
NET BOOK VALUE				
At 01/04/08	92	310	40	442
At 31/03/09	334	312	41	687
At 31/03/10	381	195	35	611



10. Group – Property Plant & Equipment

	Leasehold improvement	IT Equipment	Office equipment	Total
	£,000	£,000	£,000	£,000
AT COST				
At 01/04/08	787	2,931	2,723	6,441
Additions	329	425	1,560	2,314
Disposals	0	(780)	(248)	(1,028)
At 31/03/09	1,116	2,576	4,035	7,727
Additions	172	404	249	825
Disposals	(1)	(174)	(464)	(639)
At 31/03/10	1,287	2,806	3,820	7,913
DEPRECIATION				
At 01/04/08	578	1,783	2,057	4,418
Charge for year	118	644	479	1,241
Depreciation on disposal	0	(770)	(245)	(1,015)
At 31/03/09	696	1,657	2,291	4,644
Charge for year	129	677	485	1,291
Depreciation on disposal		(154)	(436)	(590)
At 31/03/10	825	2,180	2,340	5,345
NET BOOK VALUE				
At 01/04/08	209	1,148	666	2,023
At 31/03/09	420	919	1,744	3,083
At 31/03/10	462	626	1,480	2,568

I Notes to the accounts

10.1 UK Sport - Intangible Assets

Information Technology

£,000

AT COST	
At 01/04/08	1,293
Additions	106
Disposals	
At 31/03/09	<u>1,399</u>
Additions	114
Disposals	(863)
At 31/03/10	<u>650</u>
AMORTISATION	
At 01/04/08	1,144
Charge for year	110
Depreciation on disposal	
At 31/03/09	<u>1,254</u>
Charge for year	79
Depreciation on disposal	(863)
At 31/03/10	<u>470</u>
NET BOOK VALUE	
At 01/04/08	<u>149</u>
At 31/03/09	<u>145</u>
At 31/03/10	<u>180</u>



11. Trade Receivables

	UK SPORT			GROUP		
	2009/10	Restated 2008/09	Restated 2007/08	2009/10	Restated 2008/09	Restated 2007/08
	£,000	£,000	£,000	£,000	£,000	£,000
Trade Receivables	135	540	96	222	677	131
Other Receivables	213	46	38	260	52	38
Prepayments and Accrued Income	641	962	4,545	845	1,082	4,721
Total	989	1,548	4,679	1,327	1,811	4,890
Intra-government Balances						
Balances with central government bodies	389	758	64	374	758	70
Balances with local authorities and police authorities				13		
Balances with public corporations and trading funds		4			4	
Subtotal: intra-government balance	389	762	64	387	762	70
Balances with bodies external to government	600	786	4,615	940	1,049	4,820
	989	1,548	4,679	1,327	1,811	4,890

I Notes to the accounts

12. Trade Payables

	UK SPORT			GROUP		
	2009/10	Restated 2008/09	Restated 2007/08	2009/10	Restated 2008/09	Restated 2007/08
	£,000	£,000	£,000	£,000	£,000	£,000
Trade Payables	349	450	782	649	657	1,208
Other Payables	101	5	4	124	18	101
Corporation Tax			34	1	8	41
Other taxation and Social Security	118	109	107	586	517	427
Accruals and Deferred Income	599	334	349	998	1,062	892
Total	1,167	898	1,276	2,358	2,262	2,669
Intra-government Balances						
Balances with central government bodies	234	242	39	703	626	54
Balances with local authorities and police authorities		40	1	72	40	107
Balances with public corporations and trading funds	1	40		1	40	
Subtotal: intra-government balance	235	322	40	776	706	161
Balances with bodies external to government	932	576	1,236	1,582	1,556	2,508
	1,167	898	1,276	2,358	2,262	2,669

All amounts fall due within one year.

13. Provision for Liabilities (UK Sport and Group)

	UK SPORT			GROUP		
	2009/10	2008/09	2007/08	2009/10	2008/09	2007/08
Opening balance	335	280	245	386	280	245
Charge in year	41	55	35	(10)	106	35
Closing balance	376	335	280	376	386	280

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.



14. Cash and cash equivalents

	UK SPORT		GROUP	
	2009/10	Restated 2008/09	2009/10	Restated 2008/09
	£,000	£,000	£,000	£,000
Balance at 1 April	444	694	1,947	1,967
Net change in cash and cash equivalents	860	(250)	282	(20)
Balance at 31 March	1,304	444	2,229	1,947

15. Financial Instruments

UK Sport has adopted IFRS 7 Financial Instruments 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 2009/10 £59.64m or 86% (2008/09 £67.89m or 81%) of the Group's income derived from DCMS Grant-in-Aid and £0.0m or 0% (2008/09 £11.64m or 17%) from the Lottery Distribution Fund. The remaining balance of £9.6m or 14% (2008/09 £8.57m 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.

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 0.23% (2008/09 2.7%) in the year. UK Sport's closing balance was £1,304,000 (2008/09 £444,000).

Foreign Currency Risk

There is no material exposure to foreign exchange risks.

I Notes to the accounts

16. Superannuation Scheme – UK Sport

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

The amounts disclosed in these accounts are those 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 £320,523 or 10.2% of pensionable pay (2008/09 £344,517 or 10.2%). An additional pension contribution of £102,840 (2008/09 £98,224) 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 valuation due later in the year, as at 31/03/2010. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date.

International Financial Reporting Standard IAS19 issued by the International Accounting Standards Board requires that the following information, which has been prepared for us by Barnett Waddingham (the Consulting Actuaries to the LPFA) for this purpose, be disclosed in these accounts with respect to the scheme:

16.1 Pension Commitments

Financial Assumptions	2010	2009
Price increases	3.9%	3.1%
Salary increases	5.4%	4.6%
Pension increases	3.9%	3.1%
Discount rate	5.5%	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



16.2 Fair Value of Employers Assets

	2010 Long term return	Assets	2009 Long term return	Fund Value at 31/3/09
	%	£,000	%	£,000
Equities	7.5%	6,251	7.0%	4,351
Target return funds	4.5%	943	5.5%	764
Alternative assets	6.5%	1,321	6.0%	1,909
Cash	3.0%	472	4.0%	610
Corporate Bonds	5.5%	94	–	–
Total Fair Value of Assets		9,081		7,634
Present Value of Scheme Liabilities		14,255		9,756
Net Pension Liability		(5,174)		(2,122)

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

	31-Mar-10	31-Mar-09
Equities	70%	57%
Target return funds	10%	10%
Alternative assets	14%	25%
Cash	5%	8%
Corporate Bonds	1%	–

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

	31-Mar-10	31-Mar-09
Current Service Cost	231	301
Interest Cost	710	707
Expected return on Employes Assets	(505)	(665)
Past Service Cost		75
Loss(gain) on curtailments and settlements	(223)	
Total	213	418
Actual Return on Plan Assets	2,175	1,992

I Notes to the accounts

16.4 Amounts recognised in Statement of changes in Taxpayer's Equity

	31-Mar-10	31-Mar-09
Actuarial Gains/(Losses)	(3,240)	(1,530)
Actuarial Gains/(Losses) recognised in SOCTE	(3,240)	(1,530)
Cumulative Actuarial Gains and Losses	(3,778)	(538)

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

	31-Mar-10	31-Mar-09
Opening defined benefit obligation	9,756	9,857
Current Service Cost	231	301
Interest Cost	710	707
Contributions by Members	246	252
Actuarial Loss (Gains)	4,912	(1,151)
Liabilities extinguished on settlements	(571)	
Past Service Cost	–	75
Estimated Benefits Paid	(1,029)	(285)
Closing defined benefit obligation	14,255	9,756

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

Opening fair value of employers assets	7,634	9,324
Expected return on assets	505	665
Contributions by Members	246	252
Contributions by Employer	357	360
Actuarial (Losses)/Gains	1,717	(2,682)
Benefits paid	(1,029)	(285)
Payment of bulk transfer value	(349)	
Closing fair value of Employer assets	9,081	7,634



16.7 History of Experience Gains and Losses

	2009/10	2008/09	2007/08	2006/07	2005/06
	£,000	£,000	£,000	£,000	£,000
Fair Value of Employer Assets	9,081	7,634	9,324	6,418	5,110
Present Value of Defined benefit obligation	(14,255)	(9,756)	(9,857)	(7,613)	(5,392)
Surplus/(Deficit)	(5,174)	(2,122)	(533)	(1,195)	(282)
Experience gains/(losses) on assets	1,672	(2,685)	(849)	-	-
Experience gains/(losses) on liabilities	316	25	61	(199)	(14)

1 In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31 March 2010, Barnett Waddingham have rolled forward the actuarial value of the liabilities reported as at the latest formal valuation allowing for the different financial assumptions required under IAS 19. 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 It is not possible to assess the accuracy of the estimated liability as at 31 March 2010 without completing a full valuation. However Barnett Waddingham are satisfied that the approach of rolling forward the previous valuation to 31 March 2010 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions and the structure of the liabilities is substantially the same as the latest formal valuation.

3 To calculate the asset share we have rolled forward the assets allowing for investment returns, contributions paid into, and the estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

The Actuarial Valuation for IAS 19 purposes has been allocated between the Lottery and Exchequer (GIA) accounts in accordance with accounting policy note 5.

17. 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 £974,098 (2009: £964,781).

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.

I Notes to the accounts

A valuation for IAS 19 purposes as at March 2010 was carried out by a qualified independent actuary. The assumptions used by the actuary for IAS 19 valuation purposes were:

17.1 Pension Commitments

Financial Assumptions	2010	2009
	%	%
Rate of increase in salaries	4.1	3.3
Rate of increase in pensions in payment	3.9	3.1
Discount rate	5.5	6.9
Inflation assumption	3.9	3.1
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

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:

17.2 Fair Value of Employers Assets

	2010 Long term rate of return expected	Value	2009 Long term rate of return expected	Value
	%	£,000	%	£,000
Equities	7.5	7,427	7.0	3,810
Target return Portfolio	4.5	1,061	5.5	668
Property	6.5	1,485	6.0	1,671
Cash	3.0	531	4.0	535
Corporate Bonds	5.5	106	–	–
Total Market Value of Assets		10,610		6,684
Present Value of Scheme Liabilities		(10,607)		(5,024)
Net Pension asset		3		1,660



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.

17.3 The amounts recognised in the income and expenditure account

	31-Mar-10	31-Mar-09
	£,000	£,000
Current Service Cost	176	209
Interest Cost	373	321
Expected return on Employers Assets	(482)	(528)
Past Service Cost	–	72
Loss(gain) on curtailments and settlements	143	–
Total	210	74
Actual Return on Plan Assets	2,189	(1,587)

17.4 The amounts recognised in Statement of changes in Taxpayer's Equity

	31-Mar-10	31-Mar-09
	£,000	£,000
Actuarial Gains/(Losses)	(2,590)	(1,789)
Actuarial Gains/(Losses) recognised in SOCTE	(2,590)	(1,789)
Cumulative Actuarial Gains and Losses	(2,824)	(234)

17.5 Changes in the present value of the defined benefit obligation

	31-Mar-10	31-Mar-09
	£,000	£,000
Opening defined benefit obligation	5,024	4,249
Current Service Cost	176	209
Interest Cost	373	321
Contributions by Members	550	540
Actuarial (Gains)/Losses	4,298	(358)
Losses on Curtailments	143	–
Past Service Costs	–	72
Estimate Benefits Paid	43	(9)
Closing defined benefit obligation	10,607	5,024

I Notes to the accounts

17.6 Changes in the fair value of plan assets

	31-Mar-10	31-Mar-09
	£,000	£,000
Opening fair value of employers assets	6,684	6,802
Expected return on assets	482	528
Contributions by Members	550	540
Contributions by Employer	1,143	970
Actuarial gain/(Losses)	1,708	(2,147)
Benefits paid	43	(9)
Closing fair value of Employers assets	10,610	6,684

17.7 History of Experience Gains and Losses

	2009/10	2008/09	2007/08	2006/07	2005/06
	£,000	£,000	£,000	£,000	£,000
Fair Value of Employer Assets	10,610	6,684	6,802	5,313	3,984
Present Value of Defined benefit obligation	(10,607)	(5,024)	(4,249)	(4,309)	(3,432)
Surplus/(Deficit)	3	1,660	2,553	1,004	552
Experience gains/(losses) on assets	1,708	(2,147)	(202)	43	462
Experience gains/(losses) on liabilities	–	–	(408)	–	3

18. Group Pension Amounts

	Note	2009/10	2008/09	2007/08
		£,000	£,000	£,000
Pension Assets/(Liabilities) UK Sport	16.2	(5,174)	(2,122)	(534)
Pension Assets/(Liabilities) EIS	17.2	3	1,660	2,553
Total Pension Assets/(Liabilities) Group		(5,171)	(462)	2,019
Pension actuarial gain/(loss) UK Sport	16.4	(3,240)	(1,530)	992
Pension actuarial gain/(loss) EIS	17.4	(2,590)	(1,789)	1,163
Total Pension actuarial gain/(loss) Group		(5,830)	(3,319)	2,155
Net return on assets UK Sport		(205)	(42)	21
Gain on curtailments and settlements		223		
Net return on assets EIS		109	207	166
Total Net return on assets Group		127	165	187



19. Commitments under leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	UK SPORT		GROUP	
	2009/10	2008/09	2009/10	2008/09
Obligations under operating leases comprise:	£,000	£,000	£,000	£,000
BUILDINGS				
Not later than one year	643	660	643	816
Later than one year not later than five years	2,573	2,640	2,839	2,645
Later than five years	–	660	–	660
OTHER				
Not later than one year	–	–	–	16
Later than one year not later than five years	–	–	11	51
Later than five years	–	–	9	9
TOTAL	3,216	3,960	3,502	4,197

20. Grant Commitments

On the undertaking that funds are to be provided by DCMS, UK Sport at 31/3/10, had entered into commitments to pay grants to governing bodies in respect of their approved programmes in the following years (these commitments at 31/3/10 have not yet been recognised in either the income and expenditure account or Statement of Financial Position):

	2009/10	2008/09
	£,000	£,000
2009/10	–	6,200
2010/11	39,689	6,787
2011/12	41,784	14,726
2012/13	43,670	
	125,143	27,713

I Notes to the accounts

21. Events after the Reporting Period

On 24 May, the Secretary of State for Culture, Olympics, Media and Sport announced a cut of £1.7m in the agreed 2010/11 funding award for UK Sport. Savings will be achieved within UK Sport without compromising our direct support for the preparation of Britain's elite sports and athletes during this crucial period in the build up to London 2012.

The announcement above was the only reportable event after the end of the reporting period between the statement of financial position date and the date the accounts were authorised for issue on 12 July 2010 the date the accounting officer despatched the accounts to DCMS.

The financial accounts do not reflect events after this date.

22. Related Party Transactions

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 April 2009 to 31 March 2010 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.



23. De-merger – transfer of Drug Free Sport(DFS) to United Kingdom Anti-Doping

On 14 December 2009 responsibility for Anti doping activity was transferred to a new entity, UK Anti Doping Limited. The transfer has been accounted for under the provision of merger accounting, as outlined in the Financial Reporting Manual, and anti doping activity excluded with effect from 1 April 2007.

The impact of this change on UK Sport's comparative figures 2007/08 and 2008/09 is as follows:

	2007/08	2008/09
	£,000	£,000
Programme Income	626	652
Grant in Aid	3,043	4,312
Programme Staff Costs	(788)	(932)
Programme Activity	(2,881)	(4,031)
Fixed Assets	–	–
Trade and Other Receivables	400	288
Cash and Cash Equivalents	133	271
Trade and Other Payables	(533)	(559)
Reserves	–	–

Corporate Services Costs

The demerger of UKAD has resulted in the creation of a new operating entity based in separate office accommodation and with a separate support infrastructure. There is no material impact on UK Sport corporate services costs, although the estimated allocation of corporate costs to UKAD based on headcount would in theory be £1m in 2008/09 and £1.4m in 2007/08. This estimate has not been applied to the restated income and expenditure account of UK Sport.



Annual Report 09/10

The United Kingdom Sports Council Lottery Distribution Fund
Accounts for the Year Ended 31 March 2010

Statement of the Board and Chief Executive's Responsibilities

The Lottery Act 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, Olympics, 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
30 June 2010



Sue Campbell
Chair
United Kingdom Sports Council
30 June 2010





I Statement on internal control

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control within UK Sport that supports the achievement of our policies, aims and objectives. The purpose of the system is to safeguard the public funds and departmental assets for which I am personally accountable, in accordance with both the responsibilities assigned to me in "Managing Public Money" and the requirements of our Framework Document with DCMS.

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

I am appointed Accounting Officer for UK Sport by the departmental Accounting Officer at DCMS. Acting within this authority it is my responsibility to ensure that UK Sport (and any subsidiary to it or organisation sponsored by it) operates effectively and to a high standard of probity.

I manage these responsibilities through the maintenance of a sound system of Internal Control for the organisation. UK Sport's overarching Policy on Internal Control was most recently reviewed and updated in November 2009 to ensure consistency with current best practice.

In my role as Accounting Officer I attend both Board and Audit Committee and ensure that any significant risks/issues of control are brought to their attention and discussed.

In addition, as Accounting Officer, I have separate responsibilities to Parliament, in particular 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.

2. 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 the organisation's 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.

The overarching system of internal control (described herein) has been in place in UK Sport for the year ended 31 March 2010 (and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance

3. Capacity to handle risk

As stated, the organisation has an Internal Control Policy that defines risk management processes (reviewed in November 2009). 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, Risk Heat Mapping has been in place since 2007-8 to promote focus on the most significant risks facing the organisation.

I Statement on internal control

Risks to the organisation are identified in two ways:

- > environmental i.e. to the landscape in which we operate; or
- > operational i.e. to the successful delivery of organisational objectives, and are identified either within our local operational planning or through the management of risk within a project environment

Risks to the organisation are grouped according to the broad categories outlined in the Combined Code: Risk to Reputation; Risk to Delivery; Financial risk and People risks – no category is mutually exclusive.

The importance of the identification and subsequent management of risk has received significant attention in 2009/10 through:

- > the establishment of the Programme Management Office enabling all risks to the successful completion of projects to be monitored and reported to directors
- > continuing education/awareness of staff by the Director of Business Support through risk identification workshops etc.
- > the completion by all teams of a Risk Heat Map (RHM) for their respective areas in January 2010

4. The risk and control framework

The Strategic Risk Heat Map (RHM) 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 team level and is reviewed bi-monthly by the directors' team who assess actions to mitigate each risk and the adequacy and effectiveness of controls to manage them.

Our appetite to risk needs to flex according to individual circumstance and situation. By nature as a NDPB we are required to be generally risk averse, however to maintain our competitive advantage we often need to explore innovative and creative solutions, often at short notice, to complex problems and opportunities – this requires a degree of acceptance of risk. When required, this is done in a calculated and informed way, with implications and benefits considered, prior to decisions being taken.

Where significant risks are recognised and accepted then potential impacts are identified and potential scenario plans developed.

This assessment of net exposure is used quarterly in reporting to the Department of Culture, Media and Sport (DCMS) and to our Audit Committee and Board, through standing agenda items.



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

Risk	Key mitigating activity
The potential impact to our business plan of any decline in income (exchequer, lottery or commercial)	<ul style="list-style-type: none"> > Development of additional income streams > Commitment of any additional Lottery income to Lottery balance (contingency) > Regular review of priorities versus plan > Significant scenario-planning
Our potential inability to meet the cashflow requirements of sports over the London cycle	<ul style="list-style-type: none"> > Management focus to accurate financial reporting > Additional flexibility to Funding Agreements and ability to decommit Lottery grants if necessary > Finance meetings with sports to understand requirements
The potential change in priorities of a new government (and subsequent Spending Review)	<ul style="list-style-type: none"> > Influencing strategies for key Ministers/Officials > Scenario plans/Impact Statements > Evidence-base for impact of UK Sport work > Coordination of Life after London project with all Olympic/Paralympic sports

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

- > the size of contingency we have to cover potential financial liabilities
- > the risk that we might lose key staff in the build up to London 2012
- > the relative competence of different NGBs with respect to the governance of our investment
- > the potential for conflict/duplication with other landscape partners (particularly at a time when strategies are being prepared to influence the shape of the landscape post-London)

All identified risks have associated mitigation plans which are reviewed by officers and shared with Audit Committee as part of the quarterly reporting process.

In reviewing our control environment for 2009/10 we have made a number of enhancements:

- > the development of a three-year Internal Audit Plan for UK Sport following the development of a risk assurance map (involving Audit Committee members, executive directors and our Internal Audit partners)
- > the retender for provision of audit services for the Funded-Partner Audit and Assurance Programme
- > the establishment of a Directors Portfolio Board to oversee project and programme activity across UK Sport
- > specific training for Senior Responsible Owners of projects as to their responsibilities regarding accountability and governance within projects
- > agreement of a new Framework Document with DCMS to replace the previous Management Statement/Financial Memorandum
- > an enhanced budget-setting process adopting a near zero-based approach to business requirements
- > an assessment of our Security Policy Framework leading to the instigation of an ongoing project around Information Security
- > the establishment of a joint SPV with partners to manage and administer income from the Team 2012 initiative

I Statement on internal control

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 updates Board on any recommendations or concerns emanating from the Committee. Any risks deemed significant enough to require Board intervention/action (i.e. of Impact 5 in the rating system) are scheduled for discussion. Maintaining sufficient financial and governance expertise on both the Board and Audit Committee remains a priority, and will continue to be taken into consideration in the selection of new members.

The Board reviews UK Sport financial results and the most recent forecast (for both income and expenditure) for the current financial year at each meeting. This review includes analyses of all identified financial risks including National Lottery income projections. It approves the annual Budget for each financial year in the context of a projection of UK Sport income and expenditure for the whole four-year cycle. In addition key financial risks are also reviewed, by the Audit Committee at each meeting through the submission of a specific Financial RHM. Ongoing risk assessments of shortfalls in Lottery income and the potential shortfall in commercial income for the period to 2012-3 have been considered.

Membership of the Audit Committee draws significant experience in financial management, risk control and governance from both the public and private sectors. In addition both our internal and external auditors attend all meetings to ensure a linked approach to all aspects of internal control.

The primary functions of the Audit Committee are to:

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

2009/10 also saw the separation of our anti-doping responsibilities from UK Sport (to establish a separate NADO). To avoid any lapses in the overall control environment during this transition a number of additional controls were adopted e.g. OGC Gateway Review of project at key decision-points; and dedicated resource to consider and manage the implications to UK Sport of this separation. Going forwards I meet monthly with the CEO and Business Support Director of UKAD to ensure any remaining transitional issues are being managed effectively.

Information Security

UK Sport holds personal information pertaining to employees, athletes, athlete support personnel and others relating to activities arising out of its operating environment within the high performance sport system.

UK Sport has in place robust and specific measures to ensure information security applies to all staff and third parties.

In accordance with the Data Protection Act 1998, guidance from the Information Commissioner's Office and the Cabinet Office Guidance under the HMG Security Policy Framework (SPF), UK Sport is currently reviewing its security systems and will be introducing further measures during 2010/11 to ensure information is handled securely. This will include clear ownership of information risk, accountability of staff and clear procedures in relation to the handling of personal information. This review is being managed as a Category One project reporting into me directly as Chair of the Directors Portfolio Board. In addition all staff will be given further training on information security to further raise their awareness on information and data security, utilising training materials prepared by the National School for Government.



The Director of Business Support has been identified as Designated Security Officer (DSO) and Senior Information Risk Owner (SIRO) for UK Sport.

Independent assurance as to our approach to this work has been provided by external expertise. As at end of March 2010 UK Sport complied with (or had audited plans in place to achieve compliance with) 68 of the government's 70 Mandatory Minimum Requirements (21 of which were deemed "non-applicable"). The two outstanding MMRs related to external arrangements at third-party IT suppliers which are currently being investigated.

5. Review of effectiveness

As Accounting Officer, I also 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 (who provide independent assurance)
- > 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. A follow-up audit was conducted in November 2009 to ensure that officers were in the process of closing-down any outstanding recommendations. No new issues were identified.

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 continue to provide assurance on internal control at UK Sport.

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

The annual assurance statement from Deloitte and Touche LLP shows the level of assurance achieved in the internal audit programme undertaken for 2009/10. Internal audit work was performed in accordance with Government Internal Audit Standards issued by HM Treasury.

As at the June Audit Committee seven internal audits had been completed. Four have been reported to date and 100% substantial assurance has been given and no level one issues have been raised. There were twelve level two and sixteen level three issues identified from these audits. Seven follow-ups have also been completed in this period, they have identified that of the twenty-seven original recommendations raised only eleven were outstanding.

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.

Internal audit activity was profiled to the second half of the year whilst the Audit Plan for 2009/10 and indicative plans for 2010/11 and 2011/12 were developed (following the retender for IA services in early 2009). Additional focus is placed, for this period, on the scrutiny and management of our Risk Heat Map for UK Sport by both Audit Committee and Directors Team.

I Statement on internal control

Assurance of Grant Funding Awards made by UK Sport to National Governing Bodies

Both our Investment Principles (and the Investment Model that underpins them) provide a transparent process for determining levels of UK Sport funding to NGBs and athletes for the period 2009-2013.

Moore Stephens are contracted jointly to UK Sport and to Sport England to undertake the Funded Partner Audit & Assurance Programme, which covers the evaluation of online self assurance submissions and the programme of onsite management & governance audits of those sport & partner organisations in receipt of UK Sport funding. A total of 20 management & governance audits and three major event reviews were undertaken by Moore Stephens during the year.

The 2009/10 management audit programme focused on the areas of highest risk; in selecting the programme the following points were considered:

- > 2008 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

34 out of the 39 funded sport & partner organisations have now been subject to an audit review at least once since 2007. Of these, 20 received a “reasonable” assurance rating and 14 received a “limited” assurance rating.

All bodies reviewed were considered fit to receive and manage public funding, although one body was required to implement a rectification plan in order to reach the necessary assurance level for this. There were no instances of fraud, malpractice or significant losses reported to UK Sport.

The contract for the joint UK Sport and Sport England Funded Partner Audit & Assurance Programme was re-tendered during the year, with Moore Stephens being reappointed for an initial period of one year commencing on 1 June 2010, with the option to extend the contract for two further periods of one year each.



Assurance of UK Sport anti-doping processes

Until the end of 2009 UK Sport retained responsibilities for drug-testing processes to meet the requirements of the revised World Anti-Doping Code (WAD Code) comprise the following. Key controls included:

- > 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 was 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 continues to be 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)

For the time that this function remained within UK Sport an independent Scrutiny Panel was in operation to minimise any risk of a conflict of interest existing between UK Sport's performance responsibilities and its anti-doping duties.

Subsidiary companies

UK Sport was given responsibility for the English Institute of Sport (EIS) in April 2006. Its accounts are approved separately by the Board of EIS and are subject to external audit by the NAO.

6. Significant internal control issues

No significant issues of internal control were identified/acted upon in 2009/10. A number of risks were either realised or required managing through the year. This was successfully achieved within the Internal Control processes described within this statement and through the overarching Policy on Internal Control.

John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council
30 June 2010



Sue Campbell
Chair
United Kingdom Sports Council
30 June 2010



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 United Kingdom Sports Council Lottery Distribution Fund for the year ended 31 March 2010 under the National Lottery Act 1993 (as amended). These comprise the Income and Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity 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 Board, Chief Executive and auditor

As explained more fully in the Statement of the Board and Chief Executive's Responsibilities, the Chief Executive and Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Fund; and the overall presentation of the financial statements.

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

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.

Opinion on financial statements

In my opinion:

- > the financial statements give a true and fair view of the state of the United Kingdom Sports Council Lottery Distribution Fund's affairs as at 31 March 2010 and of its decrease in funds, changes in equity and cash flows for the year then ended; and
- > the financial statements have been properly prepared in accordance with the National Lottery Act 1993 (as amended) and directions made thereunder

Opinion on other matters

In my opinion:

- > the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Lottery Act 1993 (as amended) and directions made thereunder; and
- > the information given in the Operating Environment; Strategy & Structure; Managing Delivery; and UK Sport's Performance sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements



Matters on which I report by exception

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

- > adequate accounting records have not been kept; or
- > the financial statements are not in agreement with the accounting records or returns; or
- > I have not received all of the information and explanations I require for my audit; or
- > the Statement on Internal Control does not reflect compliance with HM Treasury's guidance

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
12 July 2010

Income and expenditure account for the year ended 31 March 2010

	Note	2009/10	2008/09
		£,000	£,000
INCOME			
National Lottery share of proceeds	2	56,259	47,452
Investment returns from NLDF	2	312	2,378
Other Operating Income		9	1
Interest Receivable		2	62
		56,582	49,893
EXPENDITURE			
Hard commitments	4	113,951	45,685
Hard de-commitments	4	(4,336)	(4,849)
Staff costs	7	742	872
Depreciation – tangible assets	10	–	15
Other operating costs		237	490
Costs apportioned from UK Sport GIA account		1,533	1,367
		112,127	43,580
Increase/(decrease) in lottery funds before taxation		(55,545)	6,313
Net Return on Pension Liabilities	13	3	(12)
Taxation			
Net Expenditure for the Period		(55,542)	6,301

Statement of Changes in Equity for the year ended 31 March 2010



	2009/10	2009/10	2008/09	2008/09
	Revenue Reserve	Pension Reserve	Revenue Reserve	Pension Reserve
	£,000	£,000	£,000	£,000
Balance Brought Forward	(22,332)	(831)	(28,634)	(405)
Retained Surplus/(Deficit) for year	(55,542)		6,301	
Transfer to the Pension reserve	(12)	12	1	(1)
Recognition of actuarial gains and (losses)		(883)		(413)
Other movements		(31)		(12)
Balance at 31 March	(77,886)	(1,733)	(22,332)	(831)

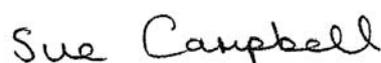
Statement of Financial Position

as at 31 March 2010

	Note	2009/10	2008/09	2007/08
		£,000	£,000	£,000
NON CURRENT ASSETS				
Property Plant and Equipment	10			15
Total Non Current Assets				15
CURRENT ASSETS				
Investments – balance in NLDF	2	21,649	18,809	18,137
Trade and other receivables	11	2	2	51
Cash and cash equivalents	15	1,574	80	500
Total Current Assets		23,225	18,891	18,688
CURRENT LIABILITIES				
Trade and other payables	12	(351)	(828)	(415)
Hard grant commitments falling due within one year	4	(54,522)	(19,653)	(44,364)
Total Current Liabilities		(54,873)	(20,481)	(44,779)
Total Assets Less Current Liabilities		(31,648)	(1,590)	(26,076)
NON CURRENT LIABILITIES				
Hard grant commitments falling due after one year	4	(46,238)	(20,742)	(2,558)
Pension Liability	13.2	(1,733)	(832)	(405)
Total Non Current Liabilities		(47,971)	(21,574)	(2,963)
Total Assets Less Liabilities		(79,619)	(23,164)	(29,039)
Equity				
Pension Reserve	13.2	(1,733)	(832)	(405)
Revenue Reserve		(77,886)	(22,332)	(28,634)
Total Equity		(79,619)	(23,164)	(29,039)



John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council
30 June 2010

Sue Campbell
Chair
United Kingdom Sports Council
30 June 2010





Statement of Cash Flows

	<i>Note</i>	2009/10	2008/09
		£,000	£,000
Cash Flow from Operating activities			
Cash drawn down from NLDF	2	53,731	49,158
Other Income received		8	
Staff Costs paid	7	(742)	(872)
Operating Costs paid		(2,255)	(1,405)
Award payments	6	(49,250)	(47,363)
Net cash generated from Operations		1,492	(482)
Interest received		2	62
Corporation tax paid			
Net Cash Flow from Operating activities		1,494	(420)
Net Increase/(Decrease) in cash and cash equivalents in the period		1,494	(420)
Cash and cash equivalents at 1 April		80	500
Cash and cash equivalents at 31 March		1,574	80

There are no discontinued activities.
The notes on pages 84 to 101 form part of these accounts.



I Notes to the accounts

1. Accounting Policies

1.1 Accounting Policies

These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FRem) issued by HM Treasury and on the basis of the Accounts Direction issued by the Secretary of State for Culture, Olympics, 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 1 ST.

The accounting policies contained in the FRem apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRem permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of UK Sport Lottery for the purpose of giving true and fair view has been selected. The particular policies adopted by UK Sport Lottery are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Without limiting the information given, the accounts meet the requirements of the Companies Act 2006, the International Accounting Standards issued or adopted by the International 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 2010, 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.

An explanation of how the adoption of IFRS has affected the reported financial position, financial performance and cash flows of UK Sport Lottery is provided in note 3. Transition to IFRS has had no impact on UK Sports' Lottery financial position, income and expenditure and cash flows.

There are no standards and interpretations in issue but not yet adopted that the directors anticipate will have a material effect on the reported income or net assets of the group.

1.2 Use of estimates and judgements

The preparation of financial statements in conformity with Adopted IFRS requires management to make key judgements, assumptions and estimates that affect the application of policies and reported amounts of assets and liabilities, income and expenses. UK Sport has not made any estimates and judgements with material effect in the financial statements.

1.3 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 4), soft commitments are detailed in note 5.



1.4 Property Plant & Equipment

The UK Sport Lottery Fund does not own any land or buildings. All assets are stated in the statement of Financial Position at depreciated historical cost as proxy to fair value. Depreciation is provided on all property plant & equipment 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

1.5 Pension Costs

The pension liabilities and assets are recorded in line with IAS 19, with a valuation undertaken by an independent actuary. IAS 19 measures the value of pension assets and liabilities at the end of each reporting period, 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 Changes in Equity. The resulting pension liability or asset is shown on the Statement of Financial Position.

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.

1.6 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 "Managing Public Money".

1.7 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.

1.8 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.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short term high liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

I Notes to the accounts

2. National Lottery Distribution fund

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

	2009/10	2008/09	2007/08
	£,000	£,000	£,000
Balance brought forward	18,809	18,137	17,134
Share of net operator proceeds	56,259	47,452	45,716
Investment returns from NLDF	312	2,378	3,795
Available for distribution	75,380	67,967	66,645
Funds drawn down	(53,731)	(49,158)	(48,508)
Balance carried forward	21,649	18,809	18,137

Balances held in the National Lottery Distribution Fund (NLDF) remain under the stewardship of the Secretary of State for Culture, Olympics, Media and Sport. However, the share of these balances attributable to UK Sport as shown in the accounts and at the Statement of Financial Position 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 31/3/10 is £21.649m (2008/09 £18.809m).

The NLDF balance increased during 2009/10 to stand at £21.649m at 31/3/10, representing 21% of outstanding commitments made at that point.

3. Explanation of transition to adopted IFRS

As explained above in note 1, these are the first consolidated financial statements prepared in accordance with adopted IFRS.

The accounting policies set out above have been applied in preparing the financial statements for the year ended March 2009 and in the preparation of an Opening Adopted IFRS Statement of Financial Position at 1 April 2008 (date of transition).

In preparing its Opening Adapted IFRS Statement of Financial Position, UK Sport Lottery has adjusted amounts and presentation format reported previously as necessary in financial statements prepared in accordance with its previous basis of accounting (UK GAAP).

The transition from UK GAAP to IFRS has had no impact on UK Sport's financial position; financial performance and cash flows, however there were some differences in presentation listed below:

- (i) the replacement of the Statement of Recognised Gains and Losses with the statement of changes in Equity(SOCE)
- (ii) Under IAS 19 UK Sport Lottery has recognised the value of untaken holiday leave at the 31 March 2010. However, this figure was not material for 2007/08 and 2008/09, and so it has not been recognised in the earlier periods.



4. Hard Commitments

	2009/10	2008/09	2007/08
	£,000	£,000	£,000
Hard commitments brought forward	40,395	46,922	74,765
Hard commitments made this year	113,951	45,685	23,003
Hard de-commitments	(4,336)	(4,849)	(4,328)
Total Hard commitments	150,010	87,758	93,440
Hard commitments met in the period	(49,250)	(47,363)	(46,518)
Hard commitments carried forward as at year end	100,760	40,395	46,922

Hard commitments brought forward

	2009/10	2008/09	2007/08
	£,000	£,000	£,000
Amounts falling due during 2008/09	–	–	44,364
Amounts falling due during 2009/10	–	19,653	2,215
Amounts falling due during 2010/11	54,522	9,447	305
Amounts falling due during 2011/12	24,578	6,436	38
Amounts falling due during 2012/13	21,660	4,859	–
	100,760	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 2009 and actual amount paid in 2010.

5. Soft Commitments

	2009/10	2008/09	2007/08
	£,000	£,000	£,000
Soft commitments brought forward	99,154	2,789	2,380
Soft commitments made	31,569	142,498	23,930
Soft commitments transferred to hard commitments	(113,951)	(45,685)	(23,003)
Soft de-commitments	(222)	(448)	(518)
Soft commitments carried forward as at 31 March	16,550	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.

I Notes to the accounts

6. Lottery Grant Payments during the Year

	2009/10	2008/09	2007/08
	£,000	£,000	£,000
To Athletes:			
Amateur Boxing Association	–	152	318
British Amateur Boxing Association	276	132	
Amateur Rowing Association	921	1,120	1,109
Badminton England	306	427	438
British Canoe Union	283	287	304
British Cycling Federation	1,075	1,007	969
British Equestrian Federation	330	388	427
British Fencing Association	121	137	133
British Gymnastics	214	226	142
British Curling Association	257	151	
British Handball Association	6	226	112
British Judo Association	347	359	421
British Shooting	–	200	208
British Swimming	1,622	1,947	1,657
British Triathlon Association	120	136	142
British Volleyball Federation	149	252	242
English Hockey	422	316	369
Grand National Archery	370	359	302
Great Britain Wheelchair Basketball Association	220	208	212
Modern Pentathlon Association of Great Britain	222	223	207
Royal Yachting Association	857	768	841
Sport Taekwondo	163	149	127
UK Athletics	1,201	1,273	1,263
Other Athletes	759	758	754
	10,241	11,201	10,697
To Governing Bodies:			
British Rowing	3,331	232	243
British Swimming	4,674	5,835	3,713
Badminton England	794	873	981
British Gymnastics	1,077	1,029	1,383
British Badminton Olympic Committee	–	120	120
British Bob Skeleton Association	375	307	422
British Canoe Union	1,725	1,743	2,177
British Amateur Boxing Association	803	–	–



British Cycling Federation	2,683	995	1,636
British Equestrian Federation	2,026	1,333	1,027
British Fencing Association	490	252	256
British Handball Association	751	98	102
British Judo Association	871	928	918
British Paralympic Association	–	375	500
British Table Tennis Association	–	16	16
British Performance Basketball	807	–	–
Sports Taekwondo	499	239	274
British Volleyball Federation	1,337	–	–
British Triathlon Federation	518	780	584
British Wrestling Association	390	132	163
English Hockey	1,073	61	105
English Institute of Sport	–	10,500	10,500
English Table Tennis Association	–	225	135
Grand National Archery Society	574	280	224
British Shooting	267	288	337
Great Britain Wheelchair Basketball Association	395	277	296
Great Britain Wheelchair Rugby Association	221	48	41
Modern Pentathlon Association of Great Britain	594	827	763
National Ice skating Association	33	109	223
Royal Yachting Association	2,380	1,074	2,089
Sports Aid	–	625	1,125
UK Athletics	4,733	1,887	1,584
Other Governing Bodies	1,956	697	315
	35,377	32,185	32,252
For Events:			
Archery World Cup & EMAU GP 2007	–	19	180
FINA World Swimming Championships 2008	68	–	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	–

I Notes to the accounts

FINA Diving World Series 2008	–	104	–
ECA European Canoe Slalom Championships 2009	–	100	–
RS:X and Techno World Championships 2009	125	100	–
Paralympic World Cup 2007	–	–	358
Paralympic World Cup 2008	–	–	437
Sail for Gold Regatta 2007	–	21	148
World Mountain Bike Championship 2007	–	6	186
World track Cycling Championships 2008	–	32	–
2009 UCI Track Cycling World Cup and ParaCycling World Championships	110	–	–
European Individual Badminton Championships 2010	187	–	–
European Senior and Junior Artistic Gymnastics Championships 2010	144	–	–
FEI Show Jumping and Dressage European Championships 2009	281	–	–
FIH Women's Champions Trophy 2010	100	–	–
Goalball World Championships 2010	117	–	–
IRB World Junior Championships (U20) 2008	206	–	–
ITU Triathlon World Series event 2009	252	–	–
Laser World Championships 2010	116	–	–
Modern Pentathlon World Championships 2009	192	–	–
Paralympic World Cup 2009	135	–	–
Sail for Gold Regatta 2009	203	–	–
Shotgun World Cup 2010	105	–	–
Taekwondo British Open 2009	100	–	–
UCI Mountain Bike Cross Country World Cup 2010 (linked to ME20216)	101	–	–
World Wheelchair Basketball Championships 2010	130	–	–
Other Events	960	1,219	1,164
	3,632	3,977	3,569
Total Grant payments in the year	49,250	47,363	46,518



7. Staff costs

	2009/10	2008/09	2007/08
	£,000	£,000	£,000
Wages and salaries	640	753	643
Social security costs	60	69	59
Current service costs	42	50	94
Total Employee Costs	742	872	796

8. Staffing

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

	2009/10	2008/09	2007/08
Operations/Planning/Development	15	16	14
Average Staff Numbers	15	16	14

9. Lottery Funds

	2009/10	2008/09	2007/08
	£,000	£,000	£,000
The Lottery Fund is stated after charging for:			
External Auditors' remuneration	28	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.			

I Notes to the accounts

10. Property Plant & Equipment

All Property Plant & Equipment are computer equipment.

	2009/10	2008/09	2007/08
	£,000	£,000	£,000
Cost			
At 1 April and 31 March	535	535	535
Depreciation			
Start of year	(535)	(520)	(505)
Charge for year		(15)	(15)
End of year	(535)	(535)	(520)
Net book value			
At 1 April		15	30
At 31 March			15

11. Trade Receivables

	2009/10	2008/09	2007/08
	£,000	£,000	£,000
Trade receivables	1	1	38
Prepayments	1	1	13
Accrued Income			
	2	2	51
All amounts fall due within one year			
Intra-government Balances			
Balances with central government bodies	–	–	–
Balances with local authorities and police authorities	–	–	38
Subtotal: intra-government balance	–	–	38
Balances with bodies external to government	2	2	13
	2	2	51



12. Trade Payables

	2009/10	2008/09	2007/08
	£,000	£,000	£,000
Trade Payables	20	383	66
Accruals	331	445	331
Corporation tax			18
	351	828	415
Intra-government Balances			
Balances with central government bodies	332	764	28
Balances with local authorities and police authorities	–	–	–
Subtotal: intra-government balance	332	764	28
Balances with bodies external to government	19	64	387
	351	828	415

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 5 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 IAS 19 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 £50,823 or 10.2% of pensionable pay (2008/09 £59,167 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 later in the year, as 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.

I Notes to the accounts

International Financial Reporting Standard 19 (IAS19) issued by the International Accounting Standards Board requires that the following information, which has been prepared for us by Barnett Waddingham (the Consulting Actuaries to the LPFA) for this purpose, be disclosed in these accounts with respect to the scheme:

13.1 Pension Commitments

Financial Assumptions	2010	2009
Price increases	3.9%	3.1%
Salary increases	5.4%	4.6%
Pension increases	3.9%	6.4%
Discount rate	5.5%	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

	2010 Long term return	Fund Value at 31/3/10	2009 Long term return	Fund Value at 31/3/09
	%	£,000	%	£,000
Equities	7.5%	1,658	7.0%	1,165
Target return funds	4.5%	250	5.5%	204
Alternative assets	6.5%	350	6.0%	511
Cash	3.0%	125	4.0%	164
Corporate Bonds	5.5%	25		
Total Fair Value of Assets		2,408		2,044
Present Value of Scheme Liabilities		4,141		2,876
Net Pension Liability		(1,733)		(832)

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

	31-Mar-10	31-Mar-09
Equities	70%	57%
Target return funds	10%	10%
Alternative assets	14%	25%
Cash	5%	8%
Corporate Bonds	1%	–



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

	31-Mar-10	31-Mar-09
Current Service Cost	42	40
Interest Cost	128	190
Expected return on Employees Assets	(91)	(179)
Past Service Cost		10
Loss (gain) on curtailments and settlements	(40)	
Total	39	61
Actual Return on Plan Assets	583	(529)

13.4 Amounts recognised in Statement of Changes in Equity

	31-Mar-10	31-Mar-09
Actuarial Gains/(Losses)	(884)	(413)
Actuarial Gains/(Losses) recognised in SOCE	(884)	(413)
Cumulative Actuarial Gains and Losses	(1,019)	(135)

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

	31-Mar-10	31-Mar-09
Opening defined benefit obligation	2,876	2,957
Current Service Cost	42	40
Interest Cost	128	190
Contributions by Members	44	33
Actuarial Loss (Gains)	1,340	(315)
Liabilities extinguished on settlements	(104)	
Past Service Cost	-	10
Estimated Benefits Paid	(185)	(39)
Closing defined benefit obligation	4,141	2,876

I Notes to the accounts

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

Opening fair value of employers assets	2,044	2,551
Expected return on assets	91	179
Contributions by Members	44	33
Contributions by Employer	64	48
Actuarial Losses	413	(728)
Benefits paid	(185)	(39)
Payment of bulk transfer value	(63)	–
Closing fair value if Employer assets	2,408	2,044

13.7 History of Experience Gains and Losses

	2009/10	2008/09	2007/08	2006/07	2005/06
	£,000	£,000	£,000	£,000	£,000
Fair Value of Employer Assets	2,408	2,044	2,551	1,848	1,552
Present Value of Defined benefit obligation	(4,141)	(2,876)	(2,957)	(2,323)	(1,711)
Surplus/(Deficit)	(1,733)	(832)	(406)	(475)	(159)
Experience gains/(losses) on assets	456	(725)	(237)	–	–
Experience gains/(losses) on liabilities	86	7	17	(58)	(4)

1. In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31 March 2010, Barnett Waddingham have rolled forward the actuarial value of the liabilities reported as at the latest formal valuation allowing for the different financial assumptions required under IAS 19. 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. It is not possible to assess the accuracy of the estimated liability as at 31 March 2010 without completing a full valuation. However Barnett Waddingham are satisfied that the approach of rolling forward the previous valuation to 31 March 2010 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions and the structure of the liabilities is substantially the same as the latest formal valuation.
3. To calculate the asset share we have rolled forward the assets allowing for investment returns, contributions paid into, and the estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

The Actuarial Valuation for IAS 19 purposes has been allocated between the Lottery and Exchequer (GIA) accounts in accordance with accounting policy note 5.



14. Reconciliation of Increase in lottery funds before taxation to net cash inflow/(outflow) from Operating Activities

	2009/10	2008/09	2007/08
	£,000	£,000	£,000
Increase/(Decrease) in lottery funds before taxation	(55,545)	6,313	28,690
Depreciation of tangible assets		15	15
(Increase)/Decrease in debtors		49	(49)
Increase/(Decrease) in creditors	59,886	(6,114)	(27,611)
Interest receivable	(2)	(62)	(89)
(Increase)/Decrease in NLDF	(2,839)	(673)	(1,003)
Pension scheme: non cash movement	(8)	(10)	37
Net cash (outflow) / inflow from operating activities	1,492	(482)	(10)

15. Change in cash and cash equivalents

	2009/10	2008/09	2007/08
	£,000	£,000	£,000
Opening cash balance	80	500	429
Net cash (outflow) /inflow	1,494	(420)	71
Cash and bank balances at year end	1,574	80	500

16. Financial Instruments

UK Sport Lottery Fund has adopted IFRS 7 Financial Instruments 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 the Department's expected purchase and usage requirements and the Department therefore is exposed to limited credit, liquidity or market risk.

Liquidity Risks

In 2009/10 £56.57m or 99.98% (2008/09 £49.83m or 99.88%) 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.

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 £21.649m (2008/09 £18.809m). In the year the average return on these investments was 1.50% (2008/09 12.84%). 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 0.21% (2008/09 2.49%) in the year. Cash on deposit is gross of corporation tax.

I Notes to the accounts

The cash balance at the year-end was £1,574,000 (2008/09 £80,000). 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.

17. Contingent Liabilities

A NLDF Balance Transfer of £5m took place in 2006 for the transfer of responsibilities for 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.”

18. Capital Commitments

As at 31 March 2010, the Lottery Fund had made no commitments to purchase further capital equipment (2008/09 Nil).

19. Events after the Reporting Period

On 19 May, The Department for Culture Media and Sport announced a consultation into the allocation of Lottery money between the ‘good causes’. If approved, the proposals would result in an increase in the share allocated to Sport from 16.6% to 20% phased over two years from 1 April 2011.

The announcement above was the only reportable event after the end of the reporting period between the statement of financial position date and the date the accounts were authorised for issue on 12 July 2010, the date the accounting officer despatched the accounts to DCMS.

The financial accounts do not reflect events after this date.

20. 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.



I Notes to the accounts

21. 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	
	2009/10	2008/09	2009/10	2008/09
Income & Expenditure – excerpt	£,000	£,000	£,000	£,000
Expenditure				
Hard commitments	113,951	45,685	–	–
Hard de-commitments	(4,336)	(4,849)	–	–
Hard de-commitments transfer to GIA		–	–	–
Grants paid		–	49,250	47,363
Staff costs	742	872	742	872
Depreciation		15		15
Other operating costs	237	490	237	490
Costs apportioned from GIA	1,533	1,367	1,533	1,367
	112,127	43,580	51,762	50,107
Increase / decrease in Lottery funds	(55,545)	6,313	4,820	(214)
Balance Sheet - excerpt				–
Creditors				
Sundry creditors due <1 year	(350)	(828)	(351)	(828)
Hard grant commitments due <1 year	(54,522)	(19,653)		
	(54,872)	(20,481)	(351)	(828)
Total assets less current liabilities	(31,648)	(1,590)	22,874	18,063
Hard grant commitments due >1 year	(46,238)	(20,742)		–
Pension liability	(1,733)	(832)	(1,733)	(832)
Total assets less all liabilities	(79,619)	(23,164)	21,141	17,231



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