



ANNUAL REPORT 2006-2007

The United Kingdom Sports Council
Grant-in-Aid and Lottery Distribution Fund
Report and Account for the Year Ended
31 March 2007

Presented pursuant to the National Lottery etc.
Act 1993 (as amended by the National Lottery Act 1998),
sections 14(3) and 35(5), and section 88 of the Scotland Act 1998.
Ordered by the House of Commons to be printed: 9th July 2007

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FOREWORD

UK Sport has a statutory responsibility to publish separate annual accounts for its Grant-in-Aid and National Lottery funding. In 2005-2006, a new approach, recommended by the National Audit Office, enabled both sets of accounts to be produced separately, but bound together in one document and accompanied by a concise summary of business activity.

This approach was extremely well received and has been adopted for a second year. The information contained within the report outlines UK Sport's activities throughout the financial year and specifically studies those areas relating to the organisation's business performance against key performance indicators as agreed under UK Sport's Funding Agreement with DCMS.

By **Chris Holmes**
Chair of Audit Committee
UK Sport

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Contents

	PAGE NUMBER
ANNUAL REPORT	3
UK Sport at a Glance	7
Operating Environment	8
Strategy & Structure	10
Managing Delivery	14
UK Sport's Performance	18
GRANT-IN-AID ACCOUNTS	27
Statement of the Board's and Chief Executive's Responsibilities	28
Statement on Internal Control	29
Certificate and Report of the Comptroller and Auditor General	34
Income and Expenditure Account	36
Statement of Recognised Gains and Losses	36
Balance Sheet	37
Cash Flow Statement	38
Notes to the accounts	40
LOTTERY DISTRIBUTION FUND ACCOUNTS	57
Statement of the Board's and Chief Executive's Responsibilities	58
Statement on Internal Control	60
Certificate and Report of the Comptroller and Auditor General	64
Income and Expenditure Account	66
Statement of Recognised Gains and Losses	66
Balance Sheet	67
Cash Flow Statement	68
Notes to the accounts	70



GREAT BRITAIN
ATHLETICS TEAM

adidas

NORWICH
UNION

SPAR

256

BIRMINGHAM 2007

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 and is a statutory distributor of funds raised by the National Lottery.

In 2006-2007, UK Sport received £53.1m of Exchequer funds which were used to support sports bodies, manage the UK's anti-doping programme, support British representatives on international sports federations, and develop mutually beneficial relationships globally through partnerships with other countries as well as covering staffing and running costs. National Lottery receipts for the same period were £53.3m, representing 22.8% of the National Lottery Sports Funds, which funded its World Class Pathway and World Class Events Programmes.

This is an increase of 110% on 2005-2006, resulting from the organisation taking on additional responsibilities from Sport England as of 1 April 2006, as well as a further contribution of £18.8m from the Government for additional 2012 responsibilities.

Mission

UK Sport's stated mission is "To work in partnership to lead sport in the UK to World Class success." This is delivered via the primary goal of 'World Class Performance' and the supporting goals of 'Worldwide Impact' and 'World Class Standards'. Further detail on these can be found in the Strategy section.

Values

Commitment to Excellence

- Appetite for continuous improvement
- Meet the highest standards in the way the organisation works with others to produce a World Class system that delivers the best possible results.

Integrity and Openness

- Work in a way that ensures all internal and external stakeholders can fully understand who and what UK Sport does, have confidence in the fact that it is done well and can trust that it is done for the right reasons
- Be fully accountable for actions and able to demonstrate quality of work.

Working Together

- Work by encouraging a collaborative approach that values diverse contributions to the achievement of common goals
- Achieve primary objectives through effective working relationships internally and externally.

Operating Environment

The past year saw considerable change for UK Sport, with all areas of its activity continuing to be strongly influenced by the impact of London 2012.

The Transfer of Functions from Sport England

As of 1 April 2006, there were significant changes to the sporting landscape in the UK which affected the operating environment of UK Sport and partner organisations.

UK Sport assumed full responsibility for all Olympic and Paralympic performance-related support in England and the UK, from the identification of talent right the way through to performing at the highest level. The transfer of the World Class Potential programme in England, together with the responsibility for the direction of the Talented Athlete Scholarship Scheme (TASS), TASS 2012 Scholarships and the English Institute of Sport meant that a one-stop shop for performance funding for UK governing bodies and athletes was provided. UK Sport Chair, Sue Campbell, said: "It brings a clear delineation of responsibility for the key elements of sports policy in this country that was not there before."

UK Sport took on these additional responsibilities from Sport England, which resulted in an extra funding stream worth around £32.5m per annum, mainly from National Lottery funding.

Additional Government Funding for London 2012

In March 2006, the Government announced an additional £200m of Exchequer funding for high performance sport through to 2012, to be added to the average £60m per year already invested through existing channels in Olympic and Paralympic success. A further £100m is to be sought by Government through private investment.

In April 2006 UK Sport announced additional funding awards to National Governing Bodies as a result of the Government decision to allocate more public money to athlete preparations for London 2012. The increased investment for the 2006-2009 period totalled £65.3m, of which £58.8m was earmarked for Summer Olympic support and £6.5m for Summer Paralympic sports.

National Lottery Funding

At the Lottery Monitor Conference in June 2006, Tessa Jowell announced that the percentage share of National Lottery income allocated to sport was to remain unchanged and stay fixed until 2019. Following the transfer of high performance sport responsibilities from Sport England to UK Sport earlier in 2006, UK Sport now distributes 3.8% of the total funding allocated to the Lottery good causes and 23% of the total sport allocation.

Public Accounts Committee

The Public Accounts Committee (PAC) published a report into the support of elite athletes and made a number of recommendations on funding, many of which reflected the changes UK Sport had already made to the system over the previous 12 months.

The recommendations focused on the need to improve clarity on the outcomes expected from the investment into high performance sport, and maximising the return on that investment. These have already been tackled, in particular through the adoption of a new funding agreement between UK Sport and the Department for Culture, Media and Sport, the setting of 'funding triggers' for governing bodies in receipt of funding, and the development of a 'No Compromise' approach to the allocation of funds.

"As the lead agency for elite sport in the run up to 2012, we recognise the need for clear transparency and accountability in our own actions and with the sports and athletes we fund. We therefore welcome the majority of the recommendations made by the PAC and have already acted on them in relation to our own reporting and assessment of progress of governing bodies," said UK Sport's CEO, John Steele.

Cross-Party Support

There is evidence of strong support from the House of Commons for UK Sport and its role investing in and supporting sports to help them compete and succeed on the world stage.

In a Westminster Hall debate in March 2006, The Minister for Sport, Richard Caborn MP, praised UK Sport's 'exceptionally good leadership' in creating a high-performance sporting system that 'will be the envy of the world in the not-too-distant future'.

Hugh Robertson MP, Shadow Minister for Sport, then said: "UK Sport has now come of age and found a proper role as the lead agency in distributing money and setting rigorous performance standards." Don Foster, the Liberal Democrat Spokesman for Sport, also praised the simplification of the sporting system in the UK and acknowledged the vital contribution of elite sporting success.



Factors influencing future funding

UK Sport's Business Plan to 2012 relies on £280m of Lottery income and £460m provided by Central Government (including £100m from private sponsorship) from 2007-2012. Each income stream bears different risks to being delivered in full.

Lottery sales can go up and down. The value of our Lottery share, now fixed at 3.8% of total proceeds, is projected to decline by 10% from 2009 due to competition led by separate Olympic initiatives. The increased volatility in monthly income results evident in 2006-07 highlights the increased risk in depending on projected future returns.

Forecast Lottery income also includes £18m of interest income which relies on the change in interest income allocation between distributors which took place in April 2007. The initial impact of this is to award UK Sport its 3.8% share of all interest earned on the current balance of over £1.8bn, rather than just the interest on its own low balance. However it is likely that this change and the income reduction resulting from offsetting the infrastructure cost for the Olympic Games will drive many distributors to consume much of their balance over the medium term. That this could happen faster than the balance reduction already built in to our projection represents a further risk to funding our programmes.

While the additional funding announced by Treasury in the March 2006 Budget is projected through to 2012, it does rely on £100m being delivered from private sponsorship. UK Sport is actively supporting the Department for Culture Media and Sport, which has the responsibility for raising the additional funding, as it considers the various options available for raising this sum between now and 2012.

Exchequer income, originally set at £29.3m per year until 2008-09, has been supplemented, from 2006/07 by the additional allocation from the Treasury through to 2012. Thus Exchequer allocations are expected to average £72m per year over the period to 2012. These funding levels are expected to be confirmed by the 2007 Comprehensive Spending Review. Funding for TASS, which is excluded from the above estimate is also substantially Exchequer-derived and is only agreed as far as 2007-08 whereas our Business Plan, based on our submission to Treasury, assumes that it will continue until 2012, so is a further exposure to be managed.

In summary there are risks to each of the income streams which underpin UK Sport's Business Plan goals and 2012 aspirational goals. These are best managed by UK Sport continuing to demonstrate value-for-money and ongoing delivery of its performance objectives so that it justifies sufficient investment to achieve its long-term targets.

World Anti-Doping Agency (WADA)

As the government-appointed national anti-doping organisation (NADO) for the UK, UK Sport is responsible for ensuring that the nation's anti-doping rules and regulations meet the standards set out by WADA through the World Anti-Doping Code.

WADA was set up in 1999 to co-ordinate efforts against doping in sport at a global level. A private foundation under Swiss law with equal membership from sport and governments, WADA developed the Code in 2003 which, for the first time, established a uniform set of anti-doping rules achieving harmonisation in anti-doping policy across all sports and all countries.

Sports in the UK are compliant with the Code through a National Governing Body Agreement put in place following the launch of the UK's National Anti-Doping Policy in May 2005.

WADA is currently leading a review of the Code, with a new version to be signed off at the World Conference on Doping in Sport in November 2007. UK Sport will then work at a national level to ensure all national governing bodies are compliant by the end of 2008.

UK Sport's Head of Operations for Drug-Free Sport, Andy Parkinson, represented UK Sport on the WADA Working Group which met to reach agreement on the draft International Standard for Testing. WADA's draft includes, for the first time, proposed mandatory standards for the amount and type of 'whereabouts' information that has to be provided by an athlete. This proposal essentially mirrors the principles of the system put in place by UK Sport in July 2005, with 'no advance notice' testing now enshrined as a key element.

WADA aims to have the Standard signed off alongside the new World Anti-Doping code in November 2007, ready for implementation by the end of 2008.

An International Perspective

UK Sport continues to operate on the world-stage, with eight events staged in the UK in 2006-2007 through the support of UK Sport's Lottery funded World Class Events Programme. This programme doubled its budget to £3.3m in 2006/07, to address the greater need for home soil competition ahead of 2012, and is now targeting over 100 events between now and 2012.

UK Sport's International Development Programme is actively engaged in promoting sport in 15 countries and is leading the way in providing a vision for how the UK can harness the power of sport to change lives across the globe. UK Sport has also pursued a number of intergovernmental partnerships to promote good international relations and has recently reviewed its International Influence Strategy to maximise the impact the UK can have on the international stage.

Strategy & Structure

Corporate Themes

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

- › Building a team of agile, open-minded, high-calibre people, hungry to lead, learn, evolve and excel;
- › Driving the development of effective and innovative business processes to support and simplify our activities; and
- › Promoting the UK Sport brand to win and maintain the respect, trust and engagement of everyone with whom we interact.

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

UK Sport will focus on delivering the goals below:

The Goal

World Class Performance

- › Supporting athletes to success in World Class events
- › Developing skilled people to support UK World Class athletes
- › Driving the development of a World Class high performance sport system for the UK.

Supported by:

Worldwide Impact

- › Establishing the UK as an authoritative and leading player in world sport
- › Developing an international development assistance programme in and through sport
- › Developing a sport focused strategy for staging major international events across the UK.

World Class Standards

- › Leading a World Class anti-doping programme for the UK
- › Working with athletes and others to promote the highest standards of conduct in sport.

Structure

CEO: John Steele

John Steele took up the post of Chief Executive at UK Sport on 1 July 2005 and leads the directors' team that oversees approximately 87 staff in five directorates.

Director of Elite Sport:

Director of Drug-Free Sport and International:

Director of Corporate Services:

Director of Policy and Communications:

Liz Nicholl OBE

John Scott

Neil Shearer

Tim Hollingsworth



Board & Governance

UK Sport's Board meets every two months to provide strategic direction to the organisation, as well as considering and making decisions on those recommendations put forward by UK Sport's various panels. Sue Campbell was initially appointed as Reform Chair of UK Sport in September 2003 for an 18-month term and was confirmed as UK Sport's Chair for a further four-year term in March 2005.

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

Panels, each chaired by a Board member, include other individuals of relevant expertise and experience who advise and make recommendations as appropriate. The minutes of UK Sport's Board meetings are made available on the UK Sport website.

NAME	POSITION	START DATE	TERM DURATION
Sue Campbell	Chair	19/9/03	5 yrs
Nick Bitel	Member	14/11/02	3 yrs – reappointed 14/11/05
Julia Bracewell OBE	Member (<i>Chair sportscotland</i>)	01/07/05	3 yrs
Philip Carling	Member (<i>Chair Sports Council for Wales</i>)	1/2/04	3 yrs – reappointed 01/02/07
Rod Carr OBE	Member	19/9/05	3 yrs
Lord Carter	Member (<i>Chair Sport England</i>)	27/11/02	Term ended October 2006
Chris Holmes MBE	Member	19/9/05	3 yrs
Derek Mapp	Member (<i>Chair Sport England</i>)	02/10/06	3 yrs
Louise Martin CBE	Member	14/11/02	3 yrs – extended to 13/11/08
Professor Eric Saunders OBE	Member (<i>Chair Sports Council for Northern Ireland</i>)	07/03/00	3 yrs – extended to 31/06/07
Nigel Walker	Member	03/07/06	3 yrs

Stakeholders and Partners

UK Sport works with a large number of partners to lead sport in the UK to World Class success. Stakeholder and partner bodies include the DCMS, National Governing Bodies, the Home Country Sports Institutes, the British Olympic Association, the British Paralympic Association, the British Athletes Commission, Sportscoach UK and the Sports Dispute Resolution Panel. International partners include the World Anti-Doping Agency.

No Compromise

Supporting the creation of more British Champions able to compete and win on the world stage, whilst maintaining the highest ethical standards, is at the heart of UK Sport. The wider goal is to unlock potential and to exploit and mobilise the full power of sport both nationally and internationally. UK Sport operates using the principle of 'No Compromise' in all areas of its work and when faced with big challenges, UK Sport is prepared to make tough decisions.

Strategy & Structure

The Support System – The World Class Pathway

The World Class Pathway Programme was introduced in April 2006. This system replaced the World Class Performance Programme operated by UK Sport and the World Class Potential programme operated by Sport England.

On 31 March 2007, 1,185 athletes were funded through the Pathway - which essentially offers three levels of support to high performance Olympic and Paralympic athletes:

World Class Podium

The programme supports sports with realistic medal capabilities at the next Olympic/Paralympic Games. Athlete places are distributed to a sport based on a combination of the sport's:

- › Results at the last Games
- › Competitive track record
- › Projected medal capability in the future
- › Demonstrated ability to constantly produce athletes through the Pathway

Support is provided through a performance programme with the governing body and an athlete personal award.

World Class Development

This programme sits immediately beneath the Podium Programme and comprises of sports that have demonstrated that they have athletes with realistic medal winning capabilities for 2012. Olympic athletes at this level are typically six years away from the podium, whereas this timeframe may be considerably shortened for Paralympic athletes.

Sports not yet funded at Podium Programme level but where there is performance evidence that they have the potential to medal in the next Olympic/Paralympic cycle are eligible for consideration for funding at World Class Development level. In the period to the home Games in 2012, additionally and exceptionally, World Class Development also embraces those sports with realistic capabilities to be competitive in 2012 but where medal achievement is unlikely.

World Class Talent

This programme is designed to support the identification and confirmation of athletes who have the potential to progress through the World Class Pathway with the help of targeted investment. Funding provided through the programme will allow sports to identify the athletes with all the right attributes to ensure they can go on to compete effectively on the world stage. In addition, this programme will look to raise the level of sophistication by which sports approach the identification of new athletes and examine ways in which talent, where appropriate, can be transferred across sports. Olympic athletes will be a maximum of eight years away from the podium, but again could be much less for Paralympic athletes.

(Current Paralympic 'Fast Track' funding straddles both Development and Talent programmes. This will increasingly be embedded within the World Class Talent Programme.)

Internal Control & Risk Management

UK Sport has developed a statement of internal control which identifies likely risks for the organisation and assesses the likelihood of these risks occurring. Full statements on internal control can be found later in this document.



Managing Delivery

A brief description of the operations of the five directorates is outlined below:

Performance

The Performance Directorate is concerned with UK Sport's primary goal of supporting World Class performance; providing strategic direction and support for the high performance pathway and ensuring that the two funding streams managed by the organisation – Lottery and Exchequer – are delivered to sports in the most effective way. Alongside the money that goes directly to the sports through the World Class Pathway, the Performance Directorate is designed to lead and develop areas which have been identified as having an influential impact on an athlete's performance.

International

The International Directorate is concerned with the goal of ensuring delivery of worldwide impact through the staging of major sports events and meaningful international relations. Working in partnership with national governing bodies, UK Sport distributes a significant amount of National Lottery funding each year through the World Class Events Programme to support events bidding and staging costs, as well as providing specialist technical support. To maintain and advance the UK's influence in the international sporting arena, the Directorate provides financial support and assistance to British post-holders carrying positions of influence within international sports federations and undertakes a number of representative responsibilities for government to bodies such as the Council of Europe and UNESCO. A further key role is the global development of sport through the support of projects overseas, exchange visits and information sharing with other nations.

Drug-Free Sport

The Drug-Free Sport Directorate is concerned with the goal of supporting World Class standards. As the country's national anti-doping agency, the organisation co-ordinates the UK's testing programme, which every year sees over 7,000 tests carried out across more than 50 sports. Additionally, services and resources are provided to British athletes and their support personnel to help them make the right decisions about what substances they can and cannot use. A key member of ANADO, UK Sport seeks to promote greater harmonisation and application of the WAD Code internationally.

Corporate Services

The Corporate Services Directorate provides essential support to the organisation in the areas of finance, human resources, information technology and strategic planning.

Policy and Communications

The organisation's ongoing communications programme is focused on creating knowledge and understanding of and commitment to UK Sport's purpose, goals and programmes. Key messages have been developed in each area of work and a variety of tools are used to deliver these, including publications, the website, the weekly email newsletter, branding and events. Furthermore, the policy unit underpins the work of UK Sport by ensuring all policies and procedures meet the standards required of a government agency and Lottery distributor and carries out regular pieces of research to inform and guide work and provide the evidence base for our activity.

Office and IT Facilities

UK Sport's 15,000 square feet (1369 m²) facility at 40 Bernard Street, opposite Russell Square Underground station, is leased at a competitive rate until 2015. To work this space as hard as possible, it is now shared with staff from two partner organisations, the British Paralympic Association (BPA) and the English Institute of Sport (EIS). As a result the number of work-stations accommodated in this modern, friendly and largely open-plan working environment has been increased from 90 to 109.

Customer Services Charter

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



Policy on Lottery additionality

Together with the other UK and England Lottery distributors, UK Sport has adopted the following definition:

“Lottery funding is distinct from Government funding and adds value. Although it does not substitute for Exchequer expenditure, where appropriate it complements Government and other programmes, policies and funding.”

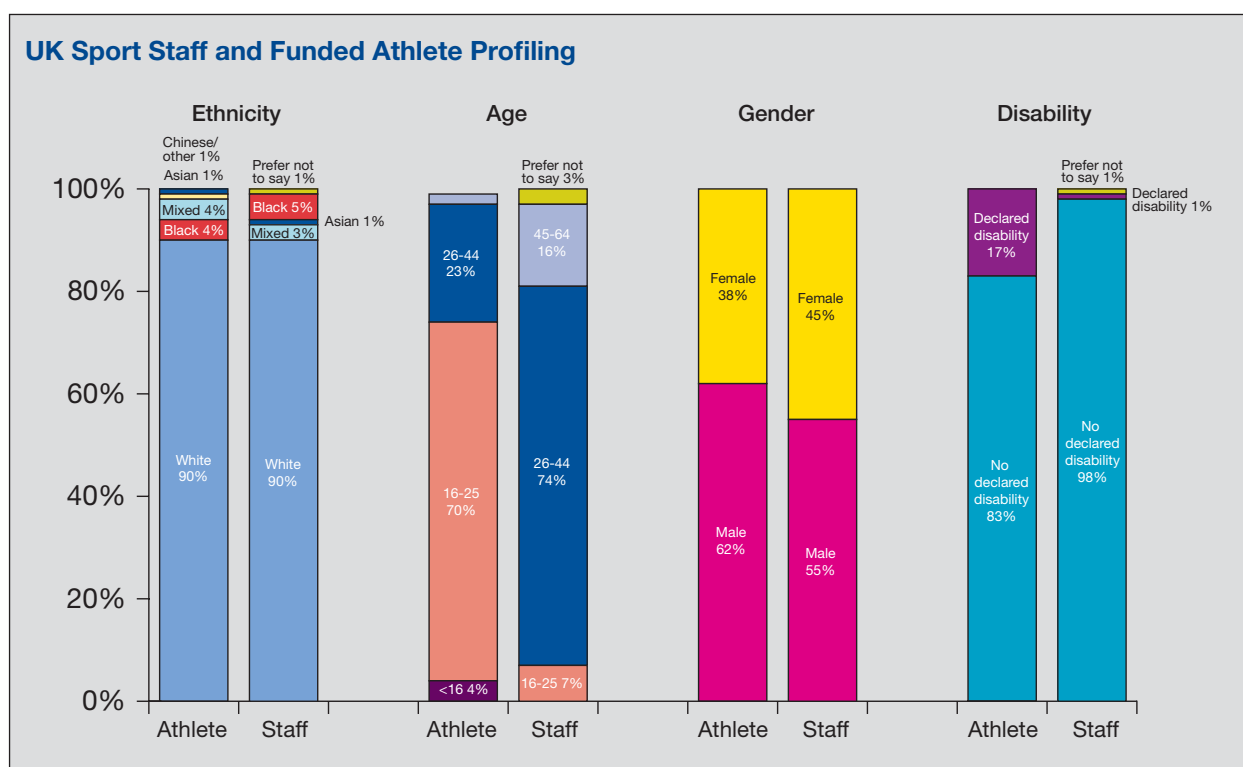
UK Sport has regard to the principles of additionality and this definition when progressing its investment strategies and programmes. Where appropriate, Lottery funding complements investment strategies such as the World Class Pathway Programmes which are geared to achieving long term Olympic and Paralympic success. The World Class Events Programme and funding of Athletes Personal Awards are solely Lottery Funded. These are prime examples of Lottery funded programmes that are not provided as a statutory responsibility or funded by Government but add real value to the UK’s sporting aspirations and legacy for London 2012.

Staff and Funded Athlete Profiling

UK Sport is committed to developing positive policies to promote equal employment opportunities and ensures that staff are not discriminated against on the grounds of gender, disability, race, sexual orientation, religious belief or age. Employees are involved in decisions which affect their welfare. In March 2007, UK Sport published its Equality Framework for 2007-2009 which sets out the commitment of UK Sport to become a World Class organisation by working towards equality in all its functions, whilst embracing the spirit of equality legislation and eradicating any form of unfair discrimination. It highlights the proactive approach of UK Sport in this area and provides a high level framework of the organisation’s aspirations in terms of equality.

Similarly, athletes are selected for Pathway funding by their sport’s national governing body, based primarily on Olympic and Paralympic Games medal-winning potential. Monitoring is carried out to better understand athletes’ needs to improve the services provided to them. All athletes funded directly or via sports are encouraged to return UK Sport’s Equality Monitoring Form. Although doing so is optional and return was just 49%, this information enables ethnicity, age profile, gender and declared disabilities of funded athletes to be monitored.

At 31 March 2007, the race, age, gender and disability profile of UK Sport’s 85 staff and 1,185 funded athletes was as below. Ethnicity, disability and age information for funded athletes is based on the 579 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%.



Managing Delivery

Prompt payment policy

UK Sport aims to comply with the Better Payment Practice Code. Payment terms are agreed with suppliers at the outset, and invoices are paid in accordance with those terms. Any disputed invoices are referred to suppliers and are dealt with expeditiously. The target is to pay within 30 days. During 2006/07, 91% (2005/06 82.1%) of invoices were paid on time.

Auditing

UK Sport is required to have its Exchequer accounts audited by a body approved by the Secretary of State, and appointed the Comptroller and Auditor General in January 1997. It is also required to have its National Lottery accounts audited by the Comptroller and Auditor General who is responsible for laying the accounts before both Houses of Parliament at Westminster and before the Scottish Parliament. Audit fees have been agreed at £27,500 and £26,200 respectively for each set of accounts (£25,000 and £24,600 in 2005/06).

Remuneration Report

Directors' Remuneration

Directors' recruitment, remuneration and employment terms and conditions are overseen by the Remuneration Panel, which comprises of Sue Campbell, Laura McAllister and is chaired by Phil Carling. Remuneration of the CEO and any higher earners is also subject to DCMS approval. Remuneration policy is to follow recommendations of the Senior Salaries Review Body. The remuneration package comprises these elements:

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

Performance Related Pay - depends on the outcome of annual performance review of objectives and competencies, and on still being in post at 1st July. In 2006/07 the maximum performance related pay available was 20% of basic salary for the CEO and 15% for other Directors. These payments are not pensionable.

Pension arrangements - Directors are members of the Local Government Pension Scheme (LGPS), a tax-approved defined 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 1/80 of final Pensionable Salary, up to half of final pensionable salary. Death in service cover is two years pay plus spouse's pension of half of the member's pension and pensions for eligible children. At 31/03/07, all Directors, but not the Chair, were members of LGPS.

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

Other Benefits include a healthy lifestyle allowance and considerable leave entitlement.

Emoluments of the Chair and Directors, including performance-related pay but excluding pension arrangements, for the year ending 31/03/07 were as follows:

AUDITED INFORMATION		2006/07	2005/06
		£,000	£,000
S Campbell	Chair	35-40	35-40
J Steele*	CEO	120-125	70-75
L Nicholl**	Director	105-110	110-115
J Scott	Director	100-105	85-90
T Hollingsworth***	Director	90-95	75-80
N Shearer	Director	80-85	70-75

* John Steele's 2005/06 emoluments do not reflect a full financial year as he joined UK Sport in July 2005.

** Liz Nicholl's 2005/06 emoluments include payments made in arrears for additional responsibilities as acting Chief Executive Officer during 2004/05.

*** Tim Hollingsworth's 2006/07 emoluments include payments made for additional responsibilities undertaken during the period.



Pension entitlement

AUDITED INFORMATION £,000	REAL PENSION INCREASE	REAL LUMP SUM INCREASE	VALUE OF ACCRUED PENSION	VALUE OF ACCRUED LUMP SUM	CETV AT 31/3/06	CETV AT 31/3/07	REAL INCREASE IN CETV
J Steele	1	4	2	7	10	25	9
L Nicholl		1	24	73	392	418	16
J Scott	1	3	32	95	505	543	15
T Hollingsworth	1	3	6	17	31	66	11
N Shearer	1	3	8	22	79	101	14

Accrued pensions represent amounts payable if a Director leaves at the stated date. Cash-Equivalent Transfer Values (CETV) are not payable to Directors but represent potential liability to the pension scheme. These are based on assumptions certified by a qualified actuary in accordance with guidance note GN11, published by the Institute of Actuaries and Faculty of Actuaries.

Members' remuneration - for attending meetings was £208 per day (2005/06: £204) and half that amount for half-day meetings, up to 36 days each year. One member's remuneration in 2006/07 exceeded 36 days due to timing of payment for attendance in 2005/06. Members who have received remuneration are as follows:

AUDITED INFORMATION (£)	2006/07	2005/06
Nick Bitel	1,872	1,428
Phillip Carling	2,704	1,020
Connie St Louis	-	1,730
Laura McAllister	-	612
Louise Martin	832	1,632
Eric Saunders	1,040	816
Julia Bracewell	1,664	1,428
Rod Carr	832	714
Chris Holmes	7,994	2,550
Nigel Walker	1,040	-
Derek Mapp	416	-
Patrick Carter	208	-
	18,602	11,930



UK Sport's Performance

Key Performance Indicators

UK Sport's key performance indicators are set out in its funding agreement with the DCMS. The tables below summarise the achievements of UK Sport against these performance targets. Further detail and additional highlights are outlined below each table.

Strategic Objective – World Class Performance

PRIMARY ACTIVITY	DELIVERABLE	PERFORMANCE TARGET 2006/07	ACHIEVEMENT 2006/07
Support athletes to succeed in World Class events	i) The number of medals won by Olympic Pathway athletes in the agreed targeted event for each sport (the most significant for each sport in that year)	30	51
	ii) The number of Olympic Pathway athletes finishing in the Top 8 at the agreed targeted event	57	85
	iii) The number of medals won by Paralympic Pathway (including Fast Track Programme) athletes at the agreed targeted event for each sport (the most significant for each sport in that year)	78	108
	iv) The number of Paralympic Pathway athletes finishing in the Top 8 at the agreed targeted event	64	101

Every target listed in the table above was exceeded in 2006-2007. Of the ten Olympic sports competing at World Championship level last summer, eight won medals and six produced World Champions in Olympic Disciplines. Elsewhere Britain's Paralympic swimmers also topped the medals table at the IPC World Swimming Championships with 24 gold, 14 silver and 14 bronze medals.

PRIMARY ACTIVITY	DELIVERABLE	PERFORMANCE TARGET 2006/07	ACHIEVEMENT 2006/07
Develop skilled people to support UK world class athletes	i) The number of coaches supported and developed by the Elite Coach Programme (annual intake/rolling total)	10/27	10/27
	ii) The number of sports with coaches supported and developed by the Elite Coach Programme	13	13
	iii) The number of sports scientists and sports medics supported and developed by the Sports Science/Sports Medicine Fast Track Practitioner Programme (annual intake)	25 across 6 disciplines	24 across 10 disciplines
	iv) The percentage of Sports Science/Sports Medicine practitioners supported by the Sports Science/Sports Medicine Fast Track Practitioner Programme who secure post-Programme employment within the UK High Performance System (NGBs and Institutes)	80%	96%

UK Sport's Elite Coach and Sports Science/Sports Medicine programmes continue to develop skilled individuals to support UK World Class athletes. These programmes are supported by an annual World Class Coaching Conference and a number of Sports Science/Sports Medicine High Performance seminars each year. Both of these continue to be leaders in their respective fields; the Coaching Conference attracted more than 400 delegates and high calibre speakers and facilitators such as Brad Gilbert and Chris Boardman whilst the High Performance seminars offer professional development opportunities for those staff within national governing bodies and the Home Country Sports Institutes most likely to be supporting athletes in the run up to and during the Beijing Olympics.

As part of UK Sport's Continuing Professional Development (CPD) Programme, UK Sport also initiated an 'Annual High Performance & Induction Briefing', primarily for new starters in the high performance system.



Other Achievements

There have been considerable improvements in the governance and system development of National Governing Bodies, driven by UK Sport. A new monitoring and evaluation programme 'Mission 2012' was launched in May 2007 to continue this good work and to address further challenges.

The new and additional funding (outlined in the Operating Environment section) has been a key driver of change within the NGBs. UK Sport accompanies its performance focus with determination to improve governance, to ensure that the increased funds being invested in the pursuit of success are being handled by well run 'fit for purpose' governing bodies, and that London 2012 acts as a truly modernising force. The main driver of this activity over the past year was the continued monitoring of progress against 'Funding Triggers' announced in March 2006. Sports were rated against a number of crucial performance and governance indicators, and their funding released only when they had satisfied them.

A major element of support in 2006/07 has been UK Sport's lead role in Talent Identification. A number of new initiatives have been launched to help a range of sports, most notably the 'Sporting Giants' campaign to find new athletes for rowing, handball and volleyball. A public appeal succeeded in attracting almost 5,000 applications from aspiring Olympians.

Strategic Objective – Worldwide Impact

PRIMARY ACTIVITY	DELIVERABLE	PERFORMANCE TARGET 2006/07	ACHIEVEMENT 2006/07
Establish the UK as an authoritative and leading player in world sport	i) The number of UK NGBs who, through their UK Sport accredited international influence strategies have the necessary mechanism for identifying, selecting and promoting individuals to key positions on International Federations	15	7
	ii) The number of international partnership sport agreements with strategically important national or international bodies	12	13

UK Sport reviewed its International Influence Strategy in 2006/07 and will therefore propose changes to the performance targets for 2007/08 to maximise the impact that the UK can have in the international sporting arena based around its strategic 'No Compromise' approach. It has been determined that the strategy will be transformed to ensure it underpins and is complementary to strategic goals, and in doing so encourages each sport to develop a strategy that is in synergy with those in Performance, World Class Events and Drug Free Sport.

Alongside this work, the International Leadership Development Programme, helping 15 carefully selected representatives annually to improve their skills and become the next generation of global administrators for their sports, was launched.

UK Sport has 13 international partnership agreements, including memoranda of understanding (MOU) with the South African, Chinese and Cuban governments. As part of the MOU with the Cuban Sports Ministry, young Cuban cricketers benefited from specialist coaching from the London Community Cricket Association (LCCS), the first of a three-year plan for the sport.

In September 2007, UK Sport, in partnership with the Supreme Council for Sport in Africa Zone VI, will host the 'Next Step' conference in Namibia, which focuses on the role that sport and physical activity can play in contributing to the achievement of the UN Millennium Development Goals.

PRIMARY ACTIVITY	DELIVERABLE	PERFORMANCE TARGET 2006/07	ACHIEVEMENT 2006/07
Develop an international development assistance programme in and through sport	i) The number of International Development Assistance projects delivered in target countries	15	16

UK Sport's Performance

The International Development Assistance Programme (IDAP) supports projects that foster sport and human development through sport and currently operates 16 initiatives around the world.

IDEALS, UK Sport's leadership exchange programme, completed its first full year of operation. The programme offers high quality and progressive projects for young people aged 18-35 from the UK and partner countries.

In partnership with Alive & Kicking and the Kicking AIDS Out! Network, UK Sport hosted a groundbreaking conference on 'Tackling AIDS Through Sport' in London. The conference provided an opportunity to discuss ways in which the UK can develop a systematic approach to address the AIDS pandemic through sport and was timed to coincide with 'Global AIDS Week of Action'. UK Sport's International Development Consultant, Pippa Lloyd, said: "The conference provided an ideal opportunity to bring UK stakeholders together ahead of the high level UN meeting on HIV/AIDS in New York and the XVI International AIDS Conference in Toronto in August where sport, as part of a comprehensive strategy for addressing HIV/AIDS, was on the agenda for the first time."

UK Sport also released 'Sport-in-Development: A Monitoring and Evaluation Manual'. It drew on four case studies in Africa and India to build up a picture of best practice in different types of work in under-privileged areas. Written by Professor Fred Coalter, the manual was commissioned by UK Sport in partnership with UNICEF and Magic Bus to help ensure that ongoing and new sport-in-development projects are best placed to deliver on their objectives and make a difference where it is most needed.

PRIMARY ACTIVITY	DELIVERABLE	PERFORMANCE TARGET 2006/07	ACHIEVEMENT 2006/07
Develop a sport focused strategy for staging major international events across the UK	i) The percentage of strategically significant bids for major international sporting events secured for the UK	60%	66.7%
	ii) The number of performance focused major events strategies developed and agreed with the NGBs	14	12

Of the 12 international event bids supported by UK Sport in 2006/07, eight were successful, including the 2008 World Cross Country Championships, the 2009 European Curling Championships, the 2009 Modern Pentathlon World Championships and the 2009 European Championships in Show Jumping and Dressage.

Event strategies are being put in place with national governing bodies in light of the World Class Events Programme (WCEP) doubling its funding ahead of London 2012, with a focus on enhanced elite performance and capacity-building. These consultations have identified over 100 strategically important World Class events up until 2012, including 28 World Championships and 27 European Championships.

The WCEP is going from strength to strength; having supported 38 events between 2001-2006, it is funding 17 in 2007. Additionally, several recent events have been considered by International Federations to have become the benchmark for future competitions. Hansjörg Wirz, EAA President, hailed the 2007 European Indoor Athletics Championships event as 'the best ever'.

The 2006 World Rowing Championships benefited from the WCEP's largest ever grant – some £1.15m. FISA President and IOC Member Denis Oswald said 'he had a feeling that Eton has set a new standard for the World Championships'.

In addition, Great Britain finished top of the medals table at 2007 European Indoor Athletics Championships and cycling's World Track Cup Classic, demonstrating the performance advantages of competing on home soil.



Strategic Objective – World Class Standards

PRIMARY ACTIVITY	DELIVERABLE	PERFORMANCE TARGET 2006/07	ACHIEVEMENT 2006/07
Lead a world class anti-doping programme for the UK	i) The percentage of NGBs that have WAD Code compliant regulations and have signed the UK Sport NGB Agreement	85%	97% (NGB Agreement) & 82% WADC Compliant)
	ii) The number of missions per testing year (April-March) undertaken to deter athletes through appropriate allocation of tests in accordance with international standards	7,000	7,046
	iii) The percentage of overall number of 'missions' allocated to out-of-competition	55%	55%

UK Sport continued to set international standards as a National Anti-Doping organisation. While carrying out over 7,000 completed tests over the year, 55% of which were out of competition, UK Sport also pursued its 'intelligence-based' approach to testing, seeking to maximise the impact of resources and the testing programme.

Ninety-seven per cent of NGBs have signed the UK Sport NGB Agreement, ensuring compliance with the World Anti-Doping Code, including the 'Big Five' consisting of the Football Association, the England and Wales Cricket Board, the Rugby Football Union, the Rugby Football League and the Lawn Tennis Association.

UK Sport hosted a blood testing symposium in November 2006, bringing together experts from around the world to discuss whether increased levels of targeted blood testing could have an immediate impact in the battle against doping in sport. The role of blood profiling was also considered, with the information gathered from such an approach potentially invaluable in helping the UK move to a more intelligence-based anti-doping regime.

PRIMARY ACTIVITY	DELIVERABLE	PERFORMANCE TARGET 2006/07	ACHIEVEMENT 2006/07
Work with athletes and others to promote the highest standards of conduct in sport	i) The percentage of sports in the anti-doping testing programme with an acknowledged education programme; offering advice and support to athletes regarding anti-doping	75%	75%
	ii) The percentage of sports on the anti-doping testing programme with at least one trained and accredited 100% ME tutor that is capable of delivering anti-doping workshops	75%	66%
	iii) The percentage of sports in the anti-doping testing programme with a minimum of one Ambassador to promote Drug-Free Sport through 100% ME programme	80%	77%

UK Sport's 100% ME programme, which aims to increase understanding of drug-free sport amongst athletes, was praised by WADA. Since it was launched in 2005, around 18,000 athletes and support staff have had access to face-to-face support from accredited tutors and advisers. Speaking after the World Rowing Championships at Eton, where athletes from across the globe visited the 100% ME Outreach Zone, David Howman, Director General of WADA, said: "UK Sport continues to showcase their leadership around anti-doping activities by delivering athlete outreach programmes throughout the UK. WADA applauds their efforts in reaching out to a global community of athletes and officials with their 100% ME programme." UK Sport's 100% ME programme has 110 tutors, many of whom have been trained to work across a range of sports. This has allowed all sports on the anti-doping testing programme to be offered the opportunity to have anti-doping workshops delivered.

Steps have also been taken to implement WADA's 'ADAMS system', with all Therapeutic Use Exemptions (TUEs) now being internally managed through an online system. UK Sport is one of only a handful of countries using the system which, in time, will be used by all National Anti-Doping Organisations. As well as allowing more effective management of TUEs, the system will allow for global centralisation of athlete whereabouts information, test allocation and results management.

UK Sport's Performance

Other Targets – Budget Management

PRIMARY ACTIVITY	DELIVERABLE	PERFORMANCE TARGET 2006/07	ACHIEVEMENT 2006/07
Ensure UK Sport operates and allocates resources with maximum effectiveness, efficiency and accountability	i) Annual draw down will be within 2% of Budget or agreed revision	£0.6m	Exactly on agreed forecast

Other Targets – Efficiency Delivery Plan

PRIMARY ACTIVITY	DELIVERABLE	PERFORMANCE TARGET 2006/07	ACHIEVEMENT 2006/07
Ensure UK Sport operates and allocated resources with maximum effectiveness, efficiency and accountability	i) Corporate costs to remain within 10% of total expenditure. Achieve an efficient and effective organisation, and contribute to the Department's efficiency strategy by meeting the Efficiency targets set out in the agreed Efficiency Delivery Plan	£1.2m	Corporate costs down to 5.1% of total expenditure





Financial Performance

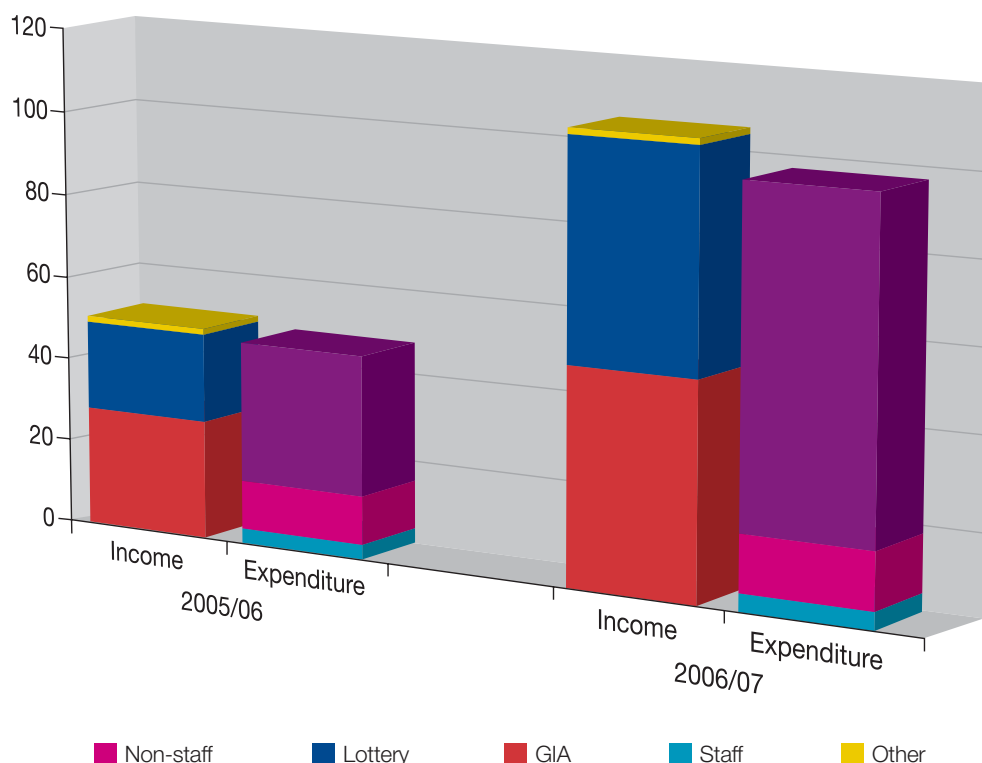
Review of the separate Grant-in-Aid and National Lottery statutory accounts which comprise our annual report make it difficult for the lay reader to understand UK Sport's financial performance. That is because different accounting policies dictate that they be prepared under separate accounts directions (including a new requirement to recognise Exchequer receipts as financing rather than income) and because they include some cost apportionment and "intra-group" trading. However if each set of accounts is re-stated on a consistent basis (to show all funding as income, and grants to be recognised when they are paid) and internal transactions and balances are eliminated, then an overview of UK Sport's financial performance in 2006-07 can be prepared. In order to give a consolidated picture this analysis also includes EIS as a subsidiary company of UK Sport, but excludes British Performance Basketball on the grounds that it is immaterial in 2006-07.

UK Sport Group £m on accrual basis, all funding as income		2006/7					2005/6				
		GIA	Lottery	EIS	Transfer	Total	GIA	Lottery	EIS	Transfer	Total
INCOME & EXPENDITURE	Grant-in-Aid	53.10				53.10	29.30				29.30
	National Lottery		53.91	11.22	-11.22	53.91		21.53	10.89	-10.89	21.53
	Other	1.94		0.80	-0.82	1.92	1.76		0.16	-0.82	1.10
	Total Income	55.04	53.91	12.02	-12.04	108.93	31.06	21.53	11.05	-11.71	51.93
	Staff	3.80	0.59	6.99		11.38	3.02	0.53	5.68		9.23
	Non-staff	13.49	1.26	5.01	-0.82	18.94	11.49	1.12	5.14	-0.82	16.93
	Grants	36.73	44.67		-11.22	70.18	16.52	17.51		-10.89	23.14
	Total Expenditure	54.02	46.52	12.00	-12.04	100.52	31.03	19.16	10.82	-11.71	49.30
	Interest / Tax	0.12	0.05	0.13		0.30	0.01	0.02	0.12		0.15
Surplus / Deficit	1.14	7.44	0.15	-0.00	8.71	0.04	2.39	0.35	-0.00	2.78	
BALANCE SHEET (EXCERPT)	Fixed assets	0.41	0.03	1.25		1.69	0.60	0.05	1.52		2.17
	Lottery balance		17.13			17.13		10.07			10.07
	Debtors	1.48	0.00	0.28		1.76	0.80	0.03	0.41		1.24
	Cash	0.40	0.43	1.25		2.08	0.10	0.21	1.00		1.31
	Current Assets	1.88	17.56	1.53		20.97	0.90	10.31	1.41		12.62
	Accruals	-0.39	-0.14	-0.64		-1.17	-0.19	-0.20	-0.62		-1.01
	Other Creditors	-1.13	-0.03	-0.59		-1.75	-1.25	-0.10	-0.73		-2.08
	Net Current Liabilities	-1.51	-0.17	-1.23		-2.92	-1.44	-0.30	-1.35		-3.09
	Pension asset / (Liability)	-1.20	-0.48	1.00		-0.68	-0.28	-0.16	0.55		0.11
	Dilapidation Provision	-0.25				-0.25	-0.21				-0.21
Total Assets Less Liabilities	-0.67	16.94	2.55		18.81	-0.43	9.90	2.13		11.60	
NET CASH FLOW	0.30	0.22	0.26		0.78	-0.01	-0.04	0.14		0.10	

UK Sport's Performance

UK Sport's financial performance, excluding group companies can be represented even more simply as the following bar chart.

UK Sport Income & Expenditure growth 2005-7 (£m)



From that the key points concerning UK Sport's financial performance in 2006-07 can be made:

Turnover (excluding EIS) has more than doubled from £51.9m to £108.3m. This is driven by the transfer of responsibilities from Sport England which took place in April 2006 which comprised approximately £32m of Lottery funding and our additional award from Treasury to increase the World Class performance programme to 2012. As a result the balance of income sources has temporarily changed from being 60% GIA; 40% Lottery to close to an even split. Thus combined Lottery and GIA income rose 108% on 2005-06, including £7m of one-off transfers from Sport England. Our Lottery balance at year end was £17.1m which is the highest level ever for UK Sport, but is still only equivalent to four months of 2007-08 Budgeted Lottery expenditure.

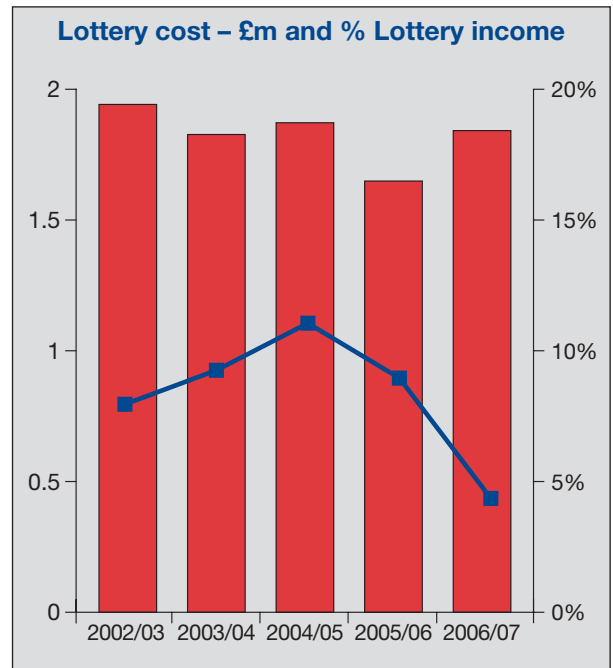
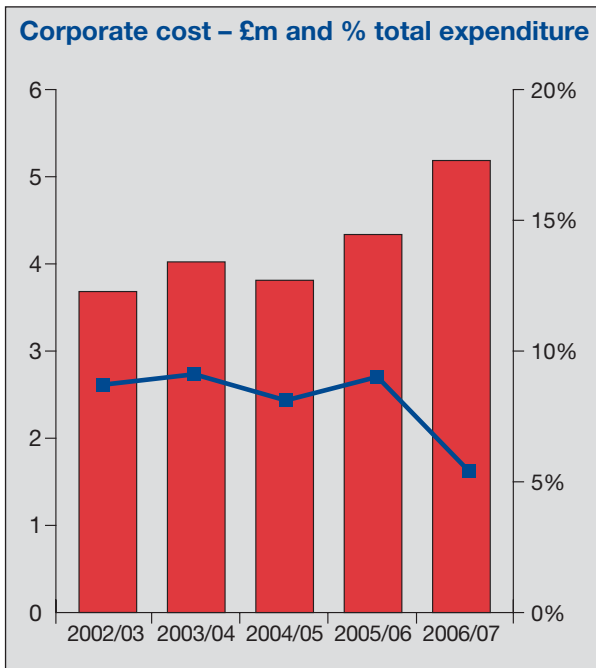
Staff costs rose by £0.8m, due to an increase in pension deficit payment, a 3.5% pay increase and higher staff numbers, which rose during the year from 81 to 87 job positions in order to support the increased organisational scope. Non-staff costs were £13.9m for the year, up £2.1m - which was caused by increases in NGB professional development programmes and technical projects which were funded by the Treasury award.

Grants

Grant payments amounted to £81.4m up from £34m last year due to the impact of the Treasury 2012 award and transfer of responsibilities from Sport England. At £111.1m, grant commitments made during the year were higher than that, due to Pathway awards committed up to the end of March 2009. As this has now been done, commitments are forecast to decrease in 2007-08.

Business efficiency

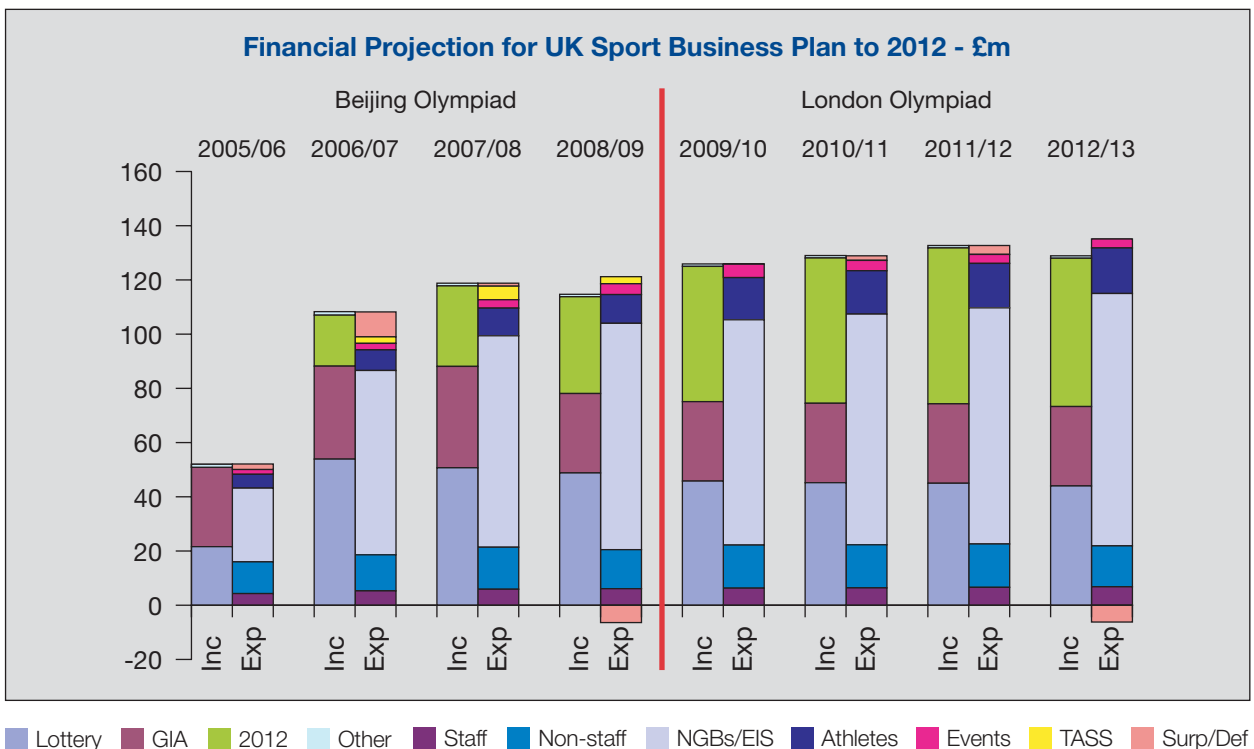
Our measure of corporate costs as a percentage of total expenditure has fallen from 8.1% in 2005-06 to 5.1% in 2006-07. Budget for 2007-08 is for a further decrease to below 5%. This efficiency reflects our ongoing drive to keep corporate costs as close as possible to the same level while our financial turnover continues to grow. Our measure of Lottery administration costs as a percentage of total Lottery income has reduced as a result of our increased Lottery share. It is estimated to have fallen from 8.1% in 2005-06 to 4.0% in 2006-07.



Business Plan

Overall turnover during the eight year period represented in the Business Plan chart exceeds £900m. The continual increase in turnover each year to 2012 projected in our Business Plan is driven by phasing of the £300m Treasury award, which is in line with requirements to support the World Class Performance Programme.

This funding stream will increase from £19 m in 2006-07 to over £50m per year by 2010. Although small surpluses and deficits inevitably occur each year due to phasing of expenditure over each four year cycle, income and expenditure must be balanced over each of the Beijing and London Olympiads overall. Maintaining a balance between income and expenditure between 2009-12 is especially dependent on successfully managing risk to Lottery, and Exchequer income streams as referred to earlier in this report as well as ongoing cost control to ensure effectiveness. This is critical to avoid compromising our programme targets.





ANNUAL REPORT 2006-2007

The United Kingdom Sports Council
Grant-in-Aid and The United Kingdom
Sports Council Group
Accounts for the Year Ended
31 March 2007

Statement of the Board and Chief Executive's Responsibilities

The Royal Charter requires UK Sport to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of UK Sport's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts UK Sport is required to:

- **Observe the accounts direction issued by the Secretary of State for Culture, Media and Sport, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;**
- **Make judgements and estimates on a reasonable basis;**
- **State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;**
- **Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that UK Sport will continue in operation; and**
- **Ensure that expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.**

The Accounting Officer for the DCMS has designated the Chief Executive of UK Sport as the Accounting Officer for UK Sport. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by HM Treasury and published in "Government Accounting" (HMSO).

The Accounting Officer of UK Sport is responsible for preparing financial statements which give a true and fair view and for making available to the auditors all relevant information for their purposes. So far as the Accounting Officer is aware, there is no relevant audit information of which UK Sport's auditors are unaware. Further, the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that UK Sport's auditors are aware of that information.



John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council

20 June 2007




Sue Campbell
Chair
United Kingdom Sports Council

20 June 2007





Statement on Internal Control

Scope of responsibility

The Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

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

The Accounting Officer has separate responsibilities to Parliament, in particular responsibility for taking action should the Chair or the Board contemplate a course of action involving a transaction which will infringe the requirements of regularity or propriety or which does not represent efficient or effective administration. Under the terms of the UK Sport Financial Directions, neither the Chair nor the Board is permitted to give instructions which conflict with the duties of the Accounting Officer.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This system of internal control has been in place in UK Sport for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The system of internal control seeks to mitigate rather than eliminate all risk. It can therefore only provide reasonable and not an absolute assurance of effectiveness. It is also not possible to mitigate every risk. It is based on a process designed to identify, prioritise and evaluate the likelihood of risks being realised and the resulting impact should this occur, and maintaining this using a risk register.

Capacity to handle risk

The senior management team provide leadership to the risk management process and carry out regular reviews. This is embedded at line management level through our Leadership Team which is responsible for reviewing risks and mitigating controls.

Audit Committee members attend Audit Committee training sessions organised by the NAO and the HM Treasury. They also receive guidance from the Treasury. This guidance is made available to Audit Committee members and Senior Managers via the organisations extranet site. This year all of the members of the Audit Committee have attended a Finance & Governance Workshop.

The risk and control framework

The organisation has an Internal Control Policy that defines risk management processes. The risk register contains an assessment of gross risk and strategies to manage and mitigate each risk. Directors and senior management assess the adequacy and effectiveness of the controls to manage risk thereby determining the net exposure on a regular basis. The risk register is reviewed regularly by the Audit Committee and the Board.

Currently the most significant risk in terms of high net exposure is "Our Reliance of the organisation on third party bodies to deliver targets".

Key controls in place to mitigate this risk include:

- Annual review of performance against key performance indicators reported to the Board and a quarterly Sports Summary identifying risks within each performance pathway programme and actions being taken;
- Various reviews of National Governing Bodies including annual and four yearly reviews. Significant outcomes are reported to the Board. In addition, an independent evaluation is undertaken once per Olympic/Paralympic cycle;
- Performance team review National Governing Bodies board papers and can attend NGB board meetings and involved in senior staff recruitment, appraisal and performance planning/management groups; and
- Sport specific conditions of grant and management audits/compliance checks of National Governing Bodies scheduled to reflect risk including a self assurance process.

Statement on Internal Control

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board and the Audit Committee. I believe that the systems of internal control are working effectively and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Following is further detail of the mechanisms that are in place to assist me in the management of the system of internal control, and additional controls that are important to the system of internal control.

The Board and the Audit Committee

The Board, through the Audit Committee, have responsibility for maintaining a sound system of internal control. The Chair of the Audit Committee reports the outcome of Audit Committee meetings to the Board verbally and through minutes of meetings. The Board also review twice per annum Internal Control report in line with the Policy on Internal Control, and where appropriate discuss key risks in more detail.

The Audit Committee of the Board is comprised of three Board members. In addition, independent members can be appointed to the committee. Its primary functions are to:

- › **Review with external and internal auditors, directors and management the audit strategy and the annual audit plan. Prioritisation of internal audit work is based upon level of risk as detailed in the risk register;**
- › **Consider reports from management and internal and external auditors on any material control weaknesses;**
- › **Discuss with management the actions taken on problem areas identified by Board and Audit Committee Members and both external and internal audit reports; and**
- › **Ensure the published financial statements are a true and fair reflection of UK Sport's organisation's financial position.**

Internal audit

Internal Audit works to the agreed annual audit plan. It provides assurance reports to support the internal control process.

There are two established internal audit functions in operation:

- › **Deloitte and Touche LLP provide assurance on internal control at UK Sport; and**
- › **AHL carries out management audit and compliance checks of National Governing Bodies.**

The Board, through the Audit Committee, has reviewed letters of assurance from internal auditors.

The annual assurance statement from Deloitte and Touche LLP shows the level of assurance achieved in the internal audit programme undertaken for 2006/07. Internal audit work was performed in accordance with Government Internal Audit Standards issued by HM Treasury. Of the 8 Internal audit reports none were given full assurance, five were given substantial assurance and three were given limited assurance. The Audit Committee reviewed all reports with emphasis on high risk areas and those receiving less than substantial assurance. In all cases, satisfactory management responses were provided for all recommendations.

A total of 22 NGB or other UK Sport-funded organisations, major event and International Representatives Grant Aid Programme (IRGAP) reviews were undertaken by AHL during the year. This is more than double the number undertaken last year and reflects the significant increase in UK Sport's responsibilities and funding as a result of the transfer of the performance pathway from Sport England and the additional 2012 funding. The expanded Audit programme has focused on the areas of highest risk, the newly funded sports or sports which have received significantly increased funding and are subject to the 2012 funding triggers; sports on a limited assurance rating, or where there are issues or concerns. The audit of one funded organisation resulted in a down-grading of the assurance rating to no assurance. Programme funding was suspended by the UK Sport Board until at least a limited assurance rating is achieved and the organisation can demonstrate it is working towards reasonable assurance. 32 out of 37 sports/other organisations have now been subject to an audit and compliance review at least once since 2002. Of these, 19 have a "reasonable" assurance rating, 10 have "limited" assurance, two await follow-up audits and one has no assurance. Apart from this one, all were considered fit to receive and manage public funding. There were no instances of fraud, malpractice or significant losses reported. One of the bodies in receipt of IRGAP grants has received a no assurance rating as a result of a grant compliance check and has been asked to review its systems and processes for managing these grants in order to provide the necessary assurance to UK Sport that the funds have been spent appropriately.



Subsidiary Companies

This year sees the incorporation of the English Institute of Sport as a subsidiary company. To ensure that it has an appropriate system of Internal Control we have conducted an internal audit review their governance processes. No high priority issues were identified.

During the year we have also created another subsidiary company British Performance Basketball. The accounts for this subsidiary will be incorporated with effect from 2007/08.



Statement on Internal Control

Other Key Controls

In addition to processes described above key controls include:

- › Compliance with the DCMS Management Statement / Finance Directions and Accounts Directions and a formal quarterly review of the three year funding agreement agreed with the DCMS;
- › A new performance management system to ensure that UK Sport recruits, develops and retains the appropriate calibre staff to support the delivery of our business plan. Processes are in place to ensure that all relevant employment legislation is incorporated within our staff policies;
- › A Performance Investment Strategy which guides UK Sport's performance investment for the period April 2005 – March 2009. The strategy provides an open, transparent, logical process for arriving at the level of investment to National Governing Bodies and athletes;
- › Systems for the assessment and control of grant applications ensuring that all applications receive sufficient and consistent processing in line with policy and financial directions of the Secretary of State;
- › A fraud policy and response plan that has been approved by the Audit Committee;
- › A conflict of interest register that is regularly reviewed;
- › Planning and budgeting systems:
 - › A three year Funding Agreement with the DCMS, with performance against key targets reviewed regularly with the DCMS;
 - › A planning process including a review the Business Plan 2005/06 – 2008/09, followed by the development of an annual corporate plan; and
 - › An annual budget approved by the Accounting Officer and the Board and the provision of regular financial management reports.
- › An agreed national anti-doping policy setting out publicly accountable standards for UK Sport and its partner organisations has been in place since January 2002 to demonstrate compliance, assess risks and implement plans for continuous improvement of policies and practices to monitor the achievement of drug free sport.
 - › A UK National Anti-doping Policy, NGB Agreement, Model Rules for National Governing Bodies and Procedures Guide was successfully launched and implemented in May 2005 to achieve compliance with the World Anti-Doping Code;
 - › The anti-doping process itself is a system of risk management to protect investment and participation in sport. Any mismanagement of this process would damage the reputation of UK Sport as well as the governing bodies that are UK Sport's partners;
 - › BSI ISO 9001:2000 audits are conducted on all areas of the Drug-Free Sport Directorate of UK Sport on a 6 monthly basis and more recently the ISO9001:2000 certification was maintained following the 3 year strategic review; and
 - › An independent Scrutiny Panel whose key role is to review any potential conflicts of interest between UK Sport's Performance and Drug-Free Sport functions reports publicly.
- › Compliance with all current health and safety legislation. This includes ongoing risk assessments throughout the organisation.



Continual improvement in our internal control processes

We continually seek to improve our processes. Examples of planned improvements for 2007/08 include:

- Improving our risk register by explicitly linking controls to assurance measures; and
- Implementing a replacement finance system.

John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council

20 June 2007



Sue Campbell
Chair
United Kingdom Sports Council

20 June 2007



The Certificate of the Comptroller and Auditor General to the United Kingdom Sports Council

I have audited the financial statements of the United Kingdom Sports Council Group for the year ended 31 March 2007 in accordance with the Royal Charter of the United Kingdom Sports Council. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and the Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the United Kingdom Sports Council, Chief Executive and Auditor

The United Kingdom Sports Council and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with Article 14 of the Royal Charter of the United Kingdom Sports Council and directions made thereunder by the Secretary of State for Culture Media and Sport, with the consent of HM Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Council's and Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Article 14 of the Royal Charter of the United Kingdom Sports Council and directions made thereunder. I report to you if, in my opinion, certain information given in the Annual Report, which comprises UK Sport at a Glance, Operating Environment, Managing Delivery and UK Sport's performance, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

Basis of audit opinion

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

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



Opinions

Audit Opinion

In my opinion:

- The financial statements give a true and fair view, in accordance with Article 14 of the Royal Charter of the United Kingdom Sports Council and directions made thereunder by the Secretary of State for Culture Media and Sport, with the consent of HM Treasury, of the state of Council's affairs as at 31 March 2007 and of its deficit for the year then ended;
- The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Article 14 of the Royal Charter of the United Kingdom Sports Council and directions made thereunder; and
- Information given in the Annual Report, which comprises UK Sport at a Glance, Operating Environment, Managing Delivery and UK Sport's performance, is consistent with the financial statements.

Audit Opinion on Regularity

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

A handwritten signature in black ink that reads "John Bourn". The signature is written in a cursive style.

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

25 June 2007

INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

	Note	UK SPORT		GROUP	
		2006/07	Re-stated 2005/06*	2006/07	Re-stated 2005/06*
		£,000	£,000	£,000	£,000
INCOME					
Lottery Grant Received	2.1	-	-	11,223	10,892
Other Operating Income	3	1,940	1,761	2,207	1,919
		1,940	1,761	13,430	12,811
EXPENDITURE					
Staff Costs	4.1	3,801	3,017	10,746	8,695
Grants and Other Operating Costs	5	50,223	28,010	54,754	33,059
Notional Interest on Capital Employed		45	21	45	21
		54,069	31,048	65,545	41,775
NET EXPENDITURE BEFORE TAXATION & INTEREST		(52,129)	(29,287)	(52,115)	(28,964)
Net Return on Pension Assets	20	34	(25)	141	46
Interest Receivable	7	103	43	128	104
Taxation	8	(18)	(7)	(23)	(18)
Reversal of Notional Interest on Capital Employed		45	21	45	21
NET EXPENDITURE FOR THE PERIOD		(51,965)	(29,255)	(51,824)	(28,811)

STATEMENT OF RECOGNISED GAINS AND LOSSES

	Note	UK SPORT		GROUP	
		2006/07	Re-stated 2005/06*	2006/07	Re-stated 2005/06*
		£,000	£,000	£,000	£,000
Pension actuarial gain/(loss)	20	(1,374)	1,073	(1,084)	964

* The 2005/06 figures have been restated due to:

- a change in accounting policy in relation to Grant-in-Aid. Please see note 1.4 for further details; and
- the treatment of the English Institute of Sport under merger accounting rules. Please see note 1.3.



BALANCE SHEET AS AT 31 MARCH 2007

	Note	UK SPORT		GROUP	
		2006/07	Re-stated 2005/06*	2006/07	Re-stated 2005/06*
		£,000	£,000	£,000	£,000
FIXED ASSETS					
Tangible Assets	9	412	598	1,660	2,113
CURRENT ASSETS					
Debtors	10	1,484	799	1,761	1,204
Cash at bank and in hand		395	100	1,646	1,095
		1,879	899	3,407	2,299
CREDITORS					
Amounts falling due within one year	11	(1,513)	(1,438)	(2,739)	(2,782)
Net Current Assets/(Liabilities)		366	(539)	668	(483)
TOTAL ASSETS LESS CURRENT LIABILITIES					
		778	59	2,328	1,630
Provision for dilapidation and un-expired lease	12	(245)	(210)	(245)	(210)
Pension (Liabilities) / Assets	20	(1,195)	(282)	(191)	270
TOTAL ASSETS LESS ALL LIABILITIES		(662)	(433)	1,892	1,690
Represented by:					
Pension Reserve	20	(1,195)	(282)	(191)	270
Revenue Reserve	13	533	(151)	2,083	1,420
		(662)	(433)	1,892	1,690

*The 2005/06 figures have been restated due to:

- > a change in accounting policy in relation to Grant-in-Aid. Please see note 1.4 for further details; and
- > the treatment of the English Institute of Sport under merger accounting rules. Please see note 1.3.

John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council

20 June 2007



Sue Campbell
Chair
United Kingdom Sports Council

20 June 2007



CASH FLOW STATEMENT

	Note	UK SPORT		GROUP	
		2006/07	Re-stated* 2005/06	2006/07	Re-stated* 2005/06
		£,000	£,000	£,000	£,000
NET CASH INFLOW FROM OPERATING ACTIVITIES	14	(52,667)	(28,790)	(51,891)	(27,947)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest Received		103	43	128	104
Net cash inflow from returns on investment		103	43	128	104
TAXATION					
Corporation Tax Paid		(7)	(14)	(18)	(27)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Payments to acquire tangible fixed assets		(239)	(549)	(773)	(1300)
		(246)	(563)	(791)	(1327)
Net cash outflow before financing		(52,810)	(29,310)	(52,554)	(29,170)
FINANCING					
Grant-in-Aid	2	53,105	29,305	53,105	29,305
Increase/(Decrease) in cash		295	(5)	551	135

*The 2005/06 figures have been restated due to:

- > a change in accounting policy in relation to Grant-in-Aid. Please see note 1.4 for further details; and
- > the treatment of the English Institute of Sport under merger accounting rules. Please see note 1.3.

There are no discontinued activities.

The notes on pages 40 to 55 form part of these accounts.



Notes to the Accounts

1. Accounting Policies

1.1 Accounting Convention

The accounts direction requires that, when material, accounts are prepared on a modified historical cost (MHCA) basis in which the income and expenditure account reflects the consumption of resources at their current value and the balance sheet shows the value of fixed assets, current asset investments and (if material) stocks at their value to the business by reference to current costs. It has been determined that in the current year adoption of MHCA would not have a material impact on the accounts, and hence no entries have been made.

Without limiting the information given, the accounts meet the requirements of the Companies Act 1985, the Accounting Standards issued or adopted by the Accounting Standards Board and HM Treasury guidance on accounts of Non-Departmental Public Bodies in so far as those requirements are appropriate.

1.2 Basis of Preparation

These accounts have been prepared in accordance with the Accounts Direction issued by the Secretary of State for Culture, Media and Sport, with the approval of the Treasury, in accordance with Article 14 of the Royal Charter on 26 March 2002. A copy of that direction may be obtained from UK Sport at 40 Bernard Street, London, WC1N 1ST.

1.3 Basis of consolidation

The responsibilities of the English Institute of Sport Limited (EIS) transferred to UK Sport on the 1st April 2006 and this has been accounted for as a subsidiary company using merger accounting, in accordance with the guidance set out in the Financial Reporting Manual (FRM) issued by HM Treasury. The 2006-07 accounts are therefore presented as if the functions of EIS had always been part of UK Sport. As a result, UK Sport now consolidate EIS as a subsidiary company into the UK Sport group accounts.

The prior period results of the group have been restated to include the net expenditure of EIS, which amounted to £0.36m in 2005/06. The Net Expenditure for the group in 2005-06 is therefore £51.8m. In addition, the transfer of the assets and liabilities of EIS to UK Sport has resulted in the net assets and reserves in the group accounts of UK Sport as at 1 April 2006 increasing by £2.12m.

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.

British Performance Basketball was established as a separate legal entity on 2 March 2007. It is a wholly-owned subsidiary company of UK Sport, and is a company limited by guarantee. BPB has not been consolidated into the group accounts for the period to 31 March 2007 on grounds of materiality.



1.4 Change of accounting policy

With effect from 2006-7 reporting period, the FReM requires Non-Departmental Public Bodies to account for grants and grants in aid received for revenue purposes as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPBs.

This is a change of accounting policy from earlier periods when such items were recorded as income. The effect of this change on the certified 2005-06 accounts and the impact of the change on the results of the current year for UK Sport is shown below. Note there is no impact of the net liability position of UK Sport as a result of this change in policy:

	AT 31 MARCH 2006 (as previously stated)	IMPACT OF ADOPTING THE NEW POLICY	AT 31 MARCH 2006 (re-stated)
Net expenditure for 2005-6	(102)	(29,153)	(29,255)
Revenue Reserve	(749)	-	(749)
Deferred Grant Reserve	598	(598)	-

	AT 31 MARCH 2007 (without applying the new policy)	IMPACT OF ADOPTING THE NEW POLICY	AT 31 MARCH 2007 (applying the new policy)
Net expenditure for 2006-7	1,326	(53,291)	(51,965)
Revenue Reserve	121	-	121
Deferred Grant Reserve	412	(412)	-

1.5 Grant-in-Aid Received

Grant-in-Aid received towards resource expenditure, is regarded as a contribution from a controlling party. It is therefore treated as financing and credited to the General Reserve.

1.6 Fees for Consultancy Services

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

1.7 Tangible Fixed Assets

There are no freehold land and buildings.

The assets of UK Sport are computers, computer software and other office equipment together with equipment used for sampling drug tests. The minimum capitalisation threshold is £2,500 (£500 for EIS).

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Testing Equipment	5 years
Computer equipment and software	2-5 years
Office refurbishment	5-7 years
Office Equipment	2-5 years

1.8 Research and Development

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

1.9 Grants and Loans Awarded

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

Notes to the Accounts

1.10 Pension Costs

The pension liabilities and assets are recorded in line with FRS17, with a valuation undertaken by an independent actuary. FRS17 measures the value of pension assets and liabilities at the Balance Sheet date, determines the benefits accrued in the year and the interest on scheme assets and liabilities. The value of benefits accrued is used to determine the pension charge in the Income and Expenditure Account and the interest on scheme assets and liabilities is shown in the Income and Expenditure Account. The change in the value of the assets and liabilities arising from asset valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members, is recognised in the Statement of Total Recognised Gains and Losses. The resulting pension liability or asset is shown on the Balance Sheet.

Further information on the pension scheme is available in Notes 18 & 19 to the accounts.

1.11 Leases and provisions

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

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

1.12 Charges to and from UK Sport

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

1.13 Investment

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

1.14 Value Added Tax

UK Sport is registered for VAT being involved in business and non-business activities for VAT purposes. UK Sport has agreed a methodology with HM Customs and Excise, which results in tax recovery rates of 23.50% for the business activity of drug-testing, and 12.22% for supporting activities. Income generated from Drug testing activities is subject to VAT at the standard rate, as appropriate.

The EIS is registered for VAT, being involved in business and non-business activities for VAT purposes. The EIS has agreed a methodology with HM Customs and Excise, which results in a tax recovery rate of 3.85% for the business activity of EIS Support Services. Income generated from EIS Support Services activities is subject to VAT at the standard rate, as appropriate.

1.15 Notional Costs

Notional interest on capital is calculated on the basis of 3.5% (2006/07 3.5%) of average net assets.



NOTES TO THE ACCOUNTS

2. Grant-in-Aid

	UK SPORT		GROUP	
	2006/07	2005/06	2006/07	Re-stated 2005/06
	£,000	£,000	£,000	£,000
Received from DCMS	53,105	29,305	53,105	29,305
Total Grant-in-Aid applied towards Revenue Expenditure	52,866	28,756	52,866	28,756

A total of £53.1m (2005/06 £29.3m) Grant-in-Aid was made available and drawn down during the year. This included £1m additional Grant-in-Aid drawn down under the End of Year Flexibility Rules. The balance of underspend to be carried forward to next year is still to be confirmed by DCMS.

2.1 Lottery Grant

	UK SPORT		GROUP	
	2006/07	2005/06	2006/07	Re-stated 2005/06
	£,000	£,000	£,000	£,000
Received from Lottery Distribution funds	-	-	11,223	10,892

3. Other Operating Income

	UK SPORT		GROUP	
	2006/07	2005/06	2006/07	Re-stated 2005/06
	£,000	£,000	£,000	£,000
Doping Control Receipts	676	636	676	636
Other	1,264	1,125	1,531	1,283
	1,940	1,761	2,207	1,919

Other income consists primarily of costs apportioned from the UK Sport GIA account to the Lottery Account (2006/07: £822,000; 2005/06: £819,000).

NOTES TO THE ACCOUNTS

4. Staffing and Management

4.1 Staff costs

	UK SPORT		GROUP	
	2006/07	2005/06	2006/07	Re-stated 2005/06
	£,000	£,000	£,000	£,000
Wages and Salaries (including bonuses)	3,073	2,424	8,898	7,340
Temporary and Agency Staff	105	108	105	108
Social Security Costs	290	226	790	645
Pension Costs: Current Service Cost	333	259	953	602
Total Staff Costs	3,801	3,017	10,746	8,695

4.2 Average number of staff by directorate during the year

	UK SPORT		GROUP	
	2006/07	2005/06	2006/07	Re-stated 2005/06
	£,000	£,000	£,000	£,000
Corporate Services	17	15	17	15
Communications	9	8	9	8
Performance Development	22	20	22	20
International Relations and Major Events	8	7	8	7
Drug Free Sport	17	16	17	16
English Institute of Sport	-	-	172	143
	73	66	245	209



NOTES TO THE ACCOUNTS

5. Grants and Other Operating Costs

	UK SPORT		GROUP	
	2006/07	Re-stated 2005/06	2006/07	Re-stated 2005/06
	£,000	£,000	£,000	£,000
NATIONAL SUPPORT				
Sports Bodies	33,905	13,311	33,565	13,311
Sports Services	2,828	3,206	2,828	3,206
Technical Team Development	5,286	3,753	5,142	3,747
Communications	392	254	392	254
International Representation	1,882	1,723	1,882	1,723
Drug Free Sport	3,003	2,839	3,003	2,839
Other Expenses	265	208	265	208
	47,561	25,294	47,077	25,288
FINANCE AND MANAGEMENT SERVICES				
HQ office costs	1,563	1,700	1,563	1,700
Other Expenses	1,099	1,016	1,099	1,016
	2,662	2,716	2,662	2,716
English Institute of Sport	-	-	5,015	5,055
Total	50,223	28,010	54,754	33,059

6. Operating Result

	UK SPORT		GROUP	
	2006/07	Re-stated 2005/06	2006/07	Re-stated 2005/06
	£,000	£,000	£,000	£,000
This is stated after charging:				
Travel, subsistence and hospitality:				
Chair and members	24	22	24	22
Employees	354	280	854	745
Consultants' fees and legal fees	530	491	632	725
Lease – 40 Bernard Street	584	579	584	579
Operating Lease : Property	-	-	1,220	1,153
Operating Lease: Plant and Equipment	-	-	577	629
Depreciation	418	387	1,218	1,060
Loss on disposal of Fixed Assets	7	10	7	8
Auditor's remuneration for audit work	28	25	37	34

7. Investment Income

	UK SPORT		GROUP	
	2006/07	Re-stated 2005/06	2006/07	Re-stated 2005/06
	£,000	£,000	£,000	£,000
Overnight and short term investment of bank balances	103	43	128	104

Interest rates vary from day to day and averaged approximately 3.9% (2005/06 3.0%) during the year.

NOTES TO THE ACCOUNTS

8. Taxation

	UK SPORT		GROUP	
	2006/07	2005/06	2006/07	Re-stated 2005/06
	£,000	£,000	£,000	£,000
Corporation Tax payable on interest received	18	7	23	18

UK Sport and EIS pay corporation tax at 19% on its investment income after deducting charges.

9. UK Sport - Tangible Fixed Assets

	Leasehold improvement £,000	IT equipment £,000	Office equipment £,000	Doping equipment £,000	Total £,000
At Cost					
At 01/04/06	515	1,354	33	82	1,984
Additions	-	223	16	-	239
Disposals	-	(89)	-	(82)	(171)
At 31/3/07	515	1,488	49	-	2,052
Depreciation					
At 01/04/06	362	911	31	82	1,386
Charge for year	73	337	8	-	418
Depreciation on disposal	-	(82)	-	(82)	(164)
At 31/3/07	435	1,166	39	-	1,640
Net book value					
At 01/04/06	153	443	2	-	598
At 31/3/07	80	322	10	-	412



NOTES TO THE ACCOUNTS

Group - Tangible Fixed Assets

	Leasehold improvement £,000	IT equipment £,000	Office equipment £,000	Doping equipment £,000	Total £,000
At Cost					
At 01/04/06	669	3,685	2,123	82	6,559
Additions	39	519	218	-	776
Disposals	-	(90)	(4)	(82)	(176)
At 31/3/07	708	4,114	2,337	-	7,159
Depreciation					
At 01/04/06	400	2,779	1,185	82	4,446
Charge for year	107	679	432	-	1,218
Depreciation on disposal	-	(82)	(1)	(82)	(165)
At 31/3/07	507	3,376	1,616	-	5,499
Net book value					
At 01/04/06	269	906	938	-	2,113
At 31/3/07	201	738	721	-	1,660

10. Debtors

	UK SPORT		GROUP	
	2006/07	2005/06	2006/07	2005/06
	£,000	£,000	£,000	£,000
Trade Debtors	383	320	499	392
Other Debtors	38	44	42	52
Prepayments and Accrued Income	1,063	435	1,220	760
Total	1,484	799	1,761	1,204

All amounts fall due within one year.

11. Creditors

	UK Sport		Group	
	2006/07	2005/06	2006/07	2005/06
	£,000	£,000	£,000	£,000
Trade Creditors	999	1,149	1310	1,694
Other Creditors	1	-	59	20
Corporation Tax	18	7	5	18
Other taxation and Social Security	108	93	337	245
Accruals	387	189	1,028	805
Total	1,513	1,438	2,739	2,782

All amounts fall due within one year.

NOTES TO THE ACCOUNTS

12. Provision for dilapidation (UK Sport and Group)

Opening balance
Charge in year
Closing balance

	£,000
	210
	35
	245

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.

13. Revenue Reserves

	UK SPORT		GROUP	
	2006/07	2005/06	2006/07	Re-stated 2005/06
	£,000	£,000	£,000	£,000
Opening balance	(151)	185	1,420	1,623
Net Expenditure	(51,965)	(29,255)	(51,824)	(28,811)
Grant-in-Aid received from DCMS	53,105	29,305	53,105	29,305
Transfer from Pension Reserve*	(456)	(386)	(618)	(697)
Closing balance	533	(151)	2,083	1,420

* This relates to the difference between the actual contributions paid and the net present value of pension costs as valued by the actuaries in line with FRS17.



NOTES TO THE ACCOUNTS

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

	UK SPORT		GROUP	
	2006/07	2005/06	Re-stated	
	2006/07	2005/06	2006/07	2005/06
	£,000	£,000	£,000	£,000
Net expenditure before taxation and interest	(52,129)	(29,287)	(52,115)	(29,050)
Depreciation of Fixed Assets	418	387	1,218	1,060
Loss on Disposal of Fixed Assets	7	10	7	8
Notional Interest on Capital Employed	45	21	45	21
(Increase)/Decrease in Debtors	(685)	717	(557)	718
Increase/(Decrease) in Creditors	64	(262)	(48)	(173)
Increase/(Decrease) in Provision	35	35	35	35
Pension Scheme: Non Cash Movement	(422)	(411)	(476)	(652)
Net cash outflow from operating activities	(52,667)	(28,790)	(51,891)	(27,947)

15. Reconciliation of Net Cash flow to Movement in Net Funds

	UK SPORT		GROUP	
	2006/07	2005/06	Re-stated	
	2006/07	2005/06	2006/07	2005/06
	£,000	£,000	£,000	£,000
Increase/(Decrease) in Cash during year	295	(5)	551	135
Net funds at start of Period	100	105	1,095	960
Net Funds at end of Period	395	100	1,646	1,095

16. Analysis of Changes in Cash and Cash Equivalents during the year

	UK SPORT		GROUP	
	2006/07	2005/06	Re-stated	
	2006/07	2005/06	2006/07	2005/06
	£,000	£,000	£,000	£,000
Opening balance	100	105	1,095	960
Cash (outflow)/inflow	295	(5)	551	135
Closing balance	395	100	1,646	1,095

NOTES TO THE ACCOUNTS

17. Financial Instruments

FRS13 - Derivatives and other financial instruments, requires disclosure of the role which financial instruments have played during the period in creating or changing the risks the UK Sport faces in undertaking its role.

Liquidity Risks

In 2006/07 £53.1m or 80% (2005/06 £29.3m or 70%) of the Group's income derived from DCMS Grant-in-Aid and £11.2m or 17% (2005/06 £10.9m or 26%) from the Lottery Distribution Fund. The remaining balance of £2.2m or 3% (2005/06 £1.9m or 4%) derived from other operating activities. UK Sport are satisfied that they have sufficient liquid resources, in cash and confirmed 2007/08 Grant-in-Aid, to cover all amounts due within one year, and are not exposed to significant liquidity risks.

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 3.9% (2005/06 3.0%) in the year. UK Sport's closing bank balance was £395,000 (2005/06 £100,000).

Foreign Currency Risk

The Fund is not exposed to any foreign exchange risks.

18. Superannuation Scheme – UK Sport

The majority of staff of UK Sport (Grant-in-Aid and Lottery) are members of the London Pension Fund Authority (LPFA) Superannuation Scheme. UK Sport is one of several employers whose staff are scheme participants, and data given in this note refers to the whole scheme and to the identified UK Sport portion of it. There is a generic scheme for staff covered by the accounting policy note 10 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 £252,139 or 10.2% of pensionable pay (2005/06 £206,533 or 10.2%). An additional pension contribution of £498,261 (2005/06 £462,570) was also made to reduce the pension liability.

The scheme is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation was at 31/3/04. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date.

Financial Reporting Standards 17 (FRS17) issued by the Accounting Standards Board requires that the following information, which has been prepared for us by Hymans Robertson (the Consulting Actuaries to the LPFA) for this purpose, be disclosed in these accounts with respect to the scheme:

18.1 Balance Sheet disclosure as at 31/3/07

	2007 Long term return	Fund Value at 31/3/07	2006 Long term return	Fund Value at 31/3/06
	% / year	£,000	% / year	£,000
Equities	62%	1,422,400	63%	1,296,100
Target return funds/ Bond	22%	510,700	19%	391,600
Alternative assets/Property	13%	289,600	12%	242,400
Cash	3%	61,300	6%	126,300
Total	100%	2,284,000	100%	2,056,400



NOTES TO THE ACCOUNTS

18.2 Net Pension assets for UK Sport ¹

	31/3/07	31/3/06	31/3/05
	£,000	£,000	£,000
Estimated Assets	6,418	5,110	3,479
Present value of scheme liabilities ²	(7,613)	(5,392)	(5,214)
*Net Pension Assets/(Liabilities)	(1,195)	(282)	(1,735)

*Net Pension Assets/(Liabilities) for the group is arrived at by adding UK Sport figures in note 18.2 with that of EIS figures in note 19.1

% / Year Return Assumptions	31/3/07	31/3/06	31/3/05
Price increases	3.2%	3.1%	2.9%
Salary increases	4.7%	4.6%	4.4%
Pension increases	3.2%	3.1%	2.9%
Discount rate	5.4%	6.0%	5.4%

¹ In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31/3/07, Hymans Robertson have rolled forward the actuarial value of the liabilities reported as at 31/3/04, allowing for changes in financial assumptions as prescribed under FRS 17. In addition, they have also considered the effect of contributions paid into, and estimated benefits paid from, the Fund by UK Sport and its employees.

² Hymans Robertson estimate that this liability comprises of approximately £6,840,000, £2,301,000 and £526,000 (2005/06 - £4,846,000, £1,782,000 and £475,000) in respect of employee members, deferred pensioners and pensioners respectively as at 31/3/07. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain types of employer. However, UK Sport are satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

It is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 80% of pensioners are married at death and that their spouse will receive will receive a pension equal to 50% of the member's pension as at the date of the member's death.

Note that these figures exclude the capitalised cost of any early retirements or augmentations, which may occur during 2007/08.

18.3 Amount Charged to Operating Profit

	2006/07	2006/07	2005/06	2005/06
	£,000	% Payroll	£,000	% Payroll
Current Service Cost	333	13.1%	259	12.8%
Total Operating Charge (A)	333	13.1%	259	12.8%

18.4 Projected Amount Credited to Other Finance Income

	2006/07	2006/07	2005/06	2005/06
	£,000	% Payroll	£,000	% Payroll
Expected Return on Employer Assets	374	16.2%	261	14.1%
Interest on Pension Scheme Liabilities	(340)	14.7%	(286)	15.5%
Net Return (B)	34	1.5%	(25)	(1.4%)
Net Revenue Account Cost (A-B)	299	11.6%	284	14.1%

NOTES TO THE ACCOUNTS

18.5 Analysis of Amount Recognised in Statement of Recognised Gains and Losses

	UK SPORT	UK SPORT
	2006/07	2005/06
	£,000	£,000
Actual return less expected return on pension scheme assets	53	601
Experience gains and losses arising on the scheme liabilities	(199)	(14)
Changes in financial assumptions underlying present value of scheme liabilities	(1,228)	486
Actuarial gain/(loss) recognised in SRGL	(1,374)	1,073

18.6 Movement in Surplus/Deficit During the Year

	UK SPORT	UK SPORT
	2006/07	Re-stated 2005/06
	£,000	£,000
Opening surplus/(deficit)	(282)	(1,735)
Current Service Cost	(333)	(259)
Employer contributions	760	664
Net return on assets	34	(25)
Actuarial gains/(losses)	(1,374)	1,073
Closing surplus/(deficit)	(1,195)	(282)

18.7 History of Experience Gains and Losses

	UK SPORT	UK SPORT
	2006/07	2005/06
	£,000	£,000
Difference between the expected and actual return on assets	53	601
Value of assets	6,418	5,110
Difference as % asset value	0.8%	11.8%
Experience gains/(losses) on liabilities	(199)	(14)
Present value of liabilities	7,613	5,392
Gain / (loss) as % present value of liabilities	(2.6%)	(0.3%)
Actuarial gains/losses recognised in SRGL	(1,374)	1,073
Gain / (loss) as % present value of liabilities	(17.9%)	19.9%

The Actuarial Valuation for FRS 17 purposes has been allocated between the Lottery and Exchequer (GIA) accounts in accordance with accounting policy note 12.

NOTES TO THE ACCOUNTS

19. Superannuation Scheme - EIS

The majority of staff of EIS are members of the London Pension Fund Authority (LPFA) Superannuation Scheme. EIS is one of several employers whose staff are scheme participants, and data given in this note refers to the identified EIS portion of it. There is a generic scheme for staff covered by the accounting policy note 10 above. All scheme members are or were employees of EIS.

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 £619,673 or 12.5% of pensionable pay (2005/06 £342,042 or 12.5% of pensionable pay).

The scheme is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation was at 31/3/04. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date.

Financial Reporting Standards 17 (FRS17) issued by the Accounting Standards Board requires that the following information, which has been prepared for us by Hymans Robertson (the Consulting Actuaries to the LPFA) for this purpose, be disclosed in these accounts with respect to the scheme:

19.1 Net Pension assets for EIS¹

	31/3/07	31/3/06	31/3/05
	£,000	£,000	£,000
Estimated Assets	5,313	3,984	2,468
Present value of scheme liabilities ²	(4,309)	(3,432)	(2,118)
Net Pension Assets/(Liabilities)	1,004	552	350

% / Year Return Assumptions	31/3/07	31/3/06	31/3/05
Price increases	3.2%	3.1%	2.9%
Salary increases	3.3%	3.1%	2.9%
Pension increases	3.2%	3.1%	2.9%
Discount rate	5.4%	5.0%	5.4%

¹ In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31/3/07, Hymans Robertson have rolled forward the actuarial value of the liabilities reported as at 31/3/04, allowing for changes in financial assumptions as prescribed under FRS 17. In addition, they have also considered the effect of contributions paid into, and estimated benefits paid from, the Fund by UK Sport and its employees.

² Hymans Robertson estimate that this liability comprises of approximately £4,100,000, £209,000 and £0 (2005/06 – £3,216,000, £216,000 and £0) in respect of employee members, deferred pensioners and pensioners respectively as at 31/3/07. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain types of employer. However, UK Sport are satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

It is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 80% of pensioners are married at death and that their spouse will receive will receive a pension equal to 50% of the member's pension as at the date of the member's death.

Note that these figures exclude the capitalised cost of any early retirements or augmentations, which may occur during 2007/08.

19.2 Amount Charged to Operating Profit for EIS

	2006/07	2006/07	2005/06	2005/06
	£,000	% Payroll	£,000	% Payroll
Current Service Cost	597	10.8%	336	7.6%
Total Operating Charge (A)	597	10.8%	336	7.6%

19.3 Projected Amount Credited to Other Finance Income for EIS

	2006/07	2006/07	2005/06	2005/06
	£,000	% Payroll	£,000	% Payroll
Expected Return on Employer Assets	302	5.5%	204	4.6%
Interest on Pension Scheme Liabilities	(195)	(3.5%)	(133)	(3.0%)
Net Return (B)	107	1.9%	71	1.6%
Net Revenue Account Cost (A-B)	490	8.9%	265	6.0%

NOTES TO THE ACCOUNTS

19.4 Analysis of Amount Recognised in Statement of Recognised Gains and Losses for EIS

	2006/07	2005/06
	£,000	£,000
Actual return less expected return on pension scheme assets	43	462
Experience gains and losses arising on the scheme liabilities	-	3
Changes in financial assumptions underlying present value of scheme liabilities	247	(574)
**Actuarial gain/(loss) recognised in SRGL	290	(109)

19.5 Movement in Surplus/Deficit During the Year for EIS

	2006/07	2005/06
	£,000	£,000
Opening surplus/(deficit)	552	350
Current Service Cost	(597)	(336)
Employer contributions	652	576
*Net return on assets	107	71
Actuarial gains/(losses)	290	(109)
Closing surplus/(deficit)	1,004	552

19.6 History of Experience Gains and Losses for EIS

	2006/07	2005/06
	£,000	£,000
Difference between the expected and actual return on assets	43	462
Value of assets	5,313	3,984
Difference as % asset value	0.8%	11.6%
Experience gains/(losses) on liabilities	-	3
Present value of liabilities	4,309	3,432
Gain / (loss) as % present value of liabilities	-	0.1%
Actuarial gains/losses recognised in SRGL	290	(109)
Gain / (loss) as % present value of liabilities	6.7%	(3.2%)

20. Group Pension Amounts

	Note	2006/07	2005/06
		£,000	£,000
Pension Assets/(Liabilities) UK Sport	18.2	(1,195)	(282)
Pension Assets/(Liabilities) EIS	19.1	1,004	552
Total Pension Assets/(Liabilities) Group		(191)	270
Pension actuarial gain/(loss) UK Sport	18.5	(1,374)	1,073
Pension actuarial gain/(loss) EIS	19.4	290	(109)
Total Pension actuarial gain/(loss) Group		(1,084)	964
Net return on assets UK Sport	18.4	34	(25)
Net return on assets EIS	19.3	107	71
Total Net return on assets Group		141	46



NOTES TO THE ACCOUNTS

21. Annual Commitments - Leases and Operating Licences

	UK SPORT		GROUP	
	2006/07	2005/06	2006/07	Re-stated 2005/06
	£,000	£,000	£,000	£,000
Leases and service charges expiring:				
Within 1 year	-	-	11	2
Within 2 to 5 years	-	-	901	994
After 5 years	674	674	674	674

22. Grant Commitments

On the undertaking that funds are to be provided by DCMS, UK Sport at 31/3/07, had entered into commitments to pay grants to governing bodies in respect of their approved programmes in the following years (these commitments at 31/3/07 have not yet been recognised in the income and expenditure account nor balance sheet):

	2006/07	2005/06
	£,000	£,000
2006/07	-	13,667
2007/08	37,754	13,029
2008/09	34,103	8,384
2009/10	716	-
	72,573	35,080

23. Contingent Liabilities

As at 31 March 2007 UK Sport had no contingent liabilities. No contingent liabilities were reported in the previous year.

24. Post Balance Sheet Events

There were no reportable post balance sheet events between the balance sheet date and the 20th of June 2007, the date the accounting officer despatched the accounts to DCMS.

The financial accounts do not reflect events after this date.

25. Related Party Transactions

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

The DCMS is regarded as a related party. During the period of 1/4/06 to 31/3/07 UK Sport has had various material transactions with the Department and with the sports councils for the home countries for which the DCMS is regarded as the sponsoring Department.

None of the Board members, key managerial staff or other related parties has undertaken any material transactions with UK Sport during the year.

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

There were no disclosable Related Party Transactions for the period.



ANNUAL REPORT 2006-2007

The United Kingdom Sports Council
Lottery Distribution Fund
Accounts for the Year Ended
31 March 2007

Statement of Board's and Chief Executive Officer's Responsibilities

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

The financial statements are prepared on an accruals basis and must show a true and fair view of the state of affairs of the UK Sport Lottery Fund distribution activities at the period end and of its income and expenditure and cash flows for the financial period.

In preparing the accounts the Council is required to:

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

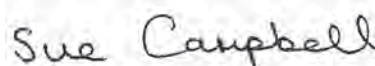
The Accounting Officer for the Department for Culture, Media and Sport (hereafter referred to as "DCMS") has designated the Chief Executive Officer of UK Sport as Accounting Officer for the Council. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting" (HMSO), and in the Financial Directions issued by the Secretary of State for Culture, Media and Sport under section 26(3) of the National Lottery etc. Act 1993.

The Accounting Officer of UK Sport is responsible for preparing financial statements which give a true and fair view and for making available to the auditors all relevant information for their purposes. So far as the Accounting Officer is aware, there is no relevant audit information of which UK Sport's auditors are unaware. Further, the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that UK Sport's auditors are aware of that information.



John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council

20 June 2007

Sue Campbell
Chair
United Kingdom Sports Council

20 June 2007





Statement on internal control

Scope of responsibility

The Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

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

The Accounting Officer has separate responsibilities to Parliament, in particular responsibility for taking action should the Chair or the Board contemplate a course of action involving a transaction which will infringe the requirements of regularity or propriety or which does not represent efficient or effective administration. Under the terms of the UK Sport Financial Directions, neither the Chair nor the Board is permitted to give instructions which conflict with the duties of the Accounting Officer.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This system of internal control has been in place in UK Sport for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The system of internal control seeks to mitigate rather than eliminate all risk. It can therefore only provide reasonable and not an absolute assurance of effectiveness. It is also not possible to mitigate every risk. It is based on a process designed to identify, prioritise and evaluate the likelihood of risks being realised and the resulting impact should this occur, and maintaining this using a risk register.

Capacity to handle risk

The senior management team provide leadership to the risk management process and carry out regular reviews. This is embedded at line management level through our Leadership Team which is responsible for reviewing risks and mitigating controls.

Audit Committee members attend Audit Committee training sessions organised by the NAO and the HM Treasury. They also receive guidance from the Treasury. This guidance is made available to Audit Committee members and Senior Managers via the organisations extranet site. This year all of the members of the Audit Committee have attended a Finance & Governance Workshop.

The risk and control framework

The organisation has an Internal Control Policy that defines risk management processes. The risk register contains an assessment of gross risk and strategies to manage and mitigate each risk. Directors and senior management assess the adequacy and effectiveness of the controls to manage risk thereby determining the net exposure on a regular basis. The risk register is reviewed regularly by the Audit Committee and the Board.

Currently the most significant risk in terms of high net exposure is "Our Reliance of the organisation on third party bodies to deliver targets".

Key controls in place to mitigate this risk include:

- Annual review of performance against key performance indicators reported to the Board and a quarterly Sports Summary identifying risks within each performance pathway programme and actions being taken;
- Various reviews of National Governing Bodies including annual and four yearly reviews. Significant outcomes are reported to the Board. In addition, an independent evaluation is undertaken once per Olympic/Paralympic cycle;
- Performance team review National Governing Bodies board papers and can attend NGB board meetings and involved in senior staff recruitment, appraisal and performance planning/management groups; and
- Sport specific conditions of grant and management audits/compliance checks of National Governing Bodies scheduled to reflect risk including a self assurance process.



Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board and the Audit Committee. I believe that the systems of internal control are working effectively and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Following is further detail of the mechanisms that are in place to assist me in the management of the system of internal control, and additional controls that are important to the system of internal control.

The Board and the Audit Committee

The Board, through the Audit Committee, have responsibility for maintaining a sound system of internal control. The Chair of the Audit Committee reports the outcome of Audit Committee meetings to the Board verbally and through minutes of meetings. The Board also review twice per annum Internal Control report in line with the Policy on Internal Control, and where appropriate discuss key risks in more detail.

The Audit Committee of the Board is comprised of three Board members. In addition, independent members can be appointed to the committee. Its primary functions are to:

- **Review with external and internal auditors, directors and management the audit strategy and the annual audit plan. Prioritisation of internal audit work is based upon level of risk as detailed in the risk register;**
- **Consider reports from management and internal and external auditors on any material control weaknesses;**
- **Discuss with management the actions taken on problem areas identified by Board and Audit Committee Members and both external and internal audit reports; and**
- **Ensure the published financial statements are a true and fair reflection of UK Sport's organisation's financial position.**

Internal audit

Internal Audit works to the agreed annual audit plan. It provides assurance reports to support the internal control process.

There are two established internal audit functions in operation:

- **Deloitte and Touche LLP provide assurance on internal control at UK Sport; and**
- **AHL carries out management audit and compliance checks of National Governing Bodies.**

The Board, through the Audit Committee, has reviewed letters of assurance from internal auditors.

The annual assurance statement from Deloitte and Touche LLP shows the level of assurance achieved in the internal audit programme undertaken for 2006/07. Internal audit work was performed in accordance with Government Internal Audit Standards issued by HM Treasury. Of the 8 Internal audit reports none were given full assurance, five were given substantial assurance and three were given limited assurance. The Audit Committee reviewed all reports with emphasis on high risk areas and those receiving less than substantial assurance. In all cases, satisfactory management responses were provided for all recommendations; and

A total of 22 NGB or other UK Sport-funded organisations, major event and International Representatives Grant Aid Programme (IRGAP) reviews were undertaken by AHL during the year. This is more than double the number undertaken last year and reflects the significant increase in UK Sport's responsibilities and funding as a result of the transfer of the performance pathway from Sport England and the additional 2012 funding. The expanded Audit programme has focused on the areas of highest risk, the newly funded sports or sports which have received significantly increased funding and are subject to the 2012 funding triggers; sports on a limited assurance rating, or where there are issues or concerns. The audit of one funded organisation resulted in a down-grading of the assurance rating to no assurance. Programme funding was suspended by the UK Sport Board until at least a limited assurance rating is achieved and the organisation can demonstrate it is working towards reasonable assurance. 32 out of 37 sports/other organisations have now been subject to an audit and compliance review at least once since 2002. Of these, 19 have a "reasonable" assurance rating, 10 have "limited" assurance, two await follow-up audits and one has no assurance. Apart from this one, all were considered fit to receive and manage public funding. There were no instances of fraud, malpractice or significant losses reported. One of the bodies in receipt of IRGAP grants has received a no assurance rating as a result of a grant compliance check and has been asked to review its systems and processes for managing these grants in order to provide the necessary assurance to UK Sport that the funds have been spent appropriately.

Statement on internal control

Other Key Controls

In addition to processes described above key controls include:

- › Compliance with the DCMS Management Statement / Finance Directions and Accounts Directions and a formal quarterly review of the three year funding agreement agreed with the DCMS;
- › A new performance management system to ensure that UK Sport recruits, develops and retains the appropriate calibre staff to support the delivery of our business plan. Processes are in place to ensure that all relevant employment legislation is incorporated within our staff policies;
- › A Performance Investment Strategy which guides UK Sport's performance investment for the period April 2005 – March 2009. The strategy provides an open, transparent, logical process for arriving at the level of investment to National Governing Bodies and athletes;
- › Systems for the assessment and control of grant applications ensuring that all applications receive sufficient and consistent processing in line with policy and financial directions of the Secretary of State;
- › A fraud policy and response plan that has been approved by the Audit Committee;
- › A conflict of interest register that is regularly reviewed;
- › Planning and budgeting systems:
 - › A three year Funding Agreement with the DCMS, with performance against key targets reviewed regularly with the DCMS;
 - › A planning process including a review the Business Plan 2005/06–2008/09, followed by the development of an annual corporate plan; and
 - › An annual budget approved by the Accounting Officer and the Board and the provision of regular financial management reports.
- › An agreed national anti-doping policy setting out publicly accountable standards for UK Sport and its partner organisations has been in place since January 2002 to demonstrate compliance, assess risks and implement plans for continuous improvement of policies and practices to monitor the achievement of drug free sport.
 - › A UK National Anti-doping Policy, NGB Agreement, Model Rules for National Governing Bodies and Procedures Guide was successfully launched and implemented in May 2005 to achieve compliance with the World Anti-Doping Code;
 - › The anti-doping process itself is a system of risk management to protect investment and participation in sport. Any mismanagement of this process would damage the reputation of UK Sport as well as the governing bodies that are UK Sport's partners;
 - › BSI ISO 9001:2000 audits are conducted on all areas of the Drug-Free Sport Directorate of UK Sport on a 6 monthly basis and more recently the ISO9001:2000 certification was maintained following the 3 year strategic review; and
 - › An independent Scrutiny Panel whose key role is to review any potential conflicts of interest between UK Sport's Performance and Drug-Free Sport functions reports publicly.
- › Compliance with all current health and safety legislation. This includes ongoing risk assessments throughout the organisation.



Continual improvement in our internal control processes

We continually seek to improve our processes. Examples of planned improvements for 2007/08 include:

- > Improving our risk register by explicitly linking controls to assurance measures; and
- > Implementing a replacement finance system.

John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council

20 June 2007



Sue Campbell
Chair
United Kingdom Sports Council

20 June 2007



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

I certify that I have audited the financial statements of the UK Sport Lottery Distribution Fund for the year ended 31 March 2007 under the National Lottery etc. Act 1993 (as amended). These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and the Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the United Kingdom Sports Council, Chief Executive and auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder. I report to you if, in my opinion, certain information given in the Annual Report, which comprises UK Sport at a Glance, Operating Environment, Managing Delivery and UK Sport's performance, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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



Basis of audit opinion

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

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

Opinions

Audit Opinion

In my opinion:

- The financial statements give a true and fair view, in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, of the state of the UK Sport Lottery Distribution Fund's affairs as at 31 March 2007 and of its increase in funds for the year then ended;
- The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc. Act 1993 (as amended) and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury; and
- Information given in the Annual Report, which comprises UK Sport at a Glance, Operating Environment, Managing Delivery and UK Sport's performance, is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

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

25 June 2007

INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

	<i>Note</i>	2006/07	2005/06
		£,000	£,000
INCOME			
National Lottery share of proceeds	2	53,277	21,198
Investment returns from NLDF	2	635	332
Interest Receivable		51	37
Grant refunds		-	69
		53,963	21,636
EXPENDITURE			
Hard commitments	3	42,099	83,923
Hard de-commitments	3	(6,334)	(975)
Staff costs	6	587	528
Depreciation - tangible assets	9	15	18
Other operating costs		418	284
Costs apportioned from UK Sport GIA account		822	819
		37,607	84,597
INCREASE/(DECREASE) IN LOTTERY FUNDS BEFORE TAXATION		16,356	(62,961)
Net Return on Pension Liabilities	13.4	10	(8)
Taxation	8	(8)	(7)
INCREASE/(DECREASE) IN LOTTERY FUNDS		16,358	(62,976)

STATEMENT OF RECOGNISED GAINS AND LOSSES

	<i>Note</i>	2006/07	2005/06
		£,000	£,000
Pension actuarial gain/(loss)	13.5	(402)	327


BALANCE SHEET AS AT 31 MARCH 2007

	Note	2006/07	2005/06
		£,000	£,000
FIXED ASSETS			
Tangible Assets	9	30	45
CURRENT ASSETS			
Investments - balance in NLDF	2	17,134	10,074
Debtors and prepayments	10	2	27
Cash at bank and in hand		429	205
		17,565	10,306
CREDITORS			
Sundry creditors falling due within one year	11	(173)	(298)
Hard grant commitments falling due within one year	3	(39,570)	(31,777)
		(39,743)	(32,075)
NET CURRENT LIABILITIES		(22,178)	(21,769)
Hard grant commitments falling due after one year	3	(35,195)	(51,892)
Pension Liability	13.2	(475)	(159)
TOTAL ASSETS LESS ALL LIABILITIES		(57,818)	(73,775)
REPRESENTED BY:			
Pension Reserve	13.2	(475)	(159)
Revenue Reserve	12	(57,343)	(73,616)
		(57,818)	(73,775)

John Steele
Chief Executive and Accounting Officer
United Kingdom Sports Council

20 June 2007



Sue Campbell
Chair
United Kingdom Sports Council

20 June 2007



CASH FLOW STATEMENT

	Note	2006/07	2005/06
		£,000	£,000
OPERATING ACTIVITIES			
Cash drawn down from NLDF	2	46,852	19,146
Other Income		-	69
Staff Costs		(661)	(611)
Operating Costs		(1,342)	(1,169)
Award payments	5	(44,669)	(17,507)
Net cash (outflow)/inflow from operating activities	14	180	(72)
RETURNS ON INVESTMENTS			
Interest received		51	37
TAXATION			
Corporation tax paid		(7)	(5)
(Decrease)/increase in cash	16	224	(40)

There are no discontinued activities.

The notes on pages 40 to 55 form part of these accounts.



Notes to the Accounts

1. Accounting Policies

1.1 Accounting Convention

The financial statements have been prepared under the historical cost convention as modified by the inclusion of fixed assets at their fair value to the business and on the basis of the Accounts Direction issued by the Secretary of State for Culture, Media and Sport on 26 March 2002, a copy of which can be obtained from the Corporate Services team at 40 Bernard Street, London, WC1N 1ST.

The Members consider that modified historical cost of fixed assets is not materially different from historical cost and as such report fixed assets at their historical cost.

Without limiting the information given, the accounts meet the requirements of the Companies Act 1985, the Accounting Standards issued or adopted by the Accounting Standards Board (except in relation to the recognition of commitments as detailed below), the Treasury guidance on the accounts of Non Departmental Public Bodies and the National Lottery etc. Act 1993 insofar as those requirements are appropriate to the UK Sport Lottery Fund.

The accounts have been prepared under the accruals convention and, as such, all income and expenditure is taken into account in the financial period to which it relates.

The accounts cover the year to 31 March 2005, in compliance with section 35 of the National Lottery etc Act 1993.

Separate accounts have been prepared for the UK Sport operations funded from Grant-in-Aid, in accordance with the instructions issued by the Secretary of State. Consolidated accounts have not been prepared.

1.2 Hard and Soft Commitments

As required by the Secretary of State, a distinction is made in respect of Lottery awards between "hard" and "soft" commitments as follows:

- A "hard commitment" occurs where a firm offer of award has been made by UK Sport and this offer has been accepted, together with any conditions dependent upon which the award has been made; and
- A "soft commitment" occurs where a firm offer of award has been made by UK Sport but the offer and associated conditions have not yet been accepted.

Only "hard commitments" are recognised in the Income and Expenditure account (and shown in note 2), soft commitments are detailed in Note 3.

1.3 Tangible Fixed Assets

The UK Sport Lottery Fund does not own any land or buildings. All tangible fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows :

Computer Hardware 3 years

Computer Software 3-9 years

1.4 Pension Costs

The pension liabilities and assets are recorded in line with FRS17, with a valuation undertaken by an independent actuary. FRS17 measures the value of pension assets and liabilities at the Balance Sheet date, determines the benefits accrued in the year and the interest on scheme assets and liabilities. The value of benefits accrued is used to determine the pension charge in the Income and Expenditure Account and the interest on scheme assets and liabilities is shown in the Income and Expenditure Account. The change in the value of the assets and liabilities arising from asset valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members, is recognised in the Statement of Total Recognised Gains and Losses. The resulting pension liability or asset is shown on the Balance Sheet.

Further information on the pension scheme is available in note 13 to the accounts.

Details about the valuation of the pension fund and the recharges are also in note 13.



1.5 Charges to and from UK Sport

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

1.6 Taxation

Amounts of interest in the National Lottery Distribution Fund do not fall within the scope of Corporation Tax. Once drawn down into the nominated accounts of UK Sport interest thereon is subject to Corporation Tax and is fully provided in the period to which it applies.

1.7 Investments

The funds attributable to the Lottery Fund, whilst they are within the National Lottery Distribution Fund, are invested by the National Debt Commissioners, and interest accrued is credited to the balance available for distribution.

Capital sums are distributed in accordance with the provisions of the National Lottery etc Act 1993. Interest earned on the sums invested is apportioned to each of the Lottery Distributors on the basis of their percentage share of the total remaining National Lottery Distribution Fund at the time the interest is received.



NOTES TO THE ACCOUNTS

2. National Lottery Distribution fund

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

	2006/07	2005/06
	£,000	£,000
Balance brought forward	10,074	7,690
Share of net operator proceeds	53,277	21,198
Investment returns from NLDF	635	332
Available for distribution	63,986	29,220
Funds drawn down	(46,852)	(19,146)
Balance carried forward	17,134	10,074

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

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

The market value carried forward at 31/3/07 is £17.134m (2005/06 £10.074m)

The NLDF balance increased during 2006/07 to stand at £17.134m at 31/3/07, representing one quarter of outstanding commitments made at that point.

3. Hard Commitments

	2006/07	2005/06
	£,000	£,000
Hard commitments brought forward	83,669	18,228
Hard commitments made this year	42,099	83,923
Hard de-commitments	(6,334)	(975)
Total Hard commitments	119,434	101,176
Hard commitments met in the period	(44,669)	(17,507)
Hard commitments carried forward as at year end	74,765	83,669
Hard Commitments by year	2006/07	2005/06
	£,000	£,000
Amounts falling due during 2006/07	-	31,777
Amounts falling due during 2007/08	39,570	26,430
Amounts falling due during 2008/09	34,791	25,462
Amounts falling due during 2009/10	223	-
Amounts falling due during 2010/11	181	-
	74,765	83,669



NOTES TO THE ACCOUNTS

Hard commitments made in the year are shown as expenditure, but during the year some commitments will be made and paid in the same year, which accounts for the difference between outstanding hard commitments at 31 March 2006 and actual amount paid in 2007.

4. Soft Commitments

	2006/07	2005/06
	£,000	£,000
Soft commitments brought forward	23,042	26,374
Soft commitments made	22,032	80,675
Soft commitments transferred to hard commitments	(42,099)	(83,923)
Soft de-commitments	(595)	(84)
Soft commitments carried forward as at 31 March	2,380	23,042

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

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



NOTES TO THE ACCOUNTS

5. Lottery Grant Payments during the Year

	2006/07	2005/06
	£,000	£,000
TO ATHLETES:		
Amateur Boxing Association	285	
Amateur Rowing Association	858	629
Badminton England	277	-
British Swimming	1,098	621
British Canoe Union	324	283
British Cycling Federation	742	550
British Equestrian Federation	326	217
British Judo Association	178	133
British Triathlon Association	104	182
British Volleyball Federation	102	-
Great Britain Wheelchair Basketball Association	243	214
Modern Pentathlon Association of Great Britain	121	128
Grand National Archery	182	-
Royal Yachting Association	822	604
UK Athletics	1,161	825
Other Athletes	813	670
	7,636	5,056
TO GOVERNING BODIES:		
Amateur Swimming Federation of Great Britain	4,455	2,658
British Amateur Gymnastic Association	1,339	482
British Bob Skeleton Association	354	-
British Canoe Union	1,624	900
British Cycling Federation	1,913	-
British Equestrian Federation	1,635	1,274
British Judo Association	1,014	495
British Paralympic Association	500	500
British Ski and Snowboard Federation	113	175
British Taekwondo Council	210	180
British Triathlon Association	-	528
English Institute of Sport	10,500	-
Great Britain Target Shooting Federation	404	347
Great Britain Wheelchair Basketball Association	274	278
Modern Pentathlon Association of Great Britain	832	381
National Ice skating Association	203	159
Great Britain Wheelchair Rugby Association	207	157
British Curling Association	-	148
British Fencing association	180	196
Grand National Archery Society	492	370
British Badminton Olympic Committee	136	104
Badminton England	1,038	-
UK Athletics	2,860	577
British Table Tennis Association	124	103
English Table Tennis Association	180	-


NOTES TO THE ACCOUNTS

British Tennis Foundation	138	-
Royal Yachting Association	2,447	-
British Triathlon Association	576	-
Sports Aid	250	-
Other Governing Bodies	599	634
	34,597	10,646
FOR EVENTS:		
FINA World Swimming Championships 2008	347	-
EAA European Indoor Championships in Athletics	430	-
Rowing World Cup 2005	-	114
World Rowing Championship 2006	350	472
2006 Youth ISAF World Championships	-	225
European Indoor Athletics	-	100
Paralympic World Cup 2005	11	290
Paralympic World Cup 2006	250	-
U19 Rugby World Championships 2007	250	-
World Cup Final in Trampoline & Tumbling 2006	192	-
World Track Cycling Championships 2008	171	-
World Rowing Championships 2006	350	-
Other Events	85	604
	2,436	1,805
Total grant payments in the year	44,669	17,507
6. Staff costs		
The aggregate payroll costs (staff and management) of the Lottery Sports Fund during the period under review were as follows:		
	2006/07	2005/06
	£,000	£,000
Wages and salaries	483	434
Social security costs	45	41
Past service costs	59	53
Total Employee Costs	587	528
7. Staffing		
The average number of staff employed, during the period were as follows:		
	2006/07	2005/06
Operations/Planning/Development	10	10
Average Staff Numbers	10	10
8. Lottery Funds		
	2005/06	2004/05
	£,000	£,000
The Lottery Fund is stated after charging for:		
External Auditors' remuneration	26	25
Corporation tax on interest received	8	7

NOTES TO THE ACCOUNTS

9. Tangible Fixed Assets

All tangible fixed assets are computer software or equipment.

	2006/07
	£,000
Cost	
At 1 April 2006 and 31 March 2007	535
Depreciation	
Start of year	(490)
Charge for year	(15)
End of year	(505)
Net book value	
At 1 April 2006	45
At 31 March 2007	30

10. Debtors

	2006/07	2005/06
	£,000	£,000
Debtors	-	15
Prepayments	-	12
Accrued Income	2	-
	2	27
All amounts fall due within one year		

11. Creditors

	2006/07	2005/06
	£,000	£,000
Trade Creditors	25	88
Accruals	140	203
Corporation tax	8	7
	173	298
All amounts fall due within one year		

12. Revenue Reserve

	2006/07	2005/06
	£,000	£,000
Income and Expenditure Account		
Opening Balance	(73,616)	(10,565)
Increase/(Decrease) in Lottery Fund	16,358	(62,976)
Transfer from Pension Reserve *	(85)	(75)
Fund balance as at 31 March	(57,343)	(73,616)

* This relates to the difference between the actual contributions paid and the net present value of pension costs as valued by the actuaries in line with FRS17.


NOTES TO THE ACCOUNTS

13. Superannuation Scheme

Most staff of UK Sport (Grant-in-Aid and Lottery) are members of the London Pension Fund Authority (LPFA) Superannuation Scheme. UK Sport is one of several employers whose staff participates in the scheme, and data given in this note refers to the whole scheme and to the identified UK Sport portion of it. There is a generic scheme for staff covered by policy note 4 above.

All staff are contractually employed by UK Sport. Whether they work on Lottery related matters or not does not affect the terms and conditions of their employment or of their pension entitlement. If in the long term they were still employed by UK Sport but the lottery accounts continued with Pension Fund deficits, then the employees, regardless of the Lottery nature of their employment, would still be entitled to look to the Grant-in-Aid accounts to ensure their pension entitlement was met. However under FRS 17 it is the economic entity which suffers the charge to its Income statement that must make disclosure of that relevant portion of the shared fund.

The pension is the defined benefit type and is funded by employees and employers at actuarially determined rates.

Employer's contribution for the year amounted to £45,019 or 10.2% of pensionable pay (2005/06 £42,010 or 10.2%). An additional pension contribution of £88,965 (2005/06 £94,089) was also made to reduce the pension liability.

The share charged to these accounts is a proportion of the amount paid by UK Sport in total.

The scheme is subject to triennial valuations by the consulting actuaries to the LPFA and the latest valuation was carried out as at 31 March 2004. The actuarial method used is market related, based on average yields and market values in the 12 months leading up to the valuation date.

Financial Reporting Standards 17 (FRS17) issued by the Accounting Standards Board requires that the following information, which has been prepared for us by Hymans Robertson (the Consulting Actuaries to the LPFA) for this purpose, be disclosed in these accounts with respect to the scheme:

13.1 Balance Sheet disclosure as at 31 March 2007

	2007 Long term return % / year	Fund Value at 31/3/07 £,000	2006 Long term return % / year	Fund Value at 31/3/06 £,000
Whole Pension fund assets				
Equities	62%	1,422,400	63%	1,296,100
Target return funds/Bond	22%	510,700	19%	391,600
Alternative assets/Property	13%	289,600	12%	242,400
Cash	3%	61,300	6%	126,300
Total	100%	2,284,000	100%	2,056,400

13.2 Net Pension assets

	31/3/07 £,000	31/3/06 £,000	31/3/05 £,000
Estimated Assets	1,848	1,552	1,123
Present value of scheme liabilities ²	(2,323)	(1,711)	(1,683)
Net Pension Assets/(Liabilities)	(475)	(159)	(560)

Assumptions	31/3/07 % / year	31/3/06 % / year	31/3/05 % / year
Price increases	3.2%	3.1%	2.9%
Salary increases	4.7%	4.6%	4.4%
Pension increases	3.2%	3.1%	2.9%
Discount rate	5.4%	6.0%	5.4%

¹ In order to assess the actuarial value of the London Pensions Fund Authority Pension Fund's liabilities as at 31 March 2007, Hymans Robertson have rolled forward the actuarial value of the liabilities reported as at 31 March 2004, allowing for changes in financial assumptions as prescribed under FRS 17. In addition, they have also considered the effect of contributions paid into, and estimated benefits paid from, the Fund by UK Sport and its employees.

NOTES TO THE ACCOUNTS

2 Hymans Robertson estimate that this liability comprises of approximately £6,840,000, £2,301,000 and £526,000 (2005/06 - £4,846,000, £1,782,000 and £475,000) in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2007. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain types of employer. However, UK Sport are satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

It is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 80% of pensioners are married at death and that their spouse will receive will receive a pension equal to 50% of the member's pension as at the date of the member's death.

13.3 Amount Charged to Operating Profit

	2006/07 £,000	2006/07 % Payroll	2005/06 £,000	2005/06 % Payroll
Service Cost	59	13.1%	53	12.8%
Total Operating Charge (A)	59	13.1%	53	12.8%

13.4 Projected Amount Credited to Other Finance Income

	2006/07 £,000	2006/07 % Payroll	2005/06 £,000	2005/06 % Payroll
Expected Return on Employer Assets	112	16.2%	84	14.1%
Interest on Pension Scheme Liabilities	(102)	(14.7%)	(92)	(15.5%)
Net Return (B)	10	1.5%	(8)	(1.4%)
Net Revenue Account Cost (A)-(B)	49	11.6%	61	14.1%

13.5 Analysis of Statement of Recognised Gains and Losses

	2006/07	2005/06
	£,000	£,000
Actual return less expected return on pension scheme assets	16	183
Experience gains and losses arising on the scheme liabilities	(58)	(4)
Changes in financial assumptions underlying the present value of the scheme liabilities	(360)	148
Actuarial gain/(loss) recognised in SRGL	(402)	327

13.6 Movement in Surplus/Deficit during year

	2006/07	2005/06
	£,000	£,000
Opening surplus/(deficit)	(159)	(560)
Current Service Cost	(59)	(53)
Employer contributions	135	135
Net return on assets	10	(8)
Actuarial gains/(losses)	(402)	327
Closing surplus/(deficit)	(475)	(159)


NOTES TO THE ACCOUNTS
13.7 History of Experience Gains and Losses

	2006/07	2005/06
	£,000	£,000
Difference between the expected and actual return on assets	16	183
Value of assets	1,848	1,552
Difference as % asset value	0.8%	11.8%
Experience gains/(losses) on liabilities	(58)	(4)
Present value of liabilities	2,323	1,711
Gain/(loss) as % present value of liabilities	2.6%	(0.2%)
Actuarial gains/(losses) recognised in SRGL	(402)	327
Gain/(loss) as % present value of liabilities	(17.9%)	19.1%

The Actuarial Valuation for FRS 17 purposes has been allocated between the Lottery and Exchequer (GIA) accounts in accordance with accounting policy note 4.

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

	2006/07	2005/06
	£,000	£,000
Increase/(Decrease) in lottery funds before taxation	16,356	(62,961)
Depreciation of tangible assets	15	18
(Increase)/Decrease in debtors	25	(17)
Increase/(Decrease) in creditors	(9,030)	65,393
Interest receivable	(51)	(37)
(Increase)/Decrease in NLDF	(7,060)	(2,384)
Pension scheme: non cash movement	(75)	(84)
Net cash (outflow)/inflow from operating activities	180	(72)

15. Reconciliation of net cash flow to movement in Net Funds

	2006/07	2005/06
	£,000	£,000
(Decrease)/Increase in cash	224	(40)
Net funds at start of period	205	245
Net funds at end of period	429	205

16. Change in cash and cash equivalents during the year

	2006/07	2005/06
	£,000	£,000
Opening cash balance	205	245
Net cash (outflow)/inflow	224	(40)
Cash and bank balances at year end	429	205

NOTES TO THE ACCOUNTS

17. Financial Instruments

FRS 13 Derivatives and other financial instruments, require disclosure of the role, which financial instruments have had during the period, in creating or changing the risks the UK Sport Lottery Fund faces in undertaking its role.

Liquidity Risks

In 2006/07 £53.9m or 99.91% (2005/06 £21.5m or 99.51%) 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 £17.134m (2005/06 £10.09m). In the year the average return on these investments was 3.71% (2005/06 4.73%). 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 3.94% (2005/06 2.82%) in the year. Cash on deposit is gross of corporation tax. The cash balance at the year-end was £429,000 (2005/06 £205,000) The Members consider that the Fund is not exposed to significant interest rate risks.

Foreign Currency Risk

The Fund is not exposed to any foreign exchange risks.

18. Contingent Liabilities

A NLDF Balance Transfer of £5m took place at the time of the Transfer of Responsibilities from Sport England to UK Sport. This transfer has been recognised as income in these accounts. The balance may be payable to Sport England at a future point in time. This would depend on a review being undertaken and UK Sport not being put "under excessive financial risk or pressure."

19. Capital Commitments

As at 31 March 2007, the Lottery Fund had made no commitments to purchase further capital equipment (2005/06 Nil).

20. Post Balance Sheet Events

There were no reportable post balance sheet events between the balance sheet date and the 20th of June 2007, the date the accounting officer despatched the accounts to DCMS.

The financial accounts do not reflect events after this date.

21. Related Party Transactions

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

None of the council members, key managerial staff or other related parties has undertaken any material transactions with the UK Sport during the year.

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

With respect to the Lottery Fund business, the following transactions are considered to be disclosable Related Party Transactions:

MEETING DATE	AWARD	BENEFITING ORGANISATION	PANEL/BOARD MEMBER	RELATIONSHIP
24/05/2006	192,525	Royal Yachting Association	Rod Carr OBE	Chief Executive


NOTES TO THE ACCOUNTS

22. Differences between commitment and accrual accounting methodology

These Lottery statutory accounts are prepared on a commitment basis – recognising grant awards at the point that commitment and conditions are agreed between UK Sport and recipients, although actual payment of grants may lag by up to four years. Thus the income and expenditure account reflects hard commitments made, rather than payments. This timing difference is also reflected on the balance sheet as both a current and long-term liability, according to whether it falls within one year. Cash flow is unaffected. Thus if the accounts were to be presented on the same basis as UK Sport's Exchequer accounts, which would allow them to be compared on a like-for-like basis, the following adjustments would be made:

	Lottery Accounts on Commitment Basis		Re-stated on an Accrual Basis	
	2006/07 £,000	2005/06 £,000	2006/07 £,000	2005/06 £,000
Income & Expenditure – excerpt				
Expenditure				
Hard commitments	42,099	83,923	-	-
Hard de-commitments	(6,334)	(975)	-	-
Hard de-commitments transfer to GIA	-	-	-	-
Grants paid	-	-	44,669	17,507
Staff costs	587	528	587	528
Depreciation	15	18	15	18
Other operating costs	418	284	418	284
Costs apportioned from GIA	822	819	822	819
	37,607	84,597	46,511	19,156
Increase / decrease in Lottery funds	16,356	(62,961)	7,454	2,487
Balance Sheet - excerpt				
Creditors				
Sundry creditors due <1 year	(173)	(298)	(173)	(298)
Hard grant commitments due <1 year	(39,570)	(31,777)	-	-
	(39,743)	(32,075)	(173)	(298)
Net Current Assets/Liabilities	(22,178)	(21,769)	17,392	10,073
Hard grant commitments due >1 year	(35,195)	(51,892)	-	-
Pension liability	(475)	(159)	(475)	(159)
Total assets less all liabilities	(57,818)	(73,775)	16,947	9,894



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