



Annual Report and Accounts 2010/11



The United Kingdom Sports Council
Grant-in-Aid and Lottery Distribution Fund
Report and Accounts for the Year Ended 31 March 2011

HC1163 SG/2011/107

United Kingdom Sports Council

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Annual Report and Accounts for the Year Ended 31 March 2011

Presented to Parliament pursuant to Sections 14 (3) and 35(5) of the National Lottery etc. Act 1993 (as amended by the National Lottery Act 1998, and the National Lottery Act 2006).

Presented to the Scottish Parliament pursuant to the Scotland Act 1998 section 88.

Ordered by the House of Commons to be printed 11th July 2011.

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This publication is available for download at www.official-documents.gov.uk.

This document is also available from our website at www.uksport.gov.uk.

ISBN: 9780102973327

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID: 2436985 07/11

Printed on paper containing 75% recycled fibre content minimum.

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Foreword



This Annual Report outlines the responsibilities of the United Kingdom Sports Council and reviews its significant achievements across all areas of business. In addition to outlining 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 2010-2011 financial year saw further performance success, but also some significant changes to UK Sport's operating environment. Olympic and Paralympic performance medal targets were met with 40 medals won at World and European level in Olympic disciplines and 84 in Paralympic disciplines, meaning that we are further ahead at this stage of the Olympiad than before any previous Games. The organisation's Major Events, International Relations and International Development programmes also continued to deliver.

The certainty received through the Comprehensive Spending Review in October showed itself in the performance funding decisions made by the UK Sport Board in early December as a result of the Annual Review of investment. We could not only be clear about the remaining journey for sports through to London, but also start to focus more on the road to Rio in 2016 and confirm the investment in Winter Olympic and Paralympic sports for the Sochi 2014 cycle. For the first time, UK Sport also made its investment decisions in both Summer and Winter Olympic and Paralympic sports in exactly the same way.

The proposal to bring together UK Sport and Sport England was announced in July 2010 and is due to be completed by April 2013. The key objective is to find cost efficiencies and ensure value for money, with both organisations coming together in one location and sharing administrative costs where possible, whilst ensuring that the new structure represents a genuine step up for British sport.

As we move into the next financial year, the National Lottery will play a more vital part than ever in support of the high performance sporting landscape, alongside exchequer funding and private sector funding such as that being generated by Team 2012.

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 includes information on the English Institute of Sport.

A handwritten signature in dark ink that reads "Chris Holmes".

Chris Holmes MBE

Chair of Audit Committee, UK Sport

UK Sport – at a glance

Legislative Background

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

Funding

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

In 2010/11, UK Sport received £55.36m 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 £59.33m, 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.

Operating Environment

UK Sport's activities continued to be strongly influenced by the impact of London 2012, whilst also starting to look beyond those Games at the sporting landscape post 2012.

Funding for London 2012

In October 2010 UK Sport received its four year settlement from 2011/12 to 2014/15 as part of the Comprehensive Spending Review. UK Sport's Exchequer resource funding was reduced by 28% over the period. However, National Lottery funding to UK Sport is expected to increase, following the return to the original four pillars, of which sport will be one of the beneficiaries.

In December 2010 UK Sport completed its annual review of investment. There was an overall increase of £2.6 million in spending for summer Olympic and Paralympic sport, with the additional funding found through reprioritisation of resources and greater than expected Lottery sales. A total of six summer Olympic sports saw their funding increased for the final two years of the London funding cycle.

The review also saw the announcement of funding for Winter sports for the Sochi Cycle (2010-2014), which for the first time were judged on the same 'no compromise' criteria as the summer sports, rather than receiving separate ring-fenced allocations. As a result the total funding for Winter Olympic sport increased from £6.5 million for Vancouver to £11.3 million for Sochi, an increase again funded through increased Lottery income and prioritisation of overall spend. A total of six winter Olympic and Paralympic sports saw their funding increased.

'Team 2012', presented by Visa, is the official support programme for British athletes striving to be selected for Team GB and ParalympicsGB. It helps raise funds for vital services to support over 1,200 athletes who are in training to be selected for Great Britain & Northern Ireland at the London 2012 Olympic and Paralympic Games and beyond. The programme comprises a unique partnership between UK Sport, the British Olympic Association, the British Paralympic Association and The London Organising Committee for the Olympic and Paralympic Games.

Initiated in February 2009, the scheme aims to fundraise up to £25m to help provide the support and expertise needed by athletes to succeed at the most critical stage in their preparations.

Funding for support programmes for British athletes comes from three sources: The National Lottery, Exchequer and Team 2012. From 2005 to 2013 the National Lottery and the Exchequer will have contributed over £550 million in direct grants to Olympic and Paralympic sports and athletes.

To 31/03/2011, Team 2012 has secured £14.75 million, with further private sector funding and a public appeal scheduled in 2011. In December 2009, £6.5 million of new funds were made available through the Team 2012 sponsorship scheme, which UK Sport has invested directly in front line services for sports, through the World Class Programme.

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 three years and has continued to develop over the past 12 months.

By analysing each sport’s progress in three dimensions: athlete, system 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.

Life After London

Whilst still concentrated on maximising success at London 2012, UK Sport is also turning significant attention to the performance system and funding after the Games. Planning for the next four year cycle is well underway.



In strategic terms a major consultation of all Olympic and Paralympic sports and key landscape partners in 2010 revealed a strong desire for continuity, with any changes aimed at building on a successful system that is working and a strategy for high performance sport investment that is increasingly understood and respected.

At the same time it is an opportunity to consider how UK Sport's role and responsibilities might change, for example with regard to support for Commonwealth or other non Olympic sports, within the context of known available resource.

A major part of this planning in 2010/11 and for the year ahead is the discussions about bringing UK Sport together with Sport England by the proposed vesting date of April 2013. This process is well underway, with a Project Board chaired by Sir Keith Mills and including DCMS representation, and workstreams covering all key areas relating to bringing the two organisations more closely together. UK Sport is also closely engaging all four Home Country Sports Councils, in particular through Chair representation on its Board, to ensure that any new structure is a step up for sport across the United Kingdom.

Finally in practical terms UK Sport has undertaken an exercise to plan out in as much detail as possible how high performance sport investments will be made for the Rio cycle, with the ambition of being in place to give key Olympic and Paralympic sports as much certainty as possible ahead of London 2012.

World Class Events Programme

UK Sport's World Class Events Programme (WCEP) co-ordinates the bidding and staging of major international sporting events in the UK, and ensures those events are staged to a world-leading standard. It currently invests on average £3.5 million of National Lottery money per annum in supporting strategically important events. This figure is more than double the £1.6 million 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. Over 100 events hosted by at least 30 different towns and cities will have been supported between 2007-2012, whilst 25 were supported in the financial year 2010/11 alone, including the Samsung Hockey Champions Trophy, the World Wheelchair Basketball Championships and the Laser World Championships – all of which took place in July 2010. We plan to increase our investment to £5million on average per annum from 2013 to use the impact of London 2012 to help establish the UK as a leading host of major international sporting events.

International Inspiration

The International Development Directorate of UK Sport has been building up to London. International Inspiration 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 keep the promise made by the London 2012 bid team in Singapore to use the inspirational power of sport to enrich the lives of millions of children and young people across the world through the power of high quality and inclusive physical education, sport and play.

International Inspiration is governed by an independent charitable foundation supported by a unique partnership of organisations including LOCOG, the BOA, the BPA, the UK Government, DFID, and the Premier League. Delivery is led by UK Sport alongside the British Council and UNICEF UK. Each International Inspiration country plan is designed and implemented in consultation with Governments, National Olympic and Paralympic committees and other bodies and benefits from the technical expertise of the Youth Sport Trust.

International Inspiration has enriched the lives of over 10 million young people and has reached 16 countries to date; Azerbaijan, Bangladesh, Brazil, India, Indonesia, Jordan, Malaysia, Mozambique, Nigeria, Pakistan, Palau, South Africa, Tanzania, Trinidad & Tobago, Turkey and Zambia. Projects are also due to start in Ethiopia and Uganda 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.

Structure

CEO: Liz Nicholl OBE

Liz Nicholl OBE took up the post of Chief Executive at UK Sport on 23 September 2010 and leads the Directors' team that oversees approximately 87 staff across six work areas.

Chief Operating Officer: Tim Hollingsworth

Director of Performance: Peter Keen OBE

Finance Director: Chris Walker

Director of Business Support: David Cole

International Development Director and International Inspiration Programme Director: 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, Media and Sport. The Chair of the Home Country Sports Councils automatically sit on UK Sport's Board. The minutes of UK Sport's Board meetings are made available on the UK Sport website.

Board members during 2010/11 were as follows, detailed information including date and duration of appointment is available on the UK Sport website at www.uk sport.gov.uk:

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 31/01/2010
Rod Carr OBE	Member	September 2005	Three years - reappointed to 18/09/2011
Chris Holmes MBE	Member	September 2005	Three years – reappointed to 18/09/2011
Philip Kimberley	Member	March 2009	Three years
Richard Lewis	Member (Chair, Sport England)	March 2009	Three years
Louise Martin CBE	Member (Chair, sportscotland)	November 2002	Three years – reappointed to 1 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	Term Ended 30/06/2010
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 3 years

(Correct as at 31 March 2011)

In addition the following panels/committees deal with specific areas of activity.

Remuneration Panel

The Remuneration Panel has a key role to play in ensuring that employment issues in UK Sport are dealt with professionally. As at 31 March 2011 the Panel comprised:

- Baroness Sue Campbell CBE (Chair)
- Louise Martin CBE (Member)
- Rod Carr OBE (Member)

Audit Committee

The Audit Committee considers external and internal audit reports and oversees risk management processes, reviews the statutory accounts and other financial matters. As at 31 March 2011 the Committee comprised:

- Chris Holmes MBE (Chair)
- Dominic Walsh (Member)
- Jonathan Vickers (Member)
- Malcolm Cornberg (Member)

Major Events Panel

The Panel makes recommendations to Board on Lottery (World Class Events Programme) awards and related policy matters. As at 31 March 2011 the Panel comprised:

- Dominic Walsh (Chair)
- Paul Bush OBE (Member)
- David Collier (Member)
- Tanya Crook (Member)
- Rob Holt (Member)
- Louise Martin CBE (Member)

- Wendy Walker (Member)
- Nigel Walker (Member)
- Jonathan Vickers (Member)

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 National Governing Bodies, 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, the Youth Sport Trust, the Sport and Recreation Alliance and, until the completion of the Games in 2012, the London Organising Committee for the Olympic and Paralympic Games. 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 expanded World Class Performance Programme, incorporating responsibilities formerly the responsibility of Sport England, was introduced in April 2006.

On 31 March 2011, 1,449 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.

Managing Delivery

Chief Operations Office (Communications, Commercial, Major Events and International Relations)

The Chief Operating Officer (COO) oversees the work of the Major Events, Corporate and International Relations and Commercial Teams, as well as having lead responsibility for organisation-wide communication and engagement strategies.

The Major Events team has the ambition of using both London 2012 and Glasgow 2014 to establish the UK as the leading host of international sporting events. It works with National Governing Bodies across Olympic, Paralympic and Commonwealth sports to develop sport-focused strategies for the staging of major events across the UK and currently distributes approximately £3.5 million 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.

The International Relations team is working to improve the UK's engagement and influence in international federations and other global sporting decision making bodies. It works to develop, fund and support the international influence strategies of all Olympic and Paralympic National Governing Bodies to improve their international understanding, connectivity and influence, including running focused activities such as the International Leadership Programme which targets and develops those with the potential to reach high positions within the governance and administration of international sport.

The Corporate Relations team seeks to create the best possible environment in terms of reputation, positioning and accountability in which UK Sport can deliver its objectives. This includes effective liaison

with national and international media, all partners and stakeholders including the National Lottery and MPs and other government contacts and officials and ensuring the right messages are delivered and information provided. This is especially important in the build up to London 2012 where there is significant interest in the British team and the programmes that support them, and the need to ensure the British public is aware of the positive impact of its funding and support.

The Commercial team has responsibility for all UK Sport's commercial partner and sponsorship activity, including ensuring the effective recognition and promotion of the National Lottery and managing 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, as well as other commercial partnerships and licensing agreements. UK Sport is now actively engaged in developing its Commercial Strategy for the period after London 2012.

Performance

The Performance team is concerned with UK Sport's primary goal of supporting world class performance. Its 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. These investment principles are published on the UK Sport website.

Alongside the money that goes directly to the sports through their respective World Class Performance Programmes, the Performance team works with the staff and athletes in each funded sport to maximise the impact of UK Sport investment and leads and develops areas which have been identified as having an influential impact on performance: Performance Solutions, Athlete Development (including Talent Identification and Confirmation), Coaching and Research & 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 International Inspiration, the International Development team is influencing the agenda of global sport development by helping to build the capacity of sports systems within developing countries, supporting UK partners to work internationally and contributing to the knowledge economy of sport development and the uses of sport for development. Our partners include the UN, the Commonwealth Secretariat, International Federations such as the IAAF and the IPC and Ministries, National Sports Federations and Non-Governmental Organisations.

One UK Sport project that is having a global impact is the International Community Coach Education (ICES) initiative. ICES 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. With over 20 global agencies involved in the ICES network and communicating through the regular ICES webinars the programme is using technology to spread best practice and forging global partnerships from the Caribbean to Africa and from Scotland to the South Pacific.

UK Sport International also provides the executive and 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 is able to increase the impact and reach of their work and helps achieve the IDS mission of 'harnessing the power of sport to change lives'.

Corporate Development

The Corporate Development team provide essential support and guidance to both UK Sport and its funded partners in a number of areas. The team possesses three broad strands of responsibility; Governance, Business Services and HR. In addition a small team oversees all aspects of corporate planning (including our formal reporting) and internal governance/legal advice for the organisation.

The Governance team work with both NGBs and our other funded-partners to raise standards in Olympic and Paralympic sport within the UK. Key areas of focus:

- Equity, Child Protection, Anti-Doping and Integrity
- The preparation/issuance of Grant Funding Agreements to NGBs and other high-performance sport partners
- The annual programme of management and governance auditing (in coordination with Sport England)
- The identification and implementation of solutions to governance issues within our sports and funded partners, as and when they arise

The Business Services Team deliver 'World Class Support' to the organisation in the areas of IT, HR and Premises Management. In addition a small team provides in-house legal advice and coordinates all business planning, performance monitoring and reporting and risk management.

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 by the Investment team. In the year, 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.

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 three partner organisations; British Shooting, British Basketball and the English Institute of Sport (EIS), a wholly owned subsidiary of UK Sport. The number of staff that can be accommodated in this modern, friendly and largely open-plan working environment is 151.

Customer Services Charter

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

Policy on Lottery Additionality

Together with the other UK and England Lottery distributors, UK Sport has adopted the following definition: "Lottery funding is distinct from Government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements Government and other programmes, policies and funding."

UK Sport has regard to the principles of additionality and this definition when progressing its investment strategies and programmes. Where appropriate, Lottery funding complements investment strategies such as the World Class Pathway 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.

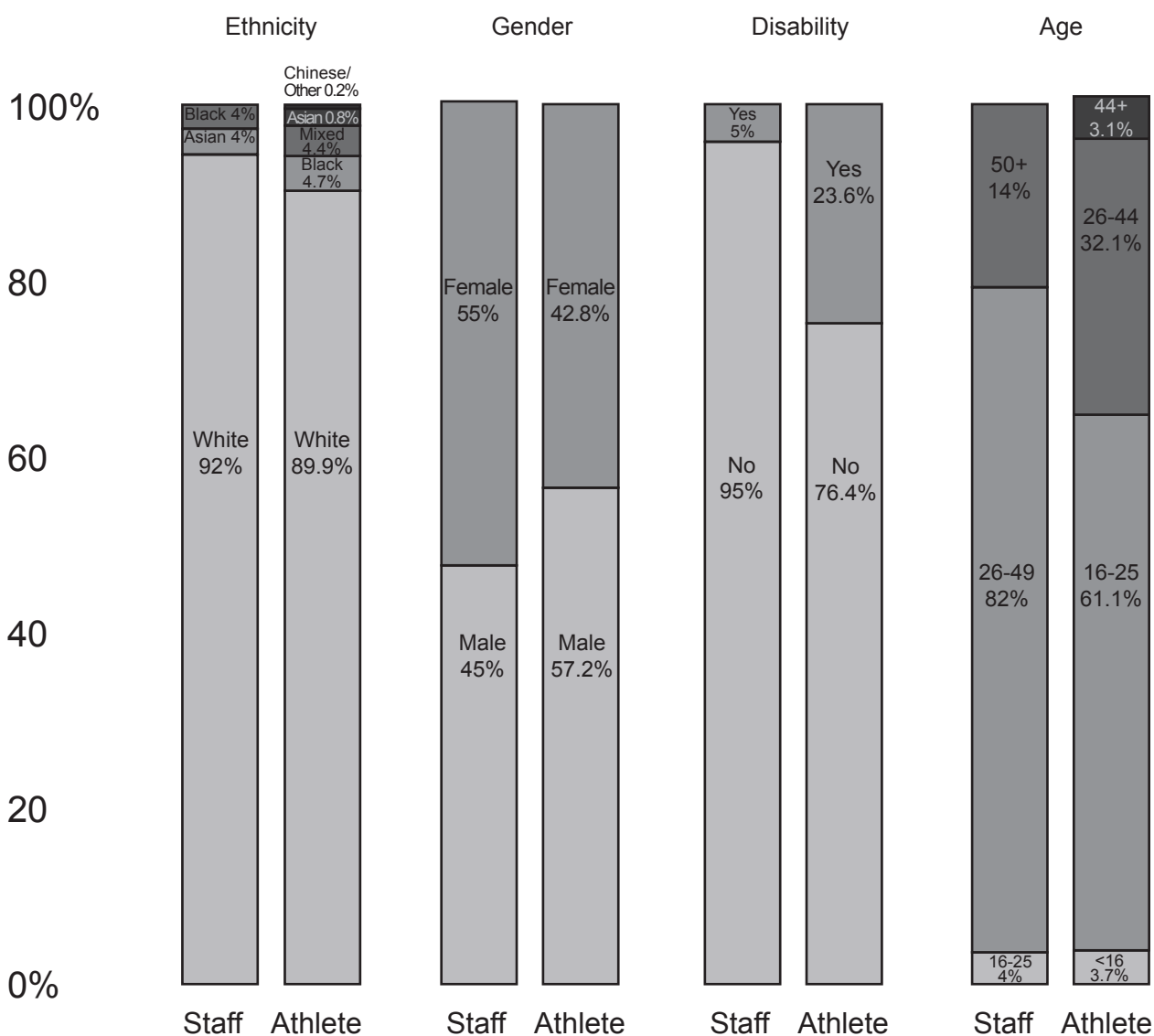
Staff and Funded Athlete Profile

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 a strategic investor in high performance sport, public authority and employer. 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 has started working towards the Advanced level of the Equality Standard.

At 31 March 2011, the race, age, gender and disability profile of UK Sport's 87 staff and 1,449 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



Reporting of Personal Data Related Incidents

UK Sport suffered 3 protected personal data incidents 2010/11 and immediate action was taken to contain any loss of data. The incidents were not serious breaches that warranted notification to the Information Commissioner's Office or DCMS. An incident is defined as any of the circumstances (loss, unauthorised disclosure, insecure disposal) set out in Table 2 on page 27.

To prevent any future losses, UK Sport rolled out a new information and data security policy and procedure which complies with the HMG Security Policy Framework. All staff, including new starters, must now complete the National School of Government e-learning course on information and data security. UK Sport has also undergone an awareness campaign including posters and stickers.

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.

Disability Employment Policy

UK Sport is an equal opportunity employer that has taken positive action to ensure we meet our legal duties under the Disability Discrimination Act (1995), the Disability Equality Duty (2006) and more recently the Equality Act (2010).

UK Sport has striven to operate to best practice and has been recognised for its work in the area of equality. Specifically, UK Sport has been awarded the Two Ticks – Positive About Disability symbol which can only be achieved by taking positive action in advertising, recruitment and employment process to encourage disabled applicants to join the organisation. In addition, UK Sport is one of only 4 organisations in the UK that have achieved the Intermediate level of the Equality Standard for Sport which incorporates positive action schemes to address under representation by disabled people in employment and UK Sport led programmes. Currently 5% of staff at UK Sport have a declared disability. This is an increase from 0% in 2006.

Prompt payment policy

UK Sport aims to comply with the Better Payment Practice Code. Payment terms are agreed with suppliers at the outset, and invoices are paid in accordance with those terms. Any disputed invoices are referred to suppliers and are dealt with expeditiously. The target is to pay within 30 days. During 2010/11, 93.9% (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 £30,500 + VAT and £27,700 respectively for each set of accounts. An additional charge of £1,500 is levied for the audit of each of UK Sport's Whole of Government Accounts submissions.

Remuneration Report

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

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

Performance Related-Pay – depends on the outcome of annual performance review of objectives and competences, and on still being in post at 1st of July. In 2010/11 the maximum performance related pay available was 20% (reduced to 10% from September 2010) of basic salary for the CEO and 15% for the other Directors. These payments are not pensionable.

Pension arrangements – Directors are members of the Local Government Pension Scheme (LGPS), a tax approved benefit occupational pension scheme setup 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. At 31/03/11 all Directors, but not the Chair, were members of LGPS.

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

Other benefits include healthy lifestyle allowance and 30 days leave entitlement.

Emoluments of the Chair and Directors, including performance related pay but excluding pension arrangements, for the year ending 31/03/2011 were as follows:

Audited Information

		Salary 2010/11 £'000	Performance related pay 2010/11 £'000	Salary 2009/10 £'000	Performance related pay 2009/10 £'000
S Campbell	Chair	35-40	-	35-40	-
J Steele*	CEO	50-55	-	125-130	20-25
L Nicholl***	CEO	115-120	10-15	100-105	5-10
T Hollingsworth **	COO	100-105	10-15	85-90	10-15
P Keen	Director	90-95	5-10	85-90	5-10
D Cole	Director	80-85	5-10	70-75	10-15
D Lye****	Director	30-35	5-10	-	-
C Walker	Director	75-80	5-10	70-75	5-10

None of the Directors received any benefits in kind during the year. All UK Sport staff are entitled to claim for up to £40 each month as a healthy lifestyle allowance. Any allowance for this has been included in the salary.

Pension Entitlement

Audited Information (£'000)	Real Pension Increase	Real Lump Sum Increase	Value of Accrued Pension	Value of Accrued Lump Sum	CETV at 31/03/10	CETV at 31/03/11	Real Increase in CETV
J Steele*	0-2.5	-2.5-0	5-10	10-15	94	124	23
D Cole	2.5-5	2.5-5	10-15	25-30	93	127	25
T Hollingsworth **	2.5-5	2.5-5	15-20	25-30	126	173	35
P Keen	0-2.5	0-2.5	5-10	10-15	79	106	18
L Nicholl***	10-12.5	22.5-25	40-45	110-115	712	979	226
C Walker	0-2.5	0	0-5	0	20	38	11
D Lye****	2.5-5	2.5-5	25-30	75-80	564	640	53

* John Steele left UK Sport on 31 July 2010

** Tim Hollingsworth was a Director to 31 October 2010 and was appointed Chief Operating Officer on 01 November 2010

*** Liz Nicholl was appointed as CEO and Interim Accounting Officer from 31 July 2010 until 22 September 2010. She was officially appointed as CEO and Accounting Officer from 23 September 2010

**** Debbie Lye's emoluments do not reflect a full year, since she took up post as a Director in November 2010

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. CETVs are worked out within

the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken. There has been a restatement of the opening CETV values due to the change in inflation assumption from RPI to CPI.

Members' remuneration – for attending meetings was £218 per day (£218 2009/10) and half that amount for half-day meetings, up to 36 days each year. None of the Members received any benefits in kind and those who have received remuneration are as follows:

Audited Information	2010/11	2009/10
Chris Holmes MBE	1,744	4,581
Dominic Walsh	1,090	872
Jonathan Vickers	1,853	2,398
Laura McAllister	872	218
Louise Martin CBE	872	872
Nigel Walker	1,308	3,270
Phillip Kimberley	872	1,744
Phillip Carling	654	2,398
Rod Carr OBE	1,308	1,308
Richard Lewis	-	-

Compensation for loss of office

One member of staff left under compulsory redundancy terms on 31 December 2010. The capitalised cost of the package received was £12,883.

Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
£10,000-25,000	1	0	1

There were no redundancies in 2009/10

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Liz Nicholl

Liz Nicholl

Chief Executive and Accounting Officer
United Kingdom Sports Council
28 June 2011



Sue Campbell

Sue Campbell

Chair
United Kingdom Sports Council
28 June 2011



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 in the below tables.

Strategic Objective - World Class Success

Primary Activity	Indicator	Performance Target 10/11	Actual Performance 10/11
1. Support athletes and sports to succeed in World Class events	i) Number of medals won at the Olympic Games or in a non-Olympic year at the sports' most significant international events of equivalent standard (e.g. World and European Championships)	22 (mid point of 14-30 which is the sum of the sport specific ranges)	40*
	ii) Number of medals won in Olympic disciplines at the sports' most significant international events when these are below Olympic/World Championship standard (e.g. Commonwealth Games or World Cup)	59 (mid point of 52-65 which is the sum of the sport specific ranges)	63
	iii) Number of medals won at the Paralympic Games or, in a non-Paralympic year, the sports' most significant international events	82 (mid point of 65-99 which is the sum of the sport specific ranges)	84
	iv) % of Olympic sports meet their individually agreed bespoke Athlete Development KPIs	80%	89%
	v) % of Paralympic sports meet their individually agreed bespoke Athlete Development KPIs	80%	83%
2. Develop skilled people and provide solutions to support UK World Class athletes	i) The number of support personnel participating within the year in UK Sport's professional development programmes	200	213

* Medal performances reflect an exceptional year for some sports such as Rowing and Canoeing

Strategic Objective - Olympic and Paralympic Pathway

Primary Activity	Indicator	Performance Target 10/11	Actual Performance 10/11
3. Support the development of a World Class high performance sports system in the United Kingdom	i) NGBs rate their satisfaction with EIS services at least 7 out of 10 (average across all disciplines and NGBs that respond to the November 2010 Survey)	≥7/10	96%

Strategic Objective - World Wide Impact

Primary Activity	Indicator	Performance Target 10/11	Actual Performance 10/11
4. To increase the influence of the UK in the governance and administration of international sport via the implementation of 33 NGB/ KFA strategies	i) % of organisations with International Influence Strategies actively delivering on the aims and objectives contained within them	90%	93%
5. To achieve a demonstrable impact on the development of sport in targeted countries through International Inspiration	i) By 2011 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	15 national strategies influenced / II embedded as a component	21
	ii) By 2011 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	50,000	79,150
	iii) By 2011 6 million children and young people of all abilities are either reached (with access) or engaged (regularly participating), in high quality and inclusive PE, sport and play	6m	10.8m
6. To achieve a demonstrable impact on development through sport in targeted countries	i) The number of tutor trainers and peer leaders trained in sports leadership activities within SCSA Zone VI	800 peer leaders 50 tutor trainers 6 countries	1,282 202 7 countries - South Africa, Namibia, Botswana, Lesotho, Kenya, Tanzania, Zambia
	ii) The number of Level 1 & 2 coaches developed within SCSA Zone VI via the coach education framework and the number of countries using the framework	Year 3 250 coaches 2 countries	214 coaches 5 countries
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) The number of major international sporting events secured for the UK - awarded by the IF and with confirmed UK Sport support	22 (Senior World Championships 3)	21(0)
	ii) To support DCMS through developing a new framework for hosting international sporting events in the UK which defines and structures government support for major and mega sporting events staged across the UK, and establishes the Decade of Sport as a co-ordinated and diverse programme of events	New framework developed	
	iii) Leverage funds to support the WCEP from external public and commercial sources	Ratio 1:2	Ratio 1 : 2.3

Strategic Objective - Budget Management

Primary Activity	Indicator	Performance Target 10/11	Actual Performance 10/11
8. Ensure UK Sport operates and allocates resources with maximum effectiveness, efficiency and accountability	i) Corporate costs as a percentage of total expenditure (includes Lottery and Exchequer)	<5.5%	<5.5%
	ii) Lottery administration costs as a percentage of total Lottery income, including interest	< 6.0%	< 6.0%

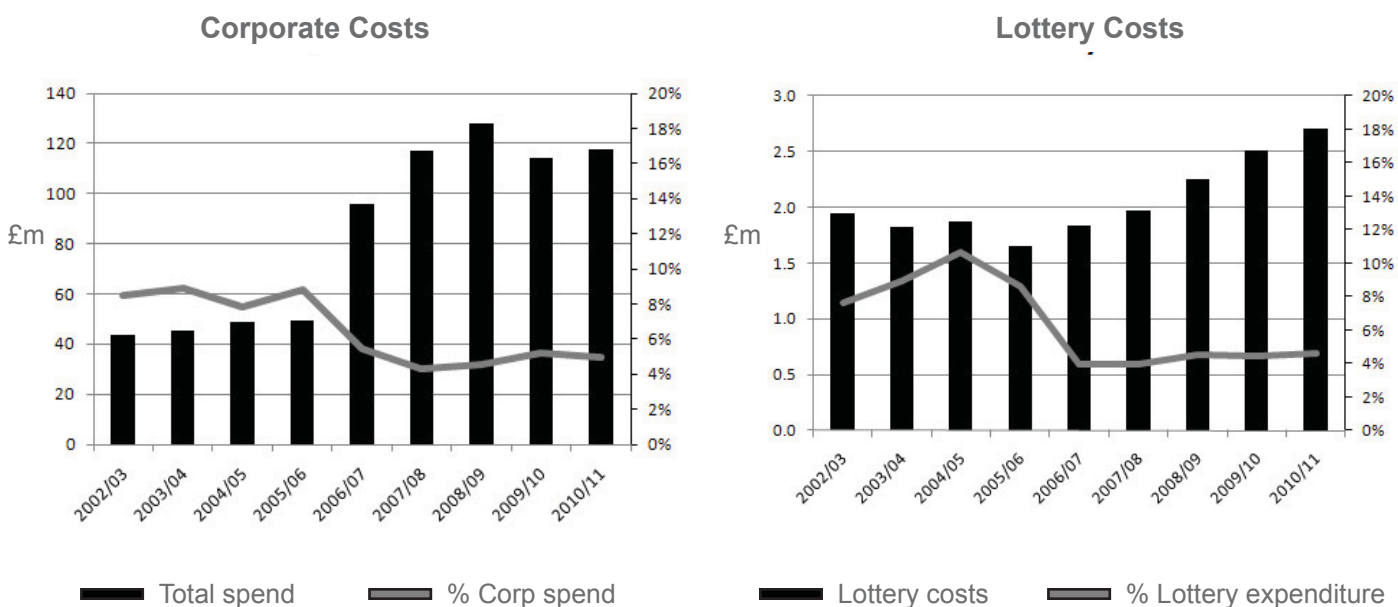
Financial Performance

There has been considerable focus throughout Government on reducing public spending in 2010/11, and the impact on UK Sport has been wide ranging.

Grant in Aid for 2010/11 was reduced by 3% following the election in May 2010 and this was managed through greater operational efficiencies - including close observance of the freeze on marketing and advertising spend - together with the rephrasing of spending plans.

In addition to the reduction in public funding, there has been a significant increase in demand for management information from our Sponsor Department, DCMS, in order to support the drive for greater efficiencies from the purchasing cycle, together with a significant increase in the scope of direct spending controls. Costs of compliance have been increased accordingly.

In particular, there has been a focus on 'Administration' costs and UK Sport is pleased to report that levels of efficiency have been maintained at a high level in 2010/11. Total corporate costs were 5% of income leaving 95% for investment in front line activity.



On the lottery side, ticket sales have grown over the period resulting in a greater sum available to the good causes in general, including UK Sport. A significant deficit had been anticipated in 2010/11 funded from Lottery reserves due to the phasing of Grant in Aid funding over the London Cycle and this has now been brought into balance. Total lottery income for the year was £59.3m compared to a budget of £52.3m.

The growth in lottery income has enabled UK Sport to commit additional investment to the Winter Olympic and Paralympic programmes as Sports move into the Sochi Cycle. For the first time, Winter sports were evaluated alongside existing Summer commitments and allocations made accordingly. In total £11.3m was invested compared to £6.5m in the Vancouver Games.

In addition to the direct investment in Sports through National Governing Bodies and individual athletes, a further £2.8m was redirected to the newly constituted UK Anti-Doping in order to support the development of greater collaboration with enforcement Agencies and the extension of testing strategies. The associated Grant in Aid was withheld at source by DCMS and paid direct to UKAD.

The II Foundation was set up in July 2009 and formally assumed responsibility for the processing and administration of II Grants with effect from April 2010. The level of activity in this area has reduced accordingly and UK Sport now acts as a service provider on a cost recovery basis to the II Foundation.

Finally, the Statement of Financial Position showed negative net assets of £3.6m at 31 March 2010 as a result of the Pension Scheme accounting adjustment and the discount rate assumption required under IAS19. A significant contrary movement has arisen in 2010/11 as the impact on benefit costs of the change in inflation

assumption from RPI to CPI for pension escalation is recognised in full. The more positive outlook on pension scheme affordability is reinforced by the outcome of the triennial valuation as at 31 March 2010. This reported a surplus of assets over liabilities of £0.194m in the scheme, and the rate of employer contributions for the active scheme remains unchanged for the next three years.

Looking forward, the trend towards a greater proportion of income arising from the National Lottery is likely to continue. The CSR settlement agreed during the year resulted in a reduction in Grant in Aid income over the four years of the award. At the same time, the allocation of funding to Sport from the Lottery good causes is being increased by 20% and UK Sport's share will rise from 3.8% to 4.56%, such that there will be an opportunity to ensure that the high performance system developed around the London Games can be largely maintained into the Rio Cycle.

Detailed Analysis

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

£ M	2010/11				2009/10			
	GiA	Lottery	Intra-grp	Total	GiA	Lottery	Intra-grp	Total
GiA	55.36	-	-	55.36	59.65	-	-	59.65
NLDF	-	59.33	-	59.33	-	56.58	-	56.58
Other	4.99	-	(1.89)	3.09	2.94	-	(1.53)	1.41
Total Income	60.35	59.33	(1.89)	117.79	62.59	56.58	(1.53)	117.64
Staff	2.56	0.48	-	3.04	4.59	0.74	-	5.33
Programme	8.33	2.13	(1.89)	8.57	8.89	1.77	(1.53)	9.13
Grants	47.50	54.25	-	101.75	48.97	49.25	-	98.22
Total Expense	58.39	56.86	(1.89)	113.36	62.45	51.76	(1.53)	112.68
Surplus	1.96	2.47	-	4.43	0.14	4.82	-	4.96
Non Current Assets	0.82	-	-	0.82	0.79	-	-	0.79
NLDF balance	-	24.77	-	24.77	-	21.65	-	21.65
Receivables	1.40	-	(0.63)	0.77	0.99	-	(0.30)	0.69
Cash	0.99	0.88	-	1.87	1.30	1.57	-	2.88
Current assets	2.39	25.65	(0.63)	27.41	2.29	23.22	(0.30)	25.22
Accruals	0.74	0.62	(0.63)	0.73	0.60	0.33	(0.30)	0.63
Other creditors	0.44	0.02	-	0.47	0.57	0.02	-	0.59
Net Current liabilities	1.19	0.64	(0.63)	1.19	1.17	0.35	(0.30)	1.22
Pension asset/liability	(3.22)	(1.09)	-	(4.31)	(5.17)	(1.73)	-	(6.91)
Dilapidation provision	(0.42)	-	-	(0.42)	(0.38)	-	-	(0.38)
Total assets less liabilities	(1.61)	23.91	-	22.31	(3.63)	21.14	-	17.51
NET CASH FLOW	(0.31)	(0.69)	-	(1.01)	0.86	1.49	-	2.35

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 2010/11, sickness absence excluding long term absence averaged 0.79 days per person (2009/10 – 0.38) and 1 individual had long term sickness absence (2009/10 – Nil).

Long term sickness absence is defined as a period of 4 weeks or longer.

Table 1: Summary of Protected Personal Data Related Incidents Formally Reported to the Information Commissioner's Office in 2010-11

Statement on information risk

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.'

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 reviewed its information and data security systems and introduced a new Information, Data Security and Communications Systems Policy and Procedure with all current and new staff undergoing compulsory e-learning course administered by the National School of Government.

Date of Incident	Nature of Incident	Nature of data involved	Number of people potentially affected	Notification steps
None				

Further action on information risk

During 2010-11 UK Sport introduced an updated and consolidated Information Data Security and Communications Systems Policy and Procedure. The policy covers 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 2010-11

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	Nature of Incident	Total
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	1
V	Other	2



Annual Report and Accounts 2010/11

uk sport 

The United Kingdom Sports Council
Grant-in-Aid and The United Kingdom Sports Council
Group Accounts for the Year Ended 31 March 2011

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 a 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 her responsibility for the propriety and regularity of the public finances for which she 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.

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



Liz Nicholl
Chief Executive and Accounting Officer
United Kingdom Sports Council
28 June 2011



Sue Campbell
Chair
United Kingdom Sports Council
28 June 2011



Statement on Internal Control

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.

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.

I was appointed as interim Accounting Officer on 31 July and Accounting Officer on 23 September 2010, and have therefore carried out responsibilities for internal control, safeguarding public funds, record keeping and managing risk and resources from that date up to the date of signing these Accounts. For the period April 2010 until 31 July 2010, when he stood down as Chief Executive Officer, John Steele as Accounting Officer carried out these responsibilities. Prior to his departure, a detailed handover took place between myself and the outgoing Accounting Officer. In addition I was Chief Operating Officer of UK Sport during this period and therefore attended Board meetings where risks and issues of control are discussed. I am therefore able to make assurances within this Statement to cover the period from 1 April 2010 up until the date of approval of the annual report and accounts.

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 2011, and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Capacity to handle risk

As stated, the organisation has a system of internal control policy that defines risk management

processes. The system of internal control seeks to mitigate rather than eliminate all risk. It is also not possible to mitigate every risk. Thus whether risks are mitigated or accepted is considered in relation to the organisation's capacity both to influence them and to absorb their potential impact. The methodology used to evaluate risks in terms of likelihood and potential impact, 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.

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 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 for 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 considered quarterly in reporting to DCMS and to our Audit Committee and Board, through standing agenda items.

The proposal to combine UK Sport and Sport England was announced in July 2010 and is due to be completed by April 2013. To progress the project, a Project Board (chaired independently from the two organisations) is held every six weeks. Outside of this, operational decisions around the project are made by a Steering Group, comprising the CEOs of both bodies, the Chief Operating Officer at Sport England and the Corporate Development Director at UK Sport, as well as a representative from DCMS. A Project Coordinator manages a small coordination group to deliver the project plan and maintain risk/issue logs around the project. A HealthCheck review of the project has been scheduled by DCMS for the end of June 2011.

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 2010/11 we have made a number of enhancements:

- the introduction of a dedicated Audit Committee and audit programme within our subsidiary, the English Institute of Sport
- the delivery of a significant awareness and education programme for all staff around Information Security
- the integration of our Finance and Investment teams under one director
- a review of our procurement processes and controls (in line with government direction)
- enhancements to our risk reporting framework in line with Management of Risk (MoR) best practice
- agreement from Board to receive a standing item to their meetings around personnel matters
- the establishment of a tracker system for outstanding recommendations made by Internal Audit
- closer working with Sport England and agreement to co-opt a member of their Audit Committee to join ours

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 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 2012/13 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. At no stage throughout the year was quorum for Committee not met.

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
- ensure the published financial statements are a true and fair reflection of UK Sport's financial position

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 introduced a number of measures during 2010/11 to ensure information is handled securely. These included clear ownership of information risk, accountability of staff and clear procedures in relation to the handling of personal information. The review was managed as a Category One project. In addition all staff were 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 the end of March 2011 UK Sport complied with 68 of the SPFs 70 Mandatory Minimum Requirements (MMRs) (21 of which were deemed "non-applicable"). The two outstanding MMRs relate to external arrangements at third-party IT suppliers. A cost-benefit analysis is currently being investigated as to whether it is possible

that these remaining areas can be addressed. Due to the virtualisation of our server environment the cost of meeting these outstanding requirements has dropped significantly.

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)
- 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.

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 2010/11. Internal audit work was performed in accordance with Government Internal Audit Standards issued by HM Treasury.

As at the March Audit Committee six internal audits had been completed in the programme for 2010/11 with a further two either still in progress or at draft report stage. Of the six completed 100% substantial assurance has been given and no level one issues have been raised. Six follow-up audits have also been completed in this period all at draft report stage.

A regular update is also now provided to Audit Committee as to the status of recommendations made through Internal Audit. Of the 44 Recommendations made, 31 have been completed, 13 are currently being worked on or not yet due.

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.

A plan for audit activity for 2011/12 was developed with the auditors towards the end of 2010 and has been approved by Audit Committee.

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 carry out onsite management and governance audits, and also assess the annual self assurance submissions, of NGBs and system partners under a joint contract with Sport England and UK Sport on a rolling annual basis. As part of an improved communications and oversight process introduced into the current contract, relevant UK Sport and Sport England officers meet quarterly with Moore Stephens staff to review progress and manage any operational issues. A particular upgrade in the past year has been the provision by Moore Stephens of a more regular and detailed tracker schedule showing the stage by stage progress of onsite audits.

The NAO initiated a review of governance and financial sustainability at a selection of NGBs (athletics; bowling; squash; triathlon; and wheelchair basketball), with the aim of informing Sport England's and UK Sport's own overview of assurance on the NGBs. Although the NAO is conducting fieldwork at the sports, the focus of the review is on how the joint UK Sport / Sport England assurance process impacts NGBs progress on improving their governance, risk and control arrangements.

The 'Things To Think About' self-help governance tool went live on 2 February 2011, with supportive comments from the Minister for Sport and the Olympics. Feedback from sports and system partners has been overwhelmingly positive, and the tool was also positively highlighted to the other Home Country Sports Councils in advance of the launch. The tool can now be accessed via the UK Sport and Sport England websites.

A total of 17 management and governance audits were undertaken/planned by Moore Stephens LLP during the year. As at 31 March 2011 the outcomes of these were as follows:

Current Status	Number	Green	Amber/Green	Amber/Red	Red
Final Report Issued	6	-	5	1	-
Draft Report Issued	7	-	4	3	-
Fieldwork Complete	2	-	-	-	-
Audit scheduled	2	-	-	-	-

In addition a further three audits were undertaken of Major Events, all of which received substantial assurance.

The 2010/11 management audit programme focused on the areas of highest risk; in selecting the programme the following points were considered:

- 2009 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

37 out of the 43 funded sport and partner organisations have now been subject to an audit review at least once since 2007. Of these, 25 received a "reasonable" assurance rating and 12 received a "limited" assurance rating.

Moore Stephens also evaluated sports' 2010 Self Assurance submissions; the following assurance ratings were received:

	Green	Amber	Red
Rating Received	18	5	1

At present self-assurance is undertaken by all NGBs and system partners that are funded either by Sport England alone or by Sport England and UK Sport jointly. We are aiming to also include on the self-assurance programme all remaining NGBs and system partners that are funded only by UK Sport, as well as the funded Winter sports in 2011 .

In addition Deloitte were commissioned in early 2010 to undertake a thorough investigation of any risk British Cycling's partnership with Sky might have on their world-class programme. The work was conducted in two phases with a final report being presented in February 2011. Potential risks and issues were identified and these are now being addressed by the sport. I have regular meetings with the CEO of the sport to ensure sufficient progress is being made.

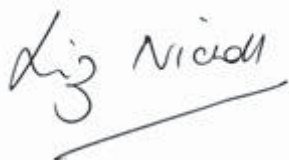
Subsidiary companies

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 Comptroller and Auditor General (C&AG).

A number of measures are in place to assure UK Sport as to the activities/operations of the EIS. The Institute is bound by the Funding Agreement issued and a separate Financial Memorandum. Key Performance Indicators are agreed annually and progress against these is reviewed at formal quarterly meetings, attended by both the National Director and Director of Business and Finance from the Institute. Any other matters of interest/concern are also discussed at those meetings. Separate (but reporting into) these quarterly formal meetings, budget/forecast meetings are held between our Investment Team and the Director of Business and Finance. Our Director of Performance regularly attends EIS Board meetings and Board papers are shared in advance of all meetings. In 2010/11 EIS established an Audit Committee and internal audit programme - papers and minutes from Audit Committee meetings are also shared, including their strategic risk register. Despite no specific activity in 2010/11, the EIS are regularly audited as part of our Internal Audit programme. Outside of the more formal processes the National Director and UK Sport's Director of Corporate Development meet on a monthly basis to discuss matters of mutual interest.

Significant internal control issues

No significant issues of internal control were identified/acted upon in 2010/11. 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.



Liz Nicholl

Chief Executive and Accounting Officer
United Kingdom Sports Council
28 June 2011



Sue Campbell

Chair
United Kingdom Sports Council
28 June 2011

United Kingdom Sports Council Grant-in-Aid and the United Kingdom Sports Council Group Accounts

INDEPENDENT AUDITOR'S REPORT TO THE UNITED KINGDOM SPORTS COUNCIL

I have audited the grant-in-aid and group financial statements of the United Kingdom Sports Council for the year ended 31 March 2011. These comprise the UK Sport and Group Statements of Comprehensive Net Expenditure, Changes in Taxpayers' Equity, Financial Position, Cash Flows 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. I conducted my audit in accordance with 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 read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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 UK Sport's and the Group's affairs as at 31 March 2011 and of their net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Royal Charter of the United Kingdom Sports Council and Secretary of State directions issued thereunder

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Royal Charter of the United Kingdom Sports Council; and
- the information given in the Operating Environment; Strategy and Structure; and Managing Delivery 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 and the part of the Remuneration Report to be audited are not in agreement with the accounting records; 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

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Date: 07 July 2011

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Note	UK Sport		Group	
		2010/11 £'000	2009/10 £'000 Restated	2010/11 £'000	2009/10 £'000 Restated
INCOME					
Other Operating Income	3	4,986	2,944	11,124	9,606
		4,986	2,944	11,124	9,606
EXPENDITURE					
Staff Costs	4.1	2,557	4,591	11,325	14,020
Grants and Other Operating Costs	5	55,831	57,861	51,781	54,291
		58,388	62,452	63,106	68,311
NET EXPENDITURE BEFORE TAXATION & INTEREST					
		(53,402)	(59,508)	(51,982)	(58,705)
Net Return on Pension Assets		(318)	18	(316)	127
Interest Receivable	7	6	5	11	11
Taxation	8	-	-	(1)	(1)
NET EXPENDITURE FOR THE PERIOD					
		(53,714)	(59,485)	(52,288)	(58,568)
Other Comprehensive Expenditure					
Pension actuarial gain/(loss)	16.4	557	(3,240)	436	(5,830)
TOTAL COMPREHENSIVE EXPENDITURE					
		(53,157)	(62,725)	(51,852)	(64,398)

All activities relate to continuing activities

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2011

	UK Sport				Group			
	2010/11		2009/10		2010/11		2009/10	
	Revenue Reserve £'000	Pension Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000
Balance Brought Forward	1,541	(5,174)	1,591	(2,122)	3,570	(5,171)	4,338	(462)
Retained (Deficit) for year	(53,714)	-	(59,485)	-	(52,288)	-	(58,568)	-
Transfer from the Pension reserve	(1,580)	1,580	(210)	210	(3,024)	3,024	(1,143)	1,143
Disposal of Subsidiary	-	-	-	-	-	-	(36)	-
Movement from Deferred income	-	-	-	-	(67)	-	(666)	-
Grant in Aid income received	55,363	-	59,645	-	55,363	-	59,645	-
Recognition of actuarial gains/ (losses)	-	557	-	(3,240)	-	436	-	(5,830)
Other movements	-	(180)	-	(22)	-	(180)	-	(22)
Balance at 31 March	1,610	(3,217)	1,541	(5,174)	3,554	(1,891)	3,570	(5,171)


Statement of Financial Position as at 31 March 2011

	Note	UK Sport		Group	
		2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Non Current assets					
Property Plant and Equipment	9	432	611	2,369	2,568
Intangible Assets	9.1	392	180	392	180
Total Non Current Assets		824	791	2,761	2,748
Current Assets					
Trade and other receivables	10	1,402	989	2,103	1,327
Cash and cash equivalents	11	990	1,304	1,485	2,229
Total Current Assets		2,392	2,293	3,588	3,556
Total Assets		3,216	3,084	6,349	6,304
Current Liabilities					
Trade and other payables	12	(1,187)	(1,167)	(2,349)	(2,358)
Total Current Liabilities		(1,187)	(1,167)	(2,349)	(2,358)
Non Current Assets plus net current assets		2,029	1,917	4,000	3,946
Non Current Liabilities					
Provisions	13	(419)	(376)	(446)	(376)
Pension Liabilities	18	(3,217)	(5,174)	(1,891)	(5,171)
Total Non Current Liabilities		(3,636)	(5,550)	(2,337)	(5,547)
Assets less Liabilities		(1,607)	(3,633)	1,663	(1,601)
Taxpayers' equity					
Pension Reserve		(3,217)	(5,174)	(1,891)	(5,171)
Revenue Reserve		1,610	1,541	3,554	3,570
Total Taxpayers' Equity		(1,607)	(3,633)	1,663	(1,601)

The notes on pages 42 to 61 form part of these accounts



Liz Nicholl
Chief Executive and Accounting Officer
United Kingdom Sports Council
28 June 2011

Sue Campbell
Chair
United Kingdom Sports Council
28 June 2011



Statement of Cash Flows

	Note	UK Sport		Group	
		2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Cash Flows from Operating Activities					
Other Income		4,187	2,511	9,477	7,464
Staff Costs paid		(4,050)	(4,378)	(13,306)	(14,163)
Operating Costs paid		(7,772)	(7,531)	(13,535)	(11,867)
Grants paid	5	(47,502)	(48,966)	(37,401)	(39,862)
Cash generated from operations		(55,137)	(58,364)	(54,765)	(58,428)
Interest Received	7	6	5	11	11
Corporation Tax on investment income	8	-	-	(1)	(7)
Net Cash Flow from Operating Activities		(55,131)	(58,359)	(54,755)	(58,424)
Cash Flows from Investing Activities					
Payments to acquire property, plant and equipment		(64)	(312)	(870)	(825)
Payments to acquire Intangible assets		(482)	(114)	(482)	(114)
Net cash Flow from Investing Activities		(546)	(426)	(1,352)	(939)
Cash Flows from Financing Activities					
Grant in Aid	2	55,363	59,645	55,363	59,645
Net Cash Flow from Financing activities		55,363	59,645	55,363	59,645
Net Increase/(Decrease) in cash and cash equivalents in the year		(314)	860	(744)	282
Cash and cash equivalents at 1 April 2010		1,304	444	2,229	1,947
Cash and cash equivalents at 31 March 2011		990	1,304	1,485	2,229

The notes on pages 42 to 61 form part of these accounts.

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2010/11 Government Financial Reporting Manual (FRoM) 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 FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM 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 a 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 a four year settlement was agreed with DCMS as part of the 2010-11 comprehensive spending review agreements.

1.1 Accounting convention

The accounts direction requires that, when material, accounts are prepared on a modified historical cost (MHCA) basis in which the Statement of Comprehensive Net Expenditure 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. Pension costs recognised within UK Sport's accounts are subject to estimation. The key assumptions applied by the actuary are set out in note 16.

1.3 Basis of consolidation

The English Institute of Sport (EIS) has been accounted for as a subsidiary entity during 2010/11 using merger accounting, in accordance with the guidance set out in the Financial Reporting Manual (FRoM) issued by HM Treasury and on the basis that UK Sport is the sole member.

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 1.4

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 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 Taxpayers' Equity.

Fundraising Income

Income from fundraising activities is recognised in the Statement of Comprehensive Net Expenditure 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 conditions 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 Statement of Comprehensive Net Expenditure 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.

1.5 Property Plant and 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.

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 Statement of Comprehensive Net Expenditure for the period:

Depreciation is provided on all property plant and 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:

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

1.6 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 intangible assets is charged over their useful economic life, on the following basis:

Computer Software	2-5 years
Licences	2-5 years

1.7 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.

1.8 Grants and Loans Awarded

Grants payable are charged to the Statement of Comprehensive Net Expenditure on an accruals basis. UK

Sport may give financial assistance by way of grants and loans to any person or organisation in furtherance of the objectives of the Council.

1.9 Pension Costs

The pension liabilities and assets are recorded in line with 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 Statement of Comprehensive Net Expenditure and the interest on scheme assets and liabilities is shown in the Statement of Comprehensive Net Expenditure. 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.

1.10 Leases and Provisions

A 15 year lease was signed for the office premises at 40 Bernard Street with Bloomsbury Property Investment Limited at an annual rent of £441,300 with effect from 25 December 1999 to be reviewed every five years. All lease payments are charged to the Statement of Comprehensive Net Expenditure.

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

1.11 Charges to and from UK Sport

UK Sport is required to apportion between its Grant-in-Aid and National Lottery distribution activities, the costs of services provided from its Grant-in-Aid budget that are directly and demonstrably attributable to the National Lottery distribution functions and vice versa. The costs so apportioned to the Lottery distribution activities are paid from the UK Sport Lottery Fund to the Grant-in-Aid account. The apportionment of the cost 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".

1.12 Investment

There are no fixed asset or trade investments. Bank interest is included in the Statement of Comprehensive Net Expenditure.

1.13 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.

1.14 Value Added Tax

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

EIS is part of the same VAT group as UK Sport 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 HMRC.

1.15 Removal of cost of capital

Under the 2010-11 FReM the requirement to include cost of capital has been removed. This has been accounted for as a change in accounting policy and prior periods have been adjusted accordingly. There has been nil net impact on the Statement of Comprehensive Net Expenditure and Statement of Financial Position.

1.16 Standards issued but not yet effective

There are no accounting standards issued but not yet effective that would have a material impact on the accounts of UK Sport.

2. Grant-in-Aid

	UK Sport		Group	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Received from DCMS-Revenue	54,733	56,821	54,733	56,821
Received from DCMS-Capital	630	474	630	474
Received from DCMS-I2012	-	2,350	-	2,350
Total	55,363	59,645	55,363	59,645

A total of £55.36m (2009/10 £59.64m) Grant-in-Aid was made available and drawn down during the year

3. Other Income

	UK Sport		Group	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Funds for International Programme	291	272	291	272
Funds for World Class Programme	2,400	600	2,400	600
Costs apportioned to UKS Lottery Account	1,893	1,533	1,893	1,533
Other	402	539	402	539
EIS	-	-	6,138	6,662
	4,986	2,944	11,124	9,606

4. Staffing and Management

4.1 Staff costs

	UK Sport		Group	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Wages and Salaries (including performance related pay)	3,666	3,942	12,225	12,537
Temporary and Agency Staff	212	94	212	94
Social Security Costs	172	324	869	1,008
Pension Costs: Current Service Cost	825	231	2,001	381
	4,875	4,591	15,307	14,020
Past Service Cost	(2,318)	-	(3,982)	-
Total Staff Costs	2,557	4,591	11,325	14,020

4.2 Average number of staff during the year

	UK Sport	
	2010/11 £'000	2009/10 £'000
Employees		
UK Sport	72	74
English Institute of Sport	242	241
	314	315
Agency		
UK Sport	6	2

5. Grants and Other Operating Costs

	UK Sport		Group	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
NATIONAL SUPPORT- Grants				
Sports Bodies	46,101	45,056	36,001	36,011
Performance	188	601	188	542
International Representation	1,212	3,309	1,212	3,309
	47,501	48,966	37,401	39,862
NATIONAL SUPPORT- Other Costs				
Performance	4,967	5,209	4,967	5,209
Communications	295	646	295	646
International Representation	194	367	194	367
English Institute of Sport	-	-	6,050	5,534
	5,456	6,222	11,506	11,756
FINANCE AND MANAGEMENT SERVICES				
HQ office costs	2,874	2,673	2,874	2,673
Total	55,831	57,861	51,781	54,291

6. Operating Results

	UK Sport		Group	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
This is stated after charging:				
Travel, subsistence and hospitality:				
Chair and members	11	21	11	21
Employees	312	391	1,050	1,187
Consultants' fees and legal fees	63	56	185	164
Performance Programme Delivery - Specialist Services	1,789	1,451	1,789	1,451
International Programme Delivery - Specialist Services	50	84	50	84
Operating Lease – 40 Bernard Street	687	643	687	643
Operating Lease: EIS Property	-	-	1,298	1,267
Operating Lease: Plant and Equipment	-	-	11	13
Depreciation	244	388	1,040	1,291
Amortisation	270	79	270	79
Loss on disposal of Tangible Assets	-	-	25	49
Auditors' remuneration for audit work	36	43	48	53
Auditors' remuneration for WGA work	2	2	2	2

7. Investment Income

	UK Sport		Group	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Overnight and short term investment of bank balances	6	5	11	11

Interest rates vary from day to day and averaged approximately 0.33% (2009/10 0.23%) during the year.

8. Taxation

	UK Sport		Group	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Corporation Tax payable on interest received	-	-	1	1

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.

9. UK Sport – Property Plant and Equipment

	Leasehold Improvement £'000	IT Equipment £'000	Office Equipment £'000	Total £'000
At Cost				
At 01/04/09	872	826	113	1,811
Additions	134	169	9	312
Disposals	-	(61)	(38)	(99)
At 31/03/10	1,006	934	84	2,024
Additions	-	64	-	64
Disposals	-	(32)	-	(32)
At 31/03/11	1,006	966	84	2,056
Depreciation				
At 01/04/09	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
Charge for year	86	141	16	244
Depreciation on disposal	-	(32)	-	(32)
At 31/03/11	711	848	65	1,624
Net book value				
At 01/04/09	334	312	41	687
At 31/03/10	381	195	35	611
At 31/03/11	295	118	19	432

9. Group – Property Plant and Equipment

	Leasehold Improvement £'000	IT Equipment £'000	Office Equipment £'000	Total £'000
At Cost				
At 01/04/09	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
Additions	72	468	330	870
Disposals	-	(254)	(177)	(431)
At 31/03/11	1,359	3,020	3,973	8,352
Depreciation				
At 01/04/09	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
Charge for year	127	404	510	1,040
Depreciation on disposal	-	(233)	(169)	(402)
At 31/03/11	952	2,350	2,681	5,983
Net book value				
At 01/04/09	420	919	1,744	3,083
At 31/03/10	462	626	1,480	2,568
At 31/03/11	407	670	1,292	2,369

9.1 UK Sport - Intangible Assets

Information Technology £'000

At Cost

At 01/04/09	1,399
Additions	114
Disposals	(863)
At 31/03/10	650
Additions	482
Disposals	-
At 31/03/11	1,132

Amortisation

At 01/04/09	1,254
Charge for year	79
Depreciation on disposal	(863)
At 31/03/10	470
Charge for year	270
Depreciation on disposal	-
At 31/03/11	740

Net book value

At 01/04/09	145
At 31/03/10	180
At 31/03/11	392

10. Trade Receivables

	UK Sport		Group	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Trade Receivables	166	135	439	222
Other Receivables	50	213	70	260
Prepayments and Ac- crued Income	1,186	641	1,594	845
Total	1,402	989	2,103	1,327
Intra-government Balances				
Balances with central government bodies	40	389	40	374
Balances with local authorities and police authorities	259	-	273	13
Balances with public corporations and trading funds	4	-	4	-
Subtotal: intra-gov- ernment balance	303	389	317	387
Balances with bodies external to government	1,099	600	1,786	940
	1,402	989	2,103	1,327

11. Cash and cash equivalents

	UK Sport		Group	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Balance at 1 April	1,304	444	2,229	1,947
Net change in cash and cash equivalents	(314)	860	(744)	282
Balance at 31 March	990	1,304	1,485	2,229

12. Trade Payables

	UK Sport		Group	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Trade Payables	324	349	759	649
Other Payables	-	101	25	124
Corporation Tax	-	-	1	1
Other taxation and Social Security	119	118	470	586
Accruals and Deferred Income	744	599	1,094	998
Total	1,187	1,167	2,349	2,358

Intra-government Balances

Balances with central government bodies	159	234	402	703
Balances with local authorities and police authorities	-	-	3	72
Balances with public corporations and trading funds	1	1	1	1
Subtotal: intra-government balance	160	235	406	776
Balances with bodies external to government	1,027	932	1,943	1,582
	1,187	1,167	2,349	2,358

All amounts fall due within one year

13. Provision for Liabilities

	UK Sport		Group	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Opening balance	376	335	376	386
Charge in year	43	41	70	(10)
Closing balance	419	376	446	376

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. Reconciliation of Operating Deficit to Net cash outflow from Operating Activities

	UK Sport		Group	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Net expenditure before taxation and interest	(53,402)	(59,508)	(51,982)	(58,705)
Depreciation/Amortisation of fixed assets	513	467	1,309	1,373
Loss/Proceeds on disposal of fixed assets	1	2	27	49
Transfer from deferred income account	-	-	(67)	(665)
(Increase)/Decrease in receivables	(413)	558	(700)	507
Increase/(Decrease) in payables	19	268	(85)	132
Increase/(Decrease) in provisions	43	41	69	(9)
Pension scheme: Non cash movement	(1,898)	(192)	(3,336)	(1,110)
Total	(55,137)	(58,364)	(54,765)	(58,428)

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 2010/11 £55.36m or 83% (2009/10 £59.64m or 86%) of the Group's income was derived from DCMS Grant-in-Aid and £0.0m or 0% (2009/10 £0.0m or 0%) from the Lottery Distribution Fund. The remaining balance of £11.1m or 17% (2009/10 £9.6m or 14%) is 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 0.33% (2009/10 0.23%) in the year. UK Sport's closing balance was £989,935 (2009/10 £1,304,000).

Foreign Currency Risk

There is no material exposure to foreign exchange risks.

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 1.9 above.

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

The Pension Scheme is of the defined benefit type and is funded by employees and employers at actuarially determined rates. The employer's contribution for the year amounted to £324,133 or 10.2% of pensionable pay (2009/10 £320,523 or 10.2%). An additional pension contribution of £81,261 (2009/10 £102,840) 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 31/03/2010, with the next formal valuation due at 31/03/2013. 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 Accounting 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	2011	2010
Price increases	3.5%	3.9%
Salary increases	4.5%	5.4%
Pension increases	2.7%	3.9%
Discount rate	5.5%	5.5%

Average future life expectancies at age 65:	Males	Females
Current pensioners	22.0 years	23.8 years
Future Pensioners	24.0 years	25.6 years

16.2 Fair Value of Employers Assets

	2011 Long term return %	Assets £'000	2010 Long term return %	Assets £'000
Equities	7.4%	6,993	7.5%	6,251
Target return funds	4.5%	1,217	4.5%	943
Alternative assets	6.4%	1,419	6.5%	1,321
Cash	3.0%	304	3.0%	472
Corporate bonds	5.5%	203	5.5%	94
Total Fair Value of Assets		10,136		9,081
Present Value of Scheme Liabilities		13,353		14,255
Net Pension Liability		(3,217)		(5,174)

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

	31-Mar-11	31-Mar-10
Equities	69%	70%
Target return funds	12%	10%
Alternative assets	14%	14%
Cash	3%	5%
Corporate Bonds	2%	1%

16.3 Amounts recognised in the Statement of Comprehensive Net Expenditure are as follows

	31-Mar-11	31-Mar-10
Current Service Cost	825	231
Interest Cost	1,000	710
Expected return on Employers Assets	(681)	(505)
Past Service Cost	(2,318)	-
Loss (gain) on curtailments and settlements	-	(223)
Total	(1,174)	213
Actual Return on Plan Assets	670	2,175

16.4 Amounts recognised in Statement of Changes in Taxpayers' Equity

	31-Mar-11	31-Mar-10
Actuarial Gains/(Losses)	557	(3,240)
Actuarial Gains/(Losses) recognised in SOCTE	557	(3,240)
Cumulative Actuarial Gains and Losses	(3,221)	(3,778)

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

	31-Mar-11	31-Mar-10
Opening defined benefit obligation	14,255	9,756
Current Service Cost	825	231
Interest Cost	1,000	710
Contributions by Members	222	246
Actuarial Loss (Gains)	(360)	4,912
Liabilities extinguished on settlements	-	(571)
Past Service Cost	(2,318)	-
Estimated Benefits Paid	(271)	(1,029)
Closing defined benefit obligation	13,353	14,255

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

	31-Mar-11	31-Mar-10
Opening fair value of employers assets	9,081	7,634
Expected return on assets	681	505
Contributions by Members	222	246
Contributions by Employer	408	357
Actuarial (Losses)/Gains	15	1,717
Benefits paid	(271)	(1,029)
Payment of bulk transfer value	-	(349)
Closing fair value of Employer assets	10,136	9,081

16.7 A history of Experience Gains and Losses is shown below:

	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000
Fair Value of Employer Assets	10,136	9,081	7,634	9,324	6,418
Present Value of Defined benefit obligation	(13,353)	(14,255)	(9,756)	(9,857)	(7,613)
Surplus/(Deficit)	(3,217)	(5,174)	(2,122)	(533)	(1,195)
Experience gains/(losses) on assets	197	1,672	(2,685)	(849)	-
Experience gains/(losses) on liabilities	(712)	316	25	61	(199)

1. In order to assess the actuarial value of the LPFA Pension Fund's liabilities as at 31 March 2011, 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 2011 without completing a full valuation. However Barnett Waddingham are satisfied that the approach of rolling forward the previous valuation to 31 March 2011 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 IAS19 purposes has been allocated between the Lottery and Exchequer (GIA) accounts in accordance with accounting policy note 1.9

17. Superannuation Scheme - EIS

The company participates in the LPFA Superannuation Scheme. 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 £944,811 (2010: £974,098).

Following advice of the consulting actuaries to the LPFA, the English Institute of Sport Limited's initial employer contributions (as a percentage of pensionable salary) were set at 12.5% from the date of admittance to the scheme. A valuation for 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	2011 %	2010 %
Rate of increase in salaries	3.7	4.1
Rate of increase in pensions in payment	2.7	3.9
Discount rate	5.5	5.5
Inflation assumption	3.9	3.9

Average future life expectancies at age 65:	Males	Females
Current pensioners	21.9 years	23.9 years
Future Pensioners	23.9 years	25.8 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

	2011 Long term rate of return expected %	Value £'000	2010 Long term rate of return expected %	Value £'000
Equities	7.4	8,751	7.5	7,427
Target return Portfolio	4.5	1,522	4.5	1,061
Property	6.4	1,776	6.5	1,485
Cash	3.0	380	3.0	531
Corporate bonds	5.5	254	5.5	106
Total Market Value of Assets		12,683		10,610
Present Value of Scheme Liabilities		(11,357)		(10,607)
Net Pension asset		1,326		3

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

17.3 The amounts recognised in the Statement of Comprehensive Net Expenditure are as follows

	31-Mar-11 £'000	31-Mar-10 £'000
Current Service Cost	1,176	176
Interest Cost	758	373
Expected return on Employers Assets	(760)	(482)
Past Service Cost	(1,664)	-
Loss on Curtailments and settlements	-	143
	<hr/>	
Total	(490)	210
	<hr/>	
Actual Return on Plan Assets	795	2,189

17.4 The amounts recognised in Statement of Changes in Taxpayers' Equity

	31-Mar-11 £'000	31-Mar-10 £'000
Actuarial Gains/(Losses)	(121)	(2,590)
Actuarial Gains/(Losses) recognised in SOCTE	(121)	(2,590)
	<hr/>	
Cumulative Actuarial Gains and Losses	(2,945)	(2,824)

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

	31-Mar-11 £'000	31-Mar-10 £'000
Opening defined benefit obligation	10,607	5,024
	<hr/>	
Current Service Cost	1,176	176
Interest Cost	758	373
Contributions by Members	534	550
Actuarial (Gains)/Losses	(26)	4,298
Losses on Curtailments	-	143
Past Service Costs	(1,664)	-
Estimated Benefits Paid	(28)	43
	<hr/>	
Closing defined benefit obligation	11,357	10,607

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

	31-Mar-11 £'000	31-Mar-10 £'000
Opening fair value of employers assets	10,610	6,684
<hr/>		
Expected return on assets	760	482
Contributions by Members	534	550
Contributions by Employer	954	1,143
Actuarial gain/(Losses)	(147)	1,708
Benefits paid	(28)	43
<hr/>		
Closing fair value of Employers assets	12,683	10,610
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17.7 A history of Experience Gains and Losses is shown below:

	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000
Fair Value of Employer Assets	12,683	10,610	6,684	6,802	5,313
Present Value of Defined benefit obligation	(11,357)	(10,607)	(5,024)	(4,249)	(4,309)
<hr/>					
Surplus/(Deficit)	1,326	3	1,660	2,553	1,004
Experience gains/(losses) on assets	(147)	1,708	(2,147)	(202)	43
Experience gains/(losses) on liabilities	(1,450)	-	-	(408)	-

18. Group Pension Amounts

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Pension Assets/(Liabilities) UK Sport	(3,217)	(5,174)	(2,122)
Pension Assets/(Liabilities) EIS	1,326	3	1,660
Total Pension Assets/(Liabilities) Group	(1,891)	(5,171)	(462)
<hr/>			
Pension actuarial gain/(loss) UK Sport	557	(3,240)	(1,530)
Pension actuarial gain/(loss) EIS	(121)	(2,590)	(1,789)
Total Pension actuarial gain/(loss) Group	436	(5,830)	(3,319)
<hr/>			
Net return on assets UK Sport	(318)	(205)	(42)
Gain on curtailments and settlements	-	223	-
Net return on assets EIS	2	109	207
Total Net return on assets Group	(316)	127	165

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	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Obligations under operating leases comprise:				
Buildings				
Not later than one year	687	643	1,568	643
Later than one year not later than five years	2,060	2,573	2,103	2,839
Later than five years	-	-	-	-
Other				
Not later than one year	-	-	1	-
Later than one year not later than five years	-	-	9	11
Later than five years	-	-	-	9
Total	2,747	3,216	3,681	3,502

20. Grant Commitments

On the undertaking that funds are to be provided by DCMS, UK Sport at 31/03/11, had entered into commitments to pay grants to governing bodies in respect of their approved programmes in the following years (these commitments at 31/03/11 have not yet been recognised in the statement of comprehensive net expenditure account nor statement of financial position):

	2010/11 £'000	2009/10 £'000
2010/11	-	39,689
2011/12	50,163	41,784
2012/13	49,291	43,670
2013/14	-	-
	99,454	125,143

21. Events after the Reporting Period

The accounts were authorised for issue on 07 July 2011, the date the C&AG certified the accounts. 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 01/04/10 to 31/03/11, UK Sport has had various material transactions with the Department and with the Sports Councils for the home countries.

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

The following table details UK Sport's related party transactions for the year which are on an arm's length basis.

Related party	Nature of transaction	Amounts
Sue Campbell - Chair of Youth Sport Trust (YST)	UK Sport has secondees from YST	£89,411
Louise Martin - Chair of sportscotland Board Member of Active Stirling Ltd	Secondee from sportscotland Grant funding to sportscotland Hire of sports hall	£47,819 £253,336 £324
Phillip Kimberley - Chairman of England Hockey	Grant funding to England Hockey	£1,428,275

23. Subsidiary Undertakings

English Institute of Sport (EIS).

UK Sport was given responsibility for the EIS in April 2006.

The following results of the EIS have been included in the consolidated results:

	2011 £'000	2010 £'000
Income and Expenditure		
Income	16,281	15,805
Administrative expenses	(14,841)	(14,983)
Operating surplus	1,440	822
Interest receivable	5	6
Interest payable and similar charges	2	109
Surplus on ordinary activities before taxation	1,447	937
Tax on surplus on ordinary activities	(1)	(1)
Surplus for the financial year	1,446	936
Net assets as at 31 March		
Fixed assets	1,937	1,956
Current assets	1,211	1,339
Creditors: Falling due within one year	(1,196)	(1,285)
Total assets less current liabilities	1,952	2,010
Creditors: Falling due after more than one year	(3)	(22)
Deferred income	(1,959)	(2,026)
Provision for liabilities	(27)	-
Net liabilities excluding pension asset	(37)	(39)
Defined benefit pension scheme asset	1,326	3
Net assets/liabilities including pension asset	1,289	(36)
Reserves	1,289	(36)
Income and expenditure account		



Annual Report and Accounts 2010/11


uk sport

The United Kingdom Sports Council
Lottery Distribution Fund
Accounts for the Year Ended 31 March 2011

Statement of the Board and Chief Executive's Responsibilities

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

In preparing the accounts the Council is required to:

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

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 her responsibility for the propriety and regularity of the public finances for which she 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 and in the Financial Directions issued by the Secretary of State for Culture, Media and Sport under section 26(3) of the National Lottery etc. Act 1993.

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



Liz Nicholl

Chief Executive and Accounting Officer
United Kingdom Sports Council
28 June 2011



Sue Campbell

Chair
United Kingdom Sports Council
28 June 2011



Statement on Internal Control

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.

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.

I was appointed as interim Accounting Officer on 31 July and Accounting Officer on 23 September 2010, and have therefore carried out responsibilities for internal control, safeguarding public funds, record keeping and managing risk and resources from that date up to the date of signing these Accounts. For the period April 2010 until 31 July 2010, when he stood down as Chief Executive Officer, John Steele as Accounting Officer carried out these responsibilities. Prior to his departure, a detailed handover took place between myself and the outgoing Accounting Officer. In addition I was Chief Operating Officer of UK Sport during this period and therefore attended Board meetings where risks and issues of control are discussed. I am therefore able to make assurances within this Statement to cover the period from 1 April 2010 up until the date of approval of the annual report and accounts.

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 2011 (and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance).

Capacity to handle risk

As stated, the organisation has a system of internal control policy that defines risk management processes. The system of internal control seeks to mitigate rather than eliminate all risk. It is also not possible to mitigate every risk. Thus whether risks are mitigated or accepted is considered in relation to the organisation's capacity both to influence them and to absorb their potential impact. The methodology used to evaluate risks in terms of likelihood and potential impact, 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.

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 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 for 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 considered quarterly in reporting to DCMS and to our Audit Committee and Board, through standing agenda items.

The proposal to combine UK Sport and Sport England was announced in July 2010 and is due to be completed by April 2013. To progress the project, a Project Board (chaired independently from the two organisations) is held every six weeks. Outside of this, operational decisions around the project are made by a Steering Group, comprising the CEOs of both bodies, the Chief Operating Officer at Sport England and the Corporate Development Director at UK Sport, as well as a representative from DCMS. A Project Coordinator manages a small coordination group to deliver the project plan and maintain risk/issue logs around the project. A HealthCheck review of the project has been scheduled by DCMS for the end of June 2011.

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 2010/11 we have made a number of enhancements:

- the delivery of a significant awareness and education programme for all staff around Information Security;
- the integration of our Finance and Investment teams under one director;
- a review of our procurement processes and controls (in line with government direction);
- enhancements to our risk reporting framework in line with Management of Risk (MoR) best practice;
- agreement from Board to receive a standing item to their meetings around personnel matters;
- the establishment of a tracker system for outstanding recommendations made by Internal Audit;
- closer working with Sport England and agreement to co-opt a member of their Audit Committee to join ours

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 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 2012-13 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. At no stage throughout the year was quorum for Committee not met.

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

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 introduced a number of measures during 2010/11 to ensure information is handled securely. These included clear ownership of information risk, accountability of staff and clear procedures in relation to the handling of personal information. The review was managed as a Category One project. In addition all staff were 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

the end of March 2011 UK Sport complied with 68 of the SPF's 70 Mandatory Minimum Requirements (21 of which were deemed "non-applicable"). The two outstanding MMRs relate to external arrangements at third-party IT suppliers. A cost-benefit analysis is currently being investigated as to whether it is possible that these remaining areas can be addressed. Due to the virtualisation of our server environment the cost of meeting these outstanding requirements has dropped significantly.

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.

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 2010/11. Internal audit work was performed in accordance with Government Internal Audit Standards issued by HM Treasury.

As at the March Audit Committee six internal audits had been completed in the programme for 2010/11 with a further two either still in progress or at draft report stage. Of the six completed 100% substantial assurance has been given and no level one issues have been raised. Six follow-up audits have also been completed in this period all at draft report stage.

A regular update is also now provided to Audit Committee as to the status of recommendations made through Internal Audit. Of the 44 Recommendations made, 31 have been completed, 13 are currently being worked on or not yet due.

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.

A plan for audit activity for 2011/12 was developed with the auditors towards the end of 2010 and has been approved by Audit Committee.

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 carry out onsite management & governance audits, and also assess the annual self assurance submissions, of NGBs and system partners under a joint contract with Sport England and UK Sport on a rolling annual basis. As part of an improved communications and oversight process introduced into the current contract, relevant UK Sport and Sport England officers meet quarterly with MS staff to review

progress and manage any operational issues. A particular upgrade in the past year has been the provision by Moore Stephens of a more regular and detailed tracker schedule showing the stage by stage progress of onsite audits.

The NAO initiated a review of governance and financial sustainability at a selection of NGBs (athletics; bowling; squash; triathlon; and wheelchair basketball), with the aim of informing Sport England's and UK Sport's own overview of assurance on the NGBs. Although the NAO is conducting fieldwork at the sports, the focus of the review is on how the joint UK Sport / Sport England assurance process impacts NGBs progress on improving their governance, risk and control arrangements.

The 'Things To Think About' self-help governance tool went live on 2 February 2011, with supportive comments from the Minister for Sport. Feedback from sports and system partners has been overwhelmingly positive, and the tool was also positively highlighted to the other Home Country Sports Councils in advance of the launch. The tool can now be accessed via the UK Sport and Sport England websites.

A total of seventeen management & governance audits were undertaken/planned by Moore Stephens LLP during the year. As at 31 March 2011 the outcomes of these were as follows:

Current Status	Number	Green	Amber/Green	Amber/Red	Red
Final Report Issued	6	-	5	1	-
Draft Report Issued	7	-	4	3	-
Fieldwork Complete	2	-	-	-	-
Audit scheduled	2	-	-	-	-

In addition a further three audits were undertaken of Major Events, all of which received substantial assurance.

The 2010/11 management audit programme focused on the areas of highest risk; In selecting the programme the following points were considered:

- 2009 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

37 out of the 43 funded sport & partner organisations have now been subject to an audit review at least once since 2007. Of these, 25 received a "reasonable" assurance rating and 12 received a "limited" assurance rating.

Moore Stephens also evaluated Sports' 2010 Self Assurance submissions; the following assurance ratings were received:

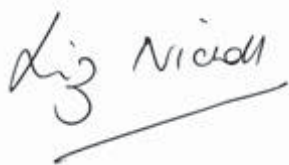
	Green	Amber	Red
Rating Received	18	5	1

At present self-assurance is undertaken by all NGBs and system partners that are funded either by Sport England alone or by Sport England and UK Sport jointly. We are aiming to also include on the self-assurance programme all remaining NGBs and system partners that are funded only by UK Sport, as well as the funded Winter sports in 2011.

In addition Deloitte were commissioned in early 2010 to undertake a thorough investigation of any risk British Cycling's partnership with Sky might have on their world-class programme. The work was conducted in two phases with a final report being presented in February 2011. Potential risks and issues were identified and these are now being addressed by the sport. I have regular meetings with the CEO of the sport to ensure sufficient progress is being made.

Significant internal control issues

No significant issues of internal control were identified/acted upon in 2010/11. 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.



Liz Nicholl

Chief Executive and Accounting Officer
United Kingdom Sports Council
28 June 2011



Sue Campbell

Chair
United Kingdom Sports Council
28 June 2011



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 2011 under the National Lottery etc. Act 1993. These comprise the Statement of Comprehensive Net Expenditure, 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 Officer and auditor

As explained more fully in the Statement of Board's and Chief Executive Officer's Responsibilities, the Chief Executive Officer 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, certify and report on the financial statements in accordance with the National Lottery etc. Act 1993. I conducted my audit in accordance with 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 Lottery Distribution Fund'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 read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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 2011 and of its increase in lottery distribution funds for the year then ended; and
- the financial statements have been properly prepared in accordance with the National Lottery etc. Act 1993 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the National Lottery etc. Act 1993; and
- the information given in the Operating Environment; Strategy & Structure; and Managing Delivery 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 and the part of the Remuneration Report to be audited are not in agreement with the accounting records; 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
Date: 07 July 2011

Statement of Comprehensive Net Expenditure for the year ended 31 March 2011

	Note	2010/11 £'000	2009/10 £'000
INCOME			
National Lottery share of proceeds	2	58,761	56,259
Investment returns from NLDF	2	568	312
Other Operating Income		19	9
Interest Receivable		3	2
		59,351	56,582
EXPENDITURE			
Hard commitments	3	36,789	113,951
Hard de-commitments	3	(2,034)	(4,336)
Staff costs	6	481	742
Depreciation – property, plant & equipment	9	-	-
Other operating costs		240	237
Costs apportioned from UK Sport GIA account		1,893	1,533
		37,369	112,127
INCREASE/(DECREASE) IN LOTTERY DISTRIBUTION FUNDS BEFORE TAXATION			
		21,982	(55,545)
Net Return on Pension Liabilities		(64)	3
Taxation		-	-
INCREASE/(DECREASE) IN LOTTERY DISTRIBUTION FUNDS			
		21,918	(55,542)
Other Comprehensive Expenditure			
Pension actuarial gain/(loss)		152	(883)
TOTAL COMPREHENSIVE NET EXPENDITURE			
		22,070	(56,425)

All activities relate to continuing activities

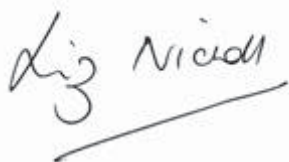
Statement of Changes in Equity for the year ended 31 March 2011

	2010/11		2009/10	
	Revenue Reserve £'000	Pension Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000
Balance Brought Forward	(77,886)	(1,733)	(22,332)	(831)
Retained Surplus/ (Deficit) for year	21,918	-	(55,542)	-
Recognition of actuarial gain/(loss)	-	152	-	(883)
Transfer from the Pension reserve	(290)	290	(12)	12
Other movements	-	197	-	(31)
Balance at 31 March	(56,258)	(1,094)	(77,886)	(1,733)

Statement of Financial Position as at 31 March 2011

	Notes	2010/11 £'000	2009/10 £'000
Non Current assets			
Property Plant and Equipment	9	-	-
Total Non Current Assets			
Current Assets			
Investments – balance in NLDF	2	24,765	21,649
Trade and other receivables	10	1	2
Cash and cash equivalents	14	882	1,574
Total Current Assets		25,648	23,225
Current Liabilities			
Trade and other payables	11	(640)	(351)
Hard grant commitments falling due within one year	3	(48,163)	(54,522)
Total Current Liabilities		(48,803)	(54,873)
Current Assets less current liabilities		(23,155)	(31,648)
Non Current Liabilities			
Hard grant commitments falling due after one year	3	(33,103)	(46,238)
Pension Liability	12.2	(1,094)	(1,733)
Total Non Current Liabilities		(34,197)	(47,971)
Total Assets less Liabilities		(57,352)	(79,619)
Equity			
Pension Reserve	12.2	(1,094)	(1,733)
Revenue Reserve		(56,258)	(77,886)
Total Equity		(57,352)	(79,619)

The notes on pages 78 to 92 form part of these accounts



Liz Nicholl

Chief Executive and Accounting Officer
United Kingdom Sports Council
28 June 2011




Sue Campbell

Chair
United Kingdom Sports Council
28 June 2011



Statement of Cash Flows

	Notes	2010/11 £'000	2009/10 £'000
Cash Flow from Operating activities			
Cash drawn down from NLDF	2	56,213	53,731
Other Income		19	8
Staff Costs	6	(772)	(742)
Operating Costs		(1,905)	(2,255)
Award payments	5	(54,250)	(49,250)
Net cash generated from Operations		(695)	1,492
Interest received		3	2
Corporation tax paid		-	-
Net Cash Flow from Operating activities		(692)	1,494
Net Increase/(Decrease) in cash and cash equivalents in the period		(692)	1,494
Cash and cash equivalents at 1 April		1,574	80
Cash and cash equivalents at 31 March		882	1,574

The notes on pages 78 to 92 form part of these accounts

1. Accounting Policies

1.1 Accounting Policies

These financial statements have been prepared in accordance with the 2010/11 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 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 Lottery for the purpose of giving a 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 2011, 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.

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.

The annual accounts have been prepared on a going concern basis. The accounts show net liabilities as at 31 March 2011. The net liability position is a result of the recognition of hard commitments in accordance with note 1.3. As set out in the Annual Report, if the accounts were restated on an accruals basis then a net asset position would be achieved as at 31 March 2011. The grant commitments for future years have been entered into after taking account of UK Sport's percentage of the National Lottery Distribution Fund.

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. Pension costs recognised within UK Sport's accounts are subject to estimation. The key assumptions applied by the actuary are set out in note 12.

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 statement of comprehensive net expenditure (and shown in note 3), soft commitments are detailed in note 4.

1.3 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
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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 Statement of Comprehensive Net Expenditure and the interest on scheme assets and liabilities is shown in the Statement of Comprehensive Net Expenditure. 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 12 to the accounts.

Details about the valuation of the pension fund and the recharges are also in note 12.

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 in 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 Grants 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.

2. National Lottery Distribution fund

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

	2010/11	2009/10
	£'000	£'000
Balance brought forward	21,649	18,809
Share of net operator proceeds	58,761	56,259
Investment returns from NLDF	568	312
Available for distribution	<u>80,978</u>	<u>75,380</u>
Funds drawn down	<u>(56,213)</u>	<u>(53,731)</u>
Balance carried forward	<u>24,765</u>	<u>21,649</u>

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 NLDF 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 31/3/11 is £24.765m (2009/10 £21.649m).

The NLDF balance increased during 2010/11 to stand at £24.765m at 31/3/11, representing 30% of outstanding commitments made at that point.

3. Hard Commitments

	2010/11 £'000	2009/10 £'000
Hard commitments brought forward	100,760	40,395
Hard commitments made this year	36,789	113,951
Hard de-commitments	(2,034)	(4,336)
Total Hard commitments	135,515	150,010
Hard commitments met in the period	(54,250)	(49,250)
Hard commitments carried forward as at year end	81,265	100,760

	2010/11 £'000	2009/10 £'000
Hard Commitments by year		
Amounts falling due during 2009/10	-	-
Amounts falling due during 2010/11	-	54,522
Amounts falling due during 2011/12	48,163	24,578
Amounts falling due during 2012/13	32,052	21,660
Amounts falling due during 2013/14	750	-
Amounts falling due during 2015/16	300	-
	81,265	100,760

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 2010 and actual amount paid in 2011.

4. Soft Commitments

	2010/11 £'000	2009/10 £'000
Soft commitments brought forward	16,550	99,154
Soft commitments made	23,636	31,569
Soft commitments transferred to hard commitments	(36,872)	(113,951)
Soft de-commitments	(1,422)	(222)
Soft commitments carried forward as at 31 March	1,892	16,550

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

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

5. Lottery Grant Payments during the Year

	2010/11 £'000	2009/10 £'000
To Athletes:		
Amateur Boxing Association of England	439	
Amateur Rowing Association	-	921
Badminton England	343	306
British Amateur Boxing Association	-	276
British Bobskeleton Association	94	-
British Bobsleigh Association	49	-
British Canoe Union	391	283
British Curling Association	115	257
British Cycling Federation	1,058	1,075
British Equestrian Federation	383	330
British Fencing Association	161	121
British Gymnastics	252	214
British Handball Association	-	6
British Judo Association	383	347
British Rowing	1,245	-
British Swimming	1,603	1,622
British Table Tennis Association for the Disabled	31	-
British Triathlon Association	108	120
British Volleyball Federation	74	149
Disabled Target Shooting of Great Britain	65	-
England Hockey	599	422
English Table Tennis Association	11	-
Grand National Archery	336	370
Great Britain Boccia	83	-
Great Britain Wheelchair Basketball Association	240	220
Great Britain Wheelchair Rugby	70	-
Modern Pentathlon Association of Great Britain	-	222
National Ice Skating Association	52	-
Pentathlon GB	221	-
Royal Yachting Association	932	857
Snowsport GB	17	-
Sport Taekwando	138	163
The Tennis Foundation	119	-
UK Athletics	1,475	1,201
World Class Lifting	27	-
World Class Lifting (Paralympic)	41	-
Other Athletes	-	759
	11,155	10,241

	2010/11 £'000	2009/10 £'000
To Governing Bodies:		
Badminton England	529	794
British Amateur Boxing Association	1,576	803
British Blind Sport - Goalball	133	-
British Bobskeleton Association	428	375
British Bobsleigh Association	222	-
British Canoe Union	1,870	1,725
British Curling Association	93	-
British Cycling Federation	3,717	2,683
British Disabled Fencing Association	127	-
British Equestrian Federation	2,528	2,026
British Fencing Association	474	490
British Gymnastics	902	1,077
British Handball Association	748	751
British Judo Association	803	871
British Olympic Table Tennis Federation	307	-
British Performance Basketball	1,062	807
British Rowing	3,440	3,331
British Shooting	496	267
British Swimming	5,078	4,674
British Table Tennis Association for the Disabled	229	-
British Tennis Foundation	39	-
British Triathlon Federation	492	518
British Volleyball Federation	1,187	1,337
British Wrestling Association	436	390
Disabled Target Shooting of Great Britain	238	-
England Hockey	1,635	1,073
Grand National Archery Society	511	574
Great Britain Boccia	233	-
Great Britain Wheelchair Basketball Association	465	395
Great Britain Wheelchair Rugby Association	378	221
Modern Pentathlon Association of Great Britain	549	594
National Ice Skating Association	326	33
Royal Yachting Association	2,934	2,380
Snowsport England	52	-
Sport Taekwando	525	499
UK Athletics	4,184	4,733
World Class Lifting	403	-
World Class Lifting (Paralympic)	93	-
Other Governing Bodies	-	1,956
	39,442	35,377

	2010/11 £'000	2009/10 £'000
For Events:		
2009 UCI Track Cycling World Cup and ParaCycling World Championships	-	110
Athletics Paralympic Series 2010	65	-
BID-World Netball Championships 2015	15	-
ECA European Canoe Slalom Championships 2009	19	-
English International Open Table Tennis Championships 2011	140	-
English Open Table Tennis Championships 2009	9	-
European Fencing Championships 2011	167	-
European Individual Badminton Championships 2010	13	187
European Senior and Junior Artistic Gymnastics Championships 2010	198	144
European Tournament Water Ski Championships 2010	40	-
Factor 40 Disability Table Tennis British Open 2011	69	-
FEI Show Jumping and Dressage European Championships 2009	95	281
FIG All Round World Cup 2011	26	-
FIH Women's Champions Trophy 2010	154	100
FINA World Swimming Championships 2008	-	68
FINA Diving World Series 2011	35	-
FITA Archery World Cup Final 2010	43	-
GB World Cup 2010	84	-
Goalball World Championships 2010	39	117
IBSA Blind Football World Championships 2010	31	-
IFDS World Championships 2011	18	-
IFNA World Netball Series 2009	95	-
IPC Shooting World Cup 2010-GBR	55	-
IRB World Junior Championships (U20) 2008	-	206
ITU Triathlon World Series event 2009	28	252
ITU World Championship Series 2010	202	-
Judo GB World Cup 2009	13	-
Junior and Cadet World Fencing Championships 2009	12	-
Laser World Championships 2010	-	116
LEN European Junior Synchronised Swimming Championships 2009	1	-

LEN European Synchronised Swimming Champions Cup 2011	53	-
Modern Pentathlon World Championships 2009	93	192
Open ECVD Sitting Volleyball Continental Cup 2011	26	-
Other Events	-	961
Paralympic World Cup 2009	-	135
RS:X and Techno World Championships 2009	23	125
Sail For Gold 2010	130	-
Sail For Gold 2011	55	-
Sail for Gold Regatta 2009	5	203
Shotgun World Cup 2010	90	105
Taekwondo British Open 2009	25	100
Taekwondo British Open 2010	113	-
Trampoline, Tumbling and DMT World Championships 2011	284	-
UCI Mountain Bike Cross Country World Cup 2010	-	101
UCI Track Cycling World Cup Classic 2011	85	-
UIPM Modern Pentathlon World Cup Final 2011	220	-
UIPM World Cup 2010	17	-
Wheelchair Rugby GB World Cup 2009	3	-
Women's Rugby World Cup 2010	40	-
World Badminton Championships 2011	300	-
World Championship Series Triathlon 2011	135	-
World Junior Rowing Championships 2011	150	-
World Short Track Speed Skating Championships 2011	58	-
World Wheelchair Basketball Championships 2010	42	130
Wrestling GB Cup 2010	40	-
	3,653	3,632
Total Grant payments in the year	54,250	49,250

6. Staff costs

	2010/11 £'000	2009/10 £'000
Wages and salaries	708	640
Social security costs	64	60
Current service costs	160	42
	932	742
Past service costs	(451)	-
Total Employee Costs	481	742

7. Staffing

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

	2010/11	2009/10
Operations/Planning/Development	15	15
Average Staff Numbers	15	15

8. Lottery Funds

	2010/11 £'000	2009/10 £'000
The Lottery Fund is stated after charging for:		
External Auditors' remuneration for audit work	28	26
External Auditors' remuneration for WGA work	2	2

9. Property Plant & Equipment

All Property Plant & Equipment are computer equipment.

	2010/11 £'000	2009/10 £'000	2008/09 £'000
Cost			
At 1 April and 31 March	535	535	535
Depreciation			
Start of year	(535)	(535)	(520)
Charge for year	-	-	(15)
End of year	(535)	(535)	(535)
Net book value			
At 1 April	-	-	15
At 31 March	-	-	-

10. Trade Receivables

	2010/11 £'000	2009/10 £'000
Trade receivables	-	1
Prepayments	1	1
Accrued Income	-	-
	1	2
All amounts fall due within one year		
Intra-government Balances		
Balances with central government bodies	-	-
Balances with local authorities and police authorities	-	-
Subtotal: intra-government balance	-	-
Balances with bodies external to government	1	2
	1	2

11. Trade Payables

	2010/11 £'000	2009/10 £'000
Trade Payables	24	20
Accruals	616	331
Corporation tax	-	-
	640	351
Intra-government Balances		
Balances with central government bodies	28	332
Balances with local authorities and police authorities	-	-
Subtotal: intra-government balance	28	332
Balances with bodies external to government	612	19
	640	351

12. Superannuation Scheme

Most staff of UK Sport (Grant-in-Aid and Lottery) are members of the London Pension Fund Authority (LPFA) Superannuation Scheme. UK Sport is one of several employers whose staff participates in the scheme, and data given in this note refers to the whole scheme and to the identified UK Sport portion of it. There is a generic scheme for staff covered by accounting policy note 1.5 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 Statement of Comprehensive Net Expenditure 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 £63,043 or 10.2% of pensionable pay (2009/10 £50,823 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 2010, with the next formal valuation due as at 31 March 2013. 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 Accounting 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:

12.1 Pension Commitments

Financial Assumptions	2011	2010
Price increases	3.5%	3.9%
Salary increases	4.5%	5.4%
Pension increases	2.7%	3.9%
Discount rate	5.5%	5.5%

Average future life expectancies at age 65:	Males	Females
Current pensioners	22.0 years	23.8 years
Future Pensioners	24.0 years	25.6 years

12.2 Fair Value of Employers Assets

	2011 Long term return %	Assets £'000	2010 Long term return %	Assets £'000
Equities	7.4	1,963	7.5	1,658
Target return funds	4.5	341	4.5	250
Alternative assets	6.4	398	6.5	350
Cash	3.0	85	3.0	125
Corporate Bonds	5.5	57	5.5	25
Total Fair Value of Assets		2,844		2,408
Present Value of Scheme Liabilities		3,938		4,141
Net Pension Liability		(1,094)		(1,733)

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

	31-Mar-11	31-Mar-10
Equities	69%	70%
Target return funds	12%	10%
Alternative assets	14%	14%
Cash	3%	5%
Corporate Bonds	2%	1%

12.3 Amounts recognised in the Statement of Comprehensive Net Expenditure are as follows

	31-Mar-11 £'000	31-Mar-10 £'000
Current Service Cost	160	42
Interest Cost	194	128
Expected return on Employers Assets	(131)	(91)
Past Service Cost	(451)	-
Loss(gain) on curtailments and settlements	-	(40)
Total	(228)	39
Actual Return on Plan Assets	180	583

12.4 Amounts recognised in Statement of Changes in Equity

	31-Mar-11 £'000	31-Mar-10 £'000
Actuarial Gains/(Losses)	152	(884)
Actuarial Gains/(Losses) recognised in SOCE	152	(884)
Cumulative Actuarial Gains and Losses	(867)	(1,019)

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

	31-Mar-11 £'000	31-Mar-10 £'000
Opening defined benefit obligation	4,141	2,876
Current Service Cost	160	42
Interest Cost	194	128
Contributions by Members	43	44
Actuarial Loss (Gains)	(96)	1,340
Liabilities extinguished on settlements	-	(104)
Past Service Cost	(451)	-
Estimated Benefits Paid	(53)	(185)
Closing defined benefit obligation	3,938	4,141

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

	31-Mar-11 £'000	31-Mar-10 £'000
Opening fair value of employers assets	2,408	2,044
Expected return on assets	132	91
Contributions by Members	43	44
Contributions by Employer	79	64
Actuarial Losses	234	413
Benefits paid	(52)	(185)
Payment of bulk transfer value	-	(63)
Closing fair value of Employer assets	2,844	2,408

12.7 A history of Experience Gains and Losses is shown below:

	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000
Fair Value of Employer Assets	2,844	2,408	2,044	2,551	1,848
Present Value of Defined benefit obligation	(3,938)	(4,141)	(2,876)	(2,957)	(2,323)
Surplus/(Deficit)	(1,094)	(1,733)	(832)	(406)	(475)
Experience gains/(losses) on assets	54	456	(725)	(237)	-
Experience gains/(losses) on liabilities	(194)	86	7	17	(58)

1. In order to assess the actuarial value of the LPFA Pension Fund's liabilities as at 31 March 2011, 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 2011 without completing a full valuation. However Barnett Waddingham are satisfied that the approach of rolling forward the previous valuation to 31 March 2011 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 1.5.

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

	2011 £'000	2010 £'000
Increase/(Decrease) in lottery funds before taxation	21,982	(55,545)
Depreciation of tangible assets	-	-
(Increase)/Decrease in debtors	-	-
Increase/(Decrease) in creditors	(19,206)	59,886
Interest receivable	(3)	(2)
(Increase)/Decrease in NLDF	(3,116)	(2,839)
Pension scheme: non cash movement	(352)	(8)
Net cash (outflow) / inflow from operating activities	(695)	1,492

14. Change in cash and cash equivalents

	2011 £'000	2010 £'000
Opening cash balance	1,574	80
Net cash (outflow) /inflow	(692)	1,494
Cash and bank balances at year end	882	1,574

15. 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 2010/11 £59.33m or 99.9% (2009/10 £56.57m or 99.98%) of the UK Sport Lottery Fund's income

was derived from the National Lottery. The remaining income derived from interest on deposits and sundry income. In previous reports, UK Sport considered that the Lottery Fund's ability to meet the Award Commitments and other liabilities in the short and longer term is dependent on adequate sales revenue from the National Lottery and on the contingency arrangements in place with the DCMS in the event that the National Lottery revenue falls short of the amounts required.

Interest Rate Risks

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

At the balance sheet date the Market Value of UK Sport's share of investment in the National Lottery Distribution Fund was £24.765m (2009/10 £21.649m). In the year the average return on these investments was 2.40% (2009/10 1.50%). 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 0.32% (2009/10 0.21%) in the year. Cash on deposit is gross of corporation tax. The cash balance at the year-end was £881,690 (2009/10 £1,574,000). 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.

16. 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 was recognised as income in a prior year. 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."

17. Capital Commitments

As at 31 March 2011, the Lottery Fund had made no commitments to purchase further capital equipment (2009/10 Nil).

18. Events after the Reporting Period

The accounts were authorised for issue on 07 July 2011, the date the C&AG certified the accounts. The financial accounts do not reflect events after this date.

19. Related Party Transactions

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

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.

The following table details UK Sport's lottery related party transactions for the year which are on an arm's length basis.

Related party	Nature of transaction	Amounts
Phillip Kimberley - Chairman of England Hockey	Grant funding to England Hockey	£1,634,525
Louise Martin - Chair of sportscotland	Grant funding to British Curling (administered by sportscotland)	£92,775

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Design: **UK Sport** | Photographs supplied by **Getty Images**.



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ISBN 978-0-10-297332-7



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