

Big Lottery Fund

**Millennium Commission Financial Report and Accounts**  
for the eight months 1 April 2006 to 30 November 2006



**Title** Millennium Commission Financial Report and Accounts for the eight months 1 April 2006 to 30 November 2006

**Code**

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# Millennium Commission

## FINANCIAL REPORT AND ACCOUNTS

for the eight months 1 April 2006 to  
30 November 2006

Annual Report presented in compliance with section 42(1-2) of the National Lottery etc Act 1993 by the Secretary of State for the Department of Culture, Media and Sport.

Accounts prepared pursuant to Section 43(1-2) of the National Lottery etc Act 1993 and presented by the Comptroller and Auditor General.

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# Millennium Commission

## Financial Report and Accounts for the eight months 1 April 2006 to 30 November 2006

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# Management commentary

The Millennium Commission was established to assist communities in marking the close of the second millennium and celebrating the start of the third. With the enactment of the National Lottery Act 2006 the Millennium Commission was dissolved on 30 November 2006. Its remaining assets, liabilities and activities were formally transferred to the Big Lottery Fund from that date. Responsibility for the preparation of these financial statements rests with the Big Lottery Fund.

The Millennium Commission was a UK-wide non-departmental public body, regulated in accordance with the Management Statement, Financial and Policy Directions issued by the Secretary of State for Culture, Media and Sport.

The composition of the Commission was defined in the National Lottery etc Act 1993 as two Ministers, one of whom chairs the Commission, one member nominated by the Leader of the Opposition and six independent members. The Commissioners are appointed by Her Majesty the Queen. Details of the members of the Commission are contained within the remuneration report.

## Results for the period

The Millennium Commission made a loss for the eight months to 30 November 2006 of £3 million (2005/2006 a loss of £24 million). The Millennium Commission has a surplus on retained reserves of £20 million (2005/2006 £23 million). This surplus was transferred to the Big Lottery Fund from 1 December 2006.

## Review of activities

During 2006 the Millennium Commission continued to pay out previously committed grants and monitor grant recipients compliance with terms and conditions of grant.

During this financial period the Commissioners and staff of the Millennium Commission worked with the Big Lottery Fund to ensure a smooth transition of outstanding activities and in particular the planning of the Legacy Trust. Details of this activity will be presented within the Big Lottery Fund's annual report to be published after the financial year end 31 March 2007.

## Fixed assets

The movement in fixed assets is shown in note 7. There were no additions to fixed assets during this period.

## Post balance sheet events

The Millennium Commission was dissolved on the balance sheet date. Residual activities, assets and liabilities were transferred to the Big Lottery Fund.

## Employees, equal opportunities and consultation

As an employer, the Millennium Commission complied with all legal requirements in respect of its policies towards equal opportunities and disabled people.

## **Statement of payment policy and practice**

The Millennium Commission aimed to pay all its creditors within 30 days of receipt of an invoice, unless alternative terms and conditions were negotiated. This is in accordance with the Better Payment Practice Guide. In the year under review 87 per cent (2005/2006 91 per cent) of all creditors were paid within 30 days of receipt of an invoice.

## **Auditors**

Under the National Lottery etc Act 1993, the Millennium Commission was required to have its financial accounts examined and certified by the Comptroller and Auditor General. Hence the National Audit Office undertook the external audit of the Commission.

**Stephen Dunmore**  
Chief Executive of  
the Big Lottery Fund

**Sir Clive Booth**  
Chair of  
the Big Lottery Fund

9 July 2007

# The Commission's remuneration report

This report sets out the Commission's policy on the remuneration of Commissioners and the Directors of the Commission. Only the section of the Commission's remuneration report dealing with remuneration received is subject to audit.

## Human Resources Committee

The Human Resources Committee, comprising the Commissioners and the Director, was abolished in the year although the Chair of the Human Resources Committee retained lead responsibility for HR issues and in particular the Directors' remuneration. The Commissioners dealt with all matters relating to remuneration, including the determination and maintenance of overall remuneration policy. They had overall responsibility for all staffing and recruitment issues, including the following:

- reviewing and approving the annual remuneration package awarded to staff, proposals for individual salary increases and recommendations for bonuses
- considering and agreeing applications for the introduction of new posts to the Commission's establishment, including any substantive restructuring of the Commission's establishment.

The remuneration policy for members of the Commission is set by the Department for Culture, Media and Sport.

The Director was not present when matters concerning his own remuneration were considered.

## Commissioners: remuneration policy

Those Commissioners who are not political appointees are entitled to receive a daily allowance determined by the Secretary of State for Culture, Media and Sport. All Commissioners are entitled to be reimbursed for expenses incurred on Commission business. Expenses regarded by the Inland Revenue as taxable are settled in full by the Commission, including any related tax payments.

## Directors: remuneration policy

The remuneration policy for the Director and members of the Senior Management Team tries to offer remuneration that enables it to attract, retain and motivate high calibre individuals with the skills and abilities required to manage the Commission up until the end of its life. In doing so, the remuneration policy seeks to:

- remunerate individuals fairly for individual responsibility and contribution, while providing an element of performance-related pay
- comply with the annual pay guidance issued by HM Treasury from time to time.



## Elements of remuneration

### Basic salary

Basic salaries were reviewed in January each year, taking into account external market levels as well as the individual's responsibilities and performance. The Commission operated a performance pay scheme which awards an increase to pay based on performance over the whole of the year. All staff whose performance reached the standard required for the job, received an increase in their salary related to performance. The basic salary was paid as a fixed sum monthly in cash. In recognition of the fact that the Commission did not provide a pension scheme, basic salaries were enhanced by 15 per cent for Directors and 10 per cent for other staff.

### Annual bonus

The Millennium Commission may reward Directors by awarding a bonus paid as a lump sum, which does not reckon for allowances or retention payments, and which is based on a percentage of individuals' basic salary only. Director's bonuses could be between 5 per cent and 15 per cent of basic salary.

### Retention Bonus

The Commission recognised that as a short life organisation there was a need for special measures to motivate and retain staff during the final years of its life. As a consequence a Retention Payments Scheme was introduced on 1 January 1998. The bonus was payable to staff who remained at the Commission until such time as they were made redundant.

## Benefits

In addition to salary and bonus, Directors were entitled to access benefits provided by the Commission in common with all staff. The Commission provided a programme of outplacement, which was available to all staff affected by redundancy. Outplacement was a service to help equip them with the skills and knowledge needed to assist their job search leading up to their departure from the Commission.

## Pensions

The Commission did not operate its own pension scheme and did not pay contributions on behalf of any staff into any pension scheme. The majority of employees received an allowance in addition to their salary from which private provision for pensions can be made. Secondees from the Civil Service had a contribution paid into the Principal Civil Service Pension Scheme by their originating department.

## Employment contracts

All remaining Commission staff were made redundant on 30 November 2006. The Commission's policy gave staff six months informal notice of redundancy where practicable.

# The Commission's remuneration report

## Outside interests

The Millennium Commission maintained a Register of Staff Members' Interests. Its purpose was to provide information on any pecuniary interest or other material benefit which a staff member could receive, and other links which could be thought to affect the exercise of their duties as an employee. The register did not require an employee to declare the amount of any benefit or remuneration received, nor did it require the interests of spouses or children or personal friendships to be recorded. The register was open only to Commissioners, the Permanent Secretary of the Department for Culture, Media and Sport, and such members of the Commission's staff as the Accounting Officer authorised.

## Remuneration received

The remuneration of Commissioners or Directors appointed or leaving during the year is included in respect of their period of office only.

## Commissioners' emoluments

Commissioners did not receive salary or pension remuneration, instead they were entitled to receive an attendance allowance in respect of their services to the Commission. In consultation with the Department for Culture, Media and Sport, the Commission had determined that it would pay a £208 per day allowance (£104 for a half day). During the period 1 April 2006 to 30 November 2006, Commissioners received a combined total of £6,805 in emoluments (2005/06: £5,603).

|                                             | Entitled to claim | Waived entitlement to claim | Amount claimed in 2005-06 £'000 | Amount claimed in 2004-05 £'000 |
|---------------------------------------------|-------------------|-----------------------------|---------------------------------|---------------------------------|
| The Rt Hon Tessa Jowell MP                  | X                 | n/a                         | n/a                             | n/a                             |
| Floella Benjamin OBE                        | ✓                 |                             | 0-5                             | 0-5                             |
| The Rt Hon Richard Caborn MP                | X                 | n/a                         | n/a                             | n/a                             |
| Dr Heather Couper FRAS FInstP               | ✓                 |                             | 0-5                             | 0-5                             |
| Matthew d'Ancona                            | ✓                 |                             | –                               | –                               |
| Judith Donovan CBE                          | ✓                 |                             | 0-5                             | 5-10                            |
| The Lord Glentoran CBE DL                   | ✓                 |                             | 0-5                             | 0-5                             |
| The Rt Hon Lord Heseltine of Thenford CH PC | ✓                 |                             | –                               | –                               |

Commissioner appointments were terminated on 30 November 2006.

## Directors' remuneration disclosures

|                                         | Salary               | Accrued terminal payment | Real pension increase at 60 | Total accrued pension at 60 at 30 November |
|-----------------------------------------|----------------------|--------------------------|-----------------------------|--------------------------------------------|
| 1 April to 30 November 2006 (a)         | (b)<br>£'000         | (c)<br>£'000             | (d)<br>£'000                | (b)(d)<br>£'000                            |
| Mike O'Connor, Director                 | 195 - 200            | –                        | –                           | –                                          |
| William Alexander, Director of Projects | 145 - 150            | –                        | –                           | –                                          |
| Jerry Michell, Director of Commercial   | 115 - 120            | –                        | –                           | –                                          |
| Ian Brack, Director of Policy           | 90 - 95              | –                        | –                           | –                                          |
| <b>2005-06</b>                          |                      |                          |                             |                                            |
| Mike O'Connor, Director                 | 130-135              | 105-110                  | –                           | –                                          |
| William Alexander, Director of Projects | 105-110              | 65-70                    | –                           | –                                          |
| Jerry Michell, Director of Commercial   | 80-85                | 55-60                    | –                           | –                                          |
| Ian Brack, Director of Policy           | Declined to disclose |                          |                             |                                            |

Footnotes:

- (a) All director's appointments ended 30 November 2006.
- (b) The remuneration figures include all allowances, benefits in kind and performance pay unless indicated in these footnotes. Salary figures do not include specific contributions towards a private pension; any such contributions are entirely at the directors' discretion and were met from their salaries.
- (c) The Commission operated a terminal payment scheme on behalf of its own employees to retain staff over its short life. The figures given above for 2005/06 included terminal payment accrued. Payments made between 1 April 2006 to 30 November 2006 are included within salary.
- (d) Mike O'Connor was appointed the Director and Accounting Officer from 4 March 1998. In September 2005 he was appointed as Accounting Officer for the Olympic Lottery Distributor in addition to his existing responsibilities. During the year he received total emoluments of £197,971 for work performed for the Millennium Commission (2005-06 £132,807). The accrued terminal payment provision was paid in November 2006.

**Stephen Dunmore**  
Chief Executive of the Big Lottery Fund

9 July 2007

# Statement of Accounting Officer's responsibilities

Under section 43(1)-(2) of the National Lottery etc Act 1993, the Commission is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for Culture, Media and Sport.

The financial statements are prepared on an accruals basis and must show a true and fair view of the Millennium Commission's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the Commission's accounts, BIG were required to:

- observe the Accounts Direction issued by the Secretary of State for Culture, Media and Sport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments and estimates on a reasonable basis
- state whether applicable accounting standards have been followed and disclose and explain any material differences in the financial statements
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Commission will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director of the Millennium Commission as the Accounting Officer for the Commission. The Director's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in 'Government Accounting' (TSO), and in the Financial Directions issued by the Secretary of State for Culture, Media and Sport under s26(3) of the National Lottery etc Act 1993.

From 1 December 2006 these responsibilities transferred to the Accounting Officer of the Big Lottery Fund.

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

**Stephen Dunmore**  
Chief Executive of the Big Lottery Fund

9 July 2007

## Statement on internal control

As Accounting Officer, I had responsibility for maintaining a sound system of internal control that supported the achievement of the Millennium Commission's policies, aims and objectives, as set out by the Millennium Commissioners. It was also my duty to safeguard public funds and Commission assets for which I was personally responsible, in accordance with the responsibilities assigned to me in 'Government Accounting' to ensure compliance with the requirements of the Commission's Financial Directions and Statement of Financial Requirements.

The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it could therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control had been in place in the Millennium Commission for the period to 30 November 2006 and accords with Treasury guidance.

The risk management process was led by the Senior Management Team in the light of guidance from Commissioners on the acceptable level of exposure. The framework of risk management was fully documented and the documentation was kept under review to ensure it reflected best practice. The risk management processes involved all staff in understanding and managing risks in their areas of responsibility.

The system of control was based on a framework of management processes including corporate policies, regular management information, financial regulations, administrative procedures and a system of delegation and accountability. The Commission had the following processes:

- a Board of Commissioners responsible for strategic planning and direction and a supporting non-executive Committee structure with defined responsibilities
- a Senior Management Team that met fortnightly and was responsible for the operational direction of the Commission
- a set of policies agreed by the Board of Commissioners and a set of procedures agreed by the Senior Management Team in line with Policy and Financial Directions set by the Secretary of State
- procedures to ensure the disclosure of interests before discussion and decisions on the issues took place

## Statement on internal control

- a risk management process to recognise, register and manage key risks to the fulfilment of the Commission's objectives, which was maintained and reviewed by the Senior Management Team and updated via a process of ongoing assessment
- regular reports from managers on steps taken to manage risks in their areas of responsibility, including progress reports on key projects and new activities
- risk management had been incorporated fully into the corporate planning and decision-making processes of the Commission
- a financial reporting and monitoring process that informed management and Commissioners on a timely basis
- an outsourced Internal Audit team, which operated to standards defined in the Government Internal Audit Manual. Internal Audit's annual plan had utilised the Commission's risk evaluation and all audit work was risk-focused in line with the requirements of the Government Internal Audit Standards. They submitted regular reports which included the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Commission's system of internal control together with recommendations for improvement. Internal Audit reported directly to the Commission.

From 1 April 2005 the systems for making payments and maintaining financial records passed to the Big Lottery Fund through a service level agreement. Under the terms of the agreement regular meetings are held to discuss its operation and the systems are open for inspection by the Commission.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and executive managers within the Commission 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. During the period, I have discussed with the Director of the Millennium Commission the effectiveness of the systems of internal control and issues arising from the work of the internal and external auditors. In producing this statement, I have reviewed the following:

- the results of the stewardship reporting process through which budget holders confirm compliance with their delegated responsibilities
- the results of consideration of risks and risk management by the Senior Management Team
- the arrangements for detecting and responding to conflicts of interest and fraud.

**Stephen Dunmore**  
Chief Executive of  
the Big Lottery Fund

9 July 2007

# 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 Millennium Commission for the period ended 30 November 2006 under the National Lottery etc Act 1993 (as amended). These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement 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**

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 (as amended) and directions made thereunder. I report to you if, in my opinion, certain information given in the management commentary and the unaudited part of the remuneration report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

I read the other information contained in the management commentary and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament

## Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

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

## Opinions Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Lottery etc Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, of the state of the Millennium Commission's affairs as at 30 November 2006 and of its decrease in funds for the period then ended;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury; and
- information given in the management commentary and the unaudited part of the remuneration report is consistent with the financial statements.

## Audit opinion on regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Report

I have no observations to make on these financial statements.

John Bourn  
**Comptroller and Auditor General**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London SW1W 9SP  
16 July 2007



## Income and Expenditure Account for the eight months ended 30 November 2006

|                                        | Notes | £'000   | 8 months<br>to 30/11/06<br>£'000 | 1/4/05 to<br>31/3/06<br>£'000 |
|----------------------------------------|-------|---------|----------------------------------|-------------------------------|
| Investment income on balances at NLDF  | 2     |         | 1,602                            | 3,763                         |
| Unrealised loss on investments         | 2     |         | –                                | –                             |
| Grant repayment                        |       |         | 4,759                            | 118                           |
| Bank interest receivable               |       |         | 7                                | 3                             |
| <b>Total Income</b>                    |       |         | <b>6,368</b>                     | <b>3,884</b>                  |
| Grant commitments made                 | 13    | 9,513   |                                  | 26,508                        |
| Lapsed and revoked commitments         | 13    | (1,506) |                                  | (1,536)                       |
| <b>Total grant expenditure</b>         |       |         | <b>8,007</b>                     | <b>24,972</b>                 |
| Employee costs                         | 3     | 834     |                                  | 1,473                         |
| Other operating costs                  | 5     | 618     |                                  | 1,308                         |
| Depreciation: tangible assets          | 7     | –       |                                  | –                             |
| <b>Total operating expenditure</b>     |       |         | <b>1,452</b>                     | <b>2,781</b>                  |
| <b>Total expenditure</b>               |       |         | <b>9,459</b>                     | <b>27,753</b>                 |
| Decrease in funds before tax           |       |         | (3,091)                          | (23,869)                      |
| Corporation tax due on interest income | 6     |         | –                                | –                             |
| <b>Decrease in funds after tax</b>     |       |         | <b>(3,091)</b>                   | <b>(23,869)</b>               |

There were no losses or gains other than those included above. All activities will discontinue from 30 November 2006 and be transferred to the Big Lottery Fund.

The notes on pages 16 to 25 form part of these accounts.

## Balance Sheet as at 30 November 2006

|                                                         | Notes | £'000    | 30 November<br>2006<br>£'000 | 31 March<br>2006<br>£'000 |
|---------------------------------------------------------|-------|----------|------------------------------|---------------------------|
| <b>Fixed assets</b>                                     | 7     |          | –                            | –                         |
| <b>Current assets</b>                                   |       |          |                              |                           |
| Balance in National Lottery Distribution Fund           | 2     | 42,781   |                              | 59,184                    |
| Debtors                                                 | 8     | 380      |                              | 29                        |
| Cash at bank and in hand                                |       | 25       |                              | 66                        |
|                                                         |       | 43,186   |                              | 59,279                    |
| Creditors: amounts falling due within one year          | 9     | (22,125) |                              | (34,172)                  |
| <b>Net current assets</b>                               |       |          | 21,061                       | 25,107                    |
| Creditors: amounts falling due after more than one year | 10    |          | (664)                        | (991)                     |
| Provision                                               | 14    |          | –                            | (628)                     |
| <b>Net assets</b>                                       |       |          | 20,397                       | 23,488                    |
| <b>Represented by:</b>                                  |       |          |                              |                           |
| Reserves                                                |       |          |                              |                           |
| Net reserves brought forward                            | 15    |          | 23,488                       | 47,357                    |
| Income and expenditure account                          | 15    |          | (3,091)                      | (23,869)                  |
| <b>Total reserves</b>                                   |       |          | 20,397                       | 23,488                    |

Signed on behalf of the Big Lottery Fund Board on 9 July 2007.

**Stephen Dunmore**  
Chief Executive of the  
Big Lottery Fund

**Sir Clive Booth**  
Chair of the  
Big Lottery Fund

These accounts were authorised for issue on 17 July 2007.

The notes on pages 16 to 25 form part of these accounts.

# Cash Flow Statement for the period 1 April 2006 to 30 November 2006

|                                                                                                      | 1/4/06 to<br>30/11/06<br>£'000 | 1/4/05 to<br>31/3/06<br>£'000 |
|------------------------------------------------------------------------------------------------------|--------------------------------|-------------------------------|
| <b>Operating activities</b>                                                                          |                                |                               |
| Cash received from NLDF                                                                              | 18,005                         | 52,113                        |
| Cash received from grant repayment                                                                   | 4,759                          | 133                           |
| Cash payments to grant commitments                                                                   | (20,808)                       | (49,743)                      |
| Cash payments to suppliers                                                                           | (601)                          | (1,010)                       |
| Cash payments to and on behalf of employees                                                          | (1,403)                        | (1,688)                       |
| <b>Net cash flow from operating activities</b>                                                       | <u>(48)</u>                    | <u>(195)</u>                  |
| <b>Return on investments</b>                                                                         |                                |                               |
| Interest received                                                                                    | 7                              | 4                             |
| <b>Taxation</b>                                                                                      |                                |                               |
| Taxation paid                                                                                        | –                              | (17)                          |
| <b>Decrease in cash</b>                                                                              | <u>(41)</u>                    | <u>(208)</u>                  |
| <b>Reconciliation of (decrease) in funds before tax to net cash inflow from operating activities</b> |                                |                               |
| Increase/(Decrease) in funds before tax                                                              | (3,091)                        | (23,869)                      |
| Depreciation charge for the year                                                                     | –                              | –                             |
| Interest receivable                                                                                  | (7)                            | (3)                           |
| Decrease in NLDF balance                                                                             | 16,403                         | 48,350                        |
| (Increase)/decrease in debtors                                                                       | (351)                          | 67                            |
| (Decrease)/Increase in creditors                                                                     | (1,239)                        | 251                           |
| (Decrease) in hard commitments                                                                       | (11,135)                       | (24,769)                      |
| (Decrease) in terminal payment provision                                                             | (628)                          | (222)                         |
| <b>Net cash (Outflow) from operating activities</b>                                                  | <u>(48)</u>                    | <u>(195)</u>                  |
| <b>Reconciliation of net cash flow to movements in net cash</b>                                      |                                |                               |
| Net cash outflow for the year                                                                        | (41)                           | (208)                         |
| Net cash balance at 1 April                                                                          | 66                             | 274                           |
| <b>Net cash balance at 30 November</b>                                                               | <u>25</u>                      | <u>66</u>                     |

The notes on pages 16 to 25 form part of these accounts.

## Notes to the accounts

### 1. Accounting policies

#### (a) Conventions

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed assets and current asset investments at their value to the business by reference to current costs where these are materially different to their value under the historical cost convention, and in accordance with the Accounts Direction given by the Secretary of State on 19 June 2002. A copy of the Accounts Direction can be obtained on written request from the Big Lottery Fund, 1 Plough Place, London EC4A 1DE.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies Act 1985 and Accounting Standards issued or adopted by the Accounting Standards Board in so far as they are appropriate.

#### (b) Going concern

The annual accounts have been prepared on a going concern basis. The National Lottery Act 2006 provided for the assets and liabilities of the Millennium Commission to be transferred to the Big Lottery Fund.

#### (c) National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. The share of these balances attributable to the Commission is as shown in the accounts and, at the balance sheet date, has been certified by the Secretary for State of Culture, Media and Sport as being available for distribution by the Commission in respect of current and future commitments. From 1 April 2003, the Commission's remaining funds held at the NLDF have been ring-fenced from the main Lottery Fund and have been invested conservatively to minimise short-term market fluctuations. On 1 December 2006 the balance was transferred to the Big Lottery Fund.

#### (d) Fixed assets

Fixed assets were capitalised in the balance sheet at cost, except for items costing less than £2,000, which are written off to the income and expenditure account in the year of purchase. There were no additions between 1 April 2006 to 30 November 2006 and all remaining assets were written off. Therefore there is no requirement for these to be revalued with reference to current costs.

**(e) Pension fund**

The Commission did not operate its own pension scheme. The majority of employees received an allowance in addition to their salary from which private provision for pensions may be made. Secondees from the Civil Service have a contribution paid into the Principal Civil Service Pension Scheme by their originating department. The Millennium Commission did not pay contributions on behalf of any staff into any pension scheme. As a consequence, FRS 17 disclosure requirements are not appropriate.

**(f) Operating leases**

Costs under operating leases are charged to the income and expenditure account in the period to which they relate.

**(g) Soft and hard grant commitments**

Hard commitments, defined as the grant sum payable over the life of a project on which the Commission has a contractual agreement, are written off in the income and expenditure account in the year in which the contracts are signed. Soft commitments are defined as the potential commitment on projects for which the Commission has approval to enter into contractual negotiations with applicants. These are shown as a note to the accounts but are not treated as part of the income and expenditure account.

**(h) Grant repayment**

In the event that a grant recipient disposes of a project asset, the Commission can exercise their right to request a repayment of grant from the sale proceeds. Grant repayments are accounted for separately as income.

**2. Proceeds from the National Lottery**

|                                                                                       | 1/4/06 to 30/11/06<br>£'000 | 1/4/05 to 31/3/06<br>£'000 |
|---------------------------------------------------------------------------------------|-----------------------------|----------------------------|
| Balance brought forward as at 1 April                                                 | 59,184                      | 107,534                    |
| Interest earned in National Lottery Distribution Fund                                 | 1,602                       | 3,763                      |
| Monies drawn down from the National Lottery Distribution Fund                         | (18,005)                    | (52,113)                   |
| <b>Closing balance held by the National Lottery Distribution Fund at market value</b> | <b>42,781</b>               | <b>59,184</b>              |

The cost value as at 30 November 2006 of the balances held by the National Lottery Distribution Fund (NLDF) was £43 million (£59 million last year). The Millennium Commission's Lottery funding ceased on 21 August 2001. The funds held in the NLDF were invested on the Commission's behalf by the Commission for the Reduction of National Debt. The closing balance at 30 November 2006 was transferred to the Big Lottery Fund on 1 December 2006.

## Notes to the accounts

### 3. Employee information

|                                            | 1/4/06 to 30/11/06<br>£'000 | 1/4/05 to 31/3/06<br>£'000 |
|--------------------------------------------|-----------------------------|----------------------------|
| Employee costs were as follows:            |                             |                            |
| Wages and salaries                         | 723                         | 1,309                      |
| Increase in terminal<br>payments provision | 8                           | 25                         |
| Social security costs                      | 103                         | 139                        |
| <b>Total employee costs</b>                | <b>834</b>                  | <b>1,473</b>               |

### 4. Employee numbers by category of employment

|                                                           | 1/4/06 to 30/11/06<br>£'000 | 1/4/05 to 31/3/06<br>£'000 |
|-----------------------------------------------------------|-----------------------------|----------------------------|
| Projects                                                  | 6                           | 10                         |
| Other staff                                               | 15                          | 18                         |
| <b>Average full-time equivalent<br/>employees in year</b> | <b>21</b>                   | <b>28</b>                  |

The actual number of full-time equivalent employees at 30 November 2006 was zero, (last year 24 including 4 Directors).

### 5. Other operating costs

|                                                             | £'000 | 1/4/06 to 30/11/06<br>£'000 | 1/4/05 to 31/3/06<br>£'000 |
|-------------------------------------------------------------|-------|-----------------------------|----------------------------|
| Professional fees:                                          |       |                             |                            |
| Grant programme evaluation, monitoring<br>and related costs | 81    |                             | 209                        |
| Legal                                                       | 137   |                             | 260                        |
| IT design, installation and support                         | 64    |                             | 116                        |
| Internal audit fees                                         | 42    |                             | 81                         |
| External audit fee                                          | 20    |                             | 22                         |
| Recruitment                                                 | —     |                             | 5                          |
|                                                             |       | 344                         | 693                        |
| Leasing costs                                               |       | 7                           | 10                         |
| Accommodation and related costs                             |       | 114                         | 300                        |
| Press and communications                                    |       | 6                           | 1                          |
| Other staffing costs                                        |       | 22                          | 75                         |
| Travel and related expenses:                                |       |                             |                            |
| Commissioner                                                | 2     |                             | 9                          |
| Employees                                                   | 33    |                             | 94                         |
|                                                             |       | 35                          | 103                        |
| Grant administration                                        |       | —                           | 56                         |
| Other administrative expenses                               |       | 90                          | 70                         |
| <b>Total other operating costs</b>                          |       | <b>618</b>                  | <b>1,308</b>               |

## 6. Corporation Tax

The Commission pays tax on bank interest received. Interest earned on monies held on the Commission's behalf in the National Lottery Distribution Fund is not taxable.

The tax charge for the year is nil (last year nil).

## 7. Tangible fixed assets

|                                           | Total Office Equipment<br>£'000 |
|-------------------------------------------|---------------------------------|
| <b>Cost</b>                               |                                 |
| Balance brought forward                   | 28                              |
| Additions during the year                 | –                               |
| Disposals during the year                 | (28)                            |
| <b>Balance at 30 November 2006</b>        | –                               |
| <b>Depreciation</b>                       |                                 |
| Balance brought forward                   | 28                              |
| Depreciation for the year                 | –                               |
| Depreciation on disposals                 | (28)                            |
| <b>Balance at 30 November 2006</b>        | –                               |
| <b>Net Book Value at 30 November 2006</b> | –                               |
| Net Book Value at 31 March 2006           | –                               |

No assets were held under finance leases or hire purchase contracts.

## 8. Debtors

|                                               | At 30/11/06<br>£'000 | At 31/3/06<br>£'000 |
|-----------------------------------------------|----------------------|---------------------|
| Grant debtors                                 | 334                  | 2                   |
| Other debtors                                 | 30                   | 23                  |
| Prepayments and accrued income                | 16                   | 4                   |
| <b>Total debts receivable within one year</b> | <b>380</b>           | <b>29</b>           |

Included in the amounts above are the following balances payable by other Government bodies.

|                                          | At 30/11/06<br>£'000 | At 31/3/06<br>£'000 |
|------------------------------------------|----------------------|---------------------|
| Amounts due from other Government bodies | 22                   | 8                   |

There are no amounts included in the above falling due after more than one year.

Other debtors include £4,000 relating to interest free staff season ticket loans (previous year £3,000). The following Directors obtained an interest free season ticket loan:

|                | Balance<br>b/f<br>£'000 | New<br>Loan in<br>the year<br>£'000 | Payments<br>in the<br>year<br>£'000 | Balance<br>c/f<br>£'000 |
|----------------|-------------------------|-------------------------------------|-------------------------------------|-------------------------|
| Jerry Michell  | 1                       | 3                                   | 2                                   | 2                       |
| Bill Alexander | 1                       | 3                                   | 2                                   | 2                       |

Prior to 30 November 2006, conditional contracts were exchanged for the sale of the former National Millennium Faith Experience building in Bradford. If the conditions are satisfied, the sale proceeds of £570,000 will pass to the Big Lottery Fund.

## Notes to the accounts

### 9. Creditors: Amounts falling due within one year

|                                            | At 30/11/06<br>£'000 | At 31/3/06<br>£'000 |
|--------------------------------------------|----------------------|---------------------|
| Trade creditors                            | 68                   | 72                  |
| Grant creditors                            | –                    | 1,334               |
| Other creditors and accruals               | 478                  | 382                 |
| Other hard grant commitments               | 21,579               | 32,384              |
| <b>Total creditors due within one year</b> | <b>22,125</b>        | <b>34,172</b>       |

Included in the amounts above are the following balances payable to other Government bodies.

|                                        | At 30/11/06<br>£'000 | At 31/3/06<br>£'000 |
|----------------------------------------|----------------------|---------------------|
| Amounts due to other Government bodies | 433                  | 461                 |
| Amounts due to Local authorities       | 704                  | 596                 |

### 10. Creditors: Amounts falling due after more than one year

|                              | At 30/11/06<br>£'000 | At 31/3/06<br>£'000 |
|------------------------------|----------------------|---------------------|
| Other hard grant commitments | 664                  | 991                 |

For a further breakdown of when hard grant commitments are expected to be paid see note 13d.

### 11. Commitments under operating leases

As at 30 November the Commission had the following annual commitments under operating leases.

|                               | Leased<br>Cars<br>£'000 | Total as at<br>30/11/06<br>£'000 | Total as at<br>31/3/06<br>£'000 |
|-------------------------------|-------------------------|----------------------------------|---------------------------------|
| Expiring within one year      | 2                       | 2                                | 7                               |
| <b>Total operating leases</b> | <b>2</b>                | <b>2</b>                         | <b>7</b>                        |

### 12. Administrative capital commitments

There were no capital commitments for administrative purposes at 30 November 2006. (2005–06: nil).



### 13. Grant commitments

Grant commitments made in the period 1 April 2006 to 30 November 2006 consist of:

| <b>a) Soft commitments</b> | Soft commitments<br>b/fwd<br>£'000 | Soft commitments<br>made in the<br>period<br>£'000 | Soft commitments<br>transferred<br>to hard<br>£'000 | Soft de-<br>commitments<br>made in the<br>period<br>£'000 | Soft commitments<br>c/fwd<br>£'000 |
|----------------------------|------------------------------------|----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------|------------------------------------|
| As at 30/11/06             | –                                  | 9,813                                              | (9,513)                                             | –                                                         | 300                                |
| As at 31/3/06              | 23,490                             | 4,524                                              | (26,508)                                            | (1,506)                                                   | –                                  |
| <b>b) Hard commitments</b> | Hard commitments<br>b/fwd<br>£'000 | Hard commitments<br>made in the<br>period<br>£'000 | Hard commitments<br>met in the<br>period<br>£'000   | Hard de-<br>commitments<br>made in the<br>period<br>£'000 | Hard commitments<br>c/fwd<br>£'000 |
| As at 30/11/06             |                                    |                                                    |                                                     |                                                           |                                    |
| Capital Projects           | 16,860                             | 7,159                                              | (7,644)                                             | –                                                         | 16,375                             |
| Millennium Exhibition      | 1,198                              | –                                                  | –                                                   | (1,198)                                                   | –                                  |
| Millennium Awards          | 64                                 | –                                                  | –                                                   | (64)                                                      | –                                  |
| Millennium Encore          | –                                  | –                                                  | –                                                   | –                                                         | –                                  |
| Project Enhancements       | 4,131                              | 6                                                  | (1,611)                                             | (98)                                                      | 2,428                              |
| ReDiscover                 | 5,484                              | 48                                                 | (4,633)                                             | (95)                                                      | 804                                |
| Urban Cultural             | 4,154                              | –                                                  | (3,857)                                             | (51)                                                      | 246                                |
| Youth Sport Trust          | 1,484                              | 2,300                                              | (1,394)                                             | –                                                         | 2,390                              |
| <b>Total</b>               | <b>33,375</b>                      | <b>9,513</b>                                       | <b>(19,139)</b>                                     | <b>(1,506)</b>                                            | <b>22,243</b>                      |
| As at 31/3/06              |                                    |                                                    |                                                     |                                                           |                                    |
| Capital Projects           | 23,037                             | 5,779                                              | (11,452)                                            | (504)                                                     | 16,860                             |
| Millennium Exhibition      | 1,198                              | –                                                  | –                                                   | –                                                         | 1,198                              |
| Millennium Awards          | 64                                 | 5                                                  | (5)                                                 | –                                                         | 64                                 |
| Millennium Encore          | 205                                | –                                                  | (205)                                               | –                                                         | –                                  |
| Project Enhancements       | 16,025                             | 1,406                                              | (12,283)                                            | (1,017)                                                   | 4,131                              |
| ReDiscover                 | 8,673                              | 15,184                                             | (18,358)                                            | (15)                                                      | 5,484                              |
| Urban Cultural             | 10,278                             | 2,650                                              | (8,774)                                             | –                                                         | 4,154                              |
| Youth Sport Trust          | –                                  | 1,484                                              | –                                                   | –                                                         | 1,484                              |
| <b>Total</b>               | <b>59,480</b>                      | <b>26,508</b>                                      | <b>(51,077)</b>                                     | <b>(1,536)</b>                                            | <b>33,375</b>                      |

The net charge to the Income and Expenditure Account for hard commitments made in the year is £8 million (last year £25.0 million).

## Notes to the accounts

| <b>c) Payments for grants</b>                   | <b>As at<br/>30/11/06<br/>£'000</b> | <b>As at<br/>31/3/06<br/>£'000</b> |
|-------------------------------------------------|-------------------------------------|------------------------------------|
| Total payment for grants in the year            | 20,473                              | 49,726                             |
| Hard commitments b/f into current liabilities   | (1,334)                             | –                                  |
| Hard commitments c/f into current liabilities   | –                                   | 1,334                              |
| Hard commitments b/f into current assets        | –                                   | 17                                 |
| <b>Hard commitments payable during the year</b> | <b>19,139</b>                       | <b>51,077</b>                      |

**d)** Soft commitments made during the period totalled £9.8 million. The balance of outstanding soft and hard commitments made since inception totals £22.5 million and is lower than the balance of £42.8 million available in the National Lottery Distribution Fund. The difference is partly due to funds earmarked for future grant awards not formally committed. Commitments remaining and remaining balances after the Commission's closure will be transferred to the Big Lottery Fund.

Analysis of the forecast cash flow for hard commitments made to date:

|                                            | <b>12 months to<br/>30 November 2007<br/>£'000</b> | <b>Over 1 year<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--------------------------------------------|----------------------------------------------------|------------------------------|------------------------|
| Hard commitments total at 30 November 2006 | 21,579                                             | 664                          | 22,243                 |

### 14. Provision for terminal payments

The Commission operates a terminal payments scheme on behalf of its employees and to retain staff over the organisation's short life. A payment becomes due if a post is made redundant during the winding down of the Commission's activities over the period to closure. All terminal payments have now crystallised and therefore no provision is required.

|                                    | <b>As at<br/>30/11/06<br/>£'000</b> | <b>As at<br/>31/3/06<br/>£'000</b> |
|------------------------------------|-------------------------------------|------------------------------------|
| Opening balance                    | 628                                 | 850                                |
| Terminal payments made in the year | (636)                               | (247)                              |
| Increase in provision              | 8                                   | 25                                 |
| <b>Terminal payments provision</b> | <b>–</b>                            | <b>628</b>                         |

## 15. Reconciliation of movements in reserves at 30 November 2006

|                                                    | Balances<br>held at<br>NLDF<br>£'000 | Balances<br>held by<br>Commission<br>£'000 | at<br>30/11/06<br>£'000 | at<br>31/3/06<br>£'000 |
|----------------------------------------------------|--------------------------------------|--------------------------------------------|-------------------------|------------------------|
| Opening balance                                    | 59,184                               | (35,696)                                   | 23,488                  | 47,357                 |
| Drawdown in the year                               | (18,005)                             | 18,005                                     | –                       | –                      |
| Investment income earned in NLDF                   | 1,602                                | –                                          | 1,602                   | 3,763                  |
| Interest on bank balance                           | –                                    | 7                                          | 7                       | 3                      |
| Grants committed                                   | –                                    | (8,007)                                    | (8,007)                 | (24,972)               |
| Operating expenditure                              | –                                    | (1,452)                                    | (1,452)                 | (2,781)                |
| Grant repayment                                    | –                                    | 4,759                                      | 4,759                   | 118                    |
| <b>Net increase/(decrease) in reserves in year</b> | <b>(16,403)</b>                      | <b>13,312</b>                              | <b>(3,091)</b>          | <b>(23,869)</b>        |
| <b>Closing balance</b>                             | <b>42,781</b>                        | <b>(22,384)</b>                            | <b>20,397</b>           | <b>23,488</b>          |

## 16. Financial instrument disclosures

FRS13, Derivatives and other financial instruments, requires disclosure of the role which financial instruments have during the year in creating or changing the risks the Millennium Commission faces in undertaking its role.

### Liquidity risks

In the period 1 April 2006 to 30 November 2006, the Millennium Commission's income was derived from investment returns from the balance held with the National Lottery Distribution Fund £1.6 million and from Bank Interest £7,000.

At the balance sheet date the Commission had liquid assets of £42.8 million against net liabilities of £22.4 million, an excess of £20.4 million. As explained in note 13(d), this difference arises from funds earmarked for future grant awards that have yet to be formally committed. Income is expected to be less than commitments over the life of the Commission, residual assets and liabilities transferred to the Big Lottery Fund.

Discussions took place during the year between the management of the Commissioners for the Reduction of National Debt and the Commission, to discuss the investment strategy. During the year balances at the NLDF were mainly held in fixed term deposits. As the Commission approached the end of its life the term of the deposits is reduced.

## Notes to the accounts

The Commissioners do not believe that the Commission is exposed to significant liquidity risks as they are satisfied that the Commission has sufficient current liquid resources within the NLDF to cover its projected payments.

### Interest rate risks

In accordance with the National Lottery etc Act 1993 (as amended by the National Lottery Act 1998), National Lottery income received by the Millennium Commission is passed by the National Lottery Distribution Fund to the CRND. From 1 April 2003, the Commission's remaining funds held at the NLDF were ring-fenced from the main Lottery Fund and invested more appropriately for a short-life organisation. Consequently, CRND invested the Commission's funds in a narrow band of low risk short term assets such as gilts, and cash deposits of varying periods.

At the balance sheet date the market value of the Millennium Commission's share of the National Lottery Distribution Fund was £42.8 million (2005-06: £59.3 million). In the year the average return on these investments was 4.7 per cent (2005-06: 4.6 per cent).

Cash balances which were drawn from the NLDF to pay grant commitments and operating costs were held in an instant variable rate bank account, it carried an average interest rate of 4.14 per cent in the year. This bank account is administered on behalf of the Commission by the Big Lottery Fund. The cash balance at the year-end was £25,000. The Commissioners do not believe that the Commission is exposed to significant interest rate risks on its cash balances.

### Foreign currency risk

The Commission is not exposed to any foreign exchange risks.

## 17. Related party transactions

Recognising the principles underlying the Financial Reporting Standard concerning related party transactions (FRS 8), the Commissioners make the following statement:

As a matter of policy and procedure, the Commissioners declare any direct interests in grant applications and commercial relationships of the Commission, avoid influence and exclude themselves from the relevant decision processes within the Commission. There are corresponding arrangements for staff, to recognise interests and avoid possible conflicts of interest.

Floella Benjamin OBE is a patron of the Horniman Museum. This is recorded in the Register of Commissioner's interests and at meetings. There were no grant awards to the Horniman Museum in the period 1 April 2006 to 30 November 2006 but there were payments (£351,656) from an award given previously of £952,404.

In addition to the income transactions with DCMS there were the following transactions with bodies considered as related parties during the year:

|                             | Expenditure<br>£'000 | Creditor<br>balance c/fwd<br>£'000 |
|-----------------------------|----------------------|------------------------------------|
| DCMS                        | 62                   | 15                                 |
| Sport England               | 68                   | 68                                 |
| Big Lottery Fund            | 182                  | 280                                |
| Olympic Lottery Distributor | 85                   | –                                  |

DCMS and Sport England expenditure relates to seconded staff costs incurred. Big Lottery Fund expenditure relates to seconded staff costs through the year and the provision of fully serviced accommodation from 1 January 2005.

During the year there were no grant or commercial transactions in which Commissioners, staff or other related parties stood to benefit or where they had a material interest or influence.

## 18. Losses and special payments

During 2006, the Accounting Officer approved two write off grants totalling £802,388. These consisted of:

| Description                                         | Amount   |
|-----------------------------------------------------|----------|
| New Millennium Experience Company                   | £750,000 |
| Council for Ethnic Minority Voluntary Organisations | £52,388  |

During the period the Commission wrote off the grants in respect of projects that were unable to continue delivering their project purpose. In assessing the amount to write off the Commission takes account of any grant recoveries obtained from the project and the extent to which the project purpose has been achieved.

## 19. Post balance sheet events (>£100,000)

On 1 December 2006 all assets and liabilities transferred to the Big Lottery Fund.





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