

ANNUAL REPORT AND ACCOUNTS

2011/12



The United Kingdom Sports Council
Grant-in-Aid and Lottery Distribution Fund
Report and Accounts for the Year Ended 31 March 2012

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United Kingdom Sports Council

Grant-in-Aid and Lottery Distribution Fund
Report and Accounts for the Year Ended 31 March 2012

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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 2011-2012 financial year saw further performance success. Olympic and Paralympic performance medal targets were met with 50 medals won at World and European level in Olympic disciplines and 76 in Paralympic disciplines, meaning that we are further ahead at this stage of the Olympiad than ever before for any previous Games.

The organisation's Major Events, International Relations and International Development programmes also continued to deliver.

With London now just a few months away our focus has turned to the performance system and funding after the Games. Planning for the next four year cycle is well underway across all our areas of investment. UK Sport has communicated the process we will be following to reach our decisions for 2013-17 investment to all Summer Olympic and Paralympic sports through road shows which were held in the autumn. There has been a thorough review of our Investment Principles, as well as modifications to our funding model.

The National Lottery will play a more vital part than ever in support of the high performance sporting landscape as a result of the growth in Lottery income. This has enabled UK Sport to ring-fence a greater sum of money for the Rio Olympic cycle meaning more Investments will be made under the Rio cycle than would otherwise have been affordable. The annual review of UK Sport investments in the London cycle was undertaken in December 2011 and the Board confirmed that no changes would be made to funding levels for Sports. The investment decisions for Rio will be taken in December 2012.

UK Sport's commercial team have worked on the creation and development of a commercial strategy for the 2013-2017 cycle which will generate significant revenue for the World Class Performance Programme (WCPP). The Strategy was agreed by the Board following external valuation of UK Sport's commercial assets and properties, and feedback from NGB meetings and surveys.

The proposal to combine UK Sport and Sport England was announced in July 2010 and discussions are on-going. The project board, chaired by Sir Keith Mills, has continued to work in a number of areas including co-location, back-office synergies, the exploration of the establishment of a Sports Marketing Bureau and strategic connectivity across the UK.

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 black ink that reads "Chris Holmes". The signature is written in a cursive, slightly slanted style.

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 2011-12, UK Sport received £60.651m 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 £70.045m, representing 4.104% (4.56% from 1 April 2012) of the National Lottery Good Causes. These funds were used to support its World Class Performance system, programmes and athletes and the World Class Events Programme.

Operating Environment

Funding for London 2012

This is the first year of the four year comprehensive spending review settlement which runs through to 2014-15. UK Sport's resource Exchequer funding was reduced by 28% in real terms over the period. However, National Lottery funding has increased, partially due to an increase in the share allocated to UK Sport and also as the result of increasing Lottery sales over 2011-12 which are projected to continue.

In December 2011 UK Sport completed its annual review of investment for those National Governing Bodies receiving funding over the London Olympic Cycle. Performance was generally on track and therefore no adjustments were proposed to the level of funding for existing UK Sport funded National Governing Bodies.

"Team 2012", presented by Visa, is the official support programme for British athletes striving to be selected for Team GB and Paralympics GB. It helps raise funds to contribute to the costs of 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 UK Sport, the BOA and BPA 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.

£6.5m was awarded to sports in December 2009 on the basis of fundraising by Team 2012 and a further £0.75 million was awarded to sports in April 2012 through the World Class Performance Programme specifically for athlete preparation costs in the lead up to the Games.

Operating Environment

Mission Control

Mission Control is the central mechanism by which UK Sport - as strategic investor - formally engages with the sports and partners that it invests in.

As the interface between UK Sport and its 'field of play', Mission Control is the information and resource channel that helps ensure investments are optimally targeted and investees are optimally supported to deliver results at London, Sochi, Rio, Pyeongchang and beyond.

Mission Control was originally established five years ago as Mission 2012 and has continued its development in the past 12 months with the incorporation of the Winter Sports into the system and a further strengthening of the link between performance, governance and investment information in monitoring progress and finding solutions.

At its heart Mission Control remains a tool for fostering openness and dialogue, for finding solutions and for sharing best practice. By encouraging sports to conduct their own assessments of how their system is performing and then bringing additional expertise to bear in finding creative solutions to problems this innovative system provides a unique and publically visible method of monitoring and improvement.

Life After London

With London now just a few months away our planning has focussed on the performance system and funding after the Games. Planning for the next four year cycle is well underway across all our areas of investment. Road shows were held in the autumn for all Summer Olympic and Paralympic sports to communicate the process we would be following to reach our decisions for 2013-17 investment. Integral to this has been a thorough review of our Investment Principles, alongside modifications to our funding model, that now places a requirement on sports to identify specific athletes, with the proven track record to be of either Podium or Podium Potential for Rio (and beyond), as part of their proposition to us. Draft business cases were received from sports in early March to enable sports to then focus on the Games over the summer months. A parallel project has been underway gathering evidence and thoughts as to our other strategic investments in landscape partners to ensure decisions made in December 2012 provide an integrated solution with the best chance for success in future cycles.

Funding remains a challenge post-London. Whilst our National Lottery income continues to grow, due to a combination of increased sales and the adjustment of the Lottery shares, uncertainty remains around our Exchequer income, particularly beyond the end of the current CSR period in 2015. Our Board took the decision in early 2011 that any Lottery upside received through the year (over that previously forecast) should be used to build our Lottery balance to help mitigate any potential downturn in future Lottery income or Exchequer income for the next cycle. This decision has been critical in our requirement to keep any reduction in funding for the World Class Performance Programme in the next cycle to a maximum of 15%.

Discussions to bring UK Sport together with Sport England are on-going. Work continued through a project board chaired by Sir Keith Mills to try and find a governance model that would bring about a step up for British sport. Proposals were put before Boards of both organisations in December 2011. It was subsequently agreed that these would not be put out for full consultation and the Minister and Secretary of State decided to defer any further discussion on the topic until after the Games. Work has continued in a number of areas, notably co-location, back-office synergies, the exploration of the establishment of a Sports Marketing Bureau and strategic connectivity across the UK.

Finally, significant focus has been placed internally within UK Sport on developing functional strategies for all areas of our activity for the period through to, and beyond Rio. These strategies have informed many of our in-cycle investment decisions and formed the basis for our draft 2013-17 Business Plan which is being used to shape our relative priorities and resultant investment decisions going forwards.

World Class Events Programme

UK Sport's World Class Events Programme 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. The programme works in six-year planning cycles, and the past year has been a significant one as our focus transfers from one cycle to the next.

Firstly our hugely ambitious 2007-2013 events programme is now approaching completion. This programme has been all about preparation – for our athletes to compete at major international events on home soil ahead of competing at London 2012, and for our volunteers, officials and event managers as they build their expertise ahead of delivering London 2012. Through this programme we have worked closely with LOCOG to help deliver London 2012 test events such as the World Badminton Championships, World Junior Rowing Championships, World Triathlon Championships Series, BMX Supercross World Cup and the Modern Pentathlon World Cup Final.

We believe that our 2007-2013 activity represents the most ambitious programme of major events that any host country has staged prior to an Olympic and Paralympic Games. In this period we estimate that 118 major events will have been supported, in 41 out of the 46 Olympic and Paralympic Sports at London 2012, and in 35 different towns and cities across the UK. The scale of this achievement was recognised by Gilbert Felli, the IOC's Olympic Games Executive Director, who said: "UK Sport's initiative is proof that legacies of the Olympic Games do not happen by themselves. The positive result of UK Sport's plan is now an example other host countries of the Games will be able to follow."

Secondly our 2013-2019 events programme has really begun to take off. This programme is all about legacy – using the event-staging 'assets' that London 2012 and Glasgow 2014 will leave behind to establish the UK as a leading host of major international events.

Our team has been at the heart of many bids to host a number of World and European Championships in this period. Our bid success rate has been extremely strong, and includes successes such as the 2017 World Athletics Championships (Olympic Stadium, London), 2015 World Gymnastics Championships (Hydro Arena, Glasgow), 2015 World Canoe Slalom Championships (Lee Valley White Water Centre, Broxbourne), 2013 World Triathlon Championships Grand Final (Hyde Park, London), the 2015 EuroNations Hockey Championships (Eton Manor, London), and the 2013 World Squash Championships (National Squash Centre, Manchester).

With more bid targets to follow, the UK's event-hosting legacy is well on the way to being delivered.

International Inspiration

The International Development Directorate of UK Sport has been building up to the London Olympic and Paralympic Games.

International Inspiration has been inspiring and enabling 12 million children and young people in 20 countries around the world to play sport since 2007. Being entrusted with the leadership and co-ordination of this unique initiative, which is governed by the II Foundation chaired by Sir Keith Mills, has been a great opportunity for UK Sport International. The programme, delivered by UK Sport alongside the British Council and UNICEF, is changing lives, opening doors to leadership, health, inclusion, excellence and the joy of sports participation. As the international sports legacy programme of London 2012, International Inspiration has kept the promise made by the London 2012 bid team in Singapore to use the inspirational power of sport to enrich the lives of children and young people across the world through the power of high quality and inclusive physical education, sport and play.

International Inspiration has now enriched the lives of over 12 million young people and is operational or completed in all 20 countries; Azerbaijan, Bangladesh, Brazil, Egypt, Ethiopia, Ghana, India, Indonesia, Jordan, Malaysia, Mozambique, Nigeria, Pakistan, Palau, South Africa, Tanzania, Trinidad & Tobago, Turkey, Uganda and Zambia. There are plans to ensure that this unique and successful London 2012 initiative is highly visible during Games time at the key venues and elsewhere in the Olympic Park.

Strategy and Structure

Corporate Themes

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

- **Building a team of agile, open-minded, high-calibre people, hungry to lead, learn, evolve and excel and;**
- **Driving the development of effective and innovative business processes to support and simplify our activities**

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

Structure

Chief Executive Officer, Accounting Officer: Liz Nicholl OBE

Liz Nicholl OBE, Chief Executive at UK Sport, leads the Directors team that oversees approximately 103 staff across six work areas.

Chief Operating Officer:	Tim Hollingsworth (Until July 2011)
Director of Performance:	Peter Keen OBE (Until May 2012)
Finance Director:	Chris Walker
Director of Corporate Development:	David Cole
International Development Director and International Inspiration Programme Director:	Debbie Lye
Director of Major Events and International Relations:	Simon Morton (From July 2011)
Director of Communications and Commercial:	Vanessa Wilson (From December 2011)



Board & Governance

UK Sport's Board normally meets six times each year to provide strategic direction to the organisation, as well as considering and making decisions on those recommendations put forward by UK Sport's officers, panels and internal committees. Baroness Sue Campbell CBE was initially appointed as Reform Chair of UK Sport in September 2003 for an 18-month term. She was confirmed as UK Sport's Chair for an additional four-year term in March 2005 and reappointed as Chair for a further four-year term in March 2009.

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

Board members during 2011/12 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	4 years – reappointed to March 2013
Rod Carr OBE	Member	September 2005	3 years to September 2008 Extended to September 2011 Extended to March 2013
Chris Holmes MBE	Member	September 2005	3 years to September 2008 Extended to September 2011 Extended to March 2013
Philip Kimberley	Member	March 2009	3 years to March 2012
Louise Martin CBE	Member (Chair Sport Scotland)	November 2002	3 years – reappointed March 2005 Extended to March 2008 Extended to March 2011 Extended to March 2014
Jonathan Vickers	Member	October 2008	3 years to October 2011 Extended to October 2014
Mark Hanson	Member	June 2011	1.75 years to March 2013
Dominic Walsh	Member (Chair Sport Council Northern Ireland)	March 2009	3 years to March 2012
Richard Lewis	Member (Chair Sport England)	May 2009	3 years to May 2012
Prof Laura McAllister	Member (Chair Sport Council Wales)	February 2010	3 years to January 2013

Strategy and Structure

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 31/03/12 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 31/03/2012 the Committee comprised:

- Chris Holmes MBE (Chair)
- Jonathan Vickers (Member)
- Malcolm Cornberg (Independent Member)
- Peter Rowley (Independent Member)
- Joe Ryan (Independent Member, appointed 2 June 2011)

Major Events Panel

The Panel makes recommendations to Board on National Lottery (World Class Events Programme) awards and related policy matters. As at 31/03/2012 the Panel comprised:

- Dominic Walsh (Chair)
- Paul Bush OBE (Member)
- David Collier (Member)
- Tanya Harris (Member)
- Rob Holt OBE (Member)
- Louise Martin CBE (Member)
- Jonathan Vickers (Member)
- Karen Webb (Member)

Mission Control Panel

The Mission Control Panel provides oversight of UK Sport's Mission Control process and makes recommendations arising from the process to the Board. As at 31/03/2012 the Panel comprised:

- Liz Nicholl OBE (Chair)
- Pete Keen OBE (Member)
- Rod Carr (Member)
- Penny Briscoe (Member)
- John Derbyshire OBE (Member)
- Vicki Hansford (Member)
- Georgina Harland (Member)
- Craig Hunter (Member)
- Derek Mapp (Member)
- Simon Timson (Member)

The remaining members are independent and drawn from the UK's high performance sports system. The independent members are appointed through an advertised process.

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 Councils and Institutes, the British Olympic Association, the British Paralympic Association, the British Athletes Commission, Sportscoach UK, Sports Resolution UK, UK Anti-Doping, the Youth Sport Trust and the Sport and Recreation Alliance. 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 UK Sport Major Events team also works with a large number of Partners and Stakeholders in its support and delivery of Major Events. These include National Governing Bodies, Home Country Sport Councils, Cities & Regions, Sponsors and International Federations.

The Support System – The World Class Performance Programme

The new World Class Performance Programme, supporting up to an eight year pathway to success and incorporating some responsibilities formerly the responsibility of Sport England, was introduced in April 2006.

On 31/03/12, 1,470 athletes were funded through the Programme - which essentially offers three levels of the eight year pathway support to high performance Olympic and Paralympic athletes:

- Podium – supports athletes with realistic medal capabilities at the next Olympic/Paralympic Games in 2012 and 2014
- Development – supports athletes and sports with 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 summer Olympic and Paralympic 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

Commercial

The Commercial Team at UK Sport is responsible for working with partners across the sporting landscape to leverage commercial and Value in Kind sponsorship from the private sector to invest for the benefit of high performance sport in the UK.

The team also lead on 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.

Communications

The Communications, Public Affairs and Stakeholder Engagement Teams are responsible for managing UK Sport's profile and relationship with the public, parliament, partners and stakeholders through the effective deployment and integration of a range of communication and engagement channels and activities including the media, social media, digital, design and brand management, staff and stakeholder engagement.

Performance

The Performance Team is driven by UK Sport's primary goal of supporting world class performance. The investment strategy based around the established principle of 'No Compromise' – targeting investment and solutions at those sports and athletes most likely to compete and win on the world stage and deliver medals at Olympic and Paralympic level – provides the drive and focus for the team.

Alongside the investment that goes directly to the sports through their respective World Class Performance Programmes, the Performance Team works closely with staff and athletes to maximise the impact of that investment and increase the probability of success on the field of play. The strategic focus is on building systems and structures. The operational focus is on delivering innovative solutions and developing teams and individuals that impact positively at the frontline.

The work is delivered by four distinct teams: Performance Solutions, Athlete Development (including talent identification and confirmation), Coaching and Research and Innovation. The team also works closely with the English Institute of Sport and other Home Country Sports Institutes to ensure the creation and delivery of world class sports science and medicine services to athletes.

Major Events and International Relations

The Major Events and International Relations Directorate ensures that the UK is a supportive and influential sporting nation that is regularly hosting the world's biggest events.

Our Major Events Team co-ordinates the UK's efforts to bid for and stage international sporting events. We work with NGBs to develop the UK's programme of target events; invest National Lottery funding to enable these events to take place; and provide technical expertise to ensure they are hosted to a world-leading standard.

The work of our International Relations Team seeks to both support and influence the international sporting system, helping to secure a stable international platform for UK success in performance and major events. Through the targeted provision of investment and technical expertise, the team helps NGBs to build strong and influential relationships with key international decision-makers.

International Development

Alongside International Inspiration, the International Development team has continued to influence the agenda of global sport development and enhance the skills of sport professionals from the UK providing them with the opportunity to help 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 use of sport as a tool for young people's social and personal development.

Domestically, we have worked with 11 British universities and a wide range of sports organisations and networks, including sitting volleyball, rugby league, netball, athletics and Sports Coach UK. Our international 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 in over 20 countries. Our partnership with the International Federations of Netball Associations, for instance, has enabled the African region to increase netball participation for girls and women of all ages and abilities. UK Sport's support to African netball in 2011-2012 has led to growth in capacity building; infrastructure development and guidance; competition pathways; and continued, innovative participation programmes, like the popular Netball Safaris, to retain the participants' involvement in the sport.

One UK Sport project with growing global impact is the International Community Coach Education System (ICES) initiative, which was cited in Parliament by MP Bob Russell as an example of our high quality international engagement during the year. ICES aims to improve children and young people's experience in sport by providing an international platform for advocacy, organisational support and quality training and development of coaches working at the community level. With over 20 global agencies involved in the ICES network, we have delivered workshops in Ghana and Trinidad, as well as helped map and support organisations from the Caribbean to Africa to the South Pacific. This approach is tailored towards increasing a child's involvement and life-long participation in sport, and ensuring that a growing number of young people become peer leaders or coaches in their own community to inspire the next generation into sport.

UK Sport International has also continued to provide the executive and a range of services for International Development through Sport (IDS), an official charity partner of UK Sport. IDS's portfolio of projects which 'harnesses the power of sport to change lives' continues to expand and make a difference to communities around the world, thanks to funding from DFID, Comic Relief, the Big Lottery and the TOP Foundation, as well as smaller income streams. UK Sport's mutually beneficial partnership with IDS enables us to generate greater impact for the benefit of children, young people and sporting communities worldwide, and to increase the impact of UK Sport's contribution to global sport.

IDS has now reached over 400,000 children and young people, and trained over 20,000 peer leaders and coaches in 13 countries over three continents. This year, IDS has renewed its partnership in Kenya with 'Moving the Goalposts', which uses football to help 3,000 underprivileged girls and young women in the Kilifi district to become peer and community leaders; to develop their life skills; to educate them about their reproductive health, HIV/AIDS and their rights; and to empower them economically.

One of IDS's flagship programmes, 'Go Sisters', is reaching over 1,700 vulnerable and disadvantaged girls and young women in Zambia through football, and is providing them with the opportunity to participate in physical activity, develop as leaders and role models, as well as arm themselves with vital life-saving HIV/AIDS and hygiene information. All this is making a real contribution to Zambia's achievement of Millennium Development Goal 3 (MDG3) – promoting gender equity and empowerment.

Finally, in Tanzania, the IDS supported 'Beckwith International Leadership Development' (BILD) programme came to an end in March 2012 after three years. BILD has developed tangible leadership capacity in Tanzania through its national programme, by training coaches, teachers, community leaders and young people to lead and support sports leadership activity. A remarkable 8,000 teachers, 6,500 community coaches and over 55,000 young people across different communities have been reached through this pioneering programme.

Managing Delivery

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 **Directors Office** oversees all aspects of corporate planning (including our formal reporting) and internal governance/legal advice for the organisation.

The UK Sport **Governance** team works with NGBs and system partners with the aim of achieving excellence in Leadership and Governance. This is to ensure British/UK bodies are best placed to deliver world class sport, headed by world class organisations.

The Governance Team's main activities include:

Leadership

- At the earliest stage supporting sports to attract and retain the very best leaders to serve British Sport through the development of a leadership talent pathway
- Accelerating the development of Boards, Chairs and CEOs by delivering a range of leadership programmes and initiatives

Corporate Governance

- Lead the governance compliance processes for UK/GB bodies, working in partnership with Home Country Sports Councils on joint issues
- Supporting all funded bodies to work towards a Green self-assurance and/or audit compliance rating
- Gathering comprehensive information through the governance framework which informs UK Sport's investment decisions
- Promoting governance best practice through events, UK Sport and partner programmes and peer support projects

Standards

- Ensuring funded partners are able to achieve specified levels of the Equality Standard; CPSU Child Protection Standards; and requirements for vulnerable adults
- Driving funded partners to lead and promote the highest standards of conduct by athletes, Athlete Support Personnel, employees and senior volunteers
- Ensuring funded sports / athletes maintain full compliance with the UK National Anti-Doping Policy

The **Business Services** team continue to deliver support to the organisation, ensuring that UK Sport staff operates as efficiently and effectively as possible. Key developments in 2011/12 have been:

- The virtualisation of our server infrastructure, reducing on-going IT costs and enhancing service-level provision
- The provision of updated system hardware and software, improving our data and voice communications capabilities
- The scoping of a Management Information System (MIS) to aid in improving business processes and data quality for the organisation
- The successful negotiations with our landlords, achieving a zero increase in our rental agreement for our Bernard Street HQ for the remainder of the lease

- The reconfiguration of our office premises to both enable greater collaboration between teams and free-up space to create income streams for UK Sport by sub-letting space
- The establishment of a rolling 3-year research strategy for the organisation
- The continued development of online tools to support the Mission Control system, Project Rio and beyond
- The enhancement of our Project Planning tools, improving business and project planning and reporting capabilities

The **HR** team have also had a very busy year. As well as the 'business-as-usual' type activity such as recruitment, employee relations, payroll etc. the team have reviewed and developed our Performance Development Planning process and established a brand new Management Development Programme called Personal Best. Staff turnover was high during the early part of 2011/12 and the HR team managed a significant volume of recruitment which resulted in the completion of 36 recruitment campaigns. Prior to each campaign an assessment was undertaken as to business need (in line with Cabinet Office controls). All recruitment (internal and external) was approved by the CEO approval before commencement.

The introduction of a succession planning process and an increased focus on staff engagement has helped us achieve a significant reduction in staff turnover over the course of the year.

The team have also successfully overseen (for the 4th year) our annual Staff Survey exercise which achieved a 99% response rate. The results were generally very positive with 99% of staff stating that they are proud to work for UK Sport. Key areas of focus for 2012/13 are; making UK Sport a more rewarding place to work, continuing to develop our approach to learning and development, reviewing organisational ways of working and continuing to ensure effective communications relating to the merger with Sport England.

The **Directors Office** comprises specialist legal, planning and project expertise.

- Planning comprises business/operational planning, performance monitoring and reporting and risk management – and have overseen the development of our 11/12 Operational Plan and the preparation of our draft 13-17 Business Plan.
- All legal advice is coordinated through our in-house Legal Advisor. In the past 12 months areas of focus have included Freedom of Information issues, development of anti-fraud and anti-bribery guidance, procurement procedures, Information Security and the management of UK Sport's Intellectual Property.
- Coordination of UK Sport's corporate relationship with the DCMS ensuring effective ongoing reporting against Business Plan and Transparency requirements.
- One-off information requests such as "Making the Case" (around the impact of UK Sport's activity).

Finance

The Finance team deal with UK Sport's National Lottery and Exchequer incomes - managing them so as much as possible can be distributed to sport. In the 2011-12 period, these sources were supplemented by 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 four partner organisations; the English Institute of Sport (EIS), British Shooting, British Basketball and Youth Sport Trust (YST). 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 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.

UK Sport 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 Equality Standard for Sport. UK Sport has started working towards the Advanced level of the Equality Standard.

At 31/03/12, the race, age, gender and disability profile of UK Sport's 103 staff and 1,431 funded athletes was as shown on page 19. Ethnicity, disability and age information for funded athletes is based on the 966 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 6.5%.

1,431 Funded Athletes

UK Sport Staff and Funded Athlete Profile



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 strived 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 eight 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 2011-12, 87% (2010-11 93.9%) of invoices were paid on time.

Sustainability Reporting

UK Sport falls below the threshold for mandatory inclusion of a Sustainability Report.

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. The DCMS are 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 excluding VAT respectively for each set of accounts, the same as the previous year.

Equal Opportunity
Employer



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

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

Performance Related-Pay

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 2011/12 the maximum performance related pay available was 10% of basic salary for the CEO and 15% for the other Directors. These payments are not pensionable.

Pension arrangements

Directors are members of the Local Government Pension Scheme (LGPS), a tax approved benefit occupational pension scheme set-up under the Superannuation Act 1972. Benefits are based on final salary and duration of membership. Members accrued pension entitlement in the year at a rate of 1/60 of final pensionable salary. Death in service cover is three years pay plus spouses/civil partner's pension equal to 1/160 of final pensionable salary, times total membership. At 31/03/12 all Directors, but not the Chair, were members of LGPS.

Director's Contracts

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

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

Emoluments of the Chair and Directors, including performance related pay but excluding pension arrangements, for the year ending 31/03/12 were as follows:

Audited Information		Salary 2011/12	Performance Related Pay 2011-12	Salary 2010/11	Performance Related Pay 2010-11
		£'000	£'000	£'000	£'000
S Campbell	Chair	35-40	0	35-40	0
L Nicholl ⁽¹⁾	CEO	130-135	10-15	115-120	10-15
T Hollingsworth ^{(2) (6)}	Director	30-35	0	100-105	10-15
P Keen ^{(7) (8)}	Director	95-100	10-15	90-95	5-10
D Cole ⁽⁹⁾	Director	90-95	5-10	80-85	5-10
D Lye ⁽³⁾	Director	75-80	5-10	30-35	5-10
C Walker ⁽⁶⁾	Director	80-85	5-10	75-80	5-10
J Steele ⁽⁴⁾	CEO	0	0	50-55	0
S Morton ⁽⁵⁾	Director	55-60	5-10	0	0
V Wilson ⁽⁶⁾	Director	25-30	0-5	0	0
Band of the highest paid director's total remuneration		130-135		130-135	
Median total		£38,440		£44,671	
Remuneration ratio		3.45		2.97	

Notes

1. 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. Her FTE salary for the year would be in the £130,000-£135,000 band.
2. Tim Hollingsworth's emoluments do not reflect a full year as he left UK Sport on 27 July 2011.
3. Debbie Lye was appointed as director at UK Sport on 1 November 2010.
4. John Steele left UK Sport on 31 July 2010.
5. Simon Morton was appointed as director on 18 July 2011 and therefore emoluments do not reflect a full year.
6. Vanessa Wilson was appointed as director on 5 December 2011 and therefore emoluments do not reflect a full year.
7. Peter Keen took up a non-director position on 1 May 2012.
8. Tim Hollingsworth, Peter Keen, David Cole and Chris Walker all took on additional responsibilities in September 2010 following Liz Nicholl's promotion to CEO and the decision to distribute her previous portfolio amongst existing directors rather than replace like-for-like.

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 has been included in the salary. Staff may sell up to 5 days of unused annual leave allowance per year; salary is also inclusive of any monies paid in lieu of this.

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in UK Sport in the financial year 2011-12 was £130,000 - £135,000 (2010-11, £130,000 - £135,000). This was 3.45 times (2010-11, 2.97 times) the median remuneration of the workforce, which was £38,440 (2010-11, £44,671). The decrease in the median pay is predominantly due to the departure of a number of long serving members of staff during 2010-11 who received remuneration towards the top end of their pay banding.

In 2011-12, 0 (2010-11, 0) employees received remuneration in excess of the highest-paid director. Remuneration ranged from the £15,000 - £20,000 band to £130,000 - £135,000 (2010-11, £15,000-£20,000 - £130,000-£135,000).

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Pension Entitlement

Audited Information	Real Pension Increase	Real Lump Sum Increase	Value of Accrued Pension	Value of Accrued Lump Sum	CETV at 31/03/12	CETV at 31/03/11	Real Increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
L Nicholl	2.5-5	5-7.5	45-50	115-120	1,080	901	121
T Hollingsworth	0-2.5	-2.5-0	10-15	25-30	166	154	2
P Keen	0-2.5	-2.5-0	10-15	10-15	136	116	6
D Cole	0-2.5	0-2.5	10-15	25-30	159	130	15
C Walker	0-2.5	0	5-10	0	58	38	11
D Lye	0-2.5	-5-2.5	25-30	50-75	647	597	14
S Morton	0-2.5	0-2.5	5-10	5-10	66	48	11
V Wilson	0-2.5	0	0-5	0	4	0	2

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 of Faculty Actuaries, and don't take account of any reduction in benefits arising from Lifetime Allowance Tax that may be due when pension benefits are taken.

Remuneration Report

Members' remuneration

Members remuneration for attending meetings was £218 per day (2010/11 £218) 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 (£)	2011/12	2010/11
Chris Holmes MBE	3,706	1,744
Dominic Walsh	1,962	1,090
Jonathan Vickers	3,379	1,853
Laura McAllister	1,308	872
Louise Martin CBE	1,090	872
Nigel Walker	0	1,308
Phillip Kimberley	1,308	872
Phillip Carling	0	654
Rod Carr OBE	1,635	1,308
Richard Lewis	0	0
Mark Hanson	1,090	0

Compensation for loss of office

One member of staff left under compulsory redundancy terms in May 2011. The capitalised cost of the package received was £1,600. (2010/11 one member of staff and the capitalised cost of the package received was £12,883).

Reporting of Civil Service and other compensation schemes – exit packages

2011/12

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

2010/11

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

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 London Pension Fund Authority. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Reporting of Personal Data Related Incidents

Table 1:

Summary of Protected Personal Data Related Incidents Formally Reported to the Information Commissioner's Office in 2011-12

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 regularly reviews its information and data security systems and new staff undergo a compulsory e-learning course administered by the National School of Government.

In addition all staff received information to raise further awareness on information and data security.

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

Table 2:

Summary of Other Protected Personal Data Related Incidents in 2011-12

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	
V	Other	2

UK Sport's performance

Objective	2011-12 Performance Target	Indicator	Full Year achievements
Performance Success - Summer (Olympic) All funded sports are on track to meet their Summer Olympic performance target.	Achieve no less than the mid-point of the medal range target for Summer Olympic Sports for 2011 (at Nov 2011).	46 (Range 30-61) World Events	50 Medals (13G/23S/14B)
Performance Success - Summer (Paralympic) All funded sports are on track to meet their Summer Paralympic performance target.	Achieve no less than the mid-point of the medal range target for Summer Paralympic Sports for 2011 (at Nov 2011).	43 (Range 34-52) World Events	76 Medals (28G/23S/25B)
Performance Success - Winter (Olympic) All funded sports are on track to meet their Winter Olympic performance target.	Achieve no less than the mid-point of the medal range target for Winter Olympic Sports for 2011 (at June 2012).	1 (Range 0 - 2)	2 Medals (0G/1S/1B)
Performance Success - Winter (Paralympic) All funded sports are on track to meet their Winter Paralympic performance target.	Achieve no less than the mid-point of the medal range target for Winter Paralympic Sports for 2011 (at June 2012).	1 (Range) 0 - 1	0
Athlete Development Ensure that the investment through World Class Programmes is impacting positively on the development of future Olympians and Paralympians.	No less than 90% of funded Summer and Winter sports achieve the agreed Athlete Development KPI.	90%	89.6%
Performance Support The Performance team is structured to support the 'top end' of the sporting pathway working with World Class Performance Programmes to support the delivery and development of those with greatest potential impact. Projects and workstreams are identified, prioritised and delivered to achieve performance gain.	75% of externally focused projects or work streams in 2011/12 (33) categorized as mission critical are Green-rated. The number of projects reduced from 34 to 33 in Q2.	75%	88%
Major Events To use London 2012 and Glasgow 2014 to establish the UK as the leading host of major international sporting events.	Develop and publish the Global Events Index to assess international hosting success.	Global Events Index	Delivered May 2012
Commercial Creation and development of a commercial strategy for the 2013-2017 cycle that will generate significant revenue for the WCPP, whilst ensuring it has the full support of the NGBs and other elite sport stakeholders.	Commercial Strategy agreed by Board following external valuation of UK Sport's commercial assets and properties, and feedback from NGB meetings and surveys.	Strategy agreed	On-track
Governance UK Sport works with the DCMS and Home Countries to improve the governance of NGBs, including in the areas of equality and diversity.	90% of UK Sport-funded NGBs achieve amber or green status in annual independent assessment of NGBs' self-assurance returns.	90%	96%
Finance UK Sport operates within the budget constraints set out in the CSR settlement and in the Lottery targets for Administration costs.	Administration spend on the Exchequer fund does not exceed £4.329m.	£4.329m	On-track
	Administration spend on the Lottery fund does not exceed 5% of projected Lottery income.	5%	On-track

Financial Performance

The overall financial plan for the London Cycle was set by the UK Sport Board in Spring 2009 and subsequently amended by the separation of UK Anti-Doping and the Annual Review in 2009 when the Board agreed to increase investment in the World Class Programme based on the forecast of a £6.5m contribution from Team 2012.

Additional net investment of £5m was made by the Board in December 2010 into both Summer and Winter Sports, funded by upside from National Lottery ticket sales in 2009/10 and 2010/11, and offset by reductions of £3.5m in Partner funding and provisions no longer required.

The level of Resource Grant in Aid for 2011-12 was determined at £60 million in the Comprehensive Spending Review announced in October 2010. Separate allocations were made available to UK Sport for capital investment and depreciation. The Department for Culture, Media and Sport made available a further award of £350,000 during the year, primarily as a further contribution towards the costs of undertaking international development activity.

Administration costs have continued to be an area of focus. The 2010 Spending Review introduced a specific budget control total for Exchequer Administration costs and at the same time the Lottery distributors agreed to work towards a benchmark of 5% for grant processing costs and 8% for gross costs. UK Sport is pleased to report that levels of efficiency have been maintained at a high level in 2011/12 and savings planned 2012/13 in areas such as legal and learning and development have been accelerated. Both sets of administration cost targets have been achieved and total corporate costs were less than 5% of income leaving over 95% for investment in frontline activity.

On the National Lottery side, ticket sales have grown over the period as well as the overall percentage allocation available to UK Sport. Total Lottery income for the year was £70.045m compared to a budget of £60.45m.

The growth in National Lottery income has enabled UK Sport to ring-fence a greater sum of money for the Rio Olympic cycle. With reducing Exchequer financing this means that more investments will be made under the Rio cycle than would otherwise have been affordable. The annual review of UK Sport Investments in the London cycle was undertaken in December 2011 and Board confirmed that no changes would be made to funding levels for sports. The Investment decisions for Rio will be taken in December 2012.

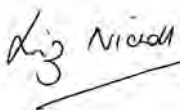
The Statement of Financial Position showed negative net assets at 31/03/12 as a result of the Pension Scheme accounting adjustment and the discount rate assumption required under IAS 19. The pension scheme was subject to a triennial valuation as at 31/03/2010. This reported a surplus of assets over liabilities of £0.194m in the scheme, and the rate of employer contributions for the active scheme remains unchanged until post the next valuation which is set for 31/03/2013.

The financial statements have been prepared on a going concern basis. As identified on page 8 of the Annual Report, DCMS Ministers have decided to postpone a consultation on bringing UK Sport together with Sport England until after the Olympics and Paralympics. Having considered the circumstances and from discussions with the DCMS, management's expectation is that, whilst there is uncertainty over its future operational structure, UK Sport will continue to operate in its current form for at least the next 12 months.

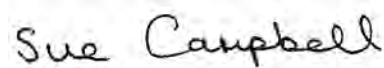
There is expected to be no change to the continued provision of services by UK Sport and future financial provision has been made for UK Sport through section 23 of the National Lottery etc. Act 1993 (as amended) and the Exchequer settlement agreed with DCMS, subject to continuing Parliamentary approval, as part of the last Comprehensive Spending Review which runs through to 31/03/2015. As a result, management considers it appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements.

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 2011/12, sickness absence excluding long term absence averaged 0.84 (2010/11 – 0.79) days per person and 3 individuals had long term sickness absence (2010/11 – 1).



Liz Nicholl
Chief Executive and Accounting Officer
United Kingdom Sports Council
27 June 2012



Sue Campbell
Chair
United Kingdom Sports Council
27 June 2012



ANNUAL REPORT AND ACCOUNTS

2011/12



The United Kingdom Sports Council Grant-in-Aid and the United Kingdom Sports Council Group Accounts for the year ended 31 March 2012



Statement of the Board and Chief Executive's Responsibilities

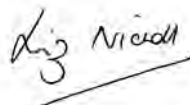
The Royal Charter requires UK Sport to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Olympics, Media and Sport with consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and 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 The United Kingdom Sports Council is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:


- Observe the accounts direction issued by the Secretary of State for Culture, Olympics, Media and Sport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on the going concern basis.

The Accounting Officer for the DCMS has designated the Chief Executive of UK Sport as the Accounting Officer for UK Sport. The relevant responsibilities of an Accounting Officer, including 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 as 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
27 June 2012



Sue Campbell
Chair
United Kingdom Sports Council
27 June 2012



Governance Statement

1. Purpose

This statement outlines how I, as Accounting Officer, have discharged my responsibility to manage and control the organisation's resources during the course of 2011/12. As set out in *Managing Public Money*, the Governance Statement provides a clear overview of the dynamics of UK Sport and its control structure, provides a sense of how vulnerable the organisation is or might be, and how successful it has been in coping with the challenges it has faced through the course of the year.

2. Governance Framework

UK Sport was established as an Arm's Length Body to the Department for Culture, Media and Sport by Royal Charter in 1996. The formal relationship between the department and UK Sport is encapsulated in a Framework Document between the two organisations. This document sets out the broad framework within which UK Sport should operate. Copies of the document and any subsequent amendments are placed in the libraries of both Houses of Parliament and made available to members of the public on the UK Sport website.

UK Sport's constitution is set out in Article One of the Royal Charter, with the Secretary of State (and other members of the DCMS ministerial team) accounting for UK Sport's business in parliament. My respective responsibilities as Accounting Officer are set out in Chapter Three of *Managing Public Money*.

Where appropriate and applicable UK Sport adopts principles of best practice from HM Treasury's Corporate Governance Code for Central Government departments ('The Corporate Governance Code').

2.1 Board structure

The Chair and Board members are appointed by the Secretary of State in compliance with the Code of Practice of the Commission for Public Appointments. Our Chair, Baroness Campbell, has been in role since March 2005 with her second term due to come to an end in March 2013. The Board consists of the Chair and nine members, five independent and four representatives of the Home Nation Sports Councils. Collectively they have the skills and experience appropriate to directing UK Sport's business. The relative skills mix of the Board is considered prior to any appointments being made. Board membership was constant throughout 2011/12 with no new members (or members retiring).

The Board has established an Audit Committee to support them in their responsibilities for issues of risk, control and governance. The Audit Committee advises the Board and Accounting Officer on:

- The strategic processes for risk, control and governance (and the Governance Statement)
- The accounting policies, the Annual Report and Accounts
- The planned activity and results of both internal and external audit
- The adequacy of management response to issues identified by audit activity
- The effectiveness of internal and external audit
- Assurances relating to the corporate governance requirements for the organisation

Governance Statement

Further to this, three formal sub-committees of the Board exist:

- Remuneration Panel – ensuring employment issues in UK Sport are dealt with professionally
- Major Events Panel – providing advice around the development/delivery of UK Sport’s Major Events Programme
- Mission Control Panel – providing oversight of UK Sport’s Mission Control process

2.2 Subsidiary Companies

UK Sport has held sole responsibility for the English Institute of Sport (EIS) since April 2006. Its accounts are approved separately by the Board of the EIS and are subject to external audit by the Comptroller and Auditor General.

A number of measures are in place to provide me with assurance as to the activities/operations of the EIS. The Institute is bound by a Funding Agreement (alongside a separate Financial Memorandum). Key Performance Indicators are agreed annually and progress against these is reviewed at formal quarterly meetings attended by the National Director and Director of Business and Finance at the EIS and the COO (from April 2012, previously Director of Corporate Development) and PD from UK Sport – both their risk register and minutes from their Audit Committee are also reviewed at these meetings. Separate (but reporting into) these quarterly reviews, budget/forecast meetings are held between our Investment Team and the Director of Business and Finance at the Institute.

Our Director of Performance (and myself when required) regularly attend Board meetings of the EIS and their board papers are shared in advance of all meetings. Outside of the more formal processes the National Director and UK Sport’s COO meet on a monthly basis to discuss matters of mutual interest.

2.3 Board/Committee Effectiveness

Our Board met seven times in 2011/12 based around business priorities and the annual calendar of Board activity. At the start of each meeting members are given the opportunity to declare any potential conflicts of interest (in line with the HM Treasury Corporate Governance Code). The Board was quorate for all meetings in 2011/12. Attendance of Board members is tabulated below.

ATTENDANCE 2011/12	6 April	26 May	28 June	14 Sept	7 Dec	25 Jan	27 March	
Chris Holmes	Y	Y	Y	Y	Y	Y	N	6/7
Dominic Walsh	Y	N	Y	Y	N	Y	Y	5/7
Jonathan Vickers	N	Y	Y	Y	Y	Y	Y	6/7
Laura McAllister	Y	Y	N	Y	Y	Y	Y	6/7
Louise Martin	Y	N	N	Y	Y	Y	Y	5/7
Mark Hanson	Y	Y	Y	Y	Y	Y	Y	7/7
Philip Kimberley	Y	Y	Y	N	Y	Y	Y	6/7
Richard Lewis	Y	Y	Y	Y	Y	Y	Y	7/7
Rod Carr	Y	Y	N	Y	Y	Y	N	5/7
Sue Campbell	Y	Y	Y	Y	Y	Y	Y	7/7

Over the course of the year key topics discussed by the Board included:

- The proposed merger between UK Sport and Sport England
- Medal targets for 2012
- The 2013-17 investment strategy and process (“Project Rio”)
- UK Sport Funding Agreement and KPIs
- UK Sport Equality Policy
- Governance framework for NGBs/UKS funded partners
- The successful World Athletic Championships 2017 bid

In addition to the distribution of itemised papers one week prior to Board meetings, further regular reports are provided on our financial position, HR matters (including key relevant management information), the minutes from both the Audit Committee and Major Events Panel, and an update on Communication activity. Minutes from our Board meetings are made available through our website.

Both the Board and Audit Committee undertook reviews of their effectiveness in 2011/12. Neither review identified any areas of fundamental concern to members, more the identification of some specific changes to improve their overall effectiveness.

The Board (following completion of an online survey) discussed their effectiveness in late March 2012. Key areas identified for onward development/consideration were:

- The building of the Board as a team
- Earlier input into and involvement in the formulation of thinking behind key areas of the strategy and decisions
- More time to think openly and creatively with the Exec around key topics
- A request for greater transparency and clarity around the work of the Remuneration Committee (Terms of Reference have subsequently been reviewed and are being taken to the Board pre-publication for consideration)

The Audit Committee at their meeting on 9 February 2012 agreed a set of actions in response to their review:

- The development of a formal induction process for Committee members to UK Sport and the Committee
- A review of the letter of appointment
- A ‘tightening up’ of some of the administrative process around the Committee
- A commitment to individual performance reviews being undertaken for all Committee members annually
- A request that the DCMS be invited to Audit Committee meetings

In November 2011 Peter Rowley, Board member of Sport England and Chair of their Audit Committee was co-opted to the Audit Committee of UK Sport. As well as bringing additional expertise to the Committee, it is hoped that Peter’s appointment will encourage a closer working relationship with Sport England.

Governance Statement

2.4 Executive responsibilities

My responsibilities as Accounting Officer for UK Sport are set out in full in the Permanent Secretary's appointment letter. As such, I am personally responsible for safeguarding the public funds for which I have charge; for ensuring propriety and regularity in the handling of those funds; and, for reporting to the Board of UK Sport for the day-to-day operations and management of the organisation and the achievement of its strategic aims. I am also responsible for ensuring that UK Sport is run on the basis of the standards set out in Box 3.1 of *Managing Public Money*. A clear scheme of delegation (and supporting policies and procedures) exists within the organisation to assist with my management of this.

In my role as Accounting Officer I attend both Board and Audit Committee to ensure any significant risks/issues of control are brought to their attention and discussed. I am therefore able to provide the assurances necessary within this statement for the period from April 2011 to the date of approval of the annual report and accounts.

In July 2011 the then Chief Operating Officer left the organisation to become CEO of the British Paralympic Association. This led to a restructure of director portfolios and the separation of Major Events/International Relations and Communications/Commercial into two separate directorates (and the resultant recruitment of two new directors). Interim arrangements were put in place to oversee these functions whilst the recruitment process was completed. The Director of Major Events/International Relations and Director of Communications/Commercial started in July and December of the year respectively. In the absence of a COO, from July 2011 to April 2012, when I have been away from the business for any period of time, I have delegated responsibility for financial decision-making to the Director of Finance and Investment and any operational decision-making to the Director of Corporate Development. In April 2012, the Director of Corporate Development was promoted to Chief Operating Officer. Individual named directors have responsibility for all policies and procedures pertaining to the Internal Governance of the organisation. The Chief Operating Officer has operational responsibility for the over-arching control environment within which we operate (including our risk management processes) whilst our Director of Finance and Investment leads on all aspects of financial planning and control.

3. System of Internal Control

No significant issues of internal control were identified in 2011/12. A number of risks were either realised or required managing through the year. This was successfully achieved within the Internal Control processes described hereafter and through our overarching Policy on Internal Control.

The system of internal control within UK Sport seeks to mitigate rather than eliminate risk. The decision to which risks are mitigated or accepted relates both to the organisation's capacity to influence them and/or absorb their potential impact. The methodology used to evaluate risk in terms of likelihood and potential impact (through a Risk Heat Map) has been in place since 2007 to promote focus on the most significant risks facing the organisation.

An Internal Audit of Risk and Governance was undertaken by Deloitte in January/February of 2012. A substantial level of assurance was given to the adequacy and effectiveness of the controls in place regarding UK Sport's risk management and governance arrangements.

UK Sport operates a wide ranging System of Internal Control. Independent to UK Sport, assurance is provided by both internal and external audit functions. Key to the control environment is our:

- Approach to managing risk; and our
- Policy/procedure framework (incl. scheme of delegated authority)

3.1 Risk Profile for 2011/12

Our appetite to risk flexes according to individual circumstance and situation. By nature, as an NDPB operating within the wider governmental control environment, we are required to be more 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 corresponding scenario plans, with mitigating actions developed.

As at the end of March 2012, 14 risks sat on our Strategic Risk register, with a further 4 operational risks also being routinely monitored:

- Work continues towards the bringing together of UK Sport and Sport England. A proposed structure (for onward consultation) was considered by our Board in December 2011 and subsequently rejected. As a result the Secretary of State and Minister for Sport and the Olympics decided to postpone a consultation until after the Olympics and Paralympics. In the meantime, attention has focussed on progressing four of the prime outcomes desired by the Minister: operational synergies, back-office efficiencies, co-location and the establishment of a Sports Marketing Bureau. No additional resources have been made available to support these initiatives.
- Against the backdrop of centralised austerity budgeting, income to UK Sport in 2011/12 held up due, in most part, to the increasing reliance on National Lottery income. Over the course of the year, through a combination of prudent financial management and efficiency savings, UK Sport has invested over 95% of resources in front line activity. Total National Lottery income for 2011/12 was £70.045m against an initial budget of £60.45m as a result of increased ticket sales and UK Sport's percentage allocation. The growth in National Lottery income has enabled UK Sport to ring fence a greater sum of money for the Rio Olympic cycle – a conscious decision to build reserves to help mitigate the expected shortfall in Exchequer funding for the next cycle.
- UK Sport entered the 2011/12 financial year with a rolling 12-month staff turnover of 26%. Significant work has been undertaken across the organisation to ameliorate this issue with focus primarily placed on a series of initiatives to improve employee engagement. Turnover, as at March 2012 had reduced to 14%.

Looking ahead to 2012/13 the key risks to UK Sport, in addition to those resulting from uncertainty around the merged environment and the resultant loss of key staff (amplified by the 'normal' churn experienced at the end of each Olympiad), are significant:

- Any significant underperformance at the Games themselves would put considerable pressure on our ability to justify onward investment, particularly at a time when budgets across government departments are being regularly reviewed and tightened.
- We will be making investment decisions in December 2012 for the Rio (2013-17) cycle – our no-compromise logic, within an environment of reduced income, might create a scenario whereby we are not able to continue to fund all those sports that we currently work with.

To help mitigate the above, in addition to our existing Mission Control processes, we established in early 2011/12 Project Rio – to help plan for our necessary investment decisions in late 2012. Detailed financial modelling and scenario-planning has been undertaken and shared with Board and the DCMS. This work continues as strategies and plans emerge over the course of 2012.

Governance Statement

3.2 Policies and Procedures

Beneath our overarching Policy on Internal Control sits a number of critical policies and procedures, which effectively describe to staff the detail of their responsibilities. Focus has been given in 2011/12 to reviewing and updating a number of these to ensure they are current with both statutory/legislative requirements and recognised best practice. The following key internal policies, and associated procedures have been reviewed within the reported year (amongst others):

- Anti-Fraud, Anti-Corruption and Anti-Bribery Policy
- Budgetary control policy
- Cash management policy
- Central Conflicts of Interest Register
- CRB Policy
- Delegated authority policy
- Fixed asset policy
- Games Time Hospitality and Entertainment Guides
- Gifts and Hospitality Policy & Register
- GPC and VISA policy
- Job Evaluation
- Maternity
- Procurement Policy
- Purchase to Pay
- Recruitment
- Remuneration
- Safeguarding
- Sales Invoicing
- Travel and Expenses
- Whistleblowing

3.3 Independent Assurance

3.3.1 Internal Audit

Internal Audit for 2011/12 was provided under contract by Deloitte LLP. 57 days of audit time were scheduled for the financial year with specific audits undertaken on:

- Core financial processes
- Procurement and contract management
- Governance and Risk Management
- Athlete Personal Awards (APAs)
- Management of international activities
- World Class Events

Of the six audits undertaken, substantial assurance was given to four, and limited to two (Core Financial Processes and Management of International Activities). Despite this no level one issues were raised across any of the audits. A regular update is provided to the Audit Committee as to the status of previous recommendations made through Internal Audit. Follow up work was undertaken to ascertain the implementation status of recommendations raised previously. Against those Level 1 and 2 recommendations that were tested by Deloitte, 11 had been implemented and six remained outstanding.

3.3.2 External Audit

The audit of UK Sport's Annual Report and Accounts for the year ended 31/03/2011 was completed in July 2011. An issue was identified, relating to weaknesses in controls to provide our management with assurance over the accuracy and completeness of income declarations by athletes. In response to this finding, we have let an external contract with Moore Stephens to independently audit incomes within a sample of our agreed athletes to provide the required levels of assurance. This approach was agreed with the National Audit Office.

Moore Stephens published their review in May 2012, in which they confirmed to a reasonable level of assurance the income declared for 18 of the 20 athletes tested. Based on the sample tested against the 'APA rules of implementation' and the thresholds in place for the awards, they considered that there was limited risk that Athlete Personal Awards have been paid out against inaccurate income information.

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

Moore Stephens carry out management and governance audits (and also assess the annual self-assurance submissions) of NGBs and system partners under a joint contract with Sport England. UK Sport and Sport England officers meet quarterly with Moore Stephens staff to review progress and manage any operational issues.

A total of 14 management and governance audits were undertaken by Moore Stephens during the year. As at 31/03/12 the outcomes of these were as follows:

Status	Green	Amber/Grn	Amber/Red	Red	Total
Final Report Issued	2	6	2	1	11
Draft Report Issued	-	1	2	-	3

Within 2011/12 all funded NGBs and system partners undertook either the Self-Assurance or Basic Assurance process¹. The following assurance ratings were received:

Audit-type	Green	Amber	Red	Total
Self	21	5	1	27
Basic	9	8	2	19

Our agreed performance target with the DCMS was for 90% of NGBs/system partners to have achieved Green or Amber within their self-assurance process – in 2011/12 26/27 (96%) achieved this rating.

¹ In 2012/13 all funded NGBs/system partners will have been moved to the more thorough self-assurance process

Governance Statement

3.4 Information Security

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.

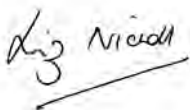
UK Sport has in place robust and specific measures to ensure information security applies to all staff and third parties.

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 in July 2010, with all current and new staff undergoing a compulsory e-learning course administered by the National School of Government.

In addition all staff received further information to raise further awareness on information and data security. All Information Asset Owners within UK Sport had recently completed Level 2 of the NSG Information Security course

In March 2012 we reported to the DCMS that, of the 20 Mandatory Requirements (within the SPF) against which we are now required to review and report centrally, 18 were deemed met (16 - action complete; 2 - having a fully endorsed and resourced project or programme underway) and the remaining two were agreed as not being relevant to UK Sport.

UK Sport suffered two protected personal data incidents in 2011/12, both relating to the inadvertent loss of PDA devices (which do not fall into the criteria for reporting to the Information Commissioner's Office) - in both instances the PDAs were encrypted. UK Sport has not suffered any protected personal data incidents (that would fall into said criteria) and continues to train all staff in their responsibilities around Information Security through the National School of Government resources.



Liz Nicholl

Chief Executive and Accounting Officer
United Kingdom Sports Council
27 June 2012



Sue Campbell

Chair
United Kingdom Sports Council
27 June 2012



Independent Auditor's Report

The 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 2012. These financial statements 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.

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

Opinion on Regularity

- In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 2012 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.

Emphasis of matter – going concern

Without qualifying my opinion, I draw attention to note 1 of the financial statements concerning the application of the going concern basis in the light of Government proposals to merge the functions and expertise of the United Kingdom Sports Council with the English Sports Council. There is therefore uncertainty over the United Kingdom Sports Council's ability to continue to operate in its current legal form.

Independent Auditor's Report

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 & 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 returns adequate for my audit have not been received from branches not visited by my staff; 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 Governance Statement 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: 02 July 2012

Grant-in-Aid Accounts

Statement of Comprehensive Net Expenditure for the year ended 31/03/12

	Note	UK Sport		Group	
		2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
INCOME					
Other Operating Income	3	4,489	4,986	10,749	11,124
Total		4,489	4,986	10,749	11,124
EXPENDITURE					
Staff Costs	4.1	4,689	2,557	15,077	11,325
Grants and Other Operating Costs	5	60,674	55,831	56,667	51,781
Total		65,363	58,388	71,744	63,106
Net Expenditure before Taxation and Interest		(60,874)	(53,402)	(60,995)	(51,982)
Net Return on Pension Assets		(62)	(318)	173	(316)
Interest Receivable	8	7	6	9	11
Taxation	9	-	-	-	(1)
Net Expenditure for the Period		(60,929)	(53,714)	(60,813)	(52,288)
Other Comprehensive Expenditure		-	-	-	-
Pension actuarial gain/(loss)	17.4	(3,627)	557	(6,829)	436
Total Comprehensive Expenditure for the financial year	6	(64,556)	(53,157)	(67,642)	(51,852)

All activities relate to continuing activities.
The Notes on pages 45 to 72 form part of these accounts

Grant-in-Aid Accounts

Statement of Changes in Taxpayer's Equity for the year ended 31/03/12

	UK Sport				Group			
	2011/12		2010/11		2011/12		2010/11	
	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	1,610	(3,217)	1,541	(5,174)	3,554	(1,891)	3,570	(5,171)
Retained (Deficit) for year	(60,929)	-	(53,714)	-	(60,813)	-	(52,288)	-
Transfer from the Pension reserve	93	(93)	(1,580)	1,580	(42)	42	(3,024)	3,024
Movement from Deferred income	-	-	-	-	3	-	(67)	-
Grant-in-Aid income received	60,651	-	55,363	-	60,651	-	55,363	-
Recognition of actuarial gains/(losses)	-	(3,627)	-	557	-	(6,829)	-	436
Other movements	-	(150)	-	(180)	-	(150)	-	(180)
Balance at 31 March	1,425	(7,087)	1,610	(3,217)	3,353	(8,828)	3,554	(1,891)

Statement of Financial Position as at 31/03/12

	Note	UK Sport		Group	
		2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
NON CURRENT ASSETS					
Property Plant and Equipment	10	354	432	2,141	2,369
Intangible Assets	10.1	344	392	477	392
Total Non Current Assets		698	824	2,618	2,761
CURRENT ASSETS					
Trade and other receivables	11	1,463	1,402	1,973	2,103
Cash and cash equivalents	12	1,702	990	2,437	1,485
Total Current Assets		3,165	2,392	4,410	3,588
Total Assets		3,863	3,216	7,028	6,349
CURRENT LIABILITIES					
Trade and other payables	13	(1,975)	(1,187)	(3,212)	(2,349)
Total Current Liabilities		(1,975)	(1,187)	(3,212)	(2,349)
Non Current Assets plus net current assets		1,888	2,029	3,816	4,000
NON CURRENT LIABILITIES					
Provisions	14	(463)	(419)	(463)	(446)
Pension Liabilities	17	(7,087)	(3,217)	(8,828)	(1,891)
Total Non Current Liabilities		(7,550)	(3,636)	(9,291)	(2,337)
Assets less Liabilities		(5,662)	(1,607)	(5,475)	1,663
TAXPAYER'S EQUITY					
Pension Reserve	17.2	(7,087)	(3,217)	(8,828)	(1,891)
Revenue Reserve		1,425	1,610	3,353	3,554
Total Taxpayer's Equity		(5,662)	(1,607)	(5,475)	1,663

The notes on pages 45 to 72 form part of these accounts.

Liz Nicholl

Liz Nicholl
Chief Executive and Accounting Officer
United Kingdom Sports Council
27 June 2012



Sue Campbell

Sue Campbell
Chair
United Kingdom Sports Council
27 June 2012



Grant-in-Aid Accounts

Statement of Cash Flows for the year ended 31/03/12

	Note	UK Sport		Group	
		2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Other Income		4,428	4,187	10,840	9,477
Staff Costs paid		(4,658)	(4,050)	(14,947)	(13,306)
Operating Costs paid		(8,036)	(7,772)	(13,343)	(13,535)
Grants paid	5	(51,347)	(47,502)	(41,055)	(37,401)
Cash generated from operations		(59,613)	(55,137)	(58,505)	(54,765)
Interest Received	8	7	6	9	11
Corporation Tax on investment income	9	-	-	(1)	(1)
Net Cash Flow from Operating Activities		(59,606)	(55,131)	(58,497)	(54,755)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments to acquire property, plant and equipment	10	(106)	(64)	(815)	(870)
Payments to acquire Intangible assets	10.1	(227)	(482)	(387)	(482)
Net cash Flow from Investing Activities		(333)	(546)	(1,202)	(1,352)
CASH FLOWS FROM FINANCING ACTIVITIES					
Grant-in-Aid	2	60,651	55,363	60,651	55,363
Net Cash Flow from Financing activities		60,651	55,363	60,651	55,363
Net Increase/ (Decrease) in cash and cash equivalents in the period		712	(314)	952	(744)
Cash and cash equivalents at 1 April		990	1,304	1,485	2,229
Cash and cash equivalents at 31 March		1,702	990	2,437	1,485

The notes on pages 45 to 72 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury and on the basis of the Accounts Direction issued by the Secretary of State for Culture, Olympics, Media and Sport, with the approval of the Treasury, in accordance with article 14 of the Royal Charter on 26 March 2002, a copy of which can be obtained from UK Sport at 40 Bernard Street, London, WC1N 1ST.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of UK Sport for the purpose of giving 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 financial statements have been prepared on a going concern basis. As identified on page 8 of the Annual Report, DCMS Ministers have decided to postpone a consultation on bringing UK Sport together with Sport England until after the Olympics and Paralympics. Having considered the circumstances and from discussions with DCMS, management's expectation is that, whilst there is uncertainty over its future operational structure, UK Sport will continue to operate in its current form for at least the next 12 months.

There is expected to be no change to the continued provision of services by UK Sport and future financial provision has been made for UK Sport through section 23 of the National Lottery etc. Act 1993 (as amended) and the Exchequer settlement agreed with DCMS, subject to continuing Parliamentary approval, as part of the last Comprehensive Spending Review which runs through to 31st March 2015. As a result, management considers it appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements.

Grant Commitments and other obligations have been entered into on the basis of continuing receipt of Grant-in-Aid financing from the DCMS and a four year settlement was agreed with DCMS as part of the 2011-12 comprehensive spending 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 17.

Notes to the Accounts

1.3 Basis of consolidation

The English Institute of Sport (EIS) has been accounted for as subsidiary entity during the year within the consolidated accounts, in accordance with the guidance set out in the Financial Reporting Manual (FRm) issued by HM Treasury and on the basis that UKS 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, the British Olympic Association and the 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, income received for the funding of International Development activities, and sponsorship income. The recharge of services and the international development income 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. Sponsorship income is recognised on an accruals basis over the period to which it relates.

1.5 Property Plant & Equipment

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 for EIS it 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 & 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

A full year of depreciation is charged in the year of acquisition and none in the year of disposal.

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

A full year of depreciation is charged in the year of acquisition and none in the year of disposal.

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 17-19 to the accounts.

1.10 Leases and Provisions

A 15 year lease was signed for the office premises at 40 Bernard Street with Bloomsbury Property Investment Limited at an annual rent of £441,300 with effect from 31 January 2000 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 (see Note 14).

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 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"*.

1.12 Investment

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

Notes to the Accounts

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 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 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	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Received from DCMS-Revenue	60,331	54,733	60,331	54,733
Received from DCMS-Capital	320	630	320	630
Total	60,651	55,363	60,651	55,363

A total of £60.65m (2010/11 £55.36m) Grant-in-Aid was made available and drawn down in the year.

3. Other Income

	UK Sport		Group	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Funding for International Programme	390	291	390	291
Funding for World Class Programme	1,681	2,400	1,681	2,400
Costs apportioned to UKS Lottery Account	1,964	1,893	1,964	1,893
Other	454	402	454	402
EIS	-	-	6,260	6,138
Total	4,489	4,986	10,749	11,124

4. Staffing and Management

4.1 Staff costs

	UK Sport		Group	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Wages and Salaries (including performance related pay)	3,615	3,666	12,464	12,225
Temporary and Agency Staff	206	212	206	212
Social Security Costs	373	172	1,127	869
Pension Costs: Current Service Cost	495	825	1,280	2,001
Past Service Cost	-	(2,318)	-	(3,982)
Total Staff Costs	4,689	2,557	15,077	11,325

4.2 Average number of staff during the year

	UK Sport	
	2011/12	2010/11
EMPLOYEES		
UK Sport	76	72
English Institute of Sport	256	242
Total	332	314
AGENCY		
UK Sport	7	6
Total	7	6

Notes to the Accounts

5. Grants and Other Operating Costs

	UK Sport		Group	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
NATIONAL SUPPORT - GRANTS				
Sports Bodies	50,178	46,101	39,886	36,001
Performance	63	188	63	188
International Representation	1,106	1,212	1,106	1,212
	51,347	47,501	41,055	37,401
NATIONAL SUPPORT - OTHER COSTS				
Performance	5,894	4,967	5,894	4,967
Communications	301	295	301	295
International Representation	230	194	230	194
English Institute of Sport	-	-	6,285	6,050
	6,425	5,456	12,710	11,506
FINANCE AND MANAGEMENT SERVICES				
HQ office costs	2,902	2,874	2,902	2,874
Total	60,674	55,831	56,667	51,781

6. Analysis of Net Expenditure by Programme and Administration Budget

	UK Sport					
	2011/12			2010/11		
	Programme £'000	Administration £'000	Total £'000	Programme £'000	Administration £'000	Total £'000
EXPENDITURE						
Staff Costs	(2,371)	(2,318)	(4,689)	(1,279)	(1,278)	(2,557)
Running Costs	(6,326)	(1,797)	(8,123)	(5,276)	(1,813)	(7,089)
Rentals under operating leases	-	(701)	(701)	-	(685)	(685)
Grants	(51,347)	-	(51,347)	(47,501)	-	(47,501)
Depreciation	-	(176)	(176)	-	(244)	(244)
Amortisation	-	(258)	(258)	-	(270)	(270)
Profit/(Loss) on disposal	-	(25)	(25)	-	-	-
Provision provided for in year	-	(44)	(44)	-	(42)	(42)
INCOME						
Interest Receivable	-	7	7	-	6	6
Other Income	2,462	2,027	4,489	2,906	2,080	4,986
Net (expenditure)/income after interest	(57,582)	(3,285)	(60,867)	(51,150)	(2,246)	(53,396)
Net return on pension assets	(31)	(31)	(62)	(159)	(159)	(318)
Pension actuarial gain/(loss)	(1,834)	(1,793)	(3,627)	279	278	557
Total Comprehensive Expenditure for the financial year	(59,447)	(5,109)	(64,556)	(51,030)	(2,127)	(53,157)

Notes to the Accounts

6. Analysis of Net Expenditure by Programme and Administration Budget

	Group					
	2011/12			2010/11		
	Programme £'000	Administration £'000	Total £'000	Programme £'000	Administration £'000	Total £'000
EXPENDITURE						
Staff Costs	(11,829)	(3,248)	(15,077)	(9,194)	(2,131)	(11,325)
Running Costs	(9,915)	(2,216)	(12,131)	(8,746)	(2,265)	(11,011)
Rentals under operating leases	(1,329)	(761)	(2,090)	(1,245)	(749)	(1,994)
Grants	(41,055)	-	(41,055)	(37,401)	-	(37,401)
Depreciation	(781)	(205)	(986)	(771)	(268)	(1,039)
Amortisation	(28)	(257)	(285)	-	(270)	(270)
Profit/(Loss) on disposal	(52)	(24)	(76)	(25)	-	(25)
Provision provided for in year	-	(44)	(44)	-	(42)	(42)
INCOME						
Interest Receivable	-	9	9	-	11	11
Other Income	2,568	8,181	10,749	3,076	8,048	11,124
Net (expenditure)/income after interest	(62,421)	1,435	(60,986)	(54,306)	2,334	(51,972)
Net return on pension assets	182	(9)	173	(157)	(159)	(316)
Pension actuarial gain/(loss)	(4,767)	(2,062)	(6,829)	169	267	436
Total Comprehensive Expenditure for the financial year	(67,006)	(636)	(67,642)	(54,294)	2,442	(51,852)

7. Operating Results

	UK Sport		Group	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
This is stated after charging:				
Travel, subsistence and hospitality:				
Chair and members	19	11	19	11
Employees	429	312	1,187	1,050
Consultants' fees and legal fees	42	63	205	185
Performance Programme Delivery- Specialist Services	2,152	1,789	2,152	1,789
International Programme Delivery- Specialist Services	64	50	64	50
Operating Lease – 40 Bernard Street	701	687	701	687
Operating Lease: EIS Property	-	-	1,379	1,298
Operating Lease: Plant and Equipment	-	-	11	11
Depreciation	176	244	984	1,040
Amortisation	258	270	286	270
Loss on disposal of Tangible Assets	25	-	76	25
Auditor's remuneration for audit work	36	36	50	48
Auditor's remuneration for WGA work	-	2	-	2

8. Investment Income

	UK Sport		Group	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Overnight and short term investment of bank balances	7	6	9	11

Interest rates vary from day to day and averaged approximately 0.33% (2010/11 0.33%) during the year.

9. Taxation

	UK Sport		Group	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Corporation Tax payable on interest received	-	-	-	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.

Notes to the Accounts

10. UK Sport – Property Plant and Equipment

	Leasehold Improvement	IT Equipment	Office Equipment	Total
	£'000	£'000	£'000	£'000
AT COST				
At 01/04/10	1,006	934	84	2,024
Additions	-	64	-	64
Disposals	-	(32)	-	(32)
At 31/03/11	1,006	966	84	2,056
Additions	36	47	23	106
Disposals	-	(142)	1	(141)
At 31/03/12	1,042	871	108	2,021
DEPRECIATION				
At 01/04/10	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
Charge for year	79	76	21	176
Depreciation on disposal	-	(134)	1	(133)
At 31/03/12	790	790	87	1,667
NET BOOK VALUE				
At 01/04/10	381	195	35	611
At 31/03/11	295	118	19	432
At 31/03/12	252	81	21	354

10. Group – Property Plant and Equipment

	Leasehold Improvement	IT Equipment	Office Equipment	Total
	£'000	£'000	£'000	£'000
AT COST				
At 01/04/10	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
Additions	39	533	243	815
Disposals	-	(247)	(14)	(261)
At 31/03/12	1,398	3,306	4,202	8,906
DEPRECIATION				
At 01/04/10	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
Charge for year	117	341	525	984
Depreciation on disposal		(190)	(12)	(202)
At 31/03/12	1,069	2,502	3,194	6,765
NET BOOK VALUE				
At 01/04/10	462	626	1,480	2,568
At 31/03/11	407	670	1,292	2,369
At 31/03/12	329	804	1,008	2,141

Notes to the Accounts

10.1 UK Sport - Intangible Assets

	Information Technology
	£'000
AT COST	
At 01/04/10	650
Additions	482
Disposals	-
At 31/03/11	1,132
Additions	227
Disposals	(225)
At 31/03/12	1,134
AMORTISATION	
At 01/04/10	470
Charge for year	270
Depreciation on disposal	-
At 31/03/11	740
Charge for year	258
Depreciation on disposal	(208)
At 31/03/12	790
NET BOOK VALUE	
At 01/04/10	180
At 31/03/11	392
At 31/03/12	344

10.1 Group - Intangible Assets

	Information Technology
	£'000
AT COST	
At 01/04/10	650
Additions	482
Disposals	-
At 31/03/11	1,132
Additions	387
Disposals	(225)
At 31/03/12	1,294
AMORTISATION	
At 01/04/10	470
Charge for year	270
Depreciation on disposal	-
At 31/03/11	740
Charge for year	285
Depreciation on disposal	(208)
At 31/03/12	817
NET BOOK VALUE	
At 01/04/10	180
At 31/03/11	392
At 31/03/12	477

Notes to the Accounts

11. Trade Receivables

	UK Sport		Group	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Trade Receivables	79	166	220	439
Other Receivables	99	50	52	70
Prepayments and Accrued Income	1,285	1,186	1,701	1,594
Total	1,463	1,402	1,973	2,103
INTRA-GOVERNMENT BALANCES				
Balances with central government bodies	417	415	417	415
Balances with local authorities and police authorities	284	259	284	273
Balances with public corporations and trading funds	-	4	-	4
Subtotal: intra-government balance	701	678	701	692
Balances with bodies external to government	762	724	1,272	1,411
	1,463	1,402	1,973	2,103

The balance due from the UK Sport Lottery fund has been classified within balances with central government bodies.

12. Cash and cash equivalents

	UK Sport		Group	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Balance at 1 April	990	1,304	1,485	2,229
Net change in cash and cash equivalents	712	(314)	952	(744)
Balance at 31 March	1,702	990	2,437	1,485

The cash balance held as at 31/03/12 reflects an impending high value payment due in early April.

13. Trade and other payables

	UK Sport		Group	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Trade Payables	628	324	1,186	759
Other Payables	1	-	13	25
Corporation Tax	-	-	-	1
Other Taxation and Social Security	220	119	553	470
Accruals and Deferred Income	1,126	744	1,460	1,094
Total	1,975	1,187	3,212	2,349
INTRA-GOVERNMENT BALANCES				
Balances with central government bodies	233	159	478	402
Balances with local authorities and police authorities	131	-	145	3
Balances with public corporations and trading funds	37	1	37	1
Subtotal: intra-government balance	401	160	660	406
Balances with bodies external to government	1,574	1,027	2,552	1,943
	1,975	1,187	3,212	2,349

All amounts fall due within one year

14. Provision for Liabilities (UK Sport and Group)

	UK Sport		Group	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Opening balance	419	376	446	376
Charge in year	44	43	17	70
Closing balance	463	419	463	446

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.

Notes to the Accounts

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

	UK Sport		Group	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Net expenditure before taxation and interest	(60,874)	(53,402)	(60,995)	(51,982)
Depreciation/Amortisation of Property Plant and Equipment	434	513	1,268	1,309
Loss/Proceeds on Disposal of Property, Plant and Equipment	25	1	76	27
Transfer From deferred income account	-	-	4	(67)
Notional Interest on Capital Employed	-	-	-	-
(Increase)/Decrease in Receivables	(61)	(413)	130	(700)
Increase/(Decrease) in Payables	788	19	863	(85)
Increase/(Decrease) in Provisions	44	43	17	69
Pension Scheme: Non Cash Movement	31	(1,898)	132	(3,336)
Net cash outflow from operating activities	(59,613)	(55,137)	(58,505)	(54,765)

16. 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 the year £60.65m or 85% (2010/11 £55.36m or 83%) of the Group's income derived from DCMS Grant-in-Aid and £0.0m or 0% (2010/11 £0.0m or 0%) from the Lottery Distribution Fund. The remaining balance of £10.749m or 15% (2010/11 £11.1m or 17%) 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% (2010/11 0.33%) in the year. UK Sport's closing balance was £1,702,170 (2010/11 £989,935).

Foreign Currency Risk

There is no material exposure to foreign exchange risk.

17. 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 £344,502 or 10.2% of pensionable pay (2010/11 £324,133 or 10.2%).

An additional pension contribution of £117,140 (2010/11 £81,261) 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:

17.1 Pension Commitments

Financial Assumptions	2012	2011
Price increases	3.3%	3.5%
Salary increases	4.2%	4.5%
Pension increases	2.5%	2.7%
Discount rate	4.6%	5.5%
Average future life expectancies at age 65:	Males	Female
Current pensioners	22.1 years	23.9 years
Future Pensioners	24.1 years	25.7 years

Notes to the Accounts

17.2 Fair Value of Employers Assets

	2012 Long term return	Assets	2011 Long term return	Assets
	%	£'000	%	£'000
Equities	6.3%	7,652	7.4%	6,993
Target return funds	4.5%	1,257	4.5%	1,217
Alternative assets	5.3%	1,467	6.4%	1,419
Cash	3.0%	105	3.0%	304
Corporate Bonds	n/a	-	5.5%	203
Total Fair Value of Assets		10,481		10,136
Present Value of Scheme Liabilities		(17,568)		(13,353)
Net Pension Liability		(7,087)		(3,217)

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

	31-Mar-12	31-Mar-11
Equities	73%	69%
Target return funds	12%	12%
Alternative assets	14%	14%
Cash	1%	3%
Corporate Bonds	0%	2%

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

	31-Mar-12	31-Mar-11
	£'000	£'000
Current Service Cost	493	825
Interest Cost	801	1,000
Expected return on Employers Assets	(739)	(681)
Past Service Cost	-	(2,318)
Total	555	(1,174)
Actual Return on Plan Assets	103	670

17.4 Amounts recognised in the Statement of Changes in Taxpayers Equity:

	31-Mar-12	31-Mar-11
	£'000	£'000
Actuarial Gains/(Losses)	(3,627)	557
Actuarial Gains/(Losses) recognised in SOCTE	(3,627)	557
Cumulative Actuarial Gains and Losses	(6,848)	(3,221)

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

	31-Mar-12	31-Mar-11
	£'000	£'000
Opening defined benefit obligation	13,353	14,255
Current Service Cost	493	825
Interest Cost	801	1,000
Contributions by Members	226	222
Actuarial Loss (Gain)	3,037	(360)
Past Service Cost	-	(2,318)
Estimated Benefits Paid	(342)	(271)
Closing defined benefit obligation	17,568	13,353

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

	31-Mar-12	31-Mar-11
	£'000	£'000
Opening fair value of employers assets	10,136	9,081
Expected return on assets	739	681
Contributions by Members	226	222
Contributions by Employer	448	408
Actuarial (Losses)/Gains	(726)	15
Benefits paid	(342)	(271)
Closing fair value of Employer assets	10,481	10,136

Notes to the Accounts

17.7 A History of Experience Gains and Losses is shown below:

	2011/12	2010/11	2009/10	2008/09	2007/08
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	10,481	10,136	9,081	7,634	9,324
Present Value of Defined benefit obligation	(17,568)	(13,353)	(14,255)	(9,756)	(9,857)
Surplus/(Deficit)	(7,087)	(3,217)	(5,174)	(2,122)	(533)
Experience gains/(losses) on assets	(591)	197	1,672	(2,685)	(849)
Experience gains/(losses) on liabilities	13	(712)	316	25	61

1. In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31/03/12, 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 31/03/12 without completing a full valuation. However Barnett Waddingham are satisfied that the approach of rolling forward the previous valuation to 31/03/12 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 1.9.

18. Superannuation Scheme – EIS

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

The Pension Scheme is of the defined benefit type and it is funded by employees and employers at actuarially determined rates. Employer contributions charged for members of the scheme amounted to £685,565 (2011: £944,811).

Following advice of the consulting actuaries to the LPFA as at 31 March 2011 the English Institute of Sport Limited's employer contributions (as a percentage of pensionable salary) were reduced from 12.5% to 9.1%.

A valuation for FRS17 purposes as at 31/03/12 was carried out by a qualified independent actuary.

The assumptions used by the actuary for FRS17 valuation purposes were:

18.1 Pension Commitments

Financial assumptions:	2012	2011
	%	%
Rate of increase in salaries	3.1	3.7
Rate of increase in pensions in payment	2.5	2.7
Discount rate	4.6	5.5
Inflation assumption	3.3	3.9

Average future life expectancies at age 65:	Males	Females
Current pensioners	22.0 years	24.0 years
Future pensioners	24.0 years	25.9 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:

Notes to the Accounts

18.2 Fair Value of Employer Asset

	2012 Long term rate of return expected	Value	2011 Long term rate of return expected	Value
	%	£'000	%	£'000
Equities	6.3	10,285	7.4	8,751
Target Return Portfolio	4.5	1,691	4.5	1,522
Property	5.3	1,972	6.4	1,776
Cash	3.0	141	3.0	380
Corporate Bonds	0.0	-	5.5	254
Total market value of assets		14,089		12,683
Present value of scheme liabilities		(15,830)		(11,357)
Net pension asset/(liability)		(1,741)		1,326

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.

18.3 Amounts recognised in the Statement of Comprehensive Net Expenditure account:

	31-Mar-2012	31-Mar-2011
	£'000	£'000
Current service cost	788	1,176
Interest cost	662	758
Expected return on Employers Assets	(897)	(760)
Past service cost	-	(1,664)
Total	553	(490)
Actual Return on Scheme Assets	132	795

18.4 Amounts recognised in Statement of changes in Taxpayers' Equity:

	31-Mar-2012	31-Mar-2011
	£'000	£'000
Actuarial losses	(3,202)	(121)
Actuarial losses recognised in SOCTE	(3,202)	(121)
Cumulative Actuarial losses	(6,147)	(2,945)

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

	31-Mar-2012	31-Mar-2011
	£'000	£'000
Opening defined benefit obligation	11,357	10,607
Current Service cost	788	1,176
Interest cost	662	758
Contributions by Members	528	534
Actuarial (gain)/loss	2,436	(26)
Losses on curtailments	-	-
Past Service costs	-	(1,664)
Estimate benefits paid (net of transfers in)	59	(28)
Closing defined benefit obligation	15,830	11,357

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

	31-Mar-2012	31-Mar-2011
	£'000	£'000
Opening fair value of employers assets	12,683	10,610
Expected return on assets	897	760
Contributions by Members	528	534
Contributions by the Employer	688	954
Actuarial (loss)/gain	(766)	(147)
Benefits paid (net of transfers in & including unfunded)	59	(28)
Closing fair value of Employers assets	14,089	12,683

Notes to the Accounts

18.7 History of Experience Gains and Losses

	31-Mar 2012	31-Mar 2011	31-Mar 2010	31-Mar 2009	31-Mar 2008
	£'000	£'000	£'000	£'000	£'000
Fair value of Employer Assets	14,089	12,683	10,610	6,684	6,802
Present Value of Defined benefit obligation	(15,830)	(11,357)	(10,607)	(5,024)	(4,249)
Surplus/(Deficit)	(1,741)	1,326	3	1,660	2,553
Experience gains/(losses) on assets	(766)	(147)	1,708	(2,147)	(202)
Experience gains/(losses) on liabilities	-	(1,450)	-	-	(408)

19. Group Pension Amounts

	Note	2011/12	2010/11	2009/10
		£'000	£'000	£'000
Pension Assets/(Liabilities) UK Sport	17.2	(7,087)	(3,217)	(5,174)
Pension Assets/(Liabilities) EIS	18.2	(1,741)	1,326	3
Total Pension Assets/(Liabilities) Group		(8,828)	(1,891)	(5,171)
Pension actuarial gain/(loss) UK Sport	17.4	(3,627)	557	(3,240)
Pension actuarial gain/(loss) EIS	18.4	(3,202)	(121)	(2,590)
Total Pension actuarial gain/(loss) Group		(6,829)	436	(5,830)
Net return on assets UK Sport		(62)	(318)	(205)
Gain on curtailments and settlements				223
Net return on assets EIS		235	2	109
Total Net return on assets Group		173	(316)	127

20. 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	
	2011/12		2011/12	
	£'000	£'000	£'000	£'000
Obligations under operating leases comprise:				
BUILDINGS				
Not later than one year	717	687	1,745	1,568
Later than one year not later than five years	1,315	2,060	1,316	2,103
OTHER				
Not later than one year	-	-	5	1
Later than one year not later than five years	-	-	4	9
Total	2,032	2,747	3,070	3,681

21. Grant Commitments

On the undertaking that funds are to be provided by the DCMS, UK Sport at 31/03/12, had entered into commitments to pay grants to governing bodies in respect of their approved programmes in the following years (these commitments at 31/03/12 have not yet been recognised in the Statement of Comprehensive Net Expenditure Account nor Statement of Financial Position).

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
2010/11			39,689
2011/12		50,163	41,784
2012/13	55,753	49,291	43,670
2013/14	1,308		
Total	57,061	99,454	125,143

Notes to the Accounts

22. Events after the Reporting Period

The accounts were authorised for issue on 02 July 2012, the date the C&AG certified the accounts. The financial accounts do not reflect events after this date.

23. 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 April 2011 to 31/03/12, UK Sport had various material transactions with the departments 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 with the Council. If any member has an interest in an application, they exclude themselves from the 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 £
Debbie Lye- CEO of International Development through Sport (IDS)	Grant funding to IDS	28,000
	Management fees charged to IDS	36,359
	Recharged expenditure to IDS	7,067
Debbie Lye - Programme Director of the International Inspiration Foundation (IIF)	Recharge of programme and operational costs to IIF	414,415
	Recharged expenditure to IIF	20,118
Philip Kimberley - Chair of England Hockey	Grant funding to England Hockey	1,782,275
	Development funds grant to England Hockey	1,250
	International Influence Strategy grants awarded to England Hockey	19,100
	Delegate fees charged to England Hockey	1,350
	Recharged expenditure to UK Sport	3,403
Philip Kimberley - Non-executive director of Sports Coach UK	Grant funding to Sports Coach UK	925,418
	Fees invoiced from Sports Coach UK	350
	Delegate fees charged to Sports Coach UK	1,014
Professor Laura McAllistair - Chair of Sport Wales	Grant funding to Sport Wales	126,601
	Recharged expenditure from Sport Wales	2,765
	Fees charged from Sport Wales	2,500
	Delegate Fees charged to Sport Wales	1,848

Professor Laura McAllistair - Member of Wales Advisory Board, British Council	Recharged expenditure to the British Council	2,000
Louise Martin - Elected Member (Honorary Secretary General) Commonwealth Games Federation	Grant funding to the Commonwealth Games Federation	75,000
Louise Martin - Chair of Sport Scotland	Grant funding to Sport Scotland	520,279
	Recharged expenditure from Sport Scotland	2,614
	Delegate fees charged to Sport Scotland	1,842
Louise Martin - Board Member of Active Stirling Limited	Hire of hall/facilities from Active Stirling Ltd	2,184
Dominic Walsh - Chair of Sport NI	Delegate fees charged to Sport NI	450
	Board member expenses recharged to UK Sport	5,586
Chris Holmes - Director of the London Organising Committee for the Olympic Games (LOCOG)	Secondment costs charged to LOCOG	1,248
	Recharge of expenditure to UK Sport	289
Liz Nicholl - Director of Team 2012 Limited	Recharged expenditure to Team 2012 Limited	1,200
	Management fees charged to Team 2012 Limited	84,000
	Donations drawn down from Team 2012 Limited	181,125
	Commission on donations drawn down invoiced to UK Sport	23,787
Sue Campbell - CEO of the Youth Sport Trust	Recharged expenditure to the Youth Sport Trust	15,542
	Rent charged to the Youth Sport Trust	18,000
	Secondment costs recharged to UK Sport	37,258
	Recharged expenditure to UK Sport	956
Joseph Ryan - Non-executive Board Director and Honorary Treasurer & Chair of Finance Board of Badminton England	Grant funding to Badminton England	1,003,485
	Recharged Expenditure to Badminton England	69
	Delegate fees charged to Badminton England	1,173
	Fees for AMS places charged to Badminton England	370
Joseph Ryan - Non-executive Group Treasurer (until 31 December 2011) of Skills Active	Fees invoiced to UK Sport	1,192
Richard Lewis - Chair of Sport England	Recharged expenditure to Sport England	1,500
	Recharged expenditure from Sport England	6,414
Richard Lewis - Chairman of the Rugby Football League	Delegate costs charged to the Rugby Football League	24
	Recharge of expenditure to UK Sport	3,570
	Fees charged to UK Sport	250

Notes to the Accounts

24. Subsidiary Undertakings

English Institute of Sport

UK Sport was given responsibility for the EIS in April 2006. The following results of EIS have been included in the consolidated results:

	2012	2011
	£'000	£'000
INCOME AND EXPENDITURE		
Income and Expenditure	16,552	16,281
Administrative expenses	(16,655)	(14,841)
Operating surplus	(103)	1,440
Interest receivable	237	5
Interest payable and similar charges	-	2
Surplus on ordinary activities before taxation	134	1,447
Tax on surplus on ordinary activities	-	(1)
Surplus for the financial year	134	1,446
NET ASSETS AS AT 31 MARCH		
Property, plant and equipment	1,919	1,937
Current assets	1,299	1,211
Payables: falling due within one year	(1,293)	(1,196)
Total assets less current liabilities	1,925	1,952
Payables: falling due after more than one year		(3)
Deferred income	(1,963)	(1,959)
Provision for liabilities	-	(27)
Net liabilities excluding pension asset	(38)	(37)
Defined benefit pension scheme asset	(1,741)	1,326
Net assets/liabilities including pension asset	(1,779)	1,289
Reserves		
Revenue reserve	(1,779)	1,289

ANNUAL REPORT AND ACCOUNTS

2011/12



The United Kingdom Sports Council Lottery Distribution
Fund Accounts for the year ended 31 March 2012



Statement of the Board and Chief Executive's Responsibilities

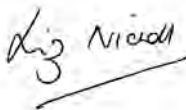
Under section 35(2) and (3) of the National Lottery etc. Act 1993 the UK Sports Council is required to prepare a statement of accounts for the financial period in the form and on the basis directed by the Secretary of State for Culture, Olympics, Media and Sport with the consent of the Treasury. The 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 United Kingdom Sports Council is required to:

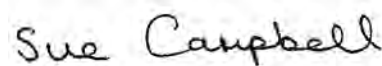
- Observe the accounts directions issued by the Secretary of State, including the relevant accounting and disclosure requirements; apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been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

The Accounting Officer for the 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 as set out in "*Managing Public Money*" published by the Treasury and in the Financial Directions issued by the Secretary of State for Culture, Olympics, 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
27 June 2012



Sue Campbell
Chair
United Kingdom Sports Council
27 June 2012



Governance Statement

1. Purpose

This statement outlines how I, as Accounting Officer, have discharged my responsibility to manage and control the organisation's resources during the course of 2011/12. As set out in *Managing Public Money*, the Governance Statement provides a clear overview of the dynamics of UK Sport and its control structure, provides a sense of how vulnerable the organisation is or might be; and how successful it has been in coping with the challenges it has faced through the course of the year.

2. Governance Framework

UK Sport was established as an Arm's Length Body to the Department for Culture, Media and Sport by Royal Charter in 1996. The formal relationship between the department and UK Sport is encapsulated in a Framework Document between the two organisations. This document sets out the broad framework within which UK Sport should operate. Copies of the document and any subsequent amendments are placed in the libraries of both Houses of Parliament and made available to members of the public on the UK Sport website. UK Sport also has been accorded the status of a Lottery distributing body and subject to Policy, Financial and Accounts Directions issued under the National Lottery etc Act 1993.

UK Sport's constitution is set out in Article One of the Royal Charter, with the Secretary of State (and other members of the DCMS ministerial team) accounting for UK Sport's business in parliament. My respective responsibilities as Accounting Officer are set out in Chapter Three of *Managing Public Money*.

Where appropriate and applicable UK Sport adopts principles of best practice from HM Treasury's Corporate Governance Code for Central Government departments ('the Corporate Governance Code').

2.1 Board structure

The Chair and Board members are appointed by the Secretary of State in compliance with the Code of Practice of the Commission for Public Appointments. Our Chair, Baroness Campbell, has been in role since March 2005 with her second term due to come to an end in March 2013. The Board consists of the Chair and nine members, five independent and four representatives of the Home Nation Sports Councils. Collectively they have the skills and experience appropriate to directing UK Sport's business. The relative skills mix of the Board is considered prior to any appointments being made – board membership was constant throughout 2011/12 with no new members (or members retiring).

The Board has established an Audit Committee to support them in their responsibilities for issues of risk, control and governance. The Audit Committee advises the Board and Accounting Officer on:

- The strategic processes for risk, control and governance (and the Governance Statement)
- The accounting policies, the Annual Report and Accounts
- The planned activity and results of both internal and external audit
- The adequacy of management response to issues identified by audit activity
- The effectiveness of internal and external audit
- Assurances relating to the corporate governance requirements for the organisation

Governance Statement

Further to this, three formal sub-committees of the Board exist:

- Remuneration Panel - ensuring employment issues in UK Sport are dealt with professionally
- Major Events Panel – providing advice around the development/delivery of UK Sport’s Major Events Programme
- Mission Control Panel – providing oversight of UK Sport’s Mission Control process

2.2 Subsidiary Companies

UK Sport has held sole responsibility for the English Institute of Sport (EIS) since April 2006. Its accounts are approved separately by the Board of the EIS and are subject to external audit by the Comptroller and Auditor General.

A number of measures are in place to provide me with assurance as to the activities/operations of the EIS. The Institute is bound by a Funding Agreement (alongside a separate Financial Memorandum). Key Performance Indicators are agreed annually and progress against these is reviewed at formal quarterly meetings attended by the National Director and Director of Business and Finance at the EIS and the COO (from April 2012, previously Director of Corporate Development) and PD from UK Sport – both their risk register and minutes from their Audit Committee are also reviewed at these meetings. Separate (but reporting into) these quarterly reviews, budget/forecast meetings are held between our Investment Team and the Director of Business and Finance at the Institute.

Our Director of Performance (and myself when required) regularly attend Board meetings of the EIS and their board papers are shared in advance of all meetings. Outside of the more formal processes the National Director and UK Sport’s COO meet on a monthly basis to discuss matters of mutual interest.

2.3 Board/Committee Effectiveness

Our Board met seven times in 2011/12 based around business priorities and the annual calendar of board activity. At the start of each meeting members are given the opportunity to declare any potential conflicts of interest (in line with the HM Treasury Corporate Governance Code). The Board was quorate for all meetings in 2011/12. Attendance of Board members is tabulated below

ATTENDANCE 2011/12	6 April	26 May	28 June	14 Sept	7 Dec	25 Jan	27 March	
Chris Holmes	Y	Y	Y	Y	Y	Y	N	6/7
Dominic Walsh	Y	N	Y	Y	N	Y	Y	5/7
Jonathan Vickers	N	Y	Y	Y	Y	Y	Y	6/7
Laura McAllister	Y	Y	N	Y	Y	Y	Y	6/7
Louise Martin	Y	N	N	Y	Y	Y	Y	5/7
Mark Hanson	Y	Y	Y	Y	Y	Y	Y	7/7
Philip Kimberley	Y	Y	Y	N	Y	Y	Y	6/7
Richard Lewis	Y	Y	Y	Y	Y	Y	Y	7/7
Rod Carr	Y	Y	N	Y	Y	Y	N	5/7
Sue Campbell	Y	Y	Y	Y	Y	Y	Y	7/7

Over the course of the year key topics discussed by the Board included:

- The proposed merger between UK Sport and Sport England
- Medal targets for 2012
- The 2013-17 investment strategy and process (“Project Rio”)
- UK Sport Funding Agreement and KPIs
- UK Sport Equality Policy
- Governance framework for NGBs/UKS funded partners
- The successful World Athletic Championships 2017 bid

In addition to the distribution of itemised papers one week prior to Board meetings, further regular reports are provided on our financial position; HR matters (including key relevant management information); the minutes from both the Audit Committee and Major Events Panel; and an update on Communication activity. Minutes from our Board meetings are made available through our website.

Both the Board and Audit Committee undertook reviews of their effectiveness in 2011/12. Neither review identified any areas of fundamental concern to members, more the identification of some specific changes to improve their overall effectiveness.

The Board (following completion of an online survey) discussed their effectiveness in late March 2012. Key areas identified for onward development/consideration were:

- The building of the board as a team
- Earlier input into and involvement in the formulation of thinking behind key areas of the strategy and decisions
- More time to think openly and creatively with the Exec around key topics
- A request for greater transparency and clarity around the work of the Remuneration Committee (Terms of Reference have subsequently been reviewed and are being taken to the Board pre-publication for consideration)

The Audit Committee at their meeting on 9 February 2012 agreed a set of actions in response to their review:

- The development of a formal induction process for Committee members to UK Sport and the Committee
- A review of the letter of appointment
- A “tightening up” of some of the administrative process around the Committee
- A commitment to individual performance reviews being undertaken for all Committee members annually
- A request that DCMS be invited to Audit Committee meetings

In November 2011 Peter Rowley, Board member of Sport England and Chair of their Audit Committee was co-opted to the Audit Committee of UK Sport. As well as bringing additional expertise to the Committee, it is hoped that Peter’s appointment will encourage a closer working relationship with Sport England.

Governance Statement

2.4 Executive responsibilities

My responsibilities as Accounting Officer for UK Sport are set out in full in the Permanent Secretary's appointment letter. As such, I am personally responsible for safeguarding the public funds for which I have charge; for ensuring propriety and regularity in the handling of those funds; and, for reporting to the Board of UK Sport for the day-to-day operations and management of the organisation and the achievement of its strategic aims. I am also responsible for ensuring that UK Sport is run on the basis of the standards set out in Box 3.1 of *Managing Public Money*. A clear scheme of delegation (and supporting policies and procedures) exists within the organisation to assist with my management of this.

In my role as Accounting Officer I attend both Board and Audit Committee to ensure any significant risks/issues of control are brought to their attention and discussed. I am therefore able to provide the assurances necessary within this statement for the period from April 2011 to the date of approval of the annual report and accounts.

In July 2011 the then Chief Operating Officer left the organisation to become CEO of the British Paralympic Association. This led to a restructure of director portfolios and the separation of Major Events/International Relations and Communications/Commercial into two separate directorates (and the resultant recruitment of two new directors). Interim arrangements were put in place to oversee these functions whilst the recruitment process was completed. The Director of Major Events/International Relations and Director of Communications/Commercial started in July and December of the year respectively. In the absence of a COO, from July 2011 to April 2012, when I have been away from the business for any period of time, I have delegated responsibility for financial decision-making to the Director of Finance and Investment and any operational decision-making to the Director of Corporate Development. In April 2012, the Director of Corporate Development was promoted to Chief Operating Officer. Individual named directors have responsibility for all policies and procedures pertaining to the Internal Governance of the organisation. The Chief Operating Officer has operational responsibility for the over-arching control environment within which we operate (including our risk management processes) whilst our Director of Finance and Investment leads on all aspects of financial planning and control.

3. System of Internal Control

No significant issues of internal control were identified in 2011/12. A number of risks were either realised or required managing through the year. This was successfully achieved within the Internal Control processes described hereafter and through our overarching Policy on Internal Control.

The system of internal control within UK Sport seeks to mitigate rather than eliminate risk. The decision to which risks are mitigated or accepted relates both to the organisation's capacity to influence them and/or absorb their potential impact. The methodology used to evaluate risk in terms of likelihood and potential impact (through a Risk Heat Map) has been in place since 2007 to promote focus on the most significant risks facing the organisation.

An Internal Audit of Risk and Governance was undertaken by Deloitte in January/February of 2012. A substantial level of assurance was given to the adequacy and effectiveness of the controls in place regarding UK Sport's risk management and governance arrangements.

UK Sport operates a wide ranging System of Internal Control. Independent to UK Sport, assurance is provided by both internal and external audit functions. Key to the control environment is our:

- Approach to managing risk; and our
- Policy/procedure framework (incl. scheme of delegated authority)

3.1 Risk Profile for 2011/12

Our appetite to risk flexes according to individual circumstance and situation. By nature, as an NDPB operating within the wider governmental control environment, we are required to be more 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 corresponding scenario plans, with mitigating actions, developed.

As at the end of March 2012, 14 risks sat on our Strategic Risk register, with a further four operational risks also being routinely monitored;

- Work continues towards the bringing together of UK Sport and Sport England. A proposed structure (for onward consultation) was considered by our Board in December 2011 and subsequently rejected. As a result the Secretary of State and Minister for Sport and the Olympics decided to postpone a consultation until after the Olympics and Paralympics. In the meantime, attention has focussed on progressing four of the prime outcomes desired by the Minister: operational synergies; back-office efficiencies; co-location and the establishment of a Sports Marketing Bureau. No additional resources have been made available to support these initiatives.
- Against the backdrop of centralised austerity budgeting, income to UK Sport in 2011/12 held up due, in most part, to the increasing reliance on National Lottery income. Over the course of the year, through a combination of prudent financial management and efficiency savings, UK Sport has invested over 95% of resources in front line activity. Total National Lottery income for 2011/12 was £70.045m against an initial budget of £60.45m as a result of increased ticket sales and UK Sport's percentage allocation. The growth in National Lottery income has enabled UK Sport to ring-fence a greater sum of money for the Rio Olympic cycle – a conscious decision to build reserves to help mitigate the expected shortfall in Exchequer funding for the next cycle.
- UK Sport entered the 2011/12 financial year with a rolling 12-month staff turnover of 26%. Significant work has been undertaken across the organisation to ameliorate this issue with focus primarily placed on a series of initiatives to improve employee engagement. Turnover, as at March 2012 had reduced to 14%.

Looking ahead to 2012/13 the key risks to UK Sport, in addition to those resulting from uncertainty around the merged environment and the resultant loss of key staff (amplified by the 'normal' churn experienced at the end of each Olympiad), are significant:

- Any significant underperformance at the Games themselves would put considerable pressure on our ability to justify onward investment, particularly at a time when budgets across government departments are being regularly reviewed and tightened.
- We will be making investment decisions in December 2012 for the Rio (2013-17) cycle – our No Compromise logic, within an environment of reduced income, might create a scenario whereby we are not able to continue to fund all those sports that we currently work with.

To help mitigate the above, in addition to our existing Mission Control processes, we established in early 2011/12 Project Rio – to help plan for our necessary investment decisions in late 2012. Detailed financial modelling and scenario-planning has been undertaken and shared with Board and the DCMS. This work continues as strategies and plans emerge over the course of 2012.

Governance Statement

3.2 Policies and Procedures

Beneath our overarching Policy on Internal Control sits a number of critical policies and procedures, which effectively describe to staff the detail of their responsibilities. Focus has been given in 2011/12 to reviewing and updating a number of these to ensure they are current with both statutory/legislative requirements and recognised best practice. The following key internal policies, and associated procedures have been reviewed within the reported year (amongst others):

- Anti-Fraud, Anti-Corruption and Anti-Bribery Policy
- Budgetary control policy
- Cash management policy
- Central Conflicts of Interest Register
- CRB Policy
- Delegated authority policy
- Fixed asset policy
- Games Time Hospitality and Entertainment Guides
- Gifts and Hospitality Policy & Register
- GPC and VISA policy
- Job Evaluation
- Maternity
- Procurement Policy
- Purchase to Pay
- Recruitment
- Remuneration
- Safeguarding
- Sales Invoicing
- Travel and Expenses
- Whistleblowing

3.3 Independent Assurance

3.3.1 Internal Audit

Internal Audit for 2011/12 was provided under contract by Deloitte LLP. 57 days of audit time were scheduled for the financial year with specific audits undertaken on:

- Core financial processes
- Procurement and contract management
- Governance and Risk Management
- Athlete Personal Awards (APAs)
- Management of international activities
- World Class Events

Of the six audits undertaken, substantial assurance was given to four, and limited to two (Core Financial Processes and Management of International Activities). Despite this no level one issues raised across any of the audits. A regular update is provided to the Audit Committee as to the status of previous recommendations made through Internal Audit. Follow up work was undertaken to ascertain the implementation status of recommendations raised previously. Against those Level 1 and 2 recommendations that were tested by Deloitte 11 had been implemented and six remained outstanding.

3.3.2 External Audit

The audit of UK Sport's Annual Report and Accounts for the year ended 31/03/2011 was completed in July 2011. An issue was identified, relating to weaknesses in controls to provide our management with assurance over the accuracy and completeness of income declarations by athletes. In response to this finding, we have let an external contract with Moore Stephens to independently audit incomes within a sample of our agreed athletes to provide the required levels of assurance. This approach was agreed with the National Audit Office.

Moore Stephens published their review in May 2012, in which they confirmed to a reasonable level of assurance the income declared for 18 of the 20 athletes tested. Based on the sample tested against the 'APA rules of implementation' and the thresholds in place for the awards, they considered that there was limited risk that Athlete Personal Awards have been paid out against inaccurate income information.

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

Moore Stephens carry out management and governance audits (and also assess the annual self-assurance submissions) of NGBs and system partners under a joint contract with Sport England. UK Sport and Sport England officers meet quarterly with Moore Stephens staff to review progress and manage any operational issues.

A total of fourteen management and governance audits were undertaken by Moore Stephens during the year. As at 31/03/12 the outcomes of these were as follows:

Status	Green	Amber/Grn	Amber/Red	Red	Total
Final Report Issued	2	6	2	1	11
Draft Report Issued		1	2		3

Within 2011/12 all funded NGBs and system partners undertook either the Self-Assurance or Basic Assurance process². The following assurance ratings were received:

Audit-type	Green	Amber	Red	Total
Self	21	5	1	27
Basic	9	8	2	19

Our agreed performance target with the DCMS was for 90% of NGBs/system partners to have achieved Green or Amber within their self-assurance process – in 2011/12 26/27 (96% achieved this rating).

² In 2012/13 all funded NGBs/system partners will have been moved to the more thorough self-assurance process

Governance Statement

3.4 Information Security

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.

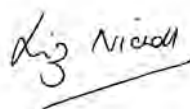
UK Sport has in place robust and specific measures to ensure information security applies to all staff and third parties.

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 in July 2010, with all current and new staff undergoing a compulsory e-learning course administered by the National School of Government.

In addition all staff received further information to raise further awareness on information and data security. All Information Asset Owners within UK Sport had recently completed Level 2 of the NSG Information Security course.

In March 2012 we reported to the DCMS that, of the 20 Mandatory Requirements (within the SPF) against which we are now required to review and report centrally, 18 were deemed met (16 - action complete; 2 - having a fully endorsed and resourced project or programme underway) and the remaining two were agreed as not being relevant to UK Sport.

UK Sport suffered two protected personal data incidents in 2011/12, both relating to the inadvertent loss of PDA devices (which do not fall into the criteria for reporting to the Information Commissioner's Office) - in both instances the PDAs were encrypted. UK Sport has not suffered any protected personal data incidents (that would fall into said criteria) and continues to train all staff in their responsibilities around Information Security through the National School of Government resources.



Liz Nicholl
Chief Executive and Accounting Officer
United Kingdom Sports Council
27 June 2012



Sue Campbell
Chair
United Kingdom Sports Council
27 June 2012



The United Kingdom Sports Council and Lottery Distribution Fund

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF 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 2012 under the National Lottery etc. Act 1993. These financial statements comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Chief Executive and auditor

As explained more fully in the Statement of the Board and Chief Executive's Responsibilities, the Chief Executive and Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements. 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 recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Regularity

- In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 2012 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.

Emphasis of matter – going concern

Without qualifying my opinion, I draw attention to note 1 of the financial statements concerning the application of the going concern basis in the light of Government proposals to merge the functions and expertise of the United Kingdom Sports Council with the English Sports Council. There is therefore uncertainty over the United Kingdom Sports Council's ability to continue to administer the Lottery Distribution Funds in its current legal form.

The United Kingdom Sports Council and Lottery Distribution Fund

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 returns adequate for my audit have not been received from branches not visited by my staff; 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 Governance Statement 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: 02 July 2012

Lottery Distribution Fund Accounts

Statement of Comprehensive Net Expenditure for the year ended 31/03/12

	Note	UK Sport	
		2011/12 £'000	2010/11 £'000
INCOME			
National Lottery share of proceeds	2	69,550	58,761
Investment returns from NLDF	2	495	568
Other Operating Income		98	19
Interest Receivable		3	3
Total		70,146	59,351
EXPENDITURE			
Hard commitments	3	27,123	36,789
Hard de-commitments	3	(11,263)	(2,034)
Staff costs	6	974	481
Depreciation	9	-	-
Other operating costs		239	240
Costs apportioned from UK Sport GIA account		1,964	1,893
Total		19,037	37,369
Increase/(Decrease) in Lottery funds before taxation		51,109	21,982
Net Return on Pension Liabilities		(13)	(64)
Taxation		-	-
Increase/(Decrease) in Lottery funds		51,096	21,918
Other Comprehensive Expenditure		-	-
Pension actuarial gain/(loss)		(1,022)	152
Total Comprehensive Net Expenditure		50,074	22,070

All activities relate to continuing activities.

The Notes on pages 89 to 105 form part of these accounts

Lottery Distribution Fund Accounts

Statement of Changes in Equity for the year ended 31/03/12

	UK Sport			
	2011/12		2010/11	
	Revenue Reserve £'000	Pension Reserve £'000	Revenue Reserve £'000	Pension Reserve £'000
Balance Brought Forward	(56,258)	(1,094)	(77,886)	(1,733)
Retained (Deficit) for year	51,096	-	21,918	-
Recognition of actuarial gain/(loss)	-	(1,022)	-	152
Transfer from the Pension reserve	48	(48)	(290)	290
Other movements	-	160	-	197
Balance at 31 March	(5,114)	(2,004)	(56,258)	(1,094)

Statement of Financial Position as at 31/03/12

	Note	UK Sport	
		2011/12 £'000	2010/11 £'000
NON CURRENT ASSETS			
Intangible Assets	9	-	-
Total Non Current Assets			
CURRENT ASSETS			
Investments – balance in NLDF	2	39,004	24,765
Trade and other receivables	10	17	1
Cash and cash equivalents	14	339	882
Total Current Assets		39,360	25,648
CURRENT LIABILITIES			
Trade and other payables	11	(459)	(640)
Hard grant commitments falling due within one year	3	(41,017)	(48,163)
Total Current Liabilities		(41,476)	(48,803)
Non Current Assets/less net current liabilities		(2,116)	(23,155)
NON CURRENT LIABILITIES			
Hard grant commitments falling due after one year	3	(2,998)	(33,103)
Pension Liabilities	12.2	(2,004)	(1,094)
Total Non Current Liabilities		(5,002)	(34,197)
Total Assets less Liabilities		(7,118)	(57,352)
EQUITY			
Pension Reserve	12.2	(2,004)	(1,094)
Revenue Reserve		(5,114)	(56,258)
TOTAL EQUITY		(7,118)	(57,352)

The notes on pages 89 to 105 form part of these accounts.

Liz Nicholl

Liz Nicholl
Chief Executive and Accounting Officer
United Kingdom Sports Council
27 June 2012



Sue Campbell

Sue Campbell
Chair
United Kingdom Sports Council
27 June 2012



Lottery Distribution Fund Accounts

Statement of Cash Flows for the year ended 31/03/12

	Note	UK Sport	
		2011/12 £'000	2010/11 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash drawn down from NLDF	2	55,806	56,213
Other income		81	19
Staff Costs	6	(939)	(772)
Operating Costs		(2,384)	(1,905)
Award payments	5	(53,110)	(54,250)
Net cash generated from operations		(546)	(695)
Interest Received		3	3
Corporation tax paid			
Net Cash Flow from Operating activities		(543)	(692)
Net Increase/ (Decrease) in cash and cash equivalents in the period		(543)	(692)
Cash and cash equivalents at 1 April		882	1,574
Cash and cash equivalents at 31 March		339	882

The notes on pages 89 to 105 form part of these accounts.

Notes to the Accounts

1. Accounting Policies

1.1 Accounting Policies

These financial statements have been prepared in accordance with the 2011-12 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 31/03/12, 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 financial statements have been prepared on a going concern basis. As identified on page 8 of the Annual Report, DCMS Ministers have decided to postpone a consultation on bringing UK Sport together with Sport England until after the Olympics and Paralympics. Having considered the circumstances and from discussions with the DCMS, management's expectation is that, whilst there is uncertainty over its future operational structure, UK Sport will continue to operate in its current form for at least the next 12 months.

There is expected to be no change to the continued provision of services by UK Sport and future financial provision has been made for UK Sport through section 23 of the National Lottery etc. Act 1993 (as amended) and the Exchequer settlement agreed with DCMS, subject to continuing Parliamentary approval, as part of the last Comprehensive Spending Review which runs through to 31st March 2015. As a result, management considers it appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements.

The accounts show net liabilities at 31/03/12. The net liability position is a result of the recognition of hard commitments in accordance with Note 1.3. 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 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.

Notes to the Accounts

1.3 Hard and Soft Commitments

As required by the Secretary of State, a distinction is made in respect of National 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.

1.4 Property Plant & Equipment

The UK Sport Lottery Fund does not own any land or buildings. All assets are stated in the statement of Financial Position at depreciated historical cost as proxy to fair value. Depreciation is provided on all property plant & equipment at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Computer Software: three years.

1.5 Pension Costs

The pension liabilities and assets are recorded in line with IAS 19, with a valuation undertaken by an independent actuary. IAS 19 measures the value of pension assets and liabilities at the end of each reporting period, determines the benefits accrued in the year and the interest on scheme assets and liabilities. The value of benefits accrued is used to determine the pension charge in the 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 on UK Sport Lottery Fund functions and vice versa. The costs so apportioned to the National Lottery distribution activities are paid from the UK Sport Lottery Fund to the Grant-in-Aid account. The apportionment of the costs has been determined in the manner most appropriate to the particular service, for example staff numbers, staff time or floor space. In all cases the charges to the National Lottery distribution activity have been calculated on a full cost recovery basis in accordance with HM Treasury’s *“Managing Public Money”*.

1.7 Value Added Tax

The making of National Lottery awards 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 National 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:

	UK Sport	
	2011/12 £'000	2010/11 £'000
Balance Brought Forward	24,765	21,649
Share of net operator proceeds	69,550	58,761
Investment returns from NLDF	495	568
Available for distribution	94,810	80,978
Funds drawn down	(55,806)	(56,213)
Balance carried forward	39,004	24,765

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

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

The market value carried forward at 31/03/12 is £39.004m (2010/11 £24.765m).

The NLDF balance increased during 2011/12 to stand at £39.004m at 31/03/12, representing 88.6% of outstanding commitments made at that point.

The balance held with the NLDF increased during the year, this is due to a combination of increased National Lottery ticket sales revenue and an increase in the percentage allocated to UK Sport. The growth in National Lottery income has enabled UK Sport to ring-fence a greater sum of money for the Rio Olympic cycle – a conscious decision to build reserves to help mitigate the expected shortfall in Exchequer funding for the next cycle.

Notes to the Accounts

3. Hard commitments

	UK Sport	
	2011/12 £'000	2010/11 £'000
Hard commitments brought forward	81,265	100,760
Hard commitments made this year	27,123	36,789
Hard de-commitments	(11,263)	(2,034)
Total Hard commitments	97,125	135,515
Hard commitments met in the period	(53,110)	(54,250)
Hard commitments carried forward as at year end	44,015	81,265
Hard Commitments by year		
Amounts falling due during 2011/12	-	48,163
Amounts falling due during 2012/13	41,017	32,052
Amounts falling due during 2013/14	2,766	750
Amounts falling due during 2014/15	232	300
Total	44,015	81,265

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 31/03/2011 and actual amount paid in 2012.

4. Soft commitments

	UK Sport	
	2011/12 £'000	2010/11 £'000
Soft commitments brought forward	1,892	16,550
Soft commitments made	28,759	23,636
Soft commitments transferred to hard commitments	(27,123)	(36,872)
Soft de-commitments	(691)	(1,422)
Soft commitments carried forward as at 31 March	2,837	1,892

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

The accounting policies applied for National 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 National Lottery revenue to meet future years' expenditure.

5. Lottery Grant payments during the Year

	2011/12 £'000	2010/11 £'000		2011/12 £'000	2010/11 £'000
TO ATHLETES:			TO GOVERNING BODIES:		
Amateur Boxing Association of England	513	439	Badminton England	399	529
Badminton England	269	343	British Amateur Boxing Association	1,035	1,576
British Bob Skeleton Association	90	94	British Blind Sport - Goalball	146	133
British Bobsleigh Association	105	49	British Bob Skeleton Association	365	428
British Canoe Union	433	391	British Bobsleigh Association	338	222
British Curling Association	134	115	British Canoe Union	1,830	1,870
British Cycling Federation	869	1,058	British Curling Association	-	93
British Equestrian Federation	407	383	British Cycling Federation	4,096	3,717
British Fencing Association	79	161	British Disabled Fencing Association	198	127
British Gymnastics	286	252	British Equestrian Federation	1,886	2,528
British Judo Association	356	383	British Fencing Association	564	474
British Rowing	1,432	1,245	British Gymnastics	1,455	902
British Swimming	1,717	1,603	British Handball Association	768	748
British Table Tennis Association for the Disabled	27	31	British Judo Association	850	803
British Triathlon Association	112	108	British Olympic Table Tennis Federation	185	307
British Volleyball Federation	58	74	British Performance Basketball	1,063	1,062
Disability Snowsport UK	10	-	British Rowing	3,373	3,440
Disabled Target Shooting of Great Britain	75	65	British Shooting	753	496
England Hockey	1,025	599	British Ski and Snowboard Federation	70	-
English Table Tennis Association	-	11	British Swimming	5,341	5,078
Grand National Archery	358	336	British Table Tennis Association for the Disabled	271	229
Great Britain Boccia	96	83	British Tennis Foundation	-	39
Great Britain Wheelchair Basketball Association	311	240	British Triathlon Federation	727	492
Great Britain Wheelchair Rugby	85	70	British Volleyball Federation	839	1,187
National Ice Skating Association	82	52	British Wrestling Association	402	436
Pentathlon GB	229	221	Disability Snowsport UK	71	-
Royal Yachting Association	949	932	Disabled Target Shooting of Great Britain	325	238
Snowsport GB	-	17	England Hockey	1,394	1,635
Sport Taekwando	184	138	English Institute of Sport	2	-
The Tennis Foundation	128	119	Grand National Archery Society	396	511
UK Athletics	1,501	1,475	Great Britain Boccia	352	233
World Class Lifting	26	27	Great Britain Wheelchair Basketball Association	545	465
World Class Lifting (Paralympic)	35	41	Great Britain Wheelchair Rugby Association	300	378
TOTAL	11,981	11,155			

Notes to the Accounts

	2011/12 £'000	2010/11 £'000		2011/12 £'000	2010/11 £'000
Modern Pentathlon Association of Great Britain	-	549	Factor 40 Disability Table Tennis British Open 2011	25	69
National Ice skating Association	362	326	FEI Show Jumping and Dressage European Championships 2009	-	95
Pentathlon GB	644	-	FIG All Round World Cup 2011	-	26
Royal Yachting Association	3,125	2,934	FIH Women's Champions Trophy 2010	34	154
Snowsport England	-	52	FINA Diving World Series 2011	-	35
Sports Taekwondo	599	525	FINA Diving World Series 2012	90	-
SportScotland	394	-	FITA Archery World Cup Final 2010	7	43
UK Athletics	2,226	4,184	GB World Cup 2010	20	84
World Class Lifting	396	403	Goalball World Championships 2010	-	39
World Class Lifting (Paralympic)	119	93	IBSA Blind Football World Championships 2010	7	31
TOTAL	38,204	39,442	IFDS World Championships 2011	28	18
FOR EVENTS:			IFNA World Netball Series 2009	-	95
Athletics Paralympic Series 2010	1	65	International Shooting Competition – GBR	74	-
Beach Volleyball U21 World Championships 2008	19	-	Invacare World Team Cup (Wheelchair Tennis) 2009	6	-
BID-World Athletics Championships 2017	62	-	IPC Shooting World Cup 2010-GBR	-	55
BID-World Netball Championships 2015	12	15	ISU European Figure Skating Championships 2012	90	-
BMX Supercross World Cup 2011	135	-	ITU Triathlon World Series event 2009	-	28
Boccia World Cup 2011	133	-	ITU World Championship Series 2010	28	202
Canoe Slalom World Cup 2012	91	-	Judo GB World Cup 2009	-	13
Disability Athletics Grand Prix	42	-	Judo GB World Cup 2011	125	-
ECA European Canoe Slalom Championships 2009	-	19	Junior and Cadet World Fencing Championships 2009	-	12
English International Open Table Tennis Championships 2011	10	140	LEN European Junior Synchronised Swimming Championships 2009	-	1
English Open Table Tennis Championships 2009	-	9	LEN European Synchronised Swimming Champions Cup 2011	10	53
European Fencing Championships 2011	27	167	Mens London Handball Cup 2012	31	-
European Individual Badminton Championships 2010	-	13	Modern Pentathlon World Championships 2009	-	93
European Senior and Junior Artistic Gymnastics Championships 2010	-	198	Open ECVD Sitting Volleyball Continental Cup 2011	69	26
European Taekwondo Championships 2012	174	-			
European Tournament Water Ski Championships 2010	5	40			
European VI Judo Championships 2011	48	-			

	2011/12	2010/11
	£'000	£'000
Para Archery Tournament and Paralympic Qualifier 2011	22	-
Other Events		
RS:X and Techno World Championships 2009	-	23
Sail For Gold 2010	37	130
Sail For Gold 2011	95	55
Sail for Gold Regatta 2009	-	5
Shotgun World Cup 2010	-	90
Taekwondo British Open 2009	-	25
Taekwondo British Open 2010	-	113
Taekwondo British Open 2011	146	-
Trampoline, Tumbling and DMT World Championships 2011	71	284
UCI BMX World Championships 2012	100	-
UCI Mountain Bike Cross World Cup 2011	151	-
UCI Track Cycling World Cup Classic 2011	11	85
UCI Track World Cup 2012	135	-
UIPM Modern Pentathlon World Cup Final 2011	80	220
UIPM World Cup 2010	9	17
Wheelchair Rugby GB World Cup 2009	-	3
Wheelchair Rugby GB World Cup 2011	34	-
Women's Rugby World Cup 2010	-	40
World Badminton Championships 2011	150	300
World Championship Series Triathlon 2011	135	135
World Junior Rowing Championships 2011	225	150
World Rowing Championships 2015	51	-
World Short Track Speed Skating Championships 2011	-	58
World Wheelchair Basketball Championships 2010	69	42
Wrestling GB Cup 2010	-	40
TOTAL	2,924	3,653
TOTAL GRANT PAYMENTS IN THE YEAR	53,110	54,250

Notes to the Accounts

6. Staff costs

	UK Sport	
	2011/12 £'000	2010/11 £'000
Wages & salaries	797	708
Social security costs	77	64
Current service costs	100	160
Past service costs		(451)
Total Employee Costs	974	481

7. Staffing

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

	UK Sport	
	2011/12	2010/11
Operations/Planning/Development	16	15
Average Staff Numbers	16	15

8. Lottery funds

	UK Sport	
	2011/12 £'000	2010/11 £'000
The Lottery Fund is stated after charging for:		
External Auditors' remuneration for audit work	28	28
External Auditors' remuneration for WGA work	-	2

9. Intangible Assets

All intangible fixed assets are computer software.

	UK Sport	
	2011/12 £'000	2010/11 £'000
COST		
At 1 April 2011	535	535
Eliminated on disposal	(13)	-
At 31 March 2012	522	535
DEPRECIATION		
Start of the year	535	535
Charge for the year	-	-
Eliminated on disposal	(13)	-
End of Year Net book value	522	535
At 1 April 2011	-	-
At 31 March 2012	-	-

10. Trade Receivables

	UK Sport	
	2011/12 £'000	2010/11 £'000
Trade receivables	4	-
Prepayments	3	1
Accrued Income	10	-
TOTAL	17	1
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	17	1
TOTAL	17	1

Notes to the Accounts

11. Trade Payables

	UK Sport	
	2011/12 £'000	2010/11 £'000
Trade payables	8	24
Accruals	451	616
TOTAL	459	640
Intra-government Balances	-	-
Balances with central government bodies	441	403
Balances with local authorities and police authorities	-	-
Subtotal: intra-government balance	441	403
Balances with bodies external to government	18	237
TOTAL	459	640

The balance due from the UK Sport Lottery fund to the UK Sport Exchequer (GIA) accounts has been classified within balances with central government bodies.

12. Superannuation Scheme

The majority of staff of UK Sport (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 National 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 National 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 £67,112 or 10.2% of pensionable pay (2010/11: £63,043 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 31/03/2010, with the next formal valuation due as 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 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	UK Sport	
	2011/12 £'000	2010/11 £'000
Price increases	3.3%	3.5%
Salary increases	4.2%	4.5%
Pension increases	2.5%	2.7%
Discount rate	4.6%	5.5%
AVERAGE FUTURE LIFE EXPECTANCIES AT AGE 65:	Males	Females
Current pensioners	22.1 yrs	23.9 yrs
Future Pensioners	24.1 yrs	25.7 yrs

Notes to the Accounts

12.2 Fair Value of Employers Assets

	UK Sport			
	2012 Long term return %	Assets Value at 31/03/12 £'000	2011 Long term return %	Assets Value at 31/03/11 £'000
Equities	6.3%	2,210	7.4%	1,963
Target return funds	4.5%	363	4.5%	341
Alternative assets	5.3%	424	6.5%	398
Cash	3.0%	30	3.0%	85
Corporate Bonds	n/a	0	5.5%	57
Total Fair Value of Assets		3,027		2,844
Present Value of Scheme Liabilities		5,031		3,938
Net Pension Liability		(2,004)		(1,094)

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

	UK Sport	
	31 March 2012	31 March 2011
Equities	73%	69%
Target return funds	12%	12%
Alternative assets	14%	14%
Cash	1%	3%
Corporate Bonds	0%	2%

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

	UK Sport	
	31 March 2012	31 March 2011
	£'000	£'000
Current Service Cost	100	160
Interest Cost	162	194
Expected return on Employers Assets	(149)	(131)
Past Service Cost	-	(451)
TOTAL	113	(228)
Actual Return on Plan Assets	28	180

12.4 Amounts recognised in the Statement of Changes in Equity

	UK Sport	
	31 March 2012	31 March 2011
	£'000	£'000
Actuarial Gains/(Losses)	(1,022)	152
Actuarial Gains/(Losses) recognised in SOCE	(1,022)	152
Cumulative Actuarial Gains and Losses	(1,889)	(867)

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

	UK Sport	
	31 March 2012	31 March 2011
	£'000	£'000
Opening defined benefit obligation	3,938	4,141
Current Service Cost	100	160
Interest Cost	162	194
Contributions by Members	46	43
Actuarial Loss (Gains)	854	(96)
Liabilities extinguished on settlements	-	-
Post Service Cost	-	(451)
Estimated Benefits Paid	(69)	(53)
CLOSING DEFINED BENEFIT OBLIGATION	5,031	3,938

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

	UK Sport	
	31 March 2012	31 March 2011
	£'000	£'000
OPENING FAIR VALUE OF EMPLOYER'S ASSETS	2,844	2,408
Expected return on assets	149	132
Contributions by Members	46	43
Contributions by Employer	90	79
Actuarial Losses	(33)	234
Benefits paid	(69)	(52)
Payment of bulk transfer value	-	-
CLOSING FAIR VALUE OF EMPLOYER ASSETS	3,027	2,844

Notes to the Accounts

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

	UK Sport				
	2011/12	2010/11	2009/10	2008/09	2007/08
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	3,027	2,844	2,408	2,044	2,551
Present Value of Defined benefit obligation	(5,031)	(3,938)	(4,141)	(2,876)	(2,957)
Surplus/(Deficit)	(2,004)	(1,094)	(1,733)	(832)	(406)
Experience gains/(losses) on assets	(167)	54	456	(725)	(237)
Experience gains/(losses) on liabilities	4	(194)	86	7	17

1. In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31/03/12, 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 31/03/12 without completing a full valuation. However Barnett Waddingham are satisfied that the approach of rolling forward the previous valuation to 31/03/12 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

	UK Sport	
	2011/12 £'000	2010/11 £'000
Increase/(Decrease) in Lottery funds before taxation	51,109	21,982
(Increase)/Decrease in receivables	(16)	-
Increase/(Decrease) in payables	(37,433)	(19,206)
Interest receivable	(3)	(3)
(Increase)/Decrease in NLDF	(14,239)	(3,116)
Pension scheme: non cash movement	36	(352)
Net cash (outflow) / inflow from operating activities	(546)	(695)

14. Change in cash and cash equivalents

	UK Sport	
	2011/12 £'000	2010/11 £'000
Opening cash balance	882	1,574
Net cash (outflow) /inflow	(543)	(692)
Cash and bank balances at year end	339	882

Notes to the Accounts

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 for Culture, Media and Sport's expected purchase and usage requirements and the Department therefore is exposed to limited credit, liquidity or market risk.

Liquidity Risks

In 2011/12 £70.05m or 99.9% (2010/11 £59.33m or 99.9%) 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 £39.004m (2010/11 £24.765m). In the year the average return on these investments was 1.6% (2010/11 2.4%). 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 0.25% (2010/11 0.32%) in the year. Cash on deposit is gross of corporation tax. The cash balance at the year-end was £339,591 (2010/11 £881,690). 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 has been 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 31/03/12, the Lottery Fund had made no commitments to purchase further capital equipment (2010/11 Nil).

18. Events after the Reporting Period

The accounts were authorised for issue on 02 July 2012, 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 related party transactions for the year which are on an arm's length basis:

RELATED PARTY	NATURE OF TRANSACTION	AMOUNTS (£)
Philip Kimberley - Chair of England Hockey	Grant funding to England Hockey	1,427,825
Chris Holmes - Director of the London Organising Committee for the Olympic Games (LOCOG)	Grant funding to LOCOG	372,500
Joseph Ryan - Non-executive Board Director and Honorary Treasurer & Chair of Finance Board of Badminton England	Grant funding to Badminton England	548,977
	Fees invoiced to UK Sport	1,014



United Kingdom Sports Council