





# Olympic Lottery Distributor

## Annual Report and Accounts 2009/10

Annual Report presented to Parliament pursuant of Schedule 5,  
Paragraph 17 of the Horserace Betting and Olympic Lottery Act 2004 and  
Accounts presented to Parliament pursuant of Schedule 5,  
Paragraph 25 of the Horserace Betting and Olympic Lottery Act 2004.

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## Annual Report

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When, in February 2010, the Olympic Lottery Distributor Board had the opportunity to revisit the Olympic Park we saw the significant progress that had been made during the year. The sight of the Stadium nearing completion, with the cable net roof in place, brought home to us as a Board how soon the London 2012 Games will be upon us. The Aquatics Centre and VeloPark structures too were in construction and we were able to see just how impressive they will be when in use during the Games and in the longer term. We were also pleased to note the progress made on venues outside the Olympic Park – during the year work started on enhancement works at Eton Dorney and the Olympic Delivery Authority (ODA) reported good progress on the White Water Canoe Centre at Broxbourne, in March.

The important work on legacy planning continued during 2009/10 and the OLD Board has taken a keen interest in developments in this issue. It is vital that the London 2012 Games leaves an appropriate legacy.

Although economic challenges continued in 2009/10 we were nonetheless pleased to see that at its peak of activity some 9,000 people were employed on the Olympic Park and Olympic Village, many from the local workforce.

The economic challenges of the last two years resulted in the decision by funders, in early 2009, to publicly fund the Village and the International Broadcast and Press Centres, producing a call on the overall contingency that was partially met by the OLD. During the year we therefore made the first additional grants to the Olympic Delivery

## Chair's Foreword

Authority since offering Lifetime Grant in 2007 providing a total of £99.3m as the Lottery-funded contribution to the additional cost.

In June 2009 we also made a grant of just under £16m to the Cultural Olympiad and two of the projects in which we have an interest– Unlimited and Film Nation – have already been launched this year. The Cultural Olympiad is an important part of the whole event and I now sit as a member of the Cultural Olympiad Board, in observer capacity, in order to help with its overall coordination.

During the year we also gave consideration to how the Board might support local community projects in those Boroughs most affected by the disruption as the construction continues and we are working with the East London Business Alliance (ELBA) to further this objective.

In January 2010, the OLD Board welcomed a new Member to represent the interests of the local communities most affected by the Games. Sirajul Islam has brought with him a wealth of experience of community engagement and of change management. We also appointed an Independent External Member to our Audit Committee, Alyson Coates, who brings invaluable experience and adds important additional scrutiny to our work.

We were sorry to lose Mike O'Connor as our founding Chief Executive who resigned in December 2009 to take up another senior Chief Executive post in the public sector. Mike had ensured sound stewardship of the OLD since its inception and provided an excellent foundation on which our new Chief Executive, Ian Brack, can build. We look

Janet Paraskeva, Chair

# Chief Executive's Introduction



The year 2009/10 marked the 'half way' point in the life of the Olympic Lottery Distributor. As always, we have worked with colleagues at the Olympic Delivery Authority (ODA) and the London Organising Committee of the Olympic and Paralympic Games (LOCOG) to ensure that the Lottery players' money was well spent. However, this year our focus was split between monitoring the ODA's progress in building the venues for London 2012, and consideration of the wider grant issues of the Games.

Park venues continue to progress to plan. Additional funding has been provided but primarily to meet the cost of the Village and International Broadcast Centre/Main Press Centre, which are now fully met from within the ODA budget. We expect to see a return to the Lottery of some of this funding in years to come as part of the legacy from the Games. In February 2010 the Government agreed a Memorandum of Understanding that confirmed its intention to ensure that the OLD will receive, as required under the terms of our grant, a proportionate share of any net income received by the ODA.

Recognising that the Cultural Olympiad is a key element of the Olympic Games, the OLD Board spent time considering a grant application from LOCOG for Cultural Olympiad projects before making a commitment. We will continue to monitor development of the individual projects that form part of this programme of events.

The OLD also began consideration of funding for a programme of community grants related to London 2012 and we expect this process to reach fruition in 2010/11.

We were pleased to see the success of the Winter Olympic and Paralympic Games in Vancouver whilst recognising that the Games also brought with them lessons to be learnt.

The OLD remained an efficient organisation in 2009/10 with low running costs representing less than half of one per cent of our income. We appointed a second Appraisal and Monitoring Officer in March 2010 but have retained our overall staff complement at six.

You can find out more about what we are doing with Lottery players' money and what that investment is achieving by visiting our website: [www.olympiclotterydistributor.org.uk](http://www.olympiclotterydistributor.org.uk).

A handwritten signature in black ink that reads "Ian Brack". The signature is fluid and cursive, with a long, sweeping underline.

Ian Brack, Chief Executive



Clockwise: Olympic Stadium, July 2009;  
Aquatics Centre, November 2009,  
Swansea Live Site Screen,  
International Broadcast Centre February 2010,  
VeloPark, November 2009;  
The Cultural Olympiad.

Photos courtesy of London 2012.



In 2009/10 the Olympic Lottery Distributor committed over **£114 million** in grants to both the Olympic Delivery Authority (ODA) for the buildings and infrastructure for the London 2012 Games; and the London Organising Committee of the London 2012 Games (LOCOG) for the Cultural Olympiad and Live Sites screens.

The Olympic Park will be the setting for most of the London based venues for the London 2012 Olympic and Paralympic Games, including the Olympic Stadium, VeloPark and Aquatics Centre. The Park will also house the International Broadcast Centre/Main Press Centre (IBC/MPC) and the Olympic Village will be adjacent to the Park.

The OLD made two additional grants to the ODA in 2009/10 - a £30.1m increase in the Lifetime Grant and a £69.2m Supplementary Grant. The latter was offered in response to a request for cashflow funding to support construction of the Olympic Village. The ODA expect to repay the Supplementary Grant using income from the sale of residential units in the Olympic Village.

The OLD has legal power to make both grants and loans, and was minded to make a loan of the £69.2m, reflecting the ODA's intention to repay it. A loan would also provide greater certainty of repayment as it would have created a liability on the ODA. The Government necessarily takes a wider view of project funding than the OLD and concluded that it would not be equitable for the ODA to accept a loan from the OLD as it would potentially disadvantage other public funders which were contributing to the costs of the Village. However, the Government recognised the prudence of the OLD's desire to secure repayment of any cashflow funding offered to the ODA and entered into a Memorandum of Understanding with the OLD, affirming its intention to ensure that the Lottery receives a proportional share of Village sales income, in repayment of the £69.2m. A Ministerial Statement to this effect was made before the House on 9 February 2010.

The OLD Board and Accounting Officer concluded that the Government's undertakings provided an appropriate level of security of repayment under the particular circumstances of this application and accordingly offered Supplementary Grant to the ODA of £69.2m on 18 February 2010.

Work on the Olympic Park progressed considerably in 2009/10 with the completion of the steel structure for the IBC/MPC in September 2009 - the first building structure to be completed on the Park. By March 2010 the walls and cladding of the Broadcast Centre had been finished and the Main Press Centre had reached its full height. During the London 2012 Games, approximately 20,000 broadcasters, photographers and journalists will be based in the IBC/MPC.

In April 2009 the footbridge which will connect the Olympic Stadium site to the rest of the Olympic Park was lifted into place. Work started on fitting out the Stadium in May 2009, just one year after construction first commenced. The cable net roof was lifted into place in December 2009 while in March 2010 the Stadium's lighting towers crowned the building.

The steel structure for the Velodrome was completed in January 2010. The Velodrome will host Indoor Track Cycling during the Games and will have capacity for 6,000. The VeloPark will also include a BMX Circuit. After the London 2012 Games, a road cycle circuit and mountain bike course will be added to create a VeloPark for local community clubs and elite athletes.



The steel rim of the VeloPark was completed in January 2010  
Photo courtesy of London 2012

The Aquatics Centre will be the gateway to the Olympic Park and after the London 2012 Olympic and Paralympic Games will provide two 50m swimming pools, a diving pool and dry diving area - facilities London does not have at present. During the Games the Aquatics Centre will have capacity for 17,500. In June 2009 construction on the wave shaped roof reached the half way point and in November 2009 that roof was successfully lifted and lowered into place. The Aquatics Centre is on track to be completed by mid 2011.

Foundations for the Handball Arena were completed in December 2009 and work began on the venue's 1000 tonne steel frame during the year. The Handball Arena will host the preliminary rounds and quarter finals of the Handball competition and will also be the venue for the Fencing discipline of the Modern Pentathlon. During the Paralympic Games, the Handball Arena will be the venue for Goalball. The Handball Arena will have capacity for 10,000 Handball spectators and 6,000 Goalball spectators during the London 2012 Olympic and Paralympic Games.

In May 2009 work started on the Greenway to improve the cycleway and footpath. Dredging of the Olympic Park waterways began in May 2009. Construction work on the Olympic Village is on track. The Village will consist of eleven blocks and will be home to 23,000 athletes and officials during the London 2012 Games. After the Games, the apartments will be transformed into 2,800 new homes, a number of which will comprise affordable housing.

By March 2010, the Olympic Park workforce had risen steadily to over 9,000 with 6,442 working on the Olympic Park and 3,228 on the Village. Of those employed on the Olympic Park, over 50% live in London, with one in five (20%) resident in one of the host London boroughs. Approximately 9% of the employees working on the Olympic Park were previously unemployed and nearly one in ten were either trainees, apprentices or on work placements. 2,865 training places have been created through the National Skills Academy at the Plant Training Centre and Thames House Training Centre in Newham.

Elsewhere, construction work started at Eton Dorney in October 2009, the Rowing and Canoe sprint venue. Facilities at the venue near Windsor are being enhanced to ensure that they meet Olympic and Paralympic standard.

Good progress was also made on construction of the Lee Valley White Water Canoe Centre - the foundations for the venue were completed in December 2009 and the starting pool has been completed - the venue is on track to be ready later in 2010. The Lee Valley White Water Centre (formerly Broxbourne White Water Centre), which will be a new permanent centre, is 30km north of the Olympic Park. Two new Canoe Slalom courses are being built on the site - a 300m competition course and a 160m Intermediate/Training course. The Centre will have capacity for up to 12,000 spectators during the Games and after London 2012 will become a canoeing and kayaking centre for the local community and visitors, as well as a leisure centre for White Water rafting. The Centre will be one of the only artificial courses in the world offering 'improvers' white water rafting alongside an Olympic course and it will leave a significant economic and social legacy after the London 2012 Games.

## Live Sites

The Olympic Lottery Distributor previously agreed a grant to fund 12 Live Sites screens throughout the UK. These big screens will be used by communities during the London 2012 Games to come together to celebrate - they will help to ensure that the events during the London 2012 Olympic and Paralympic Games can be seen and enjoyed by many throughout the UK.

The OLD funded Live Sites screens are in Bristol, Cardiff, Dover, Edinburgh, Leicester, Middlesbrough, Norwich, Plymouth, Portsmouth, Swansea, Waltham Forest and Woolwich. Eight screens were operational during the Beijing Olympic and Paralympic Games and all screens were operational during the Winter Olympic and Paralympic Games in Vancouver.

In December 2009, the OLD Board took the decision to provide funding to Phase II of the Live Sites project and a further £800,000 will be provided to fund an additional two screens - one in Coventry and the other in Belfast - to improve UK wide coverage.



Middlesbrough Live Sites Screen  
Photo courtesy of London 2012

# The Cultural Olympiad

The Cultural Olympiad is a programme of events to showcase the UK's Arts and Culture to the rest of the world. It was launched in 2008. An aim of the Cultural Olympiad is to promote excellence in performing art and creative industries and it is hoped that it will leave a lasting legacy of improved cultural life across the UK. It will culminate in 2012 in 'Festival 2012' which will run from 21 June to 9 September that year.

In July 2009, the Olympic Lottery Distributor Board announced that it was offering Lottery funding of £15.6m to the London 2012 Organising Committee of the 2012 Games (LOCOG) to fund six of the Cultural Olympiad's ten major projects. The OLD recognises that the Cultural Olympiad will provide the opportunity to put culture at the heart of the London 2012 Games and involve the whole nation in a number of exciting and innovative cultural projects.

The six projects that the OLD offered funding towards were: World Shakespeare Festival, World River, Film Nation, Festival of Carnivals, Unlimited and Discovering Places.

Unlimited was launched in October 2009 as the UK's largest project celebrating arts, culture and sport for disabled and deaf people. The project will enable talented disabled and deaf artists to create exciting and quality new work across all disciplines leading to the London 2012 Olympic and Paralympic Games. The OLD is the principal funder of the project. In March 2010 the first ten commissions under the Unlimited project were announced.

Film Nation Shorts was launched in March 2010. The project will comprise a series of workshops, masterclasses, regional and national competitions, to highlight the best new film making talent. Winners' work will be screened at iconic venues of the Olympic and Paralympic Games in London 2012 and the best films will be showcased on the giant London 2012 Live Site Screens across the UK.

A Cultural Olympiad Board has been established and a Director of Culture appointed. A review of the Cultural Olympiad projects was carried out in early 2010 following the appointment.



Photo courtesy of Candoco Dance Company 2007/08 Photographer: Felix Lammers

London's Candoco Dance Company has been awarded one of the ten commissions for the first round of Unlimited, the London 2012 Cultural Olympiad project. Candoco Dance Company's commission is called Candoco Unlimited.

Candoco performed in the handover ceremonies of the 2008 Beijing Olympic and Paralympic Games - the first time disabled performers have appeared in both events.

## The Background and Functions of the Olympic Lottery Distributor

The Government introduced the Horserace Betting and Olympic Lottery Bill to Parliament in December 2003 and the Act gained Royal Assent on 28 October 2004. In the event that London was chosen to host the 2012 Olympic and Paralympic Games, the Act enabled the promotion of Lottery Games dedicated to raising funds for London 2012.

The Act also created the necessary structures for holding the proceeds from these Lottery games (the Olympic Lottery Distributor Fund) and a distribution mechanism (the Olympic Lottery Distributor) that would enable those proceeds to be used to meet expenditure in connection with funding London 2012.

The Olympic Lottery Distributor was established by a Commencement Order, which came into force on 8 July 2005.

The Olympic Lottery Distributor's remit is to ensure proper, timely and effective distribution of Lottery money and to fund any facility, if necessary or expedient, for the delivery of the London 2012 Olympic and Paralympic Games. We will monitor grants to ensure that they are spent effectively. During 2009/10 the OLD has committed grants to both the Olympic Delivery Authority (ODA) and the London Organising Committee of the Olympic and Paralympic Games (LOCOG). The projects that those funds have supported are highlighted in the introductory section of this Annual Report.



# The aims and objectives of the Olympic Lottery Distributor

The OLD's Strategic Priority, as set out in its Funding Policy, is to assist in the achievement of the four main themes which underpin the 2012 Olympic Games and Paralympic Games:

- Delivering the experience of a lifetime for athletes;
- Leaving a legacy for Sport in Britain;
- Benefiting the Community through regeneration;
- Supporting the International Olympic Committee (IOC) and International Paralympic Committee (IPC).

Underpinning this priority are the following Strategic Objectives:

1. To support the delivery of the 2012 Olympic Games and Paralympic Games by funding the provision of the necessary facilities and infrastructure in a manner that:
  - is in accord with the fundamental principles of the Olympic Charter and, in particular, that sport is a human right which should be available to all, and cannot be reconciled with any form of discrimination;
  - embraces the concept of environmentally sustainable development, and which complies with applicable environmental legislation and serves to promote the protection of the environment;
  - delivers post-Olympic use of venues and other facilities and infrastructures and positive legacies both socially in the local and wider communities and in environmental practices and policies;
  - provides the best possible experience for participants, spectators and viewers of the events.
2. To ensure that best value is achieved with Lottery monies.
3. To ensure maximum transparency and accountability.

And the following Funding Objectives:

Funding is provided by the OLD to support those bodies that are tasked with delivering or implementing the plans of the Olympic Board. In providing funding, the OLD will actively seek to fund activities related to the implementation of those plans which:

- Ensure the timely and cost-effective delivery of the 2012 Olympic and Paralympic Games;
- Directly relate to requirements incorporated in the Host City Contract;
- Contribute to the infrastructure and sports legacy of the Games;
- Contribute to a legacy that demonstrates social inclusivity;
- Support wider Community and Regeneration benefits;
- Contribute to the delivery of the Games which are low carbon, zero waste, conserve biodiversity and promote environmental awareness and partnerships.

## The Board of the Olympic Lottery Distributor and OLD Board activity 09/10



Janet Paraskeva



Carol Ainscow



Lindsey Holbrook

**Janet Paraskeva, Chair** Date of Re-Appointment: 1.3.10 (Date of Appointment: 1.3.06)  
Janet is first Civil Service Commissioner and Chair of the Child Maintenance and Enforcement Commission. She is also non-executive Board Member of the Serious Organised Crime Agency (SOCA) and an Observer on the Cultural Olympiad Board. Janet was the Law Society's Chief Executive from 2000 until August 2006.

**Carol Ainscow** Date of Appointment: 8.12.08  
Carol is founder and owner of the Artisan Property Group and she has made a significant contribution to urban regeneration in the UK. Carol is also non-executive director of the Greater Manchester Passenger Transport Authority and was founder member of the Library Theatre Development Trust.

**Lindsey Holbrook** Date of Appointment: 8.12.08  
Lindsey is a Civil Engineer with forty years' experience in the design and construction of major projects in the UK and overseas. He is a Panel Member of the Independent Dispute Avoidance Panel (IDAP) established by the Olympic Delivery Authority to help avoid disputes with contractors during the construction of the Olympic facilities.

**Hilary Daniels** Date of Appointment: 15.4.06 (re-appointment 15.4.10)  
Hilary is a member of the Professional Oversight Board of the Financial Reporting Council and a Past President of CIPFA. She was Chief Executive of West Norfolk Primary Care Trust from 2000 - 2006 and is currently member of the East Northamptonshire Standards Board. Hilary became an independent member of the Professional Standards Board of ILEX in October 2008. Hilary is Chair of the OLD Audit Committee.

**CLlR Sirajul Islam** Date of Appointment: 18.1.10  
Sirajul has over ten years experience of leading and managing change in the public sector. He is a Community Cohesion and Engagement Consultant and Councillor for Bethnal Green South Ward, LB Tower Hamlets. Sirajul's other appointments include Governor of John Scurr Primary School, Board Member of Tower Hamlets Community Housing, Trustee of Spitalfields Market Community Trust and member of the Local Government Association's Regeneration and Transport Board.

**Sir Craig Reedie CBE** Date of Appointment: 15.4.06 (re-appointment 15.4.10)  
Craig has been a member of the International Olympic Committee since 1994 and was Chairman of the British Olympic Association between 1992 and 2005. He is a member of the Board of the London Organising Committee of the Olympic and Paralympic Games (LOCOG). Craig is Chair of the OLD HR & Remuneration Committee.



Hilary Daniels



Sirajul Islam



Sir Craig Reedie CBE

The OLD Board met seven times in 2009/10 and the Audit Committee and HR & Remuneration Committee met three and four times respectively.

The Board continued its monitoring of the Olympic build and again had the opportunity to visit the Olympic Park site in February 2010. The Board considered issues in respect of the Olympic project, for example relating to Olympic Village and the Handball Arena and in May 2010 requested a presentation from LOCOG on ticketing arrangements for London 2012.

In June 2009 the Board agreed to commit a grant of £15.6m to LOCOG for the Cultural Olympiad.

In December 2009 the Board agreed a further grant of £800k to LOCOG for Live Sites Phase II - specifically the erection of two additional Live Sites Screens in Belfast and Coventry. The Board also agreed to increase the Lifetime Grant to the ODA by £30.1m to £1,615m and to consider a supplementary grant of £69.2m.

Prior to the commitment of this supplementary grant to the Olympic Delivery Authority a Memorandum of Understanding between the OLD and the Government was signed and placed in the Libraries of both houses. This Memorandum records that a proportionate share of income receipts in relation to the Olympic Village will be returned to the National Lottery.

More detail on the background to Board decisions re grants can be found in the Summary Minutes of OLD Board Meetings which are published on the OLD website ([www.olympiclotterydistributor.org.uk](http://www.olympiclotterydistributor.org.uk)).

The Board's operational business included approving the OLD's Annual Business Plan and its Annual Report and Accounts, and reviewing its Communications Strategy. The Audit Committee continued to monitor risk.

An audit of Board Members' skills was undertaken in the summer and the results fed into the appointment process for a new Board Member. Sirajul Islam was appointed in January 2010. The four year term of office of the Board's Chair, Janet Paraskeva, expired on 1 March 2010. Janet has been appointed for a second term of office.



Alyson Coates

An independent External Audit Committee Member, Alyson Coates, was appointed in September 2009. Alyson is the Vice Chair of the NHS South Central Strategic Health Authority and Chair of its Audit Committee. She is a Member of the Auditing Practices Board of the Financial Reporting Council and an Independent Governor of Oxford Brookes University.

## Internal Governance

The OLD Board has adopted procedures for meetings that establish a quorum of three Board Members with no members holding a casting vote.

The Board has adopted a Code of Practice for Board Members. The Board appointed RSM Tenon as the Distributor's Internal Auditors for the 2009/10 financial year.

## Organisational Governance

The Olympic Lottery Distributor was issued with Policy Directions and a Statement of Financial Requirements by its sponsor department, the Department for Culture, Media and Sport (DCMS) in February 2005. The OLD's Funding Policy has been agreed and circulated to statutory consultees. This Funding Policy is published on the OLD website ([www.olympiclotterydistributor.org.uk](http://www.olympiclotterydistributor.org.uk)).

The OLD was issued with a Management Statement and Accounts Directions by the DCMS in August 2006.

## Strategic Consideration

The Olympic Lottery Distributor's primary role is to fund the provision of facilities and supporting infrastructure directly related to the operation of the London 2012 Olympic and Paralympic Games, as set out in the candidate file which secured the Games for London.

The OLD intends to provide grant in the most efficient way and will minimise procedural and administrative obstacles to the delivery of the Games. The Board is keenly aware of the need to ensure the proper use of Lottery funds and to account to Parliament, and the public, for its stewardship of Lottery players' money.

The Board considers issues around environmental and social sustainability and the legacy of the Games. It has recognised that there are inherent challenges in the delivery of these aspects of the Olympic Bid but hopes to ensure, as far as possible when investing Lottery funds, that the principles of legacy and sustainability will be upheld.

The OLD Board will also seek to ensure that proper accountability is maintained and that OLD operational expenditure will be minimised.

The Olympic Stadium March 2010

Photo courtesy of London 2012



## Stakeholder Relations

The London 2012 Games will be delivered by a variety of organisations in a complex network of relationships and with multiple accountabilities.

This network evolves and develops just as the OLD continues to build on, and strengthen, the relationships it has with key stakeholders, particularly its sponsor body, the DCMS, and the delivery bodies - the Olympic Delivery Authority (ODA) and the London Organising Committee of the Olympic and Paralympic Games (LOCOG). During 2009/10, the OLD also built up a relationship with the East London Business Alliance (ELBA) to help deliver community benefits in the five London Boroughs.

The OLD is represented at the Olympic Park Regeneration Steering Group, the Olympic Projects Review Group, the Olympic Board Steering Group and the Cultural Olympiad Board. These groups include representation from the ODA, LOCOG, HM Government, the Greater London Authority and the five host Olympic Boroughs.

## Grant Management in 2009/10

During 2009/10 the OLD made 4 grant commitments and 1 grant de-commitment totalling £114.7 million as follows:

- Additional grant towards lifetime operations of the Olympic Delivery Authority - £30.1 million. Total lifetime grants of £1,615 million are being claimed in tranches up to 2012/13 as key milestones are reached.
- Supplementary Grant to meet cashflow implications to the Olympic Delivery Authority of public funding for the Olympic Village vertical build - £69.2 million. The grant will be paid during 2011/12.
- De-commitment of grant towards lifetime operations of the Olympic Delivery Authority - £0.99 million.
- Grant towards Cultural Olympiad projects run by the London Organising Committee of the Olympic Games (LOCOG) - £15.59 million.
- Grant towards Live Sites Phase II project run by the London Organising Committee of the Olympic Games (LOCOG) - £0.8 million.

## Common Customer Service Charter

The Olympic Lottery Distributor has, along with other National Lottery distributors, signed up to a Common Customer Service Charter. We have complied with the principles set out in this Charter, during 2009/10.

## Risk Management

The OLD continued to monitor risk in 2009/10. In autumn/winter 2009 the OLD revised the structure of its Risk Register and Action Plan to more fully reflect changing OLD grant business. The Risk Register and Action Plan was combined and separate Risk Registers were created for Operational Risks and specific grant risks.

The OLD's Audit Committee endorsed the draft format of the new Risk Registers at its February 2010 meeting and the new documentation was approved by the OLD Board in May 2010.

The OLD's Risk Management Action Plans focus on ensuring that grants are made on the basis of proper and timely assessments, that they are not improperly or irregularly paid and that the OLD is able to pay grant requests within an appropriate timeframe. These are the key risks that the OLD considers would impact significantly on the Olympic project.

In November/December 2009, the OLD considered operational risks around the departure of the then Chief Executive and mitigating action was put in place by the OLD Board and OLD staff.

The Statement on Internal Control in the Annual Accounts sets out further details on the OLD treatment of risk. The OLD's approach to managing information risk is also outlined in the Statement of Internal Control.

The OLD has suffered no protected personal data incidents during 2009/10 or prior years, and has made no reports to the Information Commissioner's Office.

## Olympic Lottery Distributor Staff

The Chief Executive is supported by a small team and as at 31 March 2010 the total staffing complement of the OLD was six (including the Chief Executive). During 2009/10, Mike O'Connor left the Olympic Lottery Distributor to take up the post of Chief Executive of Consumer Focus. He was replaced as Chief Executive by Ian Brack. One new staff appointment was made, to the post of Appraisal and Monitoring Officer.

The OLD's recruitment and HR policies reflect its commitment to appointment and advancement on merit to provide equal opportunities for all applicants and staff.

Response and success rates of recruitment campaigns are monitored and practical steps are taken to address access requirements. None of the Distributor's six staff currently classify themselves as being from an ethnic minority background or as having a disability. OLD staff are encouraged to participate in professional development and work related training, and the OLD actively supports such training. All staff have access to an Employee Assistance Programme.

The average level of sickness absence of OLD staff in 2009/10 was 3.7 days per employee (2008/09 - 2.3 days).

The OLD is committed to having a staffing structure that remains efficient and effective whilst ensuring that it has sufficient resources to fulfil its remit. The diagram below shows the functions those staff perform.





## Operational Performance

The Distributor's results for the period from 1 April 2009 to 31 March 2010 and financial position at the year-end are set out in the Net Income Statement, Statement of Financial Position and supporting notes on pages 40-49. The accounts have been prepared in accordance with the Accounts Direction given by the Secretary of State for Culture, Olympics, Media and Sport with the approval of the Treasury, in accordance with Schedule 5 (14) of the Horserace Betting and Olympic Lottery Act 2004.

All the Distributor's expenditure is met from the balance held on its behalf in the Olympic Lottery Distribution Fund (OLDF). At 31 March 2010, the market value of balances held by the OLDF was £109,310,000 (2008/09 £112,853,032).

Operating Expenditure for the year was £739,000 (2008/09 - £730,554) and the value of grant commitments and de commitments in the year was £114,701,400 (2008/09 - £nil).

As explained in note 1b to the Annual Accounts, the Distributor recognises grant commitments made in anticipation of income being received. This results in the Statement of Financial Position at 31 March 2010 showing total net liabilities of £833,702,527 (2008/09 - £1,097,304,539).

**Investment Income:** Investment Income is earned on amounts invested within the Olympic Lottery Distribution Fund. This is further explained in Note 8. to the Accounts. During 2009/10, the OLDF earned £934,000 (2008/09 - £2,433,027) in investment income. Interest is also earned on accounts held within the commercial bank account although the Distributor aims to keep this balance at a minimum.

**Taxation:** The OLD is liable for corporation tax on interest earned on its commercial bank account and so attempts to minimise the balance held in this way. On bank interest received in 2009/10, tax of £338 is due (2008/09 - £4,593).

**Events after the reporting period:** Events are detailed in note 15.

**Auditors:** Under the Horserace Betting and Olympic Lottery Act 2004, the Distributor is required to have its financial statements audited by the Comptroller and Auditor General. The cost of the statutory audit is shown in Note 5. There was one additional service provided by the National Audit Office in 2009/10. International Financial Reporting Standards (IFRS) are to be implemented in the public sector from 1 April 2009. In December 2009, the NAO reviewed a restated IFRS balance sheet prepared by the Distributor as at 1 April 2009. They concluded that it had been properly prepared in accordance with the FReM. The fee for this work is disclosed in Note 5.

**Pensions:** We are a participating employer in the Principal Civil Service Pension Scheme. Notes 1e) and 4 disclose how pension liabilities are treated.

**Financial instruments and risk:** Note 8 gives details of the Distributor's exposure.

Key performance indicators are set by the Olympic Lottery Distributor and are approved by our sponsor department, the Department for Culture, Media and Sport.

In 2009/10 the Olympic Lottery Distributor achieved all of its Performance Indicators, as set out below.

Performance Indicator	Performance during 2009/10
To ensure payment of compliant grant requests within 10 working days (from receipt). If requests prove to be non compliant, we will refer them back to the grantee within that period.	During 2009/10, the Distributor took an average of 8 working days to pay against compliant requests. The OLD met the indicator in all but two cases where the applicant submitted early claims with our prior agreement.
To pay agreed invoices within 30 days of invoice date in line with the Better Payment Practice Code.	During 2009/10, the Distributor paid 95.6% of invoices within 30 days of invoice date (2008/09 - 93.7%) and took an average of 16.75 days to settle invoices.
To ensure that the OLD's total lifetime operating expenditure will be less than 1% of its total income.	The OLD's lifetime operating expenditure to 31 March 2010 is £2,610,547. This is 0.3% of its income to date of £872,234,792.

## Performance Indicator

## Performance during 2009/10

To ensure that the OLD budget will be approved before the beginning of the financial year to which it relates.

The OLD's 2010/11 budget was approved by the OLD Board on 18 March 2010.

To achieve an unqualified external audit opinion on OLD financial statements.

The Annual Accounts for 2008/09 had an unqualified audit opinion issued on 3 July 2009. The accounts were laid before the Parliamentary Recess.

This report sets out the Distributor's policy on the remuneration of Board and Committee Members and the Chief Executive of the Distributor.

#### Board and Committee Members: remuneration policy

The remuneration policy and remuneration rates for members of the Board and Committees are set by the Department for Culture, Media and Sport. Members do not receive salary or pension remuneration. The Chair of the Distributor was entitled to receive an annual honorarium of £10,735. Other members were entitled to receive an attendance allowance of £218 per day.

All Members are entitled to be reimbursed for expenses. Where those expenses are regarded by the HMRC as taxable, the Distributor bears the related employee tax charge and this is included as remuneration in the table below. Any related Employers national insurance is borne by the Distributor and not included below.

#### Board and Committee Members: remuneration received (audited information)

During the year to 31 March 2010, Board members received a total of £26,446 in allowances and expenses (31 March 2009: £19,518).

	Amount claimed in 2009/10 £'000	Amount claimed in 2008/09 £'000
Janet Paraskeva	10-15	10-15
Hilary Daniels	0-5	0-5
Sir Craig Reedie	0-5	0-5
Carol Ainscow	5-10	0-5
Lindsey Holbrook	0-5	0-5
Sirajul Islam	0-5	n/a
Sharmila Nebhrajani (left 31/10/08)	n/a	0-5
David Ross (left 9/12/08)	n/a	Nil
Alyson Coates (Audit Committee member)	0-5	n/a

#### Directors: remuneration policy

The Board has established an HR and Remuneration Committee to consider and agree the terms and conditions of employment for the Chief Executive and review these annually. This includes reviewing pay and considering performance against annually agreed objectives.

As a normal requirement of sponsorship the Board consults the Department for Culture, Media and Sport on the Chief Executive's pay, terms and conditions and uses the Non- Departmental Public Body model contract of employment to set terms including pay increases, which are limited by the contract and agreed solely on the basis of performance.

All Members of the Board are Members of the HR and Remuneration Committee and a Board Member other than the Chair of the Olympic Lottery Distributor chairs the Committee. The Committee operates within written terms of reference and has met four times during the year.

The OLD has assessed the definition of staff for inclusion in the Remuneration Report and concludes that only one manager, the Chief Executive, falls within the interpretation given in HM Treasury Financial Reporting Manual. Although this is an unusual position it is consistent with the organisational structure and very small staff size of the distributor, as detailed in the Management Commentary.

#### Directors: remuneration due (audited information)

Mike O'Connor resigned as Chief Executive with effect from 21 January 2010 to take up an appointment with Consumer Focus.

Ian Brack was appointed by the Board as Interim Chief Executive on 19 January 2010 and as permanent Chief Executive for the Distributor with effect from 15 February 2010. He was appointed as Accounting Officer with effect from 19 January 2010. Ian had previously been employed by the OLD as Director of Policy, which is a non-disclosable post.

	Salary 2009/10 £'000	Employer's Pension contributions 2009/10 £'000	Non Consolidated performance related pay 2009/10 £'000	Total 2009/10 £'000	Total 2008/09 £'000
Mike O'Connor (to 21/01/10)	114 <sup>1</sup>	24	16	154	169
Ian Brack (from 19/01/10)	18 <sup>1</sup>	4	0	22	n/a

<sup>1</sup> The full year equivalent salaries for Mike O'Connor and Ian Brack are £137,000 and £89,000 respectively.

The HR & Remuneration Committee considered performance pay for Mike O'Connor based on his performance during the part year to 21 January 2010 and offered a pro-rated award of £11,050 for this period. The committee also considered performance against the additional conditions attached to an award offered in 2008/09 which had been voluntarily deferred by Mike O'Connor. The Committee agreed to payment of the deferred sum of £5,190.

Ian Brack will first be considered for performance related pay for the 13.5 month period ending 31 March 2011.

#### Directors: Pension benefits (audited information)

Details of the pension entitlement of the Chief Executive are:

	Accrued pension at pension age as at 31 March 2010 £'000	Pension increase in the year 2009/10 £'000	Cash equivalent transfer value at 31 March 2010 £'000	Cash equivalent transfer value at 31 March 2009* £'000	Real increase CETV funded by employer 2009/10 £'000
Mike O'Connor (to 21/01/2010)	25.7	2.6	441	370	40
Ian Brack (from 19/01/2010)	3.5	0.5	49	45	5

\*This figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

### Civil Service Pensions

Pension benefits are provided through Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium, or classic plus) or a 'whole career' scheme (nuvos). These statutory schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum.

Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is uprated in line with RPI. In all cases members may opt to give up pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided death in service and ill health retirement cover.

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice.gov.uk/my-civil-service](http://www.civilservice.gov.uk/my-civil-service)

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Ian Brack  
Chief Executive and Accounting Officer

Date: 24 June 2010

## Statement of the Board and the Chief Executive's Responsibilities

Under the Horserace Betting and Olympic Lottery Act 2004, the Secretary of State for Culture, Olympics, Media and Sport has directed the Olympic Lottery Distributor to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Olympic Lottery Distributor and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State for Culture, Olympics Media and Sport, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Distributor will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has appointed the Chief Executive as Accounting Officer for the Distributor. The responsibilities of an Accounting Officer, including responsibility for propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Distributor, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in 'Managing Public Money' (TSO) and in the Financial Directions issued by the Secretary of State for Culture, Olympics, Media and Sport.

The Accounting Officer has taken steps to make himself aware of any relevant audit information and to establish that the Distributor's auditors are aware of that information. So far as the Accounting Officer is aware, there is no relevant information of which the auditors are unaware.



## Statement on Internal Control

### Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Olympic Lottery Distributor's policies, aims and objectives, as set out by the Board. It is also my duty to safeguard public funds and Distributor assets for which I am personally responsible, in accordance with the responsibilities assigned to me in 'Managing Public Money'. This ensures compliance with the requirements of the Distributor's Financial Directions issued by the Department for Culture, Media and Sport.

### 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 risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the Olympic Lottery Distributor for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

### Capacity to handle risk

The Distributor's Board has overall responsibility for managing risk within the organisation at a strategic level. The Board has delegated responsibility for regular monitoring to an Audit Committee which is chaired by a member other than the Chair of the Distributor. During 2009/10 the Committee was strengthened by the appointment of an independent member.

The Committee in turn looks to the OLD Executive to set operational strategies for managing risk. These operational strategies are set out in a risk management policy which is reviewed annually by the Audit Committee, approved by the Board and circulated to staff. Regular staff risk meetings are chaired by the Chief Executive and led by an experienced risk manager who provides advice and guidance to staff on implementation of the policy.

The Distributor meets a risk maturity level of "Risk Defined", meaning that the Distributor's arrangements include a defined risk appetite with risk strategy and policies in place that are well communicated. Internal Audit rely on the Distributor's own assessment of risk, but will also identify other risk areas for internal audit coverage.

### The risk and control framework

The system of internal control is based on a set of policies and financial and administrative procedures in line with Policy and Financial Directions set by the Secretary of State. These include a policy on fraud. The Distributor also relies on the following controls:

- A Board which has a code of practice including a policy on declaration and registration of interests. The Board is responsible for strategic planning and direction, approving the annual report and accounts and ensuring the Olympic Lottery Distributor fulfils its obligations as an employer.

- An Audit Committee with agreed terms of reference. The Committee receives and reviews internal and external audit reports and considers the adequacy of management responses to issues identified. It also reviews the effectiveness of the internal control system, including review of the risk register along with details of key risk movements in each period. The Audit Committee met three times during 2009/10.
- An Internal Audit function that operates to standards defined in the Government Internal Audit Manual and whose programme of work is agreed and monitored by the Audit Committee. Internal auditors base their annual internal audit plans on an analysis of risk to which the Olympic Lottery Distributor is exposed.
- A risk management policy which requires all staff to understand and manage risks in their areas of responsibility. The Distributor has determined its risk appetite as 'Cautious to Open'. A register captures risks identified along with steps to mitigate risk and a collective assessment of likelihood and impact. In 2009 the OLD reviewed its risk register and made some changes to reflect the evolving nature of the OLD's business, in particular with regard to its grant making.
- The Distributor is alert to the issue of information risk and the need for secure storage and transmission of data. Limited data is held and only that which is pertinent to the two grant recipient organisations and six staff members. Any unavoidable transmission of data is carried out in a form that follows Cabinet Office guidance on security. During 2008/09 an internal audit review of access arrangements to Distributor data was carried out. The Distributor has assessed its compliance against the mandatory requirements of the HMG Security Policy Framework in both 2008/09 and 2009/10.

#### 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 managers within the Distributor 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 ensured knowledge of the period prior to my appointment as Accounting Officer through prior experience of the Distributors' risk processes and review of internal and external audit reports for the year.

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 Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Internal Audit completed a planned programme of work for the year ended 31 March 2010. They have submitted an annual report, which includes their opinion on the adequacy and effectiveness of the Distributor's governance, risk management and control arrangements together with any recommendations for improvement. They are satisfied that sufficient audit work has been undertaken to allow them to draw a reasonable conclusion as to the adequacy and effectiveness of the Olympic Lottery Distributor's arrangements.

It is their opinion, based on the work they undertook, that during 2009/10 the Distributor had a robust framework of controls which ensures that objectives are likely to be achieved. Controls are applied continuously or with minor lapses.

Although Internal Audit identified some practical recommendations they were able to issue a 'Substantial' assurance level on all individual audit reviews. This should be viewed in the context of the range of assurance options available to them, namely 'Substantial' and 'Adequate', being positive opinions and 'Limited' being a negative opinion. They were also able to give an opinion that good progress had been made in implementing actions to address previous audit recommendations.

As noted above, the Distributor has assessed its compliance against the mandatory requirements of the HMG Security Policy Framework and by March 2010 considered that it satisfied all applicable requirements.

The OLD has suffered no protected personal data incidents during 2009/10 or prior years, and has made no reports to the Information Commissioner's Office.

At the year end the Distributor's risk registers were monitoring 32 active risks covering operational issues and grant programmes. Operational issues most commonly arise from the Distributor's small size and reliance on shared back office services whereas grant issues consider the processes needed to ensure proper decision making, to secure accurate monitoring information and to protect Lottery rights. After mitigation, 6 register risks were scored as medium risk with the remaining 26 scored as low risk.

I consider the Olympic Lottery Distributor's control environment to have operated effectively throughout 2009/10.

Ian Brack  
Chief Executive and Accounting Officer

Date: 24 June 2010

# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Olympic Lottery Distributor for the year ended 31 March 2010 under the Horserace Betting and Olympic Lottery Act 2004. These comprise the Net Income Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Chief Executive and auditor

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

## Scope of the Audit of the Financial Statements

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

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

## Opinion on Regularity

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

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Olympic Lottery Distributor's affairs as at 31 March 2010 and of its net income, changes in equity and cash flows for the year then ended; and

- the financial statements have been properly prepared in accordance with the Horserace Betting and Olympic Lottery Act 2004 and directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the directions issued under the Horserace Betting and Olympic Lottery Act 2004; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

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

Dated: 30 June 2010

## Net Income Statement for the year ended 31 March 2010

	Notes	2009/10 £'000	2008/09 £'000
<b>Income</b>			
Proceeds from the National Lottery	6	378,106	208,574
Investment income on balances at the Olympic Lottery Distribution Fund	6 & 8c	934	2,433
		<u>379,040</u>	<u>211,007</u>
<b>Expenditure</b>			
Grant commitments made in year		(115,688)	(0)
Less grant de-committed in year		<u>987</u>	<u>0</u>
	10	(114,701)	(0)
Employee costs	3	(508)	(500)
Other expenditures	5	(231)	(230)
		<u>(115,440)</u>	<u>(730)</u>
<b>Net income/(expenditure)</b>		<b>263,600</b>	<b>210,277</b>
Bank interest receivable		2	22
Corporation tax due on interest income	7	0	(5)
<b>Net income/(expenditure) after interest and tax</b>		<b><u>263,602</u></b>	<b><u>210,294</u></b>

As fully explained in accounting policy note 1b), these accounts have been prepared on a going concern basis.

The notes on pages 40 - 49 form part of these accounts.

## Statement of Financial Position as at 31 March 2010

	Notes	2009/10 £'000	2008/09 £'000	2007/08 £'000
<b>Current assets</b>				
Trade and other receivables		5	5	4
Investments: Balance in Olympic Lottery Distribution Fund	6	109,310	112,853	27,517
Cash at bank and in hand	9	22	14	56
<b>Total assets</b>		<b>109,337</b>	<b>112,872</b>	<b>27,577</b>
<b>Current liabilities</b>				
Grant commitments	10	(426,375)	(374,620)	(127,620)
Trade and other payables	11	(39)	(57)	(56)
<b>Total current liabilities</b>		<b>(426,414)</b>	<b>(374,677)</b>	<b>(127,676)</b>
<b>Net current (liabilities)/assets</b>		<b>(317,077)</b>	<b>(261,805)</b>	<b>(100,099)</b>
<b>Non-current liabilities</b>				
Grant Commitments	10	(516,626)	(835,500)	(1,207,500)
<b>Assets less liabilities</b>		<b>(833,703)</b>	<b>(1,097,305)</b>	<b>(1,307,599)</b>
Represented by:				
Income and Expenditure Reserve		(833,703)	(1,097,305)	(1,307,599)

The financial statements were approved by the Board of the Olympic Lottery Distributor on 24 June 2010 and signed on its behalf by:

Ian Brack  
Chief Executive and Accounting Officer  
24 June 2010

Dame Janet Paraskeva DBE  
Chair  
24 June 2010

## Statement of Cash Flows for the year ended 31 March 2010

	Notes	2009/10 £'000	2008/09 £'000
Cash flows from Operating Activities			
Funds received from the Olympic Lottery Distribution Fund	6	382,583	125,671
Payments re grant commitments	10	(381,820)	(125,000)
Payments to suppliers		(229)	(224)
Payments to and on behalf of employees		(523)	(505)
Bank interest received		2	22
Tax paid on bank interest received		(5)	(6)
		<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities		8	(42)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalent balances in the period		8	(42)
Cash and cash equivalents at the beginning of the period		14	56
		<hr/>	<hr/>
Cash and cash equivalents at the end of the period	9	22	14
		<hr/>	<hr/>



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

	Notes	Income & Expenditure Reserve £'000
Balance at 31 March 2008		(1,307,592)
Changes in accounting policy	2	(7)
		<hr/>
Restated balance at 1 April 2008		(1,307,599)
Changes in reserves 2008/09		
Retained Surplus/Deficit		210,294
		<hr/>
Balance at 31 March 2009		(1,097,305)
Changes in reserves 2009/10		
Retained Surplus/Deficit		263,602
		<hr/>
Balance at 31 March 2010		<hr/> <u>(833,703)</u>

## Notes to the Accounts

### 1. Accounting Policies

These financial statements have been prepared in accordance with the 2009/10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Olympic Lottery Distributor for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Olympic Lottery Distributor are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### (a) Conventions

The accounts have been prepared under the historical cost convention as modified by the revaluation of current asset investments by reference to current costs where these are materially different to their value under the historical cost convention. They have been prepared in a form directed by the Secretary of State with the consent of Treasury on 31 July 2006 in accordance with Paragraph (14)(2)(f) of Schedule 5 to the Horserace Betting and Olympic Lottery Act 2004.

Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act 2006 and International Accounting Standards.

#### (b) Going concern

The annual accounts have been prepared on a going concern basis. Although the Olympic Lottery Distributor (OLD) showed a significant decrease in funds occurring in year 2007/08, when a £1.4 billion lifetime grant was committed to the Olympic Delivery Authority, and in 2009/10 is still showing net liabilities, the Distributor is not insolvent. Grant commitments must be recognised in the OLD balance sheet at the date of acceptance. Although income to meet the commitment cannot be anticipated in the accounts, it is forecast that it will be received in time to meet any payments. In addition, all grant agreements state that the ability of the OLD to provide grant is dependant on the continued operation of the National Lottery and allocations to the OLD. Should that source of funding cease, the OLD may terminate its commitment to pay grant.

#### (c) Olympic Lottery Distribution Fund

Balances held in the Olympic Lottery Distribution Fund (OLDF) remain under the stewardship of the Secretary of State for Culture, Olympics, Media and Sport. However, the share of these balances attributable to the Olympic Lottery Distributor is as shown in the Accounts and, at the end of the reporting period, has been certified by the Secretary for State of Culture, Olympics, Media and Sport as being available for distribution by the Distributor in respect of current and future commitments.

#### (d) Cash and cash equivalents

The balance held with the Olympic Lottery Distribution Fund is not identified as a cash equivalent. The investment is held on call notice deposit with the Commissioners for the Reduction of National Debt, and the Distributor is required not to draw down from the Fund other than to meet its immediate short-term cash commitments.

The OLDF balance is classified as a current asset investment in the Statement of Financial Position.

The bank account of the Olympic Lottery Distributor is operated by the Big Lottery Fund as our agent and is classified as cash. This is to minimise transaction costs and improve financial control. At 31 March 2010 the balance of £22,406 was made up of £26,285 cash held in the Distributor's account with the Big Lottery Fund, less £3,879 of recharges due to the Big Lottery Fund for amounts paid on the Distributor's behalf.

(e) Pension fund

We are a participating employer in the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme and is unable to identify the share of underlying assets and liabilities due to the Olympic Lottery Distributor. We have therefore accounted for the scheme as if it were a defined contribution scheme in accordance with IAS 19 Employee Benefits with the costs of the scheme charged to the Net Income Statement.

(f) Soft and hard grant commitments

As required by the Secretary of State for Culture, Olympics, Media and Sport, a distinction is made in respect of Lottery awards between 'hard commitments' and 'soft commitments'.

'Hard' commitments are defined by the Distributor as a firm offer of grant by the Board that has been accepted by the recipient. The entire hard commitment due over the life of a grant is recognised as expenditure in the Income Statement in the year in which the grant offer is accepted. 'Soft' commitments are defined as the potential commitment on projects for which the Board has given approval to issue a grant offer but where the offer has not been accepted. Details of any soft commitments are disclosed in Note 10 to the accounts.

Olympic Lottery Distributor funding for the main ODA lifetime grant will span a 7 year period from 2006 to 2013 and funding for LOCOG cultural projects will span a 4 year period. In order to combine financial control and flexible funding and retain the ability to work with other funding partners, the Distributor has reserved the right to set and vary detailed terms & conditions of grant as each project crystallises and before release of funds.

Hard commitments payable within one year of the end of the reporting period are recognised as current liabilities. Those payable more than one year from the end of the reporting period are shown as non current liabilities. They do not fall under the definition of Financial Instruments in IAS 39 and are not shown at amortised cost.

(g) Employee benefits – IAS 19

Due to the nature of the OLD's business, management believe it unlikely that the Distributor will continue in operation beyond 31 March 2013. In the event that their employment is terminated, all employees are covered by the terms of the Civil Service Compensation Scheme. As at 31 March 2010 five staff members had service in excess of one year and were notionally entitled to redundancy payments. IAS 19 requires an organisation to recognise any obligation for termination payments at the year end once a demonstrable commitment to terminate employment exists. A decision on the arrangements for winding up the Distributor rests with the Department for Culture, Media and Sport. No commitment existed at 31 March 2010 but once this decision is made, the Distributor will recognise the resulting obligations.

In line with IAS 19, staff costs for the year include an accrual to reflect the value of untaken staff annual leave entitlements as at 31 March 2010. Annual accrual movements are disclosed in Note 3. Also, in line with IAS 19 the liability provisions for staff and chief executive performance pay are amalgamated under trade and other payables in Note 11.

## 2. First time adoption of International Financial Reporting Standards

In the 2008 budget the Government announced that International Financial Reporting Standards (IFRS) would be implemented in the Public Sector from 1 April 2009.

Reconciliation of changes required under IFRS:

	2008/09	2007/08
	£'000	£'000
Income & Expenditure Reserve under UK GAAP	(1,097,295)	(1,307,592)
Adjustments arising from changes to accounting policies:		
Staff annual leave accrual	(10)	(7)
	<hr/>	<hr/>
Income & Expenditure Reserve under IFRS	(1,097,305)	(1,307,599)
	<hr/>	<hr/>
	£'000	£'000
Net (expenditure)/income under UK GAAP	210,297	(1,284,035)
Adjustments arising from changes to accounting policies:		
Staff annual leave accrual	(3)	(7)
	<hr/>	<hr/>
Net (expenditure)/income under IFRS	210,294	(1,284,042)
	<hr/>	<hr/>

## 3. Employee information

Employee costs were:

	2009/10	2008/09
	£'000	£'000
Wages and salaries	379	370
Employer's pension contributions	80	83
Social security costs	40	37
Annual leave accrual	9	10
	<hr/>	<hr/>
Total employee costs	508	500
	<hr/>	<hr/>

Employee numbers were:

	2009/10	2008/09
Average permanent and fixed term FTE employees in year	5.8	5.7

No. of staff, excluding Chief Executive, earning a full time equivalent salary of over £50,000 per annum were:

Pay Band	2009/10	2008/09
£55,000 - £59,999		1
£60,000 - £64,999	1	
£70,000 - £74,999	1	1

#### 4. Pensions

The Olympic Lottery Distributor is a participating employer in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme, and the Olympic Lottery Distributor is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary last valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk](http://www.civilservice.gov.uk))

For 2009/10, employer's contributions of £80,195 were payable to the PCSPS (2008/09 £83,257) at one of four rates in the range 16.7% - 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2010/11, the rates will be in the range 16.7% - 24.3%. The contribution rates are set to meet the cost of benefits accruing to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account through the PCSPS. This is a stakeholder pension with a variable employer contribution. At the end of the reporting period no employees of the Olympic Lottery Distributor had opted to open a partnership pension account.

#### 5. Other expenditure

	2009/10 £'000	2008/09 £'000
Accommodation and facilities	75	66
Communication and other professional fees	63	55
IT Services	32	33
Board and Staff recruitment	5	26
Board members remuneration & related employers NI	28	20
Other costs	14	16
External Audit (statutory audit)	12	12
External Audit (IFRS audit)	1	1
Insurance	1	1
<b>Total other operating expenses</b>	<b>231</b>	<b>230</b>

6. Income	2009/10 £'000	2008/09 £'000	2007/08 £'000
Opening balance held by the Olympic Lottery Distribution Fund as at 1 April	112,853	27,517	75,692
Proceeds from National Lottery games dedicated to the London 2012 Olympic Games and Paralympic Games.	86,106	135,574	146,762
Proceeds transferred from the National Lottery Distribution Fund	292,000	73,000	-
<b>Proceeds from the National Lottery</b>	<b>378,106</b>	<b>208,574</b>	<b>146,762</b>
Investment returns on the Olympic Lottery Distribution Fund	934	2,433	3,909
Cash drawn down in the year by the Distributor	(382,583)	(125,671)	(198,846)
<b>Closing balance held by the Olympic Lottery Distribution Fund at market value</b>	<b>109,310</b>	<b>112,853</b>	<b>27,517</b>

The 'Payments into the Olympic Lottery Distribution Fund etc. Order 2008', allows the Secretary of State to make payments from the National Lottery Distribution Fund into the Olympic Lottery Distribution Fund amounting to £1,085 million. The first of these payments was made in February 2009.

## 7. Corporation tax

The Distributor pays tax on commercial bank interest received. Interest earned on money held on the Distributor's behalf in the Olympic Lottery Distribution Fund is not taxable.

The tax charge for the year is £338 (2008/09 £4,593)

## 8. Financial instruments

IFRS 7, Financial Instruments: Disclosures, requires disclosure that enables users of the accounts to evaluate:

- The significance of financial instruments for the Olympic Lottery Distributor's financial position and performance, and
- The nature and extent of risks arising from financial instruments and how the Distributor manages those risks.

### a) Liquidity risks

In 2009/10, 99.75% of the Olympic Lottery Distributor's income was derived from proceeds from National Lottery games. The remaining income came from investment returns from the balance held with the Olympic Lottery Distribution Fund (0.25%), and from bank interest.

Part 3 of the Horserace Betting and Olympic Lottery Act 2004 makes provision for Olympic Lotteries, as part of the National Lottery. It is intended that hypothecated games will raise £750 million towards the costs of the London 2012 Olympic and Paralympic Games. These funds will flow into the Olympic Lottery Distribution Fund as they are raised through sales. In February 2008 a statutory instrument was passed (SI 2008 No.255 - The Payments into the Olympic Lottery Distribution Fund etc. Order 2008). This allowed for an additional transfer of up to £1,085 million from the National Lottery Distribution Fund to the Olympic Lottery Distribution Fund, in order to meet some of the costs of the 2012 Games. The first transfer of funds of £73 million took place on 2 February 2009 and further transfers will take place at quarterly intervals until 1 August 2012.

At the end of the reporting period the Olympic Lottery Distributor had net liabilities of £833,702,527. Payment of grant liabilities of £943,001,400 is dependent on sufficient income being received into the Olympic Lottery Distribution Fund to meet grant tranches scheduled up to 2012/13.

#### b) Cash flow projections over the next financial year

We do not believe that we are exposed to significant liquidity risks, and are satisfied that we have sufficient current liquid resources to cover our projected payments over the next financial year.

Liquid assets as at 31 March 2010	£'000
Market value of Olympic Lottery Distribution Fund investments	109,310

#### c) Interest rate risk

In accordance with the Horserace Betting and Olympic Lottery Act 2004, National Lottery income received into the Olympic Lottery Distribution Fund which is due to the Distributor, is passed to the Commissioners for the Reduction of National Debt. They invest the income in a narrow band of low risk assets such as government bonds and cash. The Olympic Lottery Distributor has no control over the investment of these funds. The management of the Olympic Lottery Distribution Fund meets representatives of the Commissioners for the Reduction of National Debt on a regular basis to manage risks associated with the investment of these monies.

At the end of the reporting period the market value of the Olympic Lottery Distributor's share of the Olympic Lottery Distribution Fund was £109,310,000. In the year the average return on these investments was 0.5%. (2008/09 3.674%).

Cash balances which are drawn down by the Olympic Lottery Distributor from the Fund to pay grant commitments and operating costs are held by the Big Lottery Fund on our behalf in an instant access variable rate bank account, which carried an average interest rate of 0.15% during the year. We consider that we are not exposed to significant interest rate risks on our cash balances.

#### d) Foreign currency risk

The Olympic Lottery Distributor is not exposed to any foreign exchange risks.

9. Cash and cash equivalents

	2009/10 £'000	2008/09 £'000	2007/08 £'000
Balance at 1 April	14	56	(82)
Net change in cash and cash equivalent balances	8	(42)	138
<b>Balance at 31 March</b>	<b>22</b>	<b>14</b>	<b>56</b>
The following balances at 31 March were held in:			
Commercial banks and cash in hand	22	14	56

The Olympic Lottery Distributor defines cash as cash in hand and on demand deposits with commercial bank accounts.

10. Soft and hard commitments

Movements in Grant commitments:

	2009/10 £'000	2008/09 £'000	2007/08 £'000
Hard commitments b/fwd	1,210,120	1,335,120	99,136
Commitments made in the period to the Olympic Delivery Authority (ODA)	99,300	0	1,431,500
Commitments made in the period to the London Organising Committee of the Olympic Games (LOCOG)	16,388	0	2,620
	115,688	0	1,434,120
De-commitments to the ODA made in the period	(987)	(0)	(136)
Commitments paid to the ODA in the period	(379,200)	(125,000)	(198,000)
Commitments paid in the period to the London Organising Committee of the Olympic Games (LOCOG)	(2,620)	0	0
<b>Hard commitments c/fwd</b>	<b>943,001</b>	<b>1,210,120</b>	<b>1,335,120</b>



The charge to the Income Statement for net hard commitments made in the year is £114,701,400 (31 March 2009 - £nil).

There were no soft commitments at 31 March 2010 (31 March 2009 - £nil).

#### Ageing of hard commitments

The hard commitment balance at the year-end represent amounts due to recipients in the following periods:

	2009/10 £'000	2008/09 £'000	2007/08 £'000
Grants scheduled for payment within one year	426,375	374,620	127,620
Grants scheduled for payment in one - two years	412,113	378,000	372,000
Grants scheduled for payment in two - three years	104,513	352,000	378,000
Grants scheduled for payment in three - four years	-	105,500	352,000
Grants scheduled for payment in four - five years	-	-	101,000
Grants scheduled for payment after five years	-	-	4,500
	<u>943,001</u>	<u>1,210,120</u>	<u>1,335,120</u>

As explained in Note 1b) all grant agreements provide for payments to be dependent on the continued operation of the National Lottery and allocations to the OLD.

#### 11. Trade payables and other current liabilities

	2009/10 £'000	2008/09 £'000	2007/08 £'000
Taxation, pension and social security costs	10	18	26
Employee benefit accrual	9	10	7
Other creditors and accruals	20	19	14
Accrual for staff performance payments	0	5	9
Accrual for Chief Executive performance pay	0	5	-
<b>Total creditors due within one year</b>	<u>39</u>	<u>57</u>	<u>56</u>

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

As detailed in the Remuneration report, pay arrangements for the Chief Executive are considered annually by the HR & Remuneration Committee. Any performance based increase for 2009/10 can be paid in part as a non-consolidated sum during 2010/11 but is accrued within the 2009/10 accounts and remuneration report.

The Distributor also operates a non-consolidated bonus scheme for all staff except the Chief Executive. Recommendations are approved by the Board and are assessed on the basis of performance during the financial year. They may be paid in the following financial year.

Accruals are made in the accounts for the total the Distributor will pay in respect of these two items during the following year.

## 12. Capital commitments

There were no contracted capital commitments at 31 March 2010 (31 March 2009 (£nil)).

## 13. Commitments under leases

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

	2009/10 £'000	2008/09 £'000
Operating leases due in:		
Not later than 1 year	1	1
Later than 1 year and not later than 5 years	1	-
	2	1

## 14. Related party transactions

### Board members and staff

During the year ended 31 March 2010, Sir Craig Reddie declared an interest in the applications from LOCOG for Cultural Olympiad projects and Live Sites Phase II project, due to his position on the Board of LOCOG. He took no part in grant discussions or subsequent decisions. The grants were unpaid as at 31 March 2010.

		Grant payments year ending 31 March 2010 £'000	Grant offered year ending 31 March 2010 £'000	Creditor at 31 March 2010 £'000
London Organising Committee of the Olympic Games (LOCOG)	Grant funding towards Cultural Olympiad projects	0	15,588	15,588
London Organising Committee of the Olympic Games (LOCOG)	Grant towards Live Sites Phase II project	0	800	800
London Organising Committee of the Olympic Games (LOCOG)	Grant funding towards Live Sites Phase I project	2,620	0	0
		2,620	16,388	16,388

There were no other transactions related to Board members, key managers or close members of their families in 2009/10 or the comparative year of 2008/09.

#### Other government bodies

The Department for Culture, Media and Sport (DCMS) is the sponsor department for the Olympic Lottery Distributor and is regarded as a related party. During the year the Olympic Lottery Distributor had the following material transactions and balances with other entities for which the DCMS is regarded as the parent department.

		Grant payments year ending 31 March 2010 £'000	Grant offered year ending 31 March 2010 £'000	Creditor at 31 March 2010 £'000
Olympic Delivery Authority	Grant funding towards delivery of lifetime Corporate Plan	379,200	30,100	857,413
Olympic Delivery Authority	Supplementary grant funding towards Village cashflow	0	69,200	69,200
		<hr/>	<hr/>	<hr/>
		379,200	99,300	926,613
		<hr/>	<hr/>	<hr/>
		Supplier expenditure year ending 31 March £'000	Creditor at at 31 March £'000	
Big Lottery Fund	Fees due under Service Level Agreements for shared support services	109	0	
		<hr/>	<hr/>	
		109	0	
		<hr/>	<hr/>	

#### 15. Events after the reporting period

These accounts were authorised for issue by the Accounting Officer of the Olympic Lottery Distributor on 30 June 2010. There were no disclosable events after the reporting period.











The Olympic Lottery Distributor is supporting the London 2012 Olympic and Paralympic Games with National Lottery money.



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