

SPIRIT OF 2012
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014

Registered Charity Number - 1155110

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REFERENCE AND ADMINISTRATIVE INFORMATION

Trustee	The sole trustee is Spirit of 2012 Trustee Limited as Corporate Trustee.
Governors	The directors of Spirit of 2012 Trustee Limited, who are also the governors of Spirit of 2012 are: Dugald Mackie – Chairperson Sir Harry Burns Baroness Sue Campbell Paul Cuttill OBE John Gartside OBE Sir Nicholas Kenyon Jan Paterson Baroness Tanni Grey-Thompson David Watters
Secretary and Trust Administrator	Debbie Lye
Protector	Jon Siddall
Company Secretary to Spirit of 2012 Trustee Limited	Bates, Wells & Braithwaite
Registered office	Room S100, New Wing Somerset House, Strand London WC2R 1LA
Head Office	Room S100, New Wing Somerset House, Strand London WC2R 1LA
Auditors	HW Fisher & Company Acre House 11-15 William Road London NW1 3ER
Bankers	Barclays Bank PLC Level 28, 1 Churchill Place Canary Wharf London E14 5HP
Investment Managers	Barclays Wealth Management Level 15, 1 Churchill Place London E14 5HP
Solicitors	Bates, Wells & Braithwaite 2-6 Cannon Street London EC4M 6YH

SPIRIT OF 2012

GOVERNORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2014

The Trustee presents its first report and the audited financial statements for the period 7 October 2013 to 31 March 2014.

The information with respect to Trustee, Governors, Officers and Advisors set out on page 1 forms part of this report. The financial statements comply with current statutory requirements, applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005, the Accounting Direction issued by the funding bodies and the Charities Act 2011.

In preparing this report and financial statements, Governors have complied with their duty in Section 17 of the Charities Act 2011 to have due regard to the guidance published by the Charity Commission. The benefit to the public is manifestly demonstrated by the achievements contained in this report.

ORIGINS AND HISTORY

Following the success of the London 2012 Olympic and Paralympic Games, the Big Lottery Fund expressed an interest in sustaining the spirit and momentum of the Games Funded from a share of the proceeds the sale of the London Olympic and Paralympic Village, the Big Lottery Fund approved £40 million, to establish a new charitable trust to support a range of programmes encompassing, sport, disability, arts and volunteering throughout the UK.

Spirit of 2012 Trustee Limited, a Company Limited by Guarantee, was incorporated on 4 April 2013 and is the sole Trustee of Spirit of 2012, the charitable trust registered on 20 December 2013, which was granted a £40 million endowment from the Big Lottery Fund and the endowment was made to Spirit on 20 December 2013.

The Big Lottery Fund subsequently granted an additional £2 million endowment to Spirit in order to support of development of the Theory of Change and the Monitoring and Evaluation framework, and also to allow Spirit to deliver early pathfinder projects.

On 29 March 2014 the powers in the Trust Deed of Spirit of 2012 were amended by a Deed of Amendment, with the consent of the funders and Protector, in order to specify the Protector's role and to give clearer definitions of the charity's objects.

CONSTITUTION

The Spirit of 2012 is a registered charity (number 1155110) and its governing document is the Trust Deed dated 7 October 2013, and incorporating Deed of Amendment dated 29 March 2014.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Structure

Overall strategic direction and decisions lie with the board of governors who are also directors of Spirit of 2012 Trustee Limited. The directors were nominated or recruited in accordance with the terms of the bid and automatically became governors on appointment. The governors during the period were as follows:

Dugald Mackie – Chairperson	(appointed 4 April 2013)
Sir Harry Burns	(appointed 30 April 2013)
Baroness Sue Campbell	(appointed 4 April 2013)
Paul Cuttill OBE	(appointed 4 April 2013)
John Gartside OBE	(appointed 4 April 2013)
Sir Nicholas Kenyon	(appointed 4 April 2013)

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STRUCTURE, GOVERNANCE AND MANAGEMENT (Continued)

Jan Paterson	(appointed 6 June 2013)
Baroness Tanni Grey-Thompson	(appointed 4 April 2013)
David Watters	(appointed 30 April 2013)

Three sub committees of the board assist with strategic decision-making and are chaired by board members with support from the executive team. These are:

Finance and Investment	– Chaired by Paul Cuttill OBE
Audit	– Chaired by David Watters
Remuneration	– Chaired by Dugald Mackie

Structure

The Spirit of 2012's (Spirit) staffing is led by Debbie Lye and assisted by Ruth Hollis (Director of Policy), Penny East (Head of Communications), Craig Weeks (Governance and Learning Manager) and Michael Kyriakides (Head of Finance).

Governance

Governance is the responsibility of the governors. In addition, under the terms of the Trust Deed, Jon Siddall has been appointed as Protector to oversee the activities and governance of the charity. Under the Trust Deed the Protector has a duty "to ensure the integrity of the administration of the Charity and the propriety of its procedures". The Protector is not involved in decision making within the Charity although the deed stipulates that his consent is required in certain specified situations. The Protector is also required to report on any matters of serious concern.

Recruitment and training of governors

All governors that are appointed by the Board are recruited based on the current needs and skill set required by the charity. Each new governor is provided with an induction pack which will include Spirit's business plan, latest financial accounts and governance and operational structure. Ongoing training is provided by our solicitors Bates, Bells and Braithwaite that can provide both general and tailored training to Spirit.

Related party interests and other connections with other connected bodies

Because of the nature of Spirit and the organisations that it works with, there will sometimes be close relations between the governors and these other organisations. Details of related parties and relevant transactions are logged in Spirit's Register of Interests and in the minutes of each Board meetings, and disclosed in note 17 to the financial statements.

Conflicts of interest

The charity has established a conflicts of interest policy which states that neither the trustee nor the governors shall have any personal interest in the charity's money or property and shall not be remunerated. If any conflicts of interest occur, they are brought to the attention of the Protector. A Register of interests is maintained by the charity.

RISK MANAGEMENT

Spirit has adopted the principles of risk management in order to protect its property, assets and other resources, to protect the health and safety of its employees and others with whom it works and to maintain its reputation.

Spirit engages in activities which can give rise to some level of risk. It is fully committed to regularly identifying and assessing these risks and taking appropriate action to prevent, or minimise their impact. This is achieved through a pro-active risk management strategy to ensure that Spirit will achieve its organisational objectives as efficiently and effectively as possible so enhancing the value of the outcomes it delivers.

STRUCTURE, GOVERNANCE AND MANAGEMENT (Continued)

Risk management is the identification, analysis and economic control of four categories of risk which can impact on Spirit's ability to achieve its objectives: Delivery, Financial, Reputational and People. In defining levels of risk Spirit has agreed the following definitions which are set out below and are consistent with the Institute of Risk Management's standard: Insignificant, Minor, Major and Catastrophic.

The objectives of Spirit's risk management strategy are to:

- embed risk management into the culture and operations of Spirit.
- adopt a systematic approach to risk management as an integral element of strategic, operational and performance management.
- manage risk in accordance with best practice.
- ensure Spirit is clear on respective accountabilities for both the ownership and impact of risk and the deployment of effective mitigation and contingency arrangements.

These objectives are being achieved by:

- establishing clear roles and responsibilities and reporting lines within Spirit for risk management.
- incorporating risk management in Spirit's decision-making, business planning and performance management processes.
- incorporating risk management within all major project proposals.
- monitoring risk management and internal control arrangements on a regular basis.
- reinforcing the importance of effective risk management through training and providing opportunities for shared learning.
- Establishing suitable insurance or other contingency arrangements to manage the impact of unavoidable risks.

FINANCIAL MANAGEMENT POLICIES

Spirit has adopted a number of financial policies in the period to safeguard the custody and maximise the income of the endowment as well as to maintain efficient oversight of the day to day financial transactions. The endowment day to day management is facilitated by our investment managers under work under the instructions of Spirit's Finance and Investment Committee, who in turn rely on long and short term cash flow forecasts in order to dictate Spirit's investment strategy, along with its investment policy.

Grant and Programme expenditure is agreed by the Board, once it is established that there is financial capacity to adequately fund the programme. Core expenditure is managed by the approval of the Board of an annual core budget. In order to obtain value for money services over a certain limit is to be tendered over a number of competing suppliers, and any individual cost/contract over £10,000 requires the approval of a governor.

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OBJECTIVES, ACTIVITIES AND PERFORMANCE

Spirit of 2012 will build on the energy, commitment and volunteering spirit which became such an overwhelmingly positive and prominent feature of the Olympic and Paralympic Games in London during the summer of 2012, generating good will and enthusiasm in abundance amongst people across the UK.

The Trust Deed states that a sum up to £40 million on trust is intended to perpetuate the spirit of 2012 by;

- *Enhancing provision for volunteering and other community activities in the period leading up to, during and after the Commonwealth Games in Glasgow 2014.*
- *Benefiting young people*
- *helping to change perceptions, including self-perceptions, of disabled people.*

More specifically the objects are the promotion of the following charitable purposes for the benefit of the public throughout the United Kingdom of Great Britain and Northern Ireland:-

- The advancement of education of children and young people, including but not limited to, sporting and cultural activities by encouraging good citizenship;
- Increasing the effectiveness and efficiency of the Voluntary Sector by encouraging members of the public to engage in activities to help others on a voluntary basis;
- The development and capacity and skills of members of socially and economically disadvantaged communities in such a way that they are better able to identify and help meet their own needs and to participate fully in society; and
- Promoting greater understanding, and meeting the needs, of people with disabilities thereby encouraging their social inclusion, training and other activities to build confidence and inspire others.

In aiming to achieve its objectives Spirit will be able to amend and adapt its business plan in the event circumstances allow for such changes. This will mean that within the control of Spirit's activities is staffing, funding requests, operations, investment portfolio position, and governance and communication presence. Factors that may occur externally that Spirit may not be able to control are largely macroeconomic factors such as inflation, interest rates, changes in government legislation, and changes in social and community engagement. Where changes are external to Spirit that may lead to certain strategic risks, they are nevertheless included in Spirit's risk matrix which is subject to periodic review by the Audit Committee.

Grant Strategy

Spirit of 2012 is an independent charity established with a Big Lottery Fund endowment of £40 million to be derived from the proceeds of the sale of the Olympic and Paralympic Village. Spirit was founded to help deliver a lasting social and community legacy from the London 2012 Games for communities across the UK. It will build on the successes of the summer of 2012 that went beyond sport, for example the Torch Relay and Cultural Olympiad. Spirit will provide grants to projects across the boundaries of community sport, culture and the arts, education and volunteering. It is anticipated that Spirit will provide grants over a lifespan of 10 years, with its initial endowment fully committed within 7 years. Grants will be made on the basis that projects satisfy at least one of the four Trust aims:

- Harness the energy, commitment and organisation of the volunteering legacy of London 2012 for community benefit.
- Build on the energy, creativity and positive spirit inspired by the London 2012 Games to galvanize and inspire groups of people into social action.
- Use local and national events, such as the Glasgow 2014 Commonwealth Games, as a catalyst for the creation of partnerships which will develop community activities and wider social actions in order to encourage full and active participation from all community members.
- Enhance the post-London 2012 Paralympics understanding of the issues facing disabled people in order to achieve a step-change in positive attitudes to disability and impairment.

OBJECTIVES, ACTIVITIES AND PERFORMANCE (Continued)

These aims are intended to inspire a wide range of projects in which the people across the UK can get involved. Projects are likely to encompass: community sport, healthy living, wellbeing, learning and personal development, heritage, the performing arts, creativity, community development, festivals, promotion of the achievements of and opportunities for disabled people, youth leadership and skills development, local capacity building, volunteering, connecting generations, and the promotion of rights and opportunities for all. There is also an expectation that Spirit will become a 'centre of excellence' for understanding the most effective approaches to creating sustainable and wide-reaching social legacy from major events.

The Governors have had regard to the Charity Commission's general guidance on public benefit in reviewing the charity's objects and in planning activities and grant strategy.

Funding criteria

Spirit of 2012 will seek to develop the majority of its programmes in partnership with strategic stakeholders and look for matched funding opportunities from those partners and elsewhere (for example from corporate sponsorship). It will also fund a number of smaller pathfinder or pilot projects to feed into the development of strategic programmes. Where appropriate Spirit may make a small pot of money available as a Challenge Fund to address a specific issue or connected to an open Call for Ideas.

Spirit has developed its own theory of change to enable it to monitor and evaluate our diverse portfolio of programme investment against a common, overarching framework. Grant funding will be allocated to organisations who demonstrate that they will be able to work effectively within the framework to deliver the outcomes and impact aspired to by Spirit.

The impact that Spirit seeks to make is that:

We believe that enabling people to participate in a wide range of activities and engaging in their communities will:

- Improve the health and well-being of individuals, communities and society as a whole
- Improve perceptions towards disability and impairment
- Lead to greater social cohesion and understanding

Funding principles:

- All programmes will have a detailed cost breakdown, including any secured or anticipated match funding and what it will be used for.
- Changes to anticipated financial profiles will be agreed by exception with Spirit. Spirit will operate to tolerances of 10%, any additional spend above this will be referred to the Board of Trustees.
- All funding agreements will be with constituted organisations or groups, Spirit of 2012 will not directly sponsor or fund individuals.

For Spirit-funded elements of programmes:

- Running costs – must be no more than 12% of overall programme costs
- Staff costs - must be associated with the funded programme and in proportion to the programmes costs
- Capital costs – refurbishment and equipment only (no new builds) – no more than 20% of total overall programme costs
- Marketing and communications – activity no more than 40% of overall programme activity
- Spirit will not:

OBJECTIVES, ACTIVITIES AND PERFORMANCE (Continued)

- pay costs that have already been incurred before the formal grant agreement (including notional costs)
 - fund elements of work that are being part or fully-funded by another body
 - contribute to reserves or the payment of debts
- Spirit of 2012 may work with partners to:
 - commission arts and cultural work but will not directly commission them itself
 - facilitate the running of small grants programmes but will not itself run small grants programmes

Spirit of Glasgow

Spirit of Glasgow is a new, multi-strand £5 million programme (including matched funding and programme costs) which will achieve the vision and objectives of Spirit around the significant platform of the Glasgow 2014 Commonwealth Games. It will use the Games to create a legacy of wellbeing, aspiration and inclusion in Scotland and beyond.

The Spirit of Glasgow programme will be the first major initiative of Spirit. In designing it Spirit has actively engaged with other Games and Games Legacy stakeholders and will continue to do so in delivering the programme. The investment inspired by Glasgow 2014 will contribute towards Spirit's achievement of its objectives, position it as a key legacy stakeholder in Scotland, extend legacy across the UK and associate Spirit directly with the Games. It is the one organisation committed to ensuring the spirit and investment around Glasgow reaches the entire UK.

It will fund initiatives in Scotland, and across the UK, which work across community sport & physical activity, arts & culture and volunteering to increase participation and connect people within communities and across communities. The programme will support 5 initiatives that will Inspire, Engage, Enable and Empower people and communities across the UK. It will complement and add value to other agencies' activities, events and programmes associated with the Games.

Street Games – Chance for a Thousand and Games on your Doorstep

Spirit has committed £185,362 to these projects. Chance for a Thousand will deliver a Commonwealth Games experience for over 1,000 young people from across the UK who will have the opportunity to attend the Games in Glasgow and take part in a residential outward bound experience during the Games. Games on Your Doorstep will deliver 200 pop up clubs to bring the spirit of the Games to communities across the UK and will involve 10,000 children and young people. In addition, 150 young people will be trained as volunteers and will help in delivering both Chance for a Thousand and Games on your Doorstep.

Glasgow 2014 Ltd – Open Ceremonies

Spirit has allocated up to £197,000 for this initiative, which aims to maximise take up for opportunities to participate on the Glasgow 2014 ceremonies across social groups who face barriers to participation either from financial circumstance, the increased challenges for people with a disability, impairment or caring responsibilities, or geographical remoteness. It will support 400 cast members to participate in the opening and closing ceremonies and, with Voluntary Arts, will work with them post Games to enable continued participation in performance and the arts and volunteering.

Fourteen

Fourteen is the most significant investment of the Spirit of Glasgow programme. Spirit is committing £3.5 million to support 14 communities across the UK, six in Scotland (three of which will be in Glasgow), four in England, two in Wales and two in Northern Ireland) over the next 3 ½ years, to implement community

OBJECTIVES, ACTIVITIES AND PERFORMANCE (Continued)

development projects that connect and empower local people, inspire community pride and increase volunteering and engagement in sport and cultural activity. We believe that enabling more people to participate in and enhance their engagement with their communities will improve individual and social well-being, help generate a positive shift in perceptions of disability and impairment and lead to greater social cohesion and connectedness. This investment will benefit 42000 – 49000 people across the UK.

Big Big Sing

This initiative is using the Games to inspire people across the UK to take up singing in the lead up to and during Games time, and bring the celebration of singing to a UK audience. This project is a part of the 'Keep the Spirit Alive' portfolio of programmes previously administered by the Big Lottery Fund which was novated to Spirit in April 2014 (more information is contained below).

Keep the Spirit of 2012 Alive (KSA) Projects

In June 2014 the Big Lottery fund ran an open grants programme for legacy related projects in line with the objectives of the Spirit of 2012 to enable the momentum of the post-Games work to continue. The grant funding decision on these projects was made jointly by a committee comprising members of the Fund's UK Funding Committee and Spirit of 2012 Trustees with an express intention that grants would be novated to Spirit at a suitable time. On 16 April 2014 Spirit signed a Memorandum of Understanding with the Big Lottery Fund in order to manage and continue the 'Keeping the Spirit of 2012 Alive' programme. Fund. On the same day £4.57 million was transferred to Spirit in order to continue these programmes. The individual programmes that were transferred to Spirit are as follows;

British Paralympic Association: National Paralympic Day

The National Paralympic Day was a free one day national event on 7th September 2013 celebrating the spirit of the 2012 Paralympic Games. It was held at the Queen Elizabeth Olympic Park with the showcase event taking place in the Copper Box, allowing the public to enjoy and engage with the sports and athletes they were inspired by during the London 2012 Paralympic Games.

The day was complemented by two local disability festivals, Motivate East - a disability sports festival, offering come and try it sessions and Liberty, the annual Mayor of London's deaf and disabled arts festival offering a different perspective on disabled people's achievements.

The day aimed to raise the profile of disability sport and Paralympic athletes, providing continuity with the 2012 games and functioning as a catalyst to renew the interest and enthusiasm around the Paralympic movement. The event enabled 6,200 people to watch elite sport during the day and research carried out after the event showed that as a result 47% of participants were inspired to take up a new sport and 61% of non-disabled participants reported a more positive view of disabled people.

In addition the Get Set National Paralympic Day (NPD) competition, which open to over 26,000 schools registered with Get Set, an education programme delivered by the British Olympic Association (BOA) and the British Paralympic Association (BPA), gave schools the opportunity to design and develop a plan for hosting a disability sports event. The winning entries, from Phillimore Primary School and Wilmslow Secondary Schools, were judged and announced on 4 February 2014.

Youth Sport Trust: Lead Your Generation: An inclusive future

The Youth Sport Trust plans to generate a step change in behaviour and attitudes among young disabled/non-disabled people on issues related to ability, access and equality in sport by combining the power of sport, the inspiration of London 2012, and the context of youth sports leadership and volunteering with the appeal of major events. The project focuses on interaction between disabled/non-

OBJECTIVES, ACTIVITIES AND PERFORMANCE (Continued)

disabled young people through sport leadership activities and the influence this has on attitudes, perceptions and engagement in planning/delivering community activities.

The project will deliver an inspirational leadership camp in 8 major event host cities across the UK (including Bath, Belfast, Gateshead, Glasgow, London, Manchester and Swansea). These will encourage involvement in volunteering and bring together young disabled/non-disabled young people to plan, design/deliver inclusive sports events within their communities, leading to long term involvement in community engagement. The project will be developed through schools but its impact will be felt across local communities.

British Red Cross: Inspired Action

British Red Cross in partnership with Whizz-Kidz will deliver Inspired Action, a three year, UK wide project to inspire and engage 1,000 young people aged 15-25, including 50 young disabled people to become humanitarian citizens – actively volunteering in their communities to help others.

The project will be delivered in 15 regions, covering much of the UK. A series of taster events across the UK, headed by celebrity speakers, will reach at least 5,000 young people from all walks of life. These will highlight the benefits of volunteering and galvanise young people to take positive action to help others. Of the 5,000 young people reached through these events a minimum of 1,000 will take up an Inspired Action volunteering opportunity and/or develop and deliver their own social action project.

Voluntary Arts: Voluntary Arts Week

Voluntary Arts will build on the Voluntary Arts Week (VAWeek) to extend the positive impact of participation and volunteering in the arts and crafts to more communities across the UK over the next 3 years. This extends to building on the energy, creativity and positive spirit inspired by the London 2012 Games to galvanise and inspire groups of people into social action of benefit to the wider community, looking to do this to harness the energy, commitment and organisation of the volunteering legacy of the 2012 Games and interest in Glasgow 2014.

The project will develop a programme to make arts and crafts groups more aware of and confident about using general volunteers in their activities, rather than expecting them to come up through their existing membership of arts participants, as has been previous practice. This programme will also work to make volunteer centres, as well as equivalent volunteer placement services more aware of the nature and approach of voluntary arts and crafts groups and the best approach for general volunteers. Also planned is to create a comprehensive database of relevant groups and robust opportunities across the UK, to feed into the systems already set up to profile volunteering opportunities. Voluntary Arts will specifically look for and encourage opportunities for young people, people with disabilities and people in areas of deprivation.

UK Active: Asda Active Sports Leaders

This project is a partnership between Asda and UK Active, to support the following mission;

"Sports Leaders UK is the established market leader in delivering qualifications in leadership through sport and physical activity to young people, and, in the process, inspiring a generation of young people to volunteer in their local communities."

The vision is for young people to be confident; confident to want to volunteer, to want to give to their community and to continue being involved throughout their lives. The aim of the project is to increase this level of social action to 1 million measurable hours of community volunteering per year and create a sustainable cohort of volunteers that sustain and expand this impact long after the qualification has been completed by structurally complementing the objectives and achievements of previous Spirit of 2012

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OBJECTIVES, ACTIVITIES AND PERFORMANCE (Continued)

participants and providing them with the raw material to deliver their programmes.

Glasgow Life: Big Big Sing

This one year project will build on the spirit of the 2012 London Olympics through a vibrant link between sport and singing, taking the Commonwealth Games as a catalyst to inspire greater participation in singing. It will promote the social, physical and mental health benefits of singing, in addition to musical and creative fulfilment.

It will partner with Sing Up!, Making Music, Sage Gateshead, Love Music, Hands up for Trad, National Youth Choir of Scotland) and Children's Classics to deliver;

- A website that will enable beneficiaries to research choirs in their area and to explore ways they can build singing into their daily lives.
- Events and projects leading up to the CWG, including: a programme of Big Big Sing days (featuring performances, open stages, workshops, training and sustainable community choirs.
- Events during the Commonwealth Games will include a Big Big BIG Sing, a massed singing event with 20,000 people, flash choirs and song stages.
- 20,000 people will take part in mass singing events, flashmob choirs and song stages
- 100,000 people to sign up for Big Big Sing or take part in associated event.

United Kingdom Sports Association for People with Learning Disability (UKSA): My Sport, My Voice

The My Sport My Voice project is a three year athlete ambassador project which will seek to heighten awareness around learning disability, improve the United Kingdom Sports Association for People with Learning Disability (UKSA) strategic approach to learning disability initiatives in the future, and change perceptions about what people with learning disabilities can achieve.

Grant Management & Reporting Framework

Spirit issued guidance notes to all grant recipients to help explain how Spirit will work with successful applicant during the periods of the grant agreement. This framework also informs grant recipients of Spirit's requirements for:

- i. Project Delivery Plan
- ii. How you claim grant and report progress
- iii. Our requirements for Quarterly Monitoring Reports
- iv. Legal requirements
- v. Annual accounts
- vi. Changes affecting your grant
- vii. Timing and any claw-back of grant

Communications

Communications Strategy and Framework

Spirit of 2012's communications strategy and framework was put in place and was approved by the Board in March 2014. The key objective of the communications strategy is to;

To raise the profile of Spirit and its activities so that the public and key stakeholder audiences understand the continuing commitment to a UK wide London 2012 legacy.

OBJECTIVES, ACTIVITIES AND PERFORMANCE (Continued)

The outcomes following on from satisfying this objective would be;

- That Spirit will be recognised and respected for delivering sustained and tangible London 2012 Olympic & Paralympic Games legacy.
- Spirit is established as a distinctive funder, committed to partnership and innovation.
- Public imagination is captured by our flagship events-inspired programmes and the human stories emerging from them.
- Understanding of how events and 'fun' can trigger social change increases as a result of the Spirit's commitment to gathering and sharing learning.

Communications Channels

Spirit has a number of communications channels already in place, and this strategy identifies further priorities for Spirit in the coming year to enable us to meet the Communications Objectives above. Those already in place include our new, dynamic and adaptable brand, with its 'ancestry' in the London 2012 brand family, in particular the dodecahedron of the Olympic Cauldron. The branding guidelines are also in place and as a result Spirit is now a digital presence, via our website and active Twitter account, and will develop other platforms strategically.

Spirit has good public affairs networks and strong connections with the National Lottery Promotions Unit (NLPU) and our founder, the Big Lottery Fund.

Communications Messaging

The overarching messages that Spirit must communicate for the foreseeable future are:

- We exist to deliver a legacy for the UK in the spirit of the 2012 Olympic and Paralympic Games by
 - Inspiring, enabling and empowering future generations
 - Championing volunteers and volunteering
 - Using the unique power of Paralympic sport to change perceptions, including self-perceptions of disabled people
 - Celebrating events to connect communities
- We believe that events can be powerful catalysts for change
- We invest in happiness by empowering people to get out, be involved and feel better.

Communicating with Spirit's audiences

Spirit has identified three categories of audience – Policy makers, Partners and Public. Each category contains segmented audiences, each of which requires tailored communications.

- Policymakers subdivides into UK government, home nation governments/administrations, local government and lottery administrators;
- Partners subdivides into funding partners, delivery partners and the Olympic and Paralympic Family;
- Public encompasses both the general public, but also specific beneficiary groups such as volunteers and voluntary groups, young people and youth groups, disabled people and groups representing the interests of those with disabilities and impairments. Press and Broadcast media journalists and editors are also grouped as the 'public' on account of their reach and influence with the public.

The messages and activities tailored to each group were approved by the Board in March 2014. The audience activities and communications channels activities cumulatively represent the action plan for the Head of Communications and the wider executive team for the coming year.

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FINANCIAL REVIEW AND REMUNERATION REPORT

Income generation

During the period Spirit an endowment of £42,000,000 from the Big Lottery Fund, interest receivable of £91,337 and £15,000 in the form of Gifts in Kind for donated services. Total incoming resources are shown in the Statement of Financial Activities at £42,106,337.

Grant expenditure

One grant was committed by 31 March 2014 amounting to £64,180, which relates to the initial instalment of one of the Spirit of Glasgow Programmes. Further grants paid by Spirit relating to the Spirit of Glasgow and Keep the Spirit Alive programmes took place after the year end.

Other costs

Other programme costs relating to the Spirit of Glasgow Programme amounted to £77,865 in the period, Spirit development costs, which related to the work required to secure funding from BIG and set up Spirit, amounted to £180,432, and governance costs in the period amounted to £70,246. Total outgoing resources are shown in the Statement of Financial Activities at £392,723.

Fixed assets

During the period Spirit purchased fixed assets with a cost of £35,718 and the net book value at 31 March 2014 was £31,988.

Remuneration Committee

The Remuneration and Recruitment Committee is chaired by Dugald Mackie and includes Baroness Sue Campbell, Sir Nicholas Kenyon and Paul Cuttill OBE. The Committee reviews the overall staffing structure as well as the pay of all staff employed by Spirit.

At the beginning of the year, all staff agree with their line manager personal objectives based on Spirit's strategic and one year business plans and complete a personal development plan. At the end of the year, their performance is assessed against objectives and Spirit's core competencies: Building Working Relationships, Communication, Delivery, Innovation, Planning and Organising and Selling the Vision, by their line manager and/or the Chief Executive. The Chair of the Board undertakes the performance assessment for the Chief Executive. The annual performance assessments are then reviewed by the Remuneration Committee and may be used to set pay levels and inform any performance bonuses.

Investment policy and performance

Spirit's investment policy was determined by the Finance and Investment Committee, which is chaired by Paul Cuttill OBE. The Committee also monitors performance of the investments. Spirit currently employs Barclays Wealth management as Spirit's investment advisors. At 31 March 2014, deposits were only invested for up to a period of 12 months with a number of reputable counterparties.

Once the Board has approved its permanent investment advisors, Spirit will invest the endowment in line with Spirit's investment policy, maximising the interest earned, whilst paying due regard to its risk profile and ethical considerations.

At the start of 2014, £40 million was put on deposit, and by the 31 March 2014, with an additional £2 million received the funds on investment increased to £41,704,320, of which £31,659,971 was held on 12 month term deposits, £3,701,731, up to 95 day term deposits and £6,342,618 held in liquid funds. During the period deposits generated £91,337 of interest receivable.

Reserves policy

Reserves at 31 March 2014 totalled £41,713,614, of which £96,794 relates to unrestricted funds and £41,616,820 relates to endowment funds. The governors may apply both capital and interest on the endowment to either unrestricted or restricted funds as required.

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PLANS FOR THE FUTURE

Grant making

Spirit will continue its grant making from April 2014 as the Spirit of Glasgow programmes launch in May. Added to this on 16 April 2014 the Keep the Spirit Alive programmes are being passed to Spirit from the Big Lottery Fund which means that a further £4.57 million has been received by Spirit, representing the undrawn grant balances for seven programmes.

Programme Strategy

Spirit has developed a 5 year programme strategy including events based and thematic programmes, several of which are umbrella initiatives containing a number of projects. The model is designed to ensure that grants are effectively allocated across all the priorities set out in the Trust Deed. The programmes are as follows;

- Spirit of Glasgow
- Spirit of Youth Leadership
- Spirit of Volunteering
- Spirit of Achievement
- Spirit of Rio
- Spirit of Hull
- Spirit of Emancipation

Future annual reports will report on the above, with new initiatives added as required.

Monitoring and Evaluation

Spirit will also further develop its Monitoring and Evaluation framework to enable organisations in receipt of grants from Spirit to report on core outcomes, using a common set of indicators to build up a body of learning and evidence about the overall programme, and helping Spirit to fulfil its remit to become a 'centre of excellence' for best practice in creating a sustainable social benefits as a legacy of events.

Communications

Further developing these communications channels is a priority for 2014-15. The executive aims to deliver the following:

- Manage the website creatively and keep it topical and relevant to stakeholders;
- Launch and publish a quarterly e-newsletter;
- Selectively develop and manage new social media, with video a priority;
- Compile and make effective use of a bank of high quality collateral – videos, photographs and case studies, cultivate press; and
- Engage broadcast media 'friends' and partners and develop and implement a Spirit Ambassador or Champions strategy.

During 2014-15 Spirit will promote specific messages directly related to our activities and investments in the Glasgow 2014 Commonwealth Games and their legacy.

- The Glasgow 2014 Commonwealth Games is the most important event in the UK since London 2012
- Spirit of Glasgow is Spirit's first programme
- Spirit of Glasgow is the only 2014 legacy programme that reaches across the UK
- It will inspire, engage, enable and empower and deliver Scottish Government priorities
- It will leave a tangible legacy across the UK long after the closing ceremony
- Open Ceremonies enables people facing barriers to full participation in society to realise the dream of taking part in the Games.

In addition to the Spirit of Glasgow initiatives, Spirit will also launch and promote its other programmes during 2014-2015, two of which were recently approved by the Board being Get Set's Road to Rio and Unlimited Impact.

PLANS FOR THE FUTURE (Continued)

British Olympic Foundation: Get Set's Road to Rio

The British Olympic Foundation will develop and enhance the London 2012 Olympic and Paralympic education Get Set programme and provide young people across the UK the opportunity to learn and apply Olympic and Paralympic values. It will promote health and active lifestyles and help young people achieve their potential. It will enhance the digital capacity of Get Set to create activities, opportunities and networks to engage young people in the run up to the Rio 2016 Games.

Shape and ArtsAdmin: Unlimited Impact

Unlimited Impact is an initiative of the Spirit of Achievement programme and will extend the reach of the very successful London 2012 Cultural Olympiad initiative for deaf and disabled artists. Unlimited Impact will bring this £1.5 m Arts Council Initiative to communities and non-established artists across England and Scotland. Over three years this programme will reach out to young disabled people through workshops, mentoring, leadership development and a small number of commissions that can be exhibited nationally. In addition it will work with 20 venues to increase both access for disabled people and access for audiences to work by deaf and disabled artists.

SPIRIT OF 2012

GOVERNORS' REPORT (continued)

FOR THE PERIOD ENDED 31 MARCH 2014

GOVERNORS' RESPONSIBILITIES

The Governors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Spirit's Deed and laws applicable to charities in England and Wales require the Governors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Spirit and of the result of Spirit for that year. In preparing those financial statements, Governors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that Spirit will continue in business.

The Governors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Spirit and to enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the Trust Deed. They are also responsible for safeguarding the assets of Spirit and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS AND SOLICITORS

HW Fisher & Co. were appointed auditors, who will serve for an initial period of 3 years, have expressed their willingness to be re-appointed at the AGM. Bates, Wells & Braithwaite were appointed solicitors to Spirit, and have expressed their willingness to be re-appointed at the AGM.

Approved by the Governors and signed on their behalf by:



Chairman
Dugald Mackie

12 June 2014

SPIRIT OF 2012

STATEMENT ON THE SYSTEM OF INTERNAL CONTROLS

FOR THE PERIOD ENDED 31 MARCH 2014

We acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated by Spirit of 2012 which supports the achievement of Spirit's objectives whilst ensuring compliance with the requirements of Spirit of 2012's governing documents.

The systems can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely year.

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board of the Corporate Trustee;
- Regular reviews by a committee of the Board of periodic and annual financial reports which indicate financial performance against targets;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines;
- As appropriate, formal project management disciplines;
- Procedures for the assessment of applications and the management of grants, ensuring that all applications and grants receive sufficient, consistent processing; and
- Procedures for monitoring grants to ensure use for proper purpose.

The major risks to which Spirit is exposed, as identified by the Corporate Trustee, have been reviewed and systems have been established to mitigate those risks. Our risk management strategy:

- Covers all risks – delivery, people, reputational and financial. However it is focussed on the most important key risks;
- Produces a balanced portfolio of risk exposure;
- Is based on a clearly articulated policy and approach;
- is subject to regular monitoring and review, giving rise to action where appropriate;
- is managed by an identified individual and involves the demonstrable commitment of members and officers; and
- Is integrated into normal business processes and aligned to strategic objectives of Spirit.

Spirit's initial systems and procedures have been reviewed by our external auditors. We confirm that plans and procedures are in place for ensuring the continued effectiveness of control arrangements and managing risks in the coming year.



Dugald Mackie
Chairperson
12 June 2014



Debbie Lye
Chief Executive
12 June 2014

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE AND GOVERNORS OF

SPIRIT OF 2012

We have audited the financial statements of Spirit of 2012 for the period ended 31 March 2014 set out on pages 19-28 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governors, as a body, in accordance with Section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's governors those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Governors and auditor

As explained more fully in the Statement of Governors' Responsibilities set out on page 15, the governors are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit and express an opinion in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us 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 charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Governors' Report to identify material inconsistencies with the audited financial statements, and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2014, and of its incoming resources and application of resources for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Governors' Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE AND GOVERNORS OF

SPIRIT OF 2012

HW Fisher & Company

HW Fisher & Company
Chartered Accountants
Statutory Auditor
Acre House
11-15 William Road
London NW1 3ER

Date: *22/6/2014*

HW Fisher & Company is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

SPIRIT OF 2012

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE PERIOD ENDED 31 MARCH 2014

		Unrestricted funds	Restricted funds	Endowment funds	Total funds
		2014 £	2014 £	2014 £	2014 £
Incoming resources	Notes				
<i>Incoming resources from generated funds:</i>					
<i>Voluntary Income</i>					
Gifts in Kind	2	-	15,000	-	15,000
<i>Investment Income</i>					
Interest receivable	3	89,894	1,443	-	91,337
<i>Incoming resources from charitable activities:</i>					
Endowment	4	-	180,432	41,819,568	42,000,000
Total incoming resources		<u>89,894</u>	<u>196,875</u>	<u>41,819,568</u>	<u>42,106,337</u>
Resources expended					
<i>Charitable activities:</i>					
Spirit of Glasgow		139,801	2,244	-	142,045
Trust Development costs		-	180,432	-	180,432
Governance costs		<u>48,346</u>	<u>21,900</u>	<u>-</u>	<u>70,246</u>
Total resources expended	5	<u>188,147</u>	<u>204,576</u>	<u>-</u>	<u>392,723</u>
Net incoming/(outgoing) resources for the period		(98,253)	(7,701)	41,819,568	41,713,614
Transfer of funds		195,047	7,701	(202,748)	-
Balances brought forward 7 October 2013		-	-	-	-
Balances carried forward at 31 March 2014	14	<u>96,794</u>	<u>-</u>	<u>41,616,820</u>	<u>41,713,614</u>

The statement of financial activities includes all gains and losses recognised in the period. All incoming resources and resources expended derive from continuing activities.

The notes on pages 22 to 28 form part of these financial statements.

SPIRIT OF 2012

BALANCE SHEET

FOR THE PERIOD ENDED 31 MARCH 2014

	Notes	£	2014 £
FIXED ASSETS			
Tangible assets	10	31,988	
Investments	11	31,659,971	
			<u>31,691,959</u>
CURRENT ASSETS			
Debtors and prepayments	12	94,434	
Short term deposits		3,701,731	
Cash at bank and in hand		6,342,618	
		<u>10,138,783</u>	
CREDITORS: Amounts falling due within one year	13	(117,128)	
			<u>10,021,655</u>
NET CURRENT ASSETS			
			<u>41,713,614</u>
NET ASSETS			
			<u><u>41,713,614</u></u>
REPRESENTED BY			
Unrestricted funds	14		96,794
Restricted funds	15		-
Endowment funds	16		41,616,820
	17		<u>41,713,614</u>

The financial statements were approved by the Board of Governors and authorised for issue on 12 June 2014 and signed on their behalf by:



.....
Dugald Mackie
Chairman

The notes on pages 22 to 28 form part of these financial statements.

SPIRIT OF 2012

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 MARCH 2014

	2014 £
Net incoming resources	41,713,614
Less: investment income	(91,337)
Add: depreciation	3,730
Increase in debtors	(94,434)
Increase in creditors	117,128
	<hr/>
Net cash inflow from operating Activities	41,648,701
Returns on investments and servicing of finance	
Interest received	91,337
	<hr/>
	41,740,038
Capital expenditure and Financial Investment	
Purchase of tangible fixed assets	(35,718)
Acquisition of investments	(31,659,971)
	<hr/>
	10,044,349
Management of Liquid Resources	
Net increase in funds on deposit	(3,701,731)
	<hr/>
Increase in cash	6,342,618
Cash balance brought forward	-
	<hr/>
Cash balance carried forward	<u><u>£6,342,618</u></u>

The notes on pages 22 to 28 form part of these financial statements

1. PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with the Charities Act 2011, applicable accounting standards in the United Kingdom under the historical cost convention and in compliance with the accounting direction issued by the funding bodies, a copy of which can be obtained from Spirit's head office. They follow the recommendations of the Statement of Recognised Practice *Accounting and Reporting by Charities* ("SORP 2005") published in March 2005 (revised May 2008)

Grants receivable

Grants receivable are credited to the statement of financial activities in the year in which they are receivable.

Investment income

Investment income is recognised on an accruals basis where certainty of receipt can be established at the period end and is apportioned across the funds on the basis of individual fund values.

Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to each category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

Grants payable

Grants payable are recognised when a constructive obligation arises or where the recipient has been informed of the decision to make the award. Grants awarded are all conditional on satisfactory compliance with the terms and conditions of the award and are monitored annually. Future grant payments which are subject to annual monitoring procedures are deferred.

Allocation of overhead and support costs

Overhead and support costs have been allocated first between charitable activity and governance. Other than consultancy fees and expenses, overhead and support costs relating to charitable activities have been apportioned based on the value of individual grants. Consultancy fees and expenses have been allocated to the charitable activity to which the consultants work related. The analysis of overhead and support costs is shown in note 5.

Governance costs

Governance costs include audit and accounting fees, board costs and other costs directly attributable to the governance of Spirit

Irrecoverable VAT

Any irrecoverable VAT is charged to the statement of financial activities, or capitalised as part of the cost of the related asset, where appropriate.

Other liabilities

Other liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

Tangible Fixed assets

Tangible fixed assets consist of furniture, fittings and office equipment which are shown at cost and depreciated on a straight line basis over their estimated useful life of five years for fixtures and fittings, and three years for Office Equipment (including IT). All assets over £300 in value are included as tangible fixed assets within the financial statements. All tangible fixed assets are subject to annual impairment reviews with any diminution in value arising expensed in the Statement of Financial Activities.

Pension costs

Spirit makes contributions to a group personal pension scheme. The pension cost charge represents contributions payable by Spirit to the scheme. Any difference between amounts charged in the Statement of Financial Activities and paid to the pension scheme is shown in the balance sheet as a liability or asset.

Fund accounting

Unrestricted funds represents the general reserves of the charity which can be utilised freely for the purposes of furthering the objects of the charity. Unrestricted income comprises of investment income earned from the endowment and any other income in which no restrictions on its use applies.

Restricted funds represents income that is to be applied for specific purposes, as specified by the donor. Restricted income comprises of investment income earned from the restricted element of the endowment and any other grant income which are for specific purposes only.

Endowment funds represent an expendable endowment whereby the capital and the interest are available for use at the discretion of the governors in furtherance of the general objectives of Spirit and which have not been designated for any other purposes. The governors at their discretion may transfer any interest earned on the endowment to general unrestricted funds or restricted funds.

2. GIFTS IN KIND

Gifts in kind consist of an estimated of the costs of seconded staff provided free of charge to Spirit during the period, by the Big Lottery Fund.

3. INVESTMENT INCOME

Bank interest

2014
£

91,337

4. ENDOWMENT INCOME

During the period, the following endowments were received:

Restricted funds

Big Lottery Fund – Trust Development costs

180,432

Endowment funds

Big Lottery Fund – Endowment 1 (see note 16)

39,819,568

Big Lottery Fund – Endowment 2 (see note 16)

2,000,000

42,000,000

5. ANALYSIS OF EXPENDITURE

The charity undertook no direct charitable activities but awarded grants to a number of institutions in the furtherance of its charitable activities.

	Spirit of Glasgow	Trust Develop ment Costs	Governance	Total 2014
	£	£	£	£
Grant awards	64,180	-	-	64,180
Programme development	47,070	-	-	47,070
Operational costs	4,649	19,741	4,304	28,694
Premises costs	906	3,847	839	5,592
Recruitment costs	4,379	18,599	4,055	27,033
Core staff costs	20,861	88,595	19,316	128,772
Legal/professional	-	49,650	27,872	77,522
Audit/accountancy	-	-	5,400	5,400
Consultancy costs	-	-	8,460	8,460
	<u>142,045</u>	<u>180,432</u>	<u>70,246</u>	<u>392,723</u>

6. GRANTS PAYABLE

	2014 No.	2014 £
<i>Grants payable to institutions</i> <u>Spirit of Glasgow</u>		
StreetGames	<u>1</u>	<u>64,180</u>

7. STAFF AND CONSULTANCY COSTS

	2014 £
Wages and salaries	118,269
Social security costs	11,564
Pension contributions	6,816
Total staff costs	<u>136,649</u>
Consultancy fees – Head of Finance (part-time)	32,400
	<u>169,049</u>

During the period there were no employees earning in excess of £60,000, including taxable benefits. Spirit has outsourced its finance function, given that financial management is not a full-time commitment. Consultancy fees are supported by a service contract. The total staff costs are split between £128,772 charged to core costs and £40,277 charged to programme development.

7. STAFF AND CONSULTANCY COSTS (Continued)

No governor received any remuneration from Spirit during the period. Three governors received £9,041 for the reimbursement of travel expenses incurred relating to Spirit. The average number of employees, including consultants, analysed by function was:

	No.
Project staff	1
Management and administration	3
	<u>—</u>
	4
	<u>==</u>

8. NET INCOMING RESOURCES

2014
£

Net incoming resources is stated after charging:

Rent and service charges – operating leases	6,293
Auditors' remuneration for audit services (incl. VAT)	5,400
Travel, subsistence and hospitality costs	2,914
Governors' indemnity insurance	357
Fees and expenses of the Protector	2,500
	<u>==</u>

9. TAXATION

Spirit is a registered charity, and as such is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of Spirit's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

Spirit is not registered for VAT and accordingly, all of its expenditure is recorded inclusive of any VAT incurred.

10. TANGIBLE FIXED ASSETS

	Office Equipment £	Furniture & Fittings £	Total £
Cost			
At 7 October 2013	-	-	-
Additions	19,151	16,567	35,718
	<u>—</u>	<u>—</u>	<u>—</u>
At 31 March 2014	19,151	16,567	35,718
	<u>—</u>	<u>—</u>	<u>—</u>
Depreciation			
At 7 October 2013	-	-	-
Charge for the period	2,655	1,075	3,730
	<u>—</u>	<u>—</u>	<u>—</u>
At 31 March 2014	2,655	1,075	3,730
	<u>—</u>	<u>—</u>	<u>—</u>
Net book value			
At 31 March 2014	16,496	15,492	31,988
	<u>==</u>	<u>==</u>	<u>==</u>
At 7 October 2013	-	-	-
	<u>==</u>	<u>==</u>	<u>==</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 31 MARCH 2014

11. INVESTMENTS	2014 cost £	2014 Market value £
UK Investments: 1 year fixed term deposits	26,700,000	26,700,000
Overseas investments: Certificate of deposit	4,959,971	4,959,971
	<u>31,659,971</u>	<u>31,659,971</u>

Individual assets and their market values at 31 March 2014 whose balance is material in the context of the investment portfolio are as follows;

	£
UK Investments	
Barclays Corporate – 1 year term deposit	7,200,000
Santander UK – 1 year term deposit	7,300,000
RBSI, Jersey (UK) – 1 year term deposit	5,000,000
Lloyds TSB – 1 year term deposit	7,200,000
Overseas Investments	
Credit Agricole – certificate of deposit	4,959,971

For the purposes of this disclosure materiality was considered to be 5% of the total value of the portfolio.

12. DEBTORS	2014 £
Prepayments	16,721
Accrued income	77,713
	<u>94,434</u>

13. CREDITORS: amounts falling due within one year	2014 £
Trade creditors	21,646
Grants payable (see note 6)	64,180
Taxation and social security costs	10,263
Accruals	21,039
	<u>117,128</u>

Grants payable consist of £64,180, which is payable in regard to the Spirit of Glasgow Programme. Further grant commitments have taken place after the period end, details of which are included within the Governors' Report (Plans for the Future).

14. UNRESTRICTED FUNDS	At 7 Oct 2013 £	Incoming Resources £	Outgoing Resources £	Transfers £	At 31 March 2014 £
General funds	-	89,894	(188,147)	195,047	96,794

SPIRIT OF 2012

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE PERIOD ENDED 31 MARCH 2014

15. RESTRICTED FUNDS	At 7 Oct 2013 £	Incoming Resources £	Outgoing Resources £	Transfers £	At 31 March 2014 £
Trust development costs	-	180,432	(180,432)	-	-
Gift in kind	-	15,000	(15,000)	-	-
Theory of change	-	-	(6,900)	6,900	-
Spirit of Glasgow	-	1,443	(2,244)	801	-
	-	196,875	(204,576)	7,701	-

The income funds of the Charity include restricted funds. The Big Lottery Fund permitted that up to £200,000 of the initial expendable endowment could be used for set-up costs of the Charity. In addition, a further £2 million was endowed to the charity by the Big Lottery Fund. This was to support the development of the Theory of Change, the Monitoring and Evaluation Framework and to allow Spirit to deliver early pathfinder projects.

16 ENDOWMENT FUNDS	At 7 Oct 2013 £	Incoming Resources £	Outgoing Resources £	Transfers £	At 31 March 2014 £
Endowment 1	-	39,819,568	-	(195,047) (801)	39,623,720
				(195,848)	
Endowment 2	-	2,000,000	-	(6,900)	1,993,100
	-	41,819,568	-	(202,748)	41,616,820

Endowment 1 is an expendable endowment received from the Big Lottery Fund, which can be used freely for the purposes of furthering the objectives of the charity.

Endowment 2 is a further endowment received from the Big Lottery Fund, on the same terms as Endowment 1, for the specific purposes of developing the Theory of Change, the Monitoring and Evaluation Framework and to allow Spirit to deliver early pathfinder projects.

During the period, transfers of £202,748 were made from the endowment funds in order to match the resources expended.

There were no realised or unrealised gains or losses on the invested endowment funds during the period.

17. NET ASSETS BY FUNDS	Fixed assets £	Net current assets £	Long term liabilities £	Net Assets £
Unrestricted funds	31,988	64,806	-	96,794
Endowment funds	31,659,971	9,956,849	-	41,616,820
	31,691,959	10,021,655	-	41,713,614

18. RELATED PARTY TRANSACTIONS

Spirit, because of its nature, has close working relationships with a number of organisations which the governors are involved with. These include the Big Lottery Fund, British Olympic Association, British Paralympic Association, Youth Sport Trust and Legacy Trust UK.

During the period Spirit paid £24,150 Legacy Trust UK for preparing the business plan which was required by the Big Lottery Fund as a condition for receiving the endowment. Also during the period Spirit procured staff services which amounted to £12,994 from the Big Lottery Fund.

19. CORPORATE TRUSTEE

Spirit has only one Trustee, being Spirit of 2012 Trustee Limited. The Governors of Spirit of 2012 Trustee Limited are also the directors of the Corporate Trustee body.

20. COMMITMENTS UNDER OPERATING LEASES

As at 31 March 2014 Spirit had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings 2014 £
Between 2 and 5 years	45,647

Function of the Protector

Under the Trust Deed the Protector has a duty "to ensure the integrity of the administration of the Charity and the propriety of its procedures". The Protector is not involved in decision taking within the Charity although the deed stipulates that his consent is required in certain specified situations. The Protector is also required to report on any matters of serious concern.

Protector's Report

I took up my appointment as Protector on 1 January 2014 at the point when Spirit of 2012 had just received its Big Lottery Fund endowment of £40 million. The recently appointed Chief Executive, Debbie Lye, was in the process of recruiting the executive team, and Spirit had secured the lease of their office at Somerset House.

Since then the original endowment has increased as Spirit received a further £2 million from the Big Lottery Fund to invest in a theory of change and monitoring and evaluation framework, as well as to fund early pathfinder projects. This was followed in mid-April by the novation of £4.57 million and associated grant management responsibilities of six 'Keeping the Spirit Alive' projects which had been jointly awarded by the Big Lottery Fund and Spirit in September 2013. I was pleased to see the grant novation formalised through an MOU between the Fund and Spirit.

I have agreed with the Chair, Dugald Mackie, and the Chief Executive, Debbie Lye, a framework under which I will interact with the Board and the Executive and keep abreast of governance and operational matters. I plan to attend at least one Board Meeting each year, and other Board and Committee meetings as appropriate based on a review of all Board Papers and Committee Papers and any other matters coming to my attention.

In March I attended the Board Meeting at which the five year programme strategy was agreed by Governors, as well as the corporate plan and budget for the financial year 2014-15. At the same meeting approval was given, with my consent, to an amendment to the objects of the Charity following consultation with the Charity Commission.

The initial terms of the Governors appointed to establish Spirit come to an end (between April and September this year). I have been kept apprised by the Chair and the Chief Executive of their plans to sustain a strong and diverse Board of Governors to build on the good progress made to date in putting in place the necessary plans, policies and procedures to ensure that Spirit is both effective in meeting its objectives and fit for purpose. The Executive Team is also now in place with staff members settling into their new roles and beginning to meet the challenges ahead.

With some far reaching plans to celebrate the Glasgow 2014 Commonwealth Games as well as thematic programmes designed to increase opportunities for disabled people and encourage young people to volunteer, Spirit looks to be well placed to fulfil the Big Lottery Fund's expectations of it. I look forward to the year ahead as Spirit makes the transition from the planning and organisational set up phase to extensive grant management and delivery of its ambitious programme.

Jon Siddall
Protector – Spirit of 2012
4 June 2014