





Front Cover: Olympic Stadium, January 2009
Photo courtesy of the Olympic Delivery Authority



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

Olympic Lottery Distributor

Annual Report and Accounts 2008/09

Annual Report presented to Parliament in pursuance of Schedule 5, Paragraph 17 of the Horserace Betting and Olympic Lottery Act 2004 and Accounts presented to Parliament on behalf of the Comptroller and Auditor General in pursuance of Schedule 5, paragraph 25 of the Horserace Betting and Olympic Lottery Act 2004.

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Together with my fellow Board Members, I visited the Olympic Park in February and although most of us have seen the site before, we were all struck by the sight of huge structures emerging from the ground, reaching upwards to give an exciting taste of the transformation to come.

This is not to underplay the vital work done on earlier tasks such as undergrounding power lines or decontamination, but they simply do not compete with the excitement of seeing the major buildings take shape. Of course while the vast bulk of the work will take place in Stratford, there has been progress too in other parts of the UK. The Olympic and Paralympic sailing facilities in Weymouth were completed on time and on budget.

The physical progress on site gives us encouragement that this massive endeavour, partly funded by Lottery players, will be worthwhile, but another vital piece of development this year has been what we have seen on planning for a legacy for the Park which is economically, socially and environmentally sustainable. We were glad to see that a major public consultation on the Legacy Masterplan Framework has taken place and that a new Olympic Park Legacy Company has been formed to take forward the task of

Chair's Foreword

realising the full extent of the ambitions upon which London's bid was based.

The challenge they face is both exciting and daunting.

It was perhaps inevitable that an enterprise of the scale of the Olympic and Paralympic Games would not escape unscathed by the turbulent economic times in which we all live. The budget for the Games was always based on significant investment from the private sector. This has become more difficult to secure and we have seen the need for public money to replace private money. This should, however, lead to greater returns to the public purse, including the Lottery, in years to come.

We have seen change on our Board with the resignations of Sharmila Nebhrajhani and David Ross. We miss them both and we are grateful for all they did for the OLD. However, I was delighted to welcome two new Members to the Board: Carol Ainscow and Lindsey Holbrook.

With just over three years to go, the Games seem frighteningly close. However I believe that good progress has been made and although the challenges before us, not least the economic ones, are significant, I believe we are well placed to deliver Games we can all be proud of.

A handwritten signature in black ink that reads "Janet Paraskeva".

Janet Paraskeva, Chair



Chief Executive's Introduction

From cradle to grave we expect the life of the OLD to be about seven years, i.e. 2006-2013. Each year of our life will bring different challenges, reflecting the preparation for, and the operation of, the Olympic and Paralympic games and the first phase of transition from "Games time" to "Legacy delivery".

Over the last year our focus has been on monitoring the Olympic Delivery Authority's (ODA) progress and paying £125m in grant accordingly. The programme has undoubtedly faced challenges, not least from the credit crunch which made hoped for private investment more difficult to obtain. Despite these challenges the programme has remained on time and on budget.

Last year we also monitored the progress of the London Organising Committee of the Olympic and Paralympic Games' (LOCOG) Live Sites programme of erecting large digital screens around the country and we supported eight of these screens which were up and running in time for the Beijing Olympics. We also engaged with LOCOG on their plans for the Cultural Olympiad. This part of the Olympic programme never receives the same attention as sport but it is nonetheless an important component of the Games and has the potential to involve diverse communities right across the UK in the run up to the Games.

Each country brings something unique to the Games and London 2012 will hopefully be remembered not only for great sport, but also for how we were able to involve and inspire people by utilising the creative energy which exists in our communities.

Team GB success in Beijing heightened anticipation for the London Games and I hope Lottery players will also see evidence of what they have helped fund over the coming three years. For our part, we continue to run the OLD as efficiently as possible with our running costs representing less than half of one per cent of our income. With just over three years to go, we know that challenges remain and we will continue to focus on ensuring that Lottery players get value for their money.

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

Mike O'Connor CBE,
Chief Executive

The Olympic Park

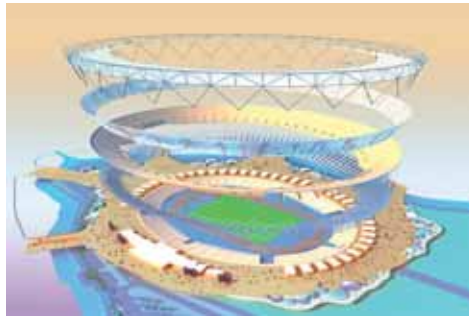
This will be the setting for most of the London based venues for the Olympic and Paralympic Games, including the Stadium, VeloPark and the Aquatics Centre. The Olympic Village which will be the home to approximately 17,000 athletes and officials during the Games, is adjacent.

The Olympic Stadium

The Olympic Stadium is situated in the south of the Olympic Park. It will be the main venue for the Olympic and Paralympic Games. Construction of the Stadium, which is well underway, started three months ahead of schedule and completion is due in Summer 2011.

The design of the Olympic Stadium features a compact seating bowl surrounding the field of play and a 'cable net' design roof that will provide support for lighting.

The capacity of the Stadium during the London 2012 Games will be 80,000. After the Games it will be scaled down to a venue with capacity for 25,000.



The Olympic Stadium - images and progress
Photos courtesy of London 2012



Velopark Progress, December 2008 Photo courtesy of London 2012

The VeloPark

Construction of the VeloPark, which will comprise a Velodrome, with seating capacity for 6,000 and a BMX Circuit, began in March 2009 and will finish in 2011. The VeloPark will be the venue for trackcycling, BMX and Paralympic Cycling during the Games. After the Games a road cycle circuit and mountain bike course will be added to create a VeloPark for the local community clubs and elite athletes.

The Handball Arena

Designs for the Handball Arena were unveiled in November 2008. It will have capacity for 10,000 Handball spectators during the Olympic Games and for 6,000 spectators for Goalball during the Paralympic Games. Post Games the Arena will be adapted into a multi-sports venue.



Image of the Handball Arena Photo courtesy of London 2012



The Aquatics Centre - Progress - Roof steel lifted into place March 2009
Photo courtesy of London 2012

The Aquatics Centre

The Aquatics Centre is situated in the south east corner of the Olympic Park. Construction commenced in July 2008, two months ahead of schedule, and work to lift the Centre's iconic 'wave shaped' roof into place began in March 2009.

During the Games the Centre will comprise a 50m competition pool, a 50m training pool and a diving pool. It will have capacity for 17,500.



Design of the Aquatics Centre, Photo courtesy of London 2012

Broxbourne White Water Canoe Centre

The White Water Canoe Centre is situated on the edge of the 1000 acre Lee Valley Park. It will include a permanent 300m competition course and a 100m warm up course for the Canoe/Slalom events during the Games. After the Games, the venue will become a Whitewater Canoe Centre for elite and beginner/intermediate canoeists. It will also become a leisure attraction for Whitewater Rafting.

International Broadcast Centre/Main Press Centre

The IBC/MPC will be a 24 hour media hub for around 20,000 broadcasters, journalists and photographers during the London 2012 Games.

It is planned to be a permanent structure with some temporary elements and will be located in the north west corner of the Olympic Park. Demanding 'green' standards have been set for the MPC such as the use of recycled non-drinking water and the introduction of new habitats to attract wildlife.



Design of the Main Press Centre Photo courtesy of London 2012

Weymouth and Portland Harbour

The enhancements to Weymouth and Portland Harbour were completed in November 2008. The enhancements included a new permanent 250m slipway and new lifting and mooring facilities. Olympic and Paralympic sailing competitions will be held at the venue during the Games.

Live Sites

The OLD's funding of Live Sites has supported screens in Bristol, Cardiff, Middlesbrough, Norwich, Plymouth, Portsmouth, Swansea and Waltham Forest. These screens are part of a nationwide network being put in place by LOCOG, which it will be pivotal in connecting the London 2012 Games to the whole of the UK. It is also hoped that the Live Sites network will help stimulate the UK's major cities and town centres, encouraging public spaces to become a focal point at the heart of their communities.

Each of the eight screens supported by the OLD (listed above) covered the Beijing Opening Ceremony.

April 2008	Work on clearing and cleaning the Olympic Stadium site completed.
May 2008	Construction of the Olympic Stadium started 3 months ahead of schedule. Olympic Park cabling in powerline tunnels beneath the Park completed.
June 2008	Construction work underway on new permanent bridges across the Olympic Park. Construction work started on the Olympic Village.
July 2008	Construction started on the Aquatics Centre two months ahead of schedule.
August 2008	<p>Work started on concrete supports for lower tiers on Olympic Stadium seating. Strong progress reported on utilities infrastructure for the Olympic Park.</p> <p>Eight of the Live Sites screens supported by the OLD (listed above) were ready in time for the Beijing Opening Ceremony on 8 August 2008.</p>
September 2008	Contractor appointed to deliver parklands for area in the north of the Olympic Park. Strong progress continues on construction of Olympic Stadium.
October 2008	First Olympic Park bridge lifted into place. First steel terracing supports, each weighting 35 tonnes, erected on Olympic Stadium.
November 2008	<p>Enhancements to sailing facilities at Weymouth and Portland completed, marking the completion of the first London 2012 venue.</p> <p>The ODA publishes details of the 45 hectares of wildlife habitats for the Olympic Park that will encourage and enhance biodiversity.</p>
December 2008	London 2012 Aquatics Centre starts to take shape. New images for VeloPark unveiled. Last pylon removed from Olympic Park site.
January 2008	Construction of the Stadium roof begins. Foundations laid for the Olympic Village.
February 2008	Construction of the new 'north-south' bridge linking the Olympic Village to the rest of the Olympic park well underway. Steel frame for Olympic Park Energy Centre in place.
March 2008	Velodrome building work commences. Lifting of roof onto Aquatics Centre begins.



Olympic Stadium - October 2008 Photo courtesy of London 2012

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 London 2012.

The Act also created the necessary structures for holding the proceeds from these Lottery games (the Olympic Lottery Distribution 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 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.

Some of the London 2012 projects that National Lottery funds are contributing to are reflected in the Projects and Progress 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 that it maximises 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 the 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 OLD Board was appointed by HM Government. The permanent Board came into effect from 15 April 2006.

The OLD Board has two committees, an Audit Committee and an HR & Remuneration Committee. Between 1 April 2008 and 31 March 2009 the Board met eight times, the Audit Committee met three times, and the HR & Remuneration Committees met twice. In addition, the Board carried out some business by correspondence.

During the year the Board focused on its core business, consideration of the progress of the Olympic project and, in particular, looked at issues around London 2012 legacy, the Olympic Village and the International Broadcast Centre/Main Press Centre.

A presentation on the Cultural Olympiad and Arts and Design of the Olympic Park was made to the May 2008 Board. The Board approved the ODA Plan for 2008 and two special Board Meetings were convened in October 2008 and January 2009 to consider further issues around Olympic project funding and legacy. The Board also carried out an evaluation of the Live Sites - Public Screen broadcasting - project, with particular reference to those sites funded by the OLD.



OLD Board Members at the Olympic Park (February 2009):
from Left: Sir Craig Reedie CBE, Carol Ainscow, Janet Paraskeva (Chair),
Hilary Daniels, Lindsey Holbrook.

The Board undertook a review of its skills in June 2008 prior to the commencement of a recruitment process for two new Board Members. The results of that skills audit fed into that recruitment process and two new Board Members were appointed by HM Government in December 2008. The Board also carried out an evaluation of its own performance in December 2008.

The Board completed operational business such as approval of the OLD Business Plan for 2009/10 and approval of the OLD Annual Report and Accounts 2007/08. It also monitored risk through its Audit Committee.

Janet Paraskeva, Chair

Date of Appointment: 1.3.06 Term of Office: 4 years

Janet is First Civil Service Commissioner and Chair of the Child Maintenance and Enforcement Commission. Other appointments include non-executive Board Member of the Serious Organised Crime Agency (SOCA), non-executive member of the Assets Recovery Agency and an Independent Board Member of the Consumer Council for Water.

Carol Ainscow

Date of Appointment: 8.12.08 Term of Office: 4 years

Carol is the 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 a founder member of the Library Theatre Development Trust.

Hilary Daniels

Date of Appointment: 15.4.06 Term of Office: 4 years.

Hilary is a member of the Professional Oversight Board, a past President of CIPFA. She was Chief Executive of West Norfolk Primary Care Trust from 2000 to 2006. She is currently member of 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.

Lindsey Holbrook

Date of Appointment: 8.12.08 Term of Office: 4 years

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.

Sir Craig Reedie CBE

Date of Appointment: 15.4.06 Term of Office: 4 years

Craig has been a member of the International Olympic Committee since 1994 and he 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.

David Ross

Date of Appointment: 15.4.06 Date of Resignation 9.12.08

David Ross is Co-Founder of the Carphone Warehouse and, whilst an OLD Board Member, David Ross held a number of appointments including Chairman of National Express, non-executive director of Big Yellow Group, non-executive director of Cosalt and Member of the Board of LOCOG.

Sharmila Nebhrajani

Date of Appointment: 15.4.06 Date of Resignation: 31.10.08

Sharmila is Chief Operating Officer, BBC Future Media and Technology and Deputy Chair, Human Fertilisation and Embryology Authority. Sharmila Nebhrajani's other appointments included Member of the Charity Commission and Member of the Audit Committee of the Royal Shakespeare Company.

Internal Governance

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

The Board has also adopted a Code of Practice for Board Members. The Board appointed RSM Bentley Jennison as the Distributor's Internal Auditors for the 2008/09 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 2006. 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).

The OLD was also 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 expenditure will be minimised.

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 its key stakeholders, particularly its sponsor department, the DCMS; and the delivery bodies, the Olympic Delivery Authority (ODA) and the London Organising Committee of the Olympic and Paralympic Games (LOCOG.)

The OLD is represented at the Budget and Scope Committee, the Olympic Projects Review Group (OPRG), the Olympic Board Steering Group (OBSG), the Sports Venue Legacy Group (SVLG), and the Olympic Park Regeneration Steering Group (OPRSG). These groups include representation from the ODA, HM Government, the Greater London Authority and the five Olympic Boroughs.

Grant Management in 2008/09

During 2008/09 the OLD made no additional grant commitments to those made by 31 March 2008. These were:

- Grants to cover lifetime operations of the Olympic Delivery Authority - £1,586 million. Grant is being claimed in tranches as key milestones are reached up to 2012/13.
- Grant to cover Live Sites project run by London Organising Committee of the Olympic Games (LOCOG) - £2.6 million. The project is largely complete and grant will be claimed in 2009/10.

As detailed in Note 17 Post Balance sheet events, a number of grant applications were considered at a meeting of the Distributor's Board on 25 June 2009.

Common Customer Service Charter

The Olympic Lottery Distributor has, along with other National Lottery distributors, signed up to a Common Customer Service Charter. During 2008/09 the OLD confirms that, to the best of its knowledge, it has complied with the principles set out in that Charter.

Risk Management

The OLD continued to monitor risk in 2008/09.

The OLD's Risk Management Action Plan focuses on ensuring that grants are made on the basis of proper and timely assessments, that they could never be 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.

Two new risks were identified and added to the Risk Register in 2008/09. These risks related to uncertainty around the OLD's longer term accommodation and the potential impact of reputational damage in respect of matters outside the OLD's control.

In addition the OLD has identified further operational risks in relation to the adequacy of its staffing structure, compliance with confidentiality, data protection and freedom of information. The OLD also recognised that there are a number of risks associated with the Olympic project that are beyond its control. Its policy is to consider these risks as part of its grant monitoring procedure.

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

The OLD has suffered no protected personal data incidents during 2008/09 or prior years, and has made no reports to the Information Commissioner's Office.

Olympic Lottery Distributor Staff

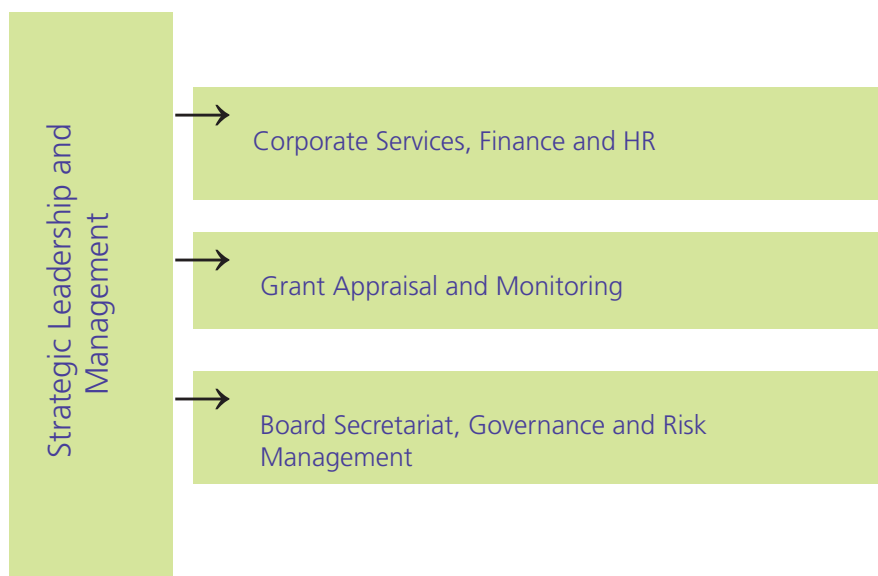
The Chief Executive is supported by a small team and, as at 31 March 2009, the total staffing complement of the OLD was six (including the Chief Executive). During 2008/09 no employees left the Olympic Lottery Distributor and one appointment was made, to the post of Appraisal and Monitoring Officer.

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.

Responses 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 2008/09 was 2.3 days per employee.

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 2008 to 31 March 2009 and financial position at the year-end are set out in the Income and Expenditure Account, Balance Sheet and supporting notes on pages 30-41. The accounts have been prepared in accordance with the Accounts Direction given by the Secretary of State for Culture, 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 2009, the market value of balances held by the OLDF was £112,853,032.

Operating Expenditure for the year was £727,557 and the value of grant commitments and de-commitments in the year was £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 Balance Sheet at 31 March 2009 showing total net liabilities of £1,097,294,547.

Investment Income: Investment income is earned on amounts invested within the Olympic Lottery Distribution Fund. This is further explained in Note 15 to the Accounts. During 2008/09 the OLDF earned £2,433,027 in investment income. Interest is also earned on amounts 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 2008/09, tax of £4,593 is due.

Post Balance sheet events: Post Balance sheet events are detailed in note 17.

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 6. There was one additional service provided by the National Audit Office in 2008/09. International Financial Reporting Standards (IFRS) are due to be implemented in the public sector from 1 April 2009. In October 2008, the NAO reviewed a restated IFRS balance sheet prepared by the Distributor as at 1 April 2008. They concluded that it had been properly prepared in accordance with the iFReM. The fee for this work is disclosed in Note 6.

Pensions: We are a participating employer in the Principal Civil Service Pension Scheme. Notes 1e) and 5 disclose how pension liabilities are treated.

Financial instruments and risk: Note 15 gives details of the Distributor's exposure.

Performance Indicator

Performance during 2008/09

To ensure payment of compliant 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 2008/09, the Distributor took an average of 7 working days to pay against compliant requests and met the indicator in all cases.

To pay agreed invoices within 30 days of invoice date in line with the better Payment Practice Code.



During 2008/09, the Distributor paid 93.07% of invoices within 30 days of invoice date (2007/08 - 92.13%) and took an average of 17 days to settle invoices.

To ensure that the OLD's total lifetime operating expenditure will be less than 1% of its total lifetime income.



The OLD's lifetime operating expenditure to 31 March 2009 is £1,872,578. This is 0.38% of its income to date of £493,193,275.

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



The 2009/10 budget was approved by the OLD Board on 19 March 2009.

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



The Annual Accounts for 2007/08 had an unqualified audit opinion issued on 4 July 2008. The accounts were laid before the Parliamentary Recess.

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

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

Board Members: remuneration policy

The remuneration policy and remuneration rates for members of the Board are set by the Department for Culture, Media and Sport. Board Members do not receive salary or pension remuneration. The Chair of the Distributor was entitled to receive an annual honorarium of £10,575. Other members were entitled to receive an attendance allowance of £215 per day.

All Members are entitled to be reimbursed for expenses. Where those expenses are regarded by the Inland Revenue as taxable, the Distributor bears the related tax charge and this is included as remuneration in the table below.

Board Members: remuneration received (audited information)

During the year to 31 March 2009, Board members received a total of £19,518 in allowances and expenses (31 March 2008: £21,840).

	Amount claimed in 2008/09 £'000	Amount claimed in 2007/08 £'000
Janet Paraskeva	10-15	10-15
Hilary Daniels	0-5	0-5
Sir Craig Reddie	0-5	0-5
Carol Ainscrow	0-5	n/a
Lindsey Holbrook	0-5	n/a
Sharmila Nebhrajani	0-5	0-5
David Ross	Nil	Nil

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 twice 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 was appointed by the Board as Interim Chief Executive from 1 December 2006 to 28 February 2007 and as Chief Executive and Accounting Officer for the Distributor from 1 March 2007 on a fixed term contract that expires in December 2010.

	Salary 2008/09 £'000	Employer's Pension contributions 2008/09 £'000	Non Consolidated performance related pay 2008/09 £'000	Total 2008/09 £'000	Total 2007/08 £'000
Mike O'Connor (Chief Executive)	135	30	5	170	176

The HR & Remuneration Committee determined performance pay for the Chief Executive based on performance during 2008/09. Half of a £10,380 non-consolidated award offered has been accepted by the Chief Executive was paid during May 2009 and is accrued above and in the 2008/09 accounts. Consideration of payment of the other half has been voluntarily deferred until the end of the Chief Executive's contract and is subject to further performance conditions. If paid, this sum will be included within the accounts for 2010/11.

Directors: Pension benefits (audited information)

Details of the pension entitlement of the Chief Executive are:

	Accrued pension at pension age as at 31 March 2009 £'000	Pension increase in the year 2008/09 £'000	Cash equivalent transfer value at 31 March 2009 £'000	Cash equivalent transfer value at 31 March 2008* £'000	Real increase in CETV funded by employer 2008/09 £'000
Mike O'Connor (Chief Executive)	23	9	370	208	48

*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-pensions.gov.uk.

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.

Mike O'Connor CBE
Chief Executive and Accounting Officer

Date: 25 June 2009

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, 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, 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 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, Media and Sport. They include responsibility for the 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.

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 audit information of which the auditors are unaware.

Mike O'Connor CBE
Chief Executive and Accounting Officer

Date: 25 June 2009

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 2009 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

Capacity to handle risk

A register captures risks identified by staff and a management assessment of the likelihood and impact of occurrence. Steps to mitigate against each risk are recorded on the register and risks are colour coded to aid prioritisation. The risk register is presented and discussed at every meeting of the Distributor's Audit Committee.

The risk management process involves all staff in understanding and managing risks in their areas of responsibility. Regular staff risk meetings are chaired by the Chief Executive and led by an experienced risk manager.

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 has also established the following processes:

- 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 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. They submit an annual report, which includes Internal Audit's independent opinion on the adequacy and effectiveness of the Distributor's system of internal control together with recommendations for improvement.

- An Audit Committee chaired by a member other than the Chair of the Distributor, with agreed terms of reference. The Committee receives and reviews internal and external audit reports and the adequacy of management responses to issues identified by audit activity. It also reviews the effectiveness of the Distributor's internal control system, including review of the risk management policy and risk register.
- A risk management policy approved by the Board and monitored by the Audit Committee. The Distributor's risk appetite has been determined as 'Cautious to Open'.
- 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 data which is pertinent to the two grant recipient organisations and our 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.

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 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 in the system is in place.

Internal Audit completed a planned programme of work for the year ended 31 March 2009. 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 risk management, control and governance processes.

It is their opinion, based on the work they undertook, that the Distributor had adequate and effective risk management, control and governance processes to manage the achievement of the organisation's objectives.

Although Internal Audit identified some practical recommendations they were able to issue a 'Substantial' assurance level on 5 of the 6 individual audit reviews and "Adequate" assurance on one review. This should be viewed in the context of the range of assurance options available to them, namely 'Substantial' and 'Adequate', which are positive opinions and 'Limited' which is a negative opinion.

They were also able to give an opinion that good progress had been made in implementing actions to address previous recommendations.

Mike O'Connor CBE
Chief Executive and Accounting Officer

Date: 25 June 2009

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 2009 under the Horserace Betting and Olympic Lottery Act 2004. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total 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 Board, Chief Executive and Auditor

The Board and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Horserace Betting and Olympic Lottery Act 2004 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 Board and the Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited 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 Horserace Betting and Olympic Lottery Act 2004 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. I report to you whether, in my opinion, the Management Commentary, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Olympic Lottery Distributor 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 Distributor'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 Distributor'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. This other information comprises, the unaudited part of the Remuneration Report, the Chair's Foreword, and the Chief Executive's Introduction. 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 opinions

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

In my opinion:

- the financial statements give a true and fair view, in accordance with the Horserace Betting and Olympic Lottery Act 2004 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 Olympic Lottery Distributor's affairs as at 31 March 2009 and of its increase in funds, recognised gains and losses and cash flows 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 Horserace Betting and Olympic Lottery Act 2004 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury; and
- the Management Commentary, included within the Annual Report, is consistent with the financial statements.

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.

Amyas C E Morse
Comptroller and Auditor General
Date: 3 July 2009

National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

Income and Expenditure Account for the year to 31 March 2009

	Notes	£'000	2008/09 £'000	2007/08 £'000
Proceeds from the National Lottery	2		208,574	146,762
Investment income on balances at the Olympic Lottery Distribution Fund	2		2,433	3,909
Bank interest receivable			22	30
Total income			211,029	150,701
Grant commitments made	8		0	(1,433,984)
Employee costs	3	(497)		(471)
Other operating costs	6	(230)		(275)
Total operating expenditure			(727)	(746)
Total expenditure			(727)	(1,434,730)
(Decrease)/Increase in funds before tax			210,302	(1,284,029)
Corporation tax due on interest income	7		(5)	(6)
(Decrease)/Increase in funds after tax			210,297	(1,284,035)

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

The notes on pages 33-41 form part of these accounts.

The Olympic Lottery Distributor has no recognised losses or gains other than those included in the above income and expenditure account. Consequently no separate statement of total recognised gains and losses has been prepared. There are no discontinued activities.

Balance Sheet as at 31 March 2009

	Notes	£'000	2008/09 £'000	2007/08 £'000
Current assets				
Debtors		5		4
Investments: Balance in Olympic Lottery Distribution Fund	2	112,853		27,517
Cash at bank and in hand	1c)	14		56
			112,872	27,577
Creditors: amounts falling due within one year				
Grant commitments	8	(374,620)		(127,620)
Creditors	9	(37)		(40)
Provisions	10	(10)		(9)
			(374,667)	(127,669)
Net current (liabilities)/assets			(261,795)	(100,092)
Creditors: amounts falling due over one year				
Grant Commitments	8		(835,500)	(1,207,500)
Total assets less liabilities			(1,097,295)	(1,307,592)
Represented by:				
Income and Expenditure Reserve	13		(1,097,295)	(1,307,592)

The accounts were approved by the Board of the Olympic Lottery Distributor on 25 June 2009 and signed on their behalf by:

Mike O'Connor CBE
Chief Executive and Accounting Officer
25 June 2009

Janet Paraskeva
Chair
25 June 2009

Cash Flow Statement for the year to 31 March 2009

	Notes	2008/09 £'000	2007/08 £'000
<hr/>			
Operating Activities			
Funds received from Olympic Lottery Distribution Fund		125,671	198,846
Payments re grant commitments		(125,000)	(198,000)
Payments to suppliers		(224)	(284)
Payments to and on behalf of employees		(505)	(449)
<hr/>			
Net cash (outflow)/inflow from Operating Activities	14a)	(58)	113
Return on investments			
Interest received		22	30
Taxation			
Taxation paid		(6)	(5)
<hr/>			
(Decrease)/Increase in cash	14b)	(42)	138
<hr/>			

Notes to the Accounts

1. Accounting Policies

(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 1985 and Accounting Standards issued or adopted by the Accounting Standards Board in so far as they are appropriate.

(b) Going concern

The annual accounts have been prepared on a going concern basis. Although the Olympic Lottery Distributor (OLD) showed a significant decrease in funds for the year 2007/08 and in 2008/09 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) Bank balance held by the Big Lottery Fund

The bank balance of the Olympic Lottery Distributor is operated by the Big Lottery Fund as our agent. This is to minimise transaction costs and improve financial control. At 31 March 2009 the balance of £14,079 was made up of £17,330 cash held in the Distributor's account with the Big Lottery Fund, less £3,251 of recharges due to the Big Lottery Fund for amounts paid on the Distributor's behalf.

(d) Olympic Lottery Distribution Fund

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

(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 FRS 17 Retirement Benefits with the costs of the scheme charged to the income and expenditure account.

(f) Soft and hard grant commitments

Hard commitments are defined as a firm offer of grant that, together with appropriate conditions, has been accepted by the recipient. Soft commitments are defined as the potential commitment on projects for which the Board has given approval to issue a grant offer but where an offer has not been accepted.

The entire hard commitment due over the life of a grant is recognised as expenditure in the income and expenditure account in the year in which the grant offer is accepted. Details of soft commitments are disclosed in Note 8 to the accounts.

Hard commitments payable within one year of the balance sheet date are recognised as current liabilities. Those payable more than one year from the balance sheet date are shown as grant commitments over one year.

2. Proceeds from the National Lottery

	2008/09 £'000	2007/08 £'000
Opening balance held by the Olympic Lottery Distribution Fund as at 1 April	27,517	75,692
Proceeds from National Lottery games dedicated to the London 2012 Olympic Games and Paralympic Games.	135,574	146,762
Proceeds transferred from the National Lottery Distribution Fund	73,000	-
Investment returns on the Olympic Lottery Distribution Fund	2,433	3,909
Cash drawn down by the Distributor	(125,671)	(198,846)
Closing balance held by the Olympic Lottery Distribution Fund at market value	<u>112,853</u>	<u>27,517</u>

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.

3. Employee information

Employee costs were as follows:

	2008/09 £'000	2007/08 £'000
Wages and salaries	377	340
Employer's pension contributions	83	64
Social security costs	37	35
Temporary staff including secondments	0	32
Total employee costs	<u>497</u>	<u>471</u>

4. Employee numbers

	2008/09	2007/08
Permanent and fixed term contract staff	5.7	4.7
Temporary staff including secondments	0	0.5
Average FTE employees in year	<u>5.7</u>	<u>5.2</u>

5. 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. 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-pensions.gov.uk)

For 2008/09, employer's contributions of £83,257 were payable to the PCSPS (2007/08 £64,154) at one of four rates in the range 17.1% - 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2009/10, 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 balance sheet date no employees of the Olympic Lottery Distributor had opted to open a partnership pension account.

6. Other operating expenses

	2008/09 £'000	2007/08 £'000
External Audit (statutory audit)	12	12
External Audit (IFRS audit)	1	0
Board members	20	23
Insurance	1	2
Accommodation and facilities	66	62
Communication and other professional fees	55	127
IT Services	33	28
Board and Staff recruitment	26	4
Other costs	16	17
Total other operating expenses	<u>230</u>	<u>275</u>

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 £4,593 (2007/08 - £6,050).

8. Soft and hard commitments

Movements in Grant commitments in the period 1 April 2008 to 31 March 2009 consist of:

	2008/09 £'000	2007/08 £'000
Hard commitments b/fwd	1,335,120	99,136
Commitments made in the period to the Olympic Delivery Authority (ODA)	0	1,431,500
Commitments paid to the ODA in the period	(125,000)	(198,000)
De-commitments to the ODA made in the period	(0)	(136)
Commitments made in the period to the London Organising Committee of the Olympic Games	0	2,620
Hard commitments c/fwd	1,210,120	1,335,120

There were no charges made in the year to the Income and Expenditure Account for hard commitments (31 March 2008 - £1,433,984,000).

There were no soft commitments at 31 March 2009 (31 March 2008 - £nil).

Ageing of hard commitments

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

	2008/09 £'000	2007/08 £'000
Grants scheduled for payment within one year	374,620	127,620
Grants scheduled for payment in one - two years	378,000	372,000
Grants scheduled for payment in two - three years	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
	1,210,120	1,335,120

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.

9. Creditors

	2008/09 £'000	2007/08 £'000
Taxation, pension and social security costs	18	26
Other creditors and accruals	19	14
	<u>37</u>	<u>40</u>
Total creditors due within one year		

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

10. Provisions

The Distributor 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 are paid in the following financial 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 2008/09 can be paid in part as a non-consolidated sum during 2009/10 but is included within the 2008/09 accounts and remuneration report.

A provision has been made in staff costs in the 2008/09 accounts for the total the Distributor will pay in respect of these 2 items during 2009/10.

	2008/09 £'000
Balance at 1 April 2008	9
Amounts paid in year	(9)
Provision in the year - Staff bonus scheme	5
- Chief Executive performance pay	5
	<u>10</u>
Balance at 31 March 2009	

11. Capital commitments

There were no contracted capital commitments at 31 March 2009. (31 March 2008 £nil).

12. Leases

At 31 March 2009, the Olympic Lottery Distributor was committed to making the following annual payments in respect of non-cancellable operating leases:

	2008/09 £'000	2007/08 £'000
Operating leases due to expire:		
Within 1 year	1	-
Within 2 years	-	1

13. Movement in Income & Expenditure Reserve

	2008/09 £'000	2007/08 £'000
Opening income & expenditure reserve	(1,307,592)	(23,557)
Transferred from income & expenditure account	210,297	(1,284,035)
	<u>(1,097,295)</u>	<u>(1,307,592)</u>
Closing income & expenditure reserve	<u>(1,097,295)</u>	<u>(1,307,592)</u>

14. Notes to the Cash flow Statement

a) Reconciliation of decrease in funds to net cash inflow/(outflow) from operating activities

	2008/09 £'000	2007/08 £'000
(Decrease) / Increase in funds before tax	210,302	(1,284,029)
Interest receivable	(22)	(30)
Decrease / (Increase) in Olympic Lottery Distribution Fund balance	(85,336)	48,175
(Decrease)/Increase in hard commitments	(125,000)	1,235,984
(Increase)/ Decrease in debtors	(1)	(4)
Increase/(Decrease) in creditors and provisions	(1)	17
	<u>(58)</u>	<u>113</u>
Net cash inflow/(outflow) from operating activities	<u>(58)</u>	<u>113</u>

b) Reconciliation of net cash flow to movements in net funds

	2008/09 £'000	2007/08 £'000
Net cash (outflow)/ inflow in the year	(42)	138
Other changes	210,339	(1,284,173)
Net (debt)/funds at 1 April	(1,307,592)	(23,557)
	<u>(1,097,295)</u>	<u>(1,307,592)</u>
Net (debt)/funds at 31 March	<u>(1,097,295)</u>	<u>(1,307,592)</u>

15. Financial instruments

FRS29, Financial Instruments: Disclosures, requires disclosure of the role which financial instruments have played during the year in creating or changing the risks the Olympic Lottery Distributor faces.

Liquidity risks

In 2008-09, 98.83% 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 (1.16%), and from bank interest (0.01%).

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 these 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 by sales. In February 2008 a statutory instrument was passed (SI 2008 No.255 - The Payments into the Olympic Lottery Distribution Fund etc. Order 2008) which 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 will take place thereafter at quarterly intervals until 1 August 2012.

At the balance sheet date the Olympic Lottery Distributor had net liabilities of £1,097,294,547. Payment of grant liabilities of £1,210,120,000 is dependent on sufficient income being received into the Olympic Lottery Distribution Fund to meet grant tranches scheduled up to 2012/13.

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 2009	£'000
Market value of Olympic Lottery Distribution Fund investments	112,853

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 who 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 funds on its behalf. 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 balance sheet date the market value of the Olympic Lottery Distributor's share of the Olympic Lottery Distribution Fund was £112,853,032. In the year the average return on these investments was 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 3.13% during the year. We consider that we are not exposed to significant interest rate risks on our cash balances.

Foreign currency risk

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

16. Related party transactions

Board members and staff

There were no transactions related to Board Members' interests in 2008-09.

During the comparative year ended 31 March 2008, Sir Craig Reddie declared an interest in the application from LOCOG for Live Sites, due to his position at that time on the Board of LOCOG. Ms Sharmila Nebhrajani also declared an interest in the application due to her position with the BBC. The BBC is a partner in the project. Both Board members absented themselves from all grant discussion and subsequent decision. This grant was still unpaid at 31 March 2009.

		Grant payments year ending 31 March 2009 £'000	Creditor at 31 March 2009 £'000
London Organising Committee of the Olympic Games (LOCOG)	Grant funding towards Live Sites Cultural Olympiad project	0	2,620
		<u>0</u>	<u>2,620</u>

Other government bodies

The Department for Culture, Media and Sport (DCMS) is the sponsoring 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 and other government departments.

		Grant payments year ending 31 March 2009 £'000	Creditor at 31 March 2009 £'000
Olympic Delivery Authority	Grant funding towards delivery of lifetime Corporate Plan	125,000	1,207,500
		<u>125,000</u>	<u>1,207,500</u>

		Supplier expenditure year ending 31 March 2009 £'000	Creditor at 31 March 2009 £'000
Big Lottery Fund	Fees due under Service Level Agreements for shared support services	101	0
		<u>101</u>	<u>0</u>

17. Post balance sheet events

These accounts were authorised for issue by the Accounting Officer of the Olympic Lottery Distributor on the 3 July 2009.

At their meeting on 25 June 2009, the Board considered grant applications totalling £16.4 million.

Full details of grants offered by the Board and accepted by applicants in 2009/10 will be published during July 2010 in the Annual Report for 2009/10 and the resulting hard commitments will be included in the 2009/10 Annual Accounts. In the interim, details will be published at www.olympiclotterydistributor.org.uk. The 2008/09 Annual Accounts have not been adjusted to reflect these grant decisions.

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