

Registered Charity Number – 1155110

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Trustee The sole Trustee is Spirit of 2012 Trustee Limited as Corporate Trustee

Directors The Directors of Spirit of 2012 Trustee Limited during the period were:
Dugald Mackie – Chair
Sir Harry Burns
Paul Cuttill OBE
John Gartside OBE
Jane Lady Gibson

REPORT AND FINANCIAL STATEMENTS

Linda Grant
Efa Gruffudd Jones MBE
Carl Konadu
Jan Paterson (resigned 27 October 2015)
Susannah Rodgers
David Watters

Subsequent to the end of the period, on 13 April 2016, the following two new Directors were appointed:

Vikash Gupta
Swati Patel

John Gartside resigned on the same date

**Secretary and Trust
Administrator**

Debbie Lye

Protector

Jon Siddall

**Solicitors and Company
Secretary to Spirit of 2012
Trustee Limited**

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London EC4R 1BE

Registered office

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London WC2R 1LA

Head Office

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London WC2R 1LA

Auditors

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Acre House
11–15 William Road
London NW1 3ER

Bankers

Metro Bank
One Southampton Row
London WC1B 5HA

Investment Managers

Barclays Wealth Management
1 Churchill Place
London E14 5HP

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TRUSTEE'S REPORT

FOR THE PERIOD ENDED 31 MARCH 2016

The Trustee presents its annual report and financial statements of the charity for the year ending 31 March 2016. The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the trust deed, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1st January 2015).

In preparing this report and financial statements, the Trustee has complied with its 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.

STRUCTURE, GOVERNANCE & MANAGEMENT

Structure

Spirit of 2012 (known as Spirit), is a charitable trust registered on 20 December 2013 (charity number 155110) and its governing document is the Trust Deed dated 7 October 2013. It was granted a £40 million endowment from the Big Lottery Fund on 20 December 2013. The sole Trustee of Spirit of 2012 is a company limited by guarantee, Spirit of 2012 Trustee Limited ("the Trustee"), which was incorporated on 4 April 2013.

The Board of Directors of the Trustee, under Chair Dugald Mackie, was appointed in April 2013. Spirit became operational on the appointment of the Chief Executive and made its first grant awards in early 2014. In April 2014, the Big Lottery Fund novated the management of five *Keeping the Spirit of 2012 Alive* programmes to Spirit and on the same day transferred £4.57 million to Spirit as restricted funding for those projects. The Big Lottery Fund subsequently added £2.5 million to the endowment to Spirit to support development of a Theory of Change and Monitoring and Evaluation framework, and to fund early projects to deliver Spirit's mission.

On 29 March 2014, a Deed of Amendment to the Spirit of 2012 Trust Deed was made, with the consent of the Founder and Protector, to clarify the charity's objects and correct the definition of the Protector's role.

Governance

The strategic direction is set, and decisions made, by the board of Directors of the Trustee. Directors are fully responsible for governance. Under the terms of the Trust Deed, Jon Siddall was appointed as Protector with a duty "to ensure the integrity of the administration of the Charity and the propriety of its procedures". The Protector does not participate in the Charity's decision making, although the deed stipulates that his consent is required in specified situations. The Protector is required to report any matters of serious concern to the Founder.

The present Directors were appointed, re-appointed or recruited in accordance with the terms of the Articles of Association. The Directors during the period were as follows:

Dugald Mackie – Chair
Sir Harry Burns
Paul Cuttill OBE

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John Gartside OBE
Jane Lady Gibson
Linda Grant
Efa Gruffudd Jones MBE
Carl Konadu
Jan Paterson MBE (resigned 27 October 2015)
Susannah Rodgers
David Watters

Subsequent to the end of the period, on 13 April 2016, John Gartside resigned and two new Directors, Vikash Gupta and Swati Patel, were appointed.

Three committees of the Board support governance, risk, the investment strategy, human resource and financial management. Each includes at least two Directors of the Trustee. These are:

Finance & Investment Committee	– chaired by Paul Cuttill OBE
Audit & Risk Committee	– chaired by David Watters
Recruitment & Remuneration Committee	– chaired by Dugald Mackie

Director recruitment and training

Directors are appointed by the Board to provide the skills, sectoral, national and regional knowledge required by the Charity. The four most recent appointments were made following an open recruitment process arranged through Trustees Unlimited. Before confirming appointments, Spirit checks the Charity Commission and Companies House registers of disqualified Directors. There is an induction process for new Directors, who receive a Board pack including relevant policies and strategies, the most recent audited report and accounts and the governance and operational structure. Our legal advisor, Bates, Bells and Braithwaite, acts as Company Secretary with responsibility for filing the Trustee's Annual Return to Companies House.

During the period Directors commissioned a Board Effectiveness Survey by OnBoard, the recommendations of which they considered on 7 October 2015. As a result, they set up an informal committee of the Board, the Board Effectiveness Review Panel, charged with developing a focused action plan, including the provision of training and development activities for Directors in the areas of finance and investment and communications in particular.

Conflicts of Interest, related parties and other connected bodies

The Spirit Conflicts of Interest Policy stipulates that neither the Trustee nor individual Directors shall have any personal interest in the charity's money or property and shall not be remunerated. If any conflicts of interest of this nature occur, the Protector must be notified.

The wide-ranging remit of Spirit involves the Charity in working with leading organisations across the fields of sport, arts, events organisation, volunteering, community development and disability. Spirit Directors will often themselves be leaders in these fields, and so, there will sometimes, inevitably, be close relations between the Directors and stakeholder organisations. Details of related parties and relevant transactions are logged in a Register of Interests, maintained according to our Conflicts of Interest Policy, and in the minutes of Board meetings, if the Agenda so requires, and disclosed in note 22 to the financial statements.

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To ensure transparency, we maintain a gifts and hospitality register for both the Directors and the Executive.

Management

The Spirit Executive is led by the Senior Management Team comprising Chief Executive Debbie Lye and Director of Policy and Research Ruth Hollis. The rest of the Spirit Executive is made up of Julie Boulting-Hodge (Head of Finance), Neil Rodger (Head of Communications), Alex Johnston, Harris Lorie, Helen Spedding and Oliver Williams (Programme Managers), Linda McRoberts (Governance Manager) and Ben Brown (Brand, Communications and Programmes Officer).

Business objectives

An annual Corporate Operational Plan sets out strategic objectives, derived from the Charitable Objects of Spirit, and the business objectives which guide operational planning and implementation. These are to:

1. Manage Spirit effectively and efficiently to the standards required by the Big Lottery Fund and other key stakeholders – this includes risk and issue identification and management
2. Lead and manage a highly motivated, efficient, happy and creative team that embodies the Spirit values and develops and maintains working relationships that help achieve our strategic objectives; this includes supporting the personal development goals of both the Executive and Board Members and recognising people's achievements
3. Maximise the potential of Spirit by implementing sound financial management and investment oversight, and by securing further match funding and/or inward investment of at least £2 million over the financial year
4. Maintain and increase the profile of Spirit of 2012 and its impact, so that key stakeholder audiences recognise the value of investment in events as catalysts for social change and our UK-wide remit

Risk management

Spirit has a Risk Management Policy to enable the Board and Executive better to protect property, assets and other resources, and the health and safety of employees and external colleagues; to safeguard business continuity; and to maintain the Charity's reputation. The Board recognises that its activities may expose Spirit to risk, and regularly and rigorously assesses exposure to risks and issues, and identifies appropriate actions to avoid, manage or minimise their impact.

The Risk Management policy was reviewed in January 2016. It is designed to:

- ✧ embed risk management at every level of culture and operations
- ✧ create a systematic approach to risk management as an integral element of strategic, operational and performance management
- ✧ help identify and manage risk in accordance with best practice
- ✧ ensure clear accountability for risk and issue ownership, impact assessment, effective mitigation and contingency planning

These objectives are being achieved by:

- ✧ allocating specific risk management roles, responsibilities and processes to individuals

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- ✧ making risk assessment integral to all decision-making, business planning and performance management processes
- ✧ assessing risk as part of the consideration of all grant applications
- ✧ Reviewing risk management during annual internal audits
- ✧ reinforcing rigorous risk management through quarterly corporate plan reviews, training and shared learning
- ✧ ensuring that risks that materialise as issues are actively managed and resolved

Principal risks and impact on future activities

The organisational Risks and Issues Register (RIR) is used to identify, quantify (according to an aggregate of likelihood and impact), mitigate and control four categories of risk: delivery, financial, reputational and people. The Board has agreed and defined the following risk levels, which are consistent with the Institute of Risk Management's standards. These are insignificant, moderate, major and catastrophic.

The most significant risks and issues over the period were in the following areas:

- ✧ instability in the voluntary sector leading to grantee failure to meet delivery targets and/or withdrawal of third party project funding
- ✧ the impact on delivery of changes in personnel and/or direction in delivery partner organisations
- ✧ the capacity of the small Executive team to discharge duties and responsibilities in full

Spirit has managed those risks by making contingency plans in the event of delivery party failure; being prepared to take decisive action when project delivery falls short of expectations; and by instituting senior review meetings with its larger, more complex grant partners to scrutinise and ask senior executives within those organisations to account for their project's performance and any deviation from agreed plans.

The Board has offered to consider increasing the capacity of the Executive team if necessary and the Senior Management Team is proactive in reallocating responsibilities among the team as the programme portfolio evolves.

The Programme Management Team, the Head of Finance and the Head of Communications maintain risk registers for their business areas. Risks that they identify and assess as major are escalated onto the organisational RIR. The RIR is subject to quarterly review by the Board and to more detailed scrutiny every six months by the Audit & Risk Committee.

While there is recognition that Spirit cannot control external environmental risks – for example, macroeconomic factors like inflation, interest rates and changes in government legislation – risks or issues that affect the Charity arising from external influences are included in the RIR.

Funding strategy

Grants are made within the framework of the Spirit of 2012 Funding Strategy. This explains what the Charity will fund, who is eligible for funding, how funding is awarded and managed and expectations of grant recipients.

There are three parts to the strategy:

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1. The 10 Guiding Principles that give the underpinning rationale for funding decisions.
2. Eligibility criteria for:
 - a. who can apply for Spirit funding
 - b. what we will fund.
3. Grant-making principles and processes

During the periods when funding opportunities are open, all the information that applicants need to apply appears on the Spirit website and the opportunities are advertised through social media. Spirit does not fund applications that do not meet the specified criteria, or unsolicited applications submitted outside the advertised opportunities.

Funding: summary of the guiding principles

1. Spirit funds activities that fulfil the charitable objects in its Trust Deed
2. Spirit is a UK-wide body funding all nations and regions of the UK
3. Spirit aspires to inspire and support sustainable change
4. Spirit aims to be a supportive funder across all our grant-making
5. Spirit is a strategic funder
6. Spirit will sometimes commission proposals
7. Spirit is interested in funding innovative organisations and approaches.
8. Spirit will offer at least one Spirit Challenge Fund opportunity each year
9. Spirit is a learning organisation, committed to collecting, recording and sharing best practice
10. Spirit publishes information about what the charity funds and why

The full Funding Principles and the broader Funding Strategy are published on the website <http://www.spiritof2012trust.org.uk/funding/funding-strategy>. The Directors have taken the Charity Commission's general guidance on public benefit into account in planning the Funding Strategy and making grant awards.

Grant management

Once a grant has been awarded by the Board, Spirit issues a grant offer award letter setting out how they will work with the successful applicant during the period of the grant agreement, and their expectations for financial and activity reporting, monitoring and evaluation and communications. Spirit then invites the new grant recipient to a grant set-up meeting to talk through the requirements and to address any issues or concerns.

Finally, both the Spirit Chief Executive and a senior representative of the grant recipient sign the grant agreement letter – at which point it becomes legally binding. For more complex grants involving multiple partners, additional partnership agreements or MoUs may be put in place.

Financial management

Spirit has maintained existing, and adopted a number of new, financial policies in the period to safeguard the custody and maximise the income of the endowment as well as to maintain efficient oversight of day-to-day financial transactions. The endowment is managed by Barclays Wealth, under the direction of the Finance and Investment Committee.

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The Investment Strategy is operated within the framework of an annually reviewed, overarching Investment Policy that takes into account the long- and short-term cash flow forecasts provided by the Head of Finance. During the period, Directors and the Executive received training from the Head of Finance in Fraud and Theft Awareness.

Programme grant expenditure is agreed by the Board. Under a lifetime (eight-year) programme strategy agreed by Directors on 7 October 2015, the Board has allocated funding to identified programme areas including actual or, in the case of grants not yet awarded, planned annual cash flow projections. Core expenditure is profiled within the annual budget that the Board agrees at the commencement of each financial year.

The Procurement Policy specifies that services valued at more than £10,000 must be put to tender to achieve best value for money. Any individual cost/contract more than £10,000 requires the approval of a Director.

Performance management

At the beginning of each financial year, all staff agree personal objectives with their line managers. These are aligned with the strategic and business objectives set out in the Operational Corporate Plan (OCP). These objectives are supplemented by up to three training and development objectives to form the personal development plan (PDP). The OCP and the PDPs are each reviewed quarterly and, at the end of the year, staff and line managers together assess performance and effectiveness against personal objectives and Spirit's core competencies: Building Working Relationships, Communication, Delivery, Innovation, Planning and Organising and Living the Values.

There is no direct link between PDPs and remuneration – although unsatisfactory performance identified through the Performance Management System may be drawn to the attention of the Recruitment & Remuneration Committee. By the same token, exceptional achievement, evidenced in a PDP, may be drawn to the attention of the committee, if the Senior Management Team believes that the performance merits a salary review.

OBJECTIVES & ACTIVITIES

Objectives

Following the success of the London 2012 Olympic and Paralympic Games, the Big Lottery Fund expressed the intention to 'keep alive' the spirit and momentum of the Games by founding and endowing a charitable trust to support initiatives that encourage the celebration of future events through participation in sport, arts and volunteering and to challenge limiting perceptions of disability throughout the UK. The Charity was founded for the purpose of building on the overwhelmingly positive spirit of the Olympic and Paralympic Games in London during the summer of 2012, which generated an abundance of goodwill and enthusiasm across the UK.

Charitable objects

The Trust Deed states that The Trustee shall use the endowment for the promotion of the following charitable purposes for the benefit of the public throughout the United Kingdom of Great Britain

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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 of the capacity and skills of members of socially and economically or socially disadvantaged communities in such a way that they are better able to identify and help meet their own needs and to participate more fully in society
- ✧ promoting greater understanding, and meeting the needs, of people with disabilities and, thereby, encourage their social inclusion and use of training and other activities to build their confidence and inspire others

Mission

"We believe in equal chances; we're working to ensure that the spirit that radiated from the London 2012 Olympics and Paralympics is felt everywhere. By connecting events to communities across the country, we ensure our investment is of local, regional and national benefit. We tackle isolation and disadvantage by supporting those providing opportunities in sports, the arts and volunteering."

Strategic objectives

These encapsulate elements of the charitable objects and Founder's Wishes, and are to:

1. use local and national events as platforms to inspire participation in arts, culture, sport and social action, as a route to improved individual and social wellbeing
2. help increase the effectiveness and efficiency of the voluntary sector in the UK for community benefit
3. engage and empower young people as leaders and agents for change in schools and communities
4. challenge and change limiting perceptions (including self-perceptions) of disability and impairment by increasing opportunities for disabled people to participate, as equals, in a wide range of activities
5. Collect and share learning to inform and enhance event social legacy planning and to influence the design and evaluation of social development projects across all the areas we fund.

Values statement

We are not a faceless funder. We know our projects inside out; we firmly believe in investing in happiness by empowering people to get out, be involved and feel better. We are:

Fair

In everything we do, from the big decisions to the everyday running of our office, we will be fair and committed to equal chances.

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Focused

All our decisions further our mission and nudge the world closer to our vision. We will not stray from either.

Forthright

We will take risks to do the right thing - we celebrate innovation and proactive approaches.

Frank

No jargon, no fobbing off, no waffle. In our dealings with everyone – from members of the public to major stakeholders – we will be upfront.

Friendly

We are eager to listen to what you want to say to us, whether good or bad, and we want to help. We are committed to kindness and treating others with respect.

ACHIEVEMENTS & PERFORMANCE

Grant making

During the period, Spirit entered into 22 grant agreements with organisations to deliver projects across the UK. Three of these were short-term project application development grants. Seven project grants closed during the period. At the end of the period, the Charity was managing 31 live grants. Spirit has committed a total of £18.4 million in grant expenditure across all nations and regions of the UK since inception: £4.9 million of that was committed over the period.

Programme income & match funding

In 2013, the Board of Directors agreed with the Big Lottery Fund a target of £20 million to be generated as income or match funding over the 10-year lifetime of the Trust. To date, Spirit has secured £6.44 million in match funding and received grant income of £800,000 making a total of £7.24 million. In addition, grant recipients and funding partners have committed a further £12.37 million, as recorded in grant agreements.

Programme strategy

In line with the Founder's intention that Spirit of 2012 should fund activities linked to major events, such as the Glasgow 2014 Commonwealth Games, the Charity has adopted a lifetime programme built around significant sports, arts and heritage events and the core themes of volunteering, youth leadership development and changing perceptions of, and increasing participation opportunities for, disabled people.

Within that strategy the Charity currently funds projects within five event-based programmes:

Spirit of Glasgow	Inspired by Glasgow 2014 Commonwealth Games
Spirit of Rugby	Inspired by Rugby World Cup 2015
Spirit of Rio	Inspired by Rio 2016 Olympic & Paralympic Games
Spirit of Hull	Inspired by Hull 2017 UK City of Culture
Spirit of Women	Inspired by the 2018 centenary of women's suffrage

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In addition, Spirit funds projects across three core themes of volunteering, disability and youth leadership development, all of which are also embedded within funded events-inspired projects. There is further information about all funded projects and programmes on the Spirit website (<http://www.spiritof2012trust.org.uk/>)

Spirit of Glasgow

Spirit of Glasgow is a legacy project of the Glasgow 2014 Commonwealth Games. There are 13 live grants across two complex projects:

- ✧ *Fourteen* is a £3.5 million initiative, awarding funding to 14 communities across the UK to envision and implement community projects that connect and empower local people, inspire community pride and increase volunteering and engagement in sport and cultural activity. Twelve of the projects are managed in Scotland, England and Wales by the UK Communities Foundation and two are managed in Northern Ireland by Springboard CIC.
- ✧ *Legacy 2014 Physical Activity Fund* is delivered by Spirit on behalf of the Scottish Government. The project has awarded 11 grants across Scotland to support people to become, and stay, active. Spirit delivers the Fund, which includes guidance from Evaluation Scotland to build the capacity of project partners to identify, measure and analyse the outcomes of their initiatives. Through the Fund, Spirit is collecting and contributing to the growing body of evidence about what works in making inactive people active.

Spirit of Rugby

Inspired by England's hosting of the 2015 Rugby World Cup and the admission of rugby sevens into the 2016 Rio Olympic Games, a grant of £750,000 to the RFU is designed to engage young people in 15 areas across England in designing youth-led activities centred on the sport in all its forms and on promoting rugby clubs as community hubs.

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Spirit of Rio

In 2014, Spirit awarded the British Olympic Foundation £600,000 for Get Set's Road to Rio. This project uses the power of the Olympic and Paralympic Games to support young people in understanding and living the Olympic and Paralympic values. It includes a Road to Rio app designed to encourage young people to be physically active and form teams to walk, swim, run, dance, cycle or otherwise cover 9,298km – the distance between the London and Rio Olympic stadium.

In 2014, Spirit made a grant to the Sporting Memories Foundation of £50,000 for *Uniting Generations*. The project has developed engagement and training modules and developed resources that bring young people and older people together to capture and share memories of iconic sporting events – helping to tackle loneliness, depression and dementia which, in the final phase of the project, it is road testing in Bristol, Salford and Dunbar.

Spirit of Hull

During the period, the Board granted a further £2.35 million to Hull 2017 UK City of Culture to add to the £500,000 award that it made in December 2014. Spirit of 2012 is a Principal Partner of Hull 2017 and is working closely with the city to realise the transformative effects of arts and culture on the health and wellbeing of individuals and diverse communities. Spirit's goals of promoting social cohesion and challenging perceptions of disability mirror Hull 2017's focus on young people and diversity and its mission to ensure that every community in every part of the city has the opportunity to be involved meaningfully throughout the year.

Spirit funding has so far supported a city-wide health and wellbeing baseline survey, the piloting of a volunteer recruitment, training and management model and a series of roadshows to recruit the 4,000 volunteers needed for 2017.

Spirit of Women

As the first of a portfolio of grants to mark and celebrate the centenary of women's suffrage in 2018, Spirit has awarded £671,859 to the Southbank Centre for WOW Spirit to deliver Women of the World festivals in five towns and cities across the UK between 2016 and 2018. The first of these will be in Bradford in November 2016.

WOW – Women of the World – is the world's largest festival network of its kind, and has been replicated on five different continents. Each festival – made up of talks, debates, music, activism, comedy, workshops, mentoring, pop-ups and major concerts – celebrates women and girls and takes a frank look at what prevents them from achieving their potential, raising awareness of the issues that they face.

Thematic programmes

Spirit of Achievement

An informal sub-committee of the Board, the Spirit of Achievement Panel (SOAP), chaired by Spirit Director Susie Rodgers and including representatives from the British Paralympic Association, Shape Arts, the Youth Sport Trust and Disability Rights UK, advises on grants designed to challenge and change limited perceptions of disabled people, and to increase inclusive participation opportunities in physical activity and sport, arts and culture and volunteering.

The panel oversaw the first of an annual series of open Spirit of Achievement Challenge Fund grant rounds, and recommended awards of between £100,000 and £250,000 to four diverse, inclusive arts projects, including film-making, circus skills, drama and play. The successful applicants were:

- ✧ Beacon Hill Arts in Newcastle
- ✧ Oasis Play in south London
- ✧ Stockton Arts Centre
- ✧ Streetwise Circus in Northern Ireland.

Young film-makers from the Beacon Hill Arts Viewfinder project produced and starred in a short promotional video commissioned by Spirit to show at the second anniversary celebration at the House of Lords in November 2015. Some of them attended the reception where their work was very well received.

This year's Spirit of Achievement Challenge Fund opened for applications from England and Wales in February 2016 and invited applications for grants to fund inclusive projects in the fields of music and dance.

Following a third National Paralympic Day – which delivered activity to thousands in the Queen Elizabeth Olympic Park, and in Brighton, Nottingham and Plymouth – the Board continued its relationship with the British Paralympic Association by awarding them a grant of £320,000 for a series of six National Paralympic Festivals staged in England, Scotland and Wales to coincide with the Rio 2016 Paralympic Torch lighting ceremony in Stoke Mandeville and the Games themselves.

Spirit of Volunteering

Notable projects funded to increase the effectiveness and efficiency of the voluntary sector, this year, include the continuing success and growing reach of the Team London *Young Ambassadors* project, which is delivered by the Mayor of London's Volunteer Programme for Schools in partnership with We Day (previously known as Free the Children).

It has now reached 1,623 London schools and 350,900 young participants have spearheaded voluntary activities designed to tackle issues that affect their communities, including food waste, the loneliness and isolation of older people, litter and community gardening.

Meanwhile, the Wales Council for Voluntary Action (WCVA) *Volunteering Spirit Wales/Ysbryd Gwirfoddoli Cymru* project continues to engage partners across Wales to explore, share and establish good practice guidelines for how principles of good volunteer management can be

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embedded and applied consistently to events taking place in different contexts and at different scales.

Spirit of Youth

Inspiring a generation was the watchword of London 2012, and Spirit continues to focus on its charitable object of advancing the education of young people through sporting and cultural activities by encouraging good citizenship through several grants, including the *Inspired Action* partnership with the Red Cross, the *Do it for Real* partnership with UnLtd and Comic Relief and the Youth Sport Trust *Inclusive Futures* (IF) project.

The initial two-year phase of the highly-successful *Inclusive Futures* project ended in September 2015. The Board agreed to offer a further continuation funding grant to the Youth Sport Trust to extend it for a another year, include a ninth location (Leicester) and embed the model within host organisations to ensure its sustainability when Spirit funding finally ceases in October 2016.

Spirit also supports the development of young people through the Youth Advisory Panel (YAP). In November 2015, partners and stakeholders attended Spirit's second anniversary reception hosted by former Spirit Board Member, Baroness Sue Campbell. Carl Konadu, the YAP Chair and current Board Member, and YAP member Alice Black both spoke confidently and engagingly at the event, which four other YAP members attended.

During the period, the YAP, with delegated authority from the Board, was empowered to make its own grant awards to organisations in the south west of England and Northern Ireland through an open application grant round that it designed itself, with support from the Spirit Executive. The awards were to be made in the 2016–17 financial year.

Impact and outcomes reporting

In making the endowment, the Big Lottery Fund expressed the expectation that Spirit's investment in events-inspired activities would contribute to the store of knowledge and understanding about how events can benefit communities. The Charity, therefore, places significant emphasis on monitoring and evaluation, treating data collection as an integral and formative part of the development of any funded project.

A priority, as soon as Spirit became operational in 2013, was to ensure that the Charity could collate, build on and share learning about the outcomes and impacts generated by its funded projects. To this end, Spirit developed a Theory of Change, which is now established as a common reporting framework for all grantees. This enables progress to be measured against eight high-level outcomes, using common indicators across a diverse range of funded projects.

Two outcomes – improved wellbeing and changed perceptions of disabled people – are compulsory core outcomes that all Spirit grantees must aim to achieve and measure progress against. The outcomes are contributory to the Theory of Change Impact Statement below.

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Spirit of 2012 impact statement

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

- ✧ improve the wellbeing of individuals, communities and society as a whole
- ✧ improve perceptions towards disability and impairment
- ✧ lead to greater social cohesion and understanding."

The impact statement, outcomes and relevant indicators are integral to all Spirit grant applications, and applicants are assessed on the quality and robustness of their plans to deliver them.

Monitoring, evaluation and learning

In October 2014, Spirit contracted with inFocus Enterprises as an external evaluator for an agreed three-year period up to October 2017 when they will produce a summative report on the cumulative impact of the first three years of Spirit of 2012 project funding.

The contract also includes formative and process evaluation – the former creating a culture in which Spirit and its grantholders collaborate to share early learning and evaluate different approaches to collecting key performance indicator evidence of progress towards achieving their project outcomes. These are shared across all Spirit grant partners via channels including annual learning hubs, the first of which, hosted in central London on 9 June 2015, brought 16 organisations together with Spirit of 2012 to consider lessons learned to date and encourage new collaborations among partners.

inFocus Enterprises also carries out process evaluation of Spirit's grant making and management processes, providing the Charity with annual reports. These are discussed and analysed by the Programme Evaluation Advisory Panel (PEAP), an informal committee of the Board of Directors chaired by Jane Gibson and involving Sir Harry Burns and Susie Rodgers as well as two independent external members. Advice from the PEAP informs programme design and the development and focus of the subsequent evaluation contract annual plan.

The Annual Report for the period 2017–18 will have the three-year summative valuation to draw on and will, therefore, include substantive impact reporting. Based on the data collected from grant holders, Spirit was able to take a snapshot of grant outputs in November 2014, which showed that funded projects collectively had engaged 405,475 young people and recruited 11,131 volunteers of all ages. Spirit grant-holders had supported 956 social action projects and had attracted 277,000 audience members to inspiring events.

Communications

The year 2015–16 saw a focus on building social media channels to communicate Spirit's impact to ever-wider audiences. Twitter followers increased from 1,343 to more than 3,500 and some targeted Facebook advertising saw an increase in users of the Spirit page.

To mark the second anniversary of the launch of the Charity in November 2013, Spirit published a review (https://issuu.com/spiritof2012/docs/keeping_the_spirit_alive_aabffc9ecf6b86), setting out the organisation's strategy, featuring the projects funded to deliver the strategic objectives and highlighting some of their achievements to date.

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The Spirit of 2012 website had 79,422 visits during the period, up from 13,800 in 2015–16. This was mainly attributable to high-profile funding announcements, including Get Out & Get Active, and the additional grant to Hull UK City of Culture 2017.

FINANCIAL REVIEW

Income generation

During the period, Spirit received grant of £800,000 from the Scottish Government to manage and deliver the Legacy 2014 Physical Activity Fund. Total incoming resources are shown in the Statement of Financial Activities at £1,423,515.

Grant expenditure

Total grant expenditure of £4,178,181 was committed by 31 March 2016 across eight Spirit grant themes and the Innovation Fund.

Other costs

Other direct charitable expenditure costs relating to the Spirit Programme themes amounted to £403,318 in the period. Total outgoing resources are shown in the Statement of Financial Activities at £5,045,577.

Fixed assets

During the period, Spirit purchased fixed assets with a cost of £6,785 and the net book value at 31 March 2016 was £20,414.

Director remuneration

During the period, seven of the Directors claimed expenses. The total amount of expenses reimbursed to Directors was £5,340. These expenses were for travel, subsistence and accommodation and were paid within the levels set out in the Expenses Policy.

Executive remuneration

Executive pay and levels of remuneration, including expenses, are set and annually reviewed by the Remuneration & Recruitment Committee, chaired by Dugald Mackie and including Paul Cuttill and Efa Gruffudd-Jones. The level of the Chief Executive's pay was benchmarked against other similar organisations in 2013 and agreed as part of the Business Plan submitted to the Big Lottery Fund in order to secure the endowment in July of that year. The committee subsequently approved a staffing structure, based on a five pay band model, with levels benchmarked against other, similar roles in the voluntary and public sectors.

The committee reviews Director appointment and recruitment policy and the overall staffing structure, as well as the pay of all staff employed by Spirit and other employee benefits – for example, the terms of the company pension scheme and the Expenses Policy (which also applies to Directors).

The Chief Executive and one other member of staff received remuneration of more than £60,000, as outlined in the Statement of Financial Activities note 9.

During the period, the committee agreed a 2% increase for all staff, in line with the Retail Prices Index. This is below the 3% budgeted for in the lifetime cashflow projection prepared for the Trust in 2013.

Remuneration and benefits received by key management personnel

The Recruitment & Remuneration Committee agreed that the organisation would make an employer's contribution of 10.2% of annual salary towards the company pension scheme for all staff wishing to participate. The cost of this over the period amounted to £18,832 and £38,954 for all staff in the organisation.

In addition, Spirit pays a £10,000 annual fee to the Protector, who is also entitled to claim expenses on the same basis as Directors and the Executive. The latter amounted to nil over the period, so the total remuneration and benefits paid to the Protector was £10,000.

Investment policy and performance

In 2014, informed by the Spirit Investment Policy agreed earlier that year, the Board appointed Barclays Wealth Management as investment managers. The investment policy is reviewed by the Finance & Investment Committee and recommended to Board annually.

Representatives of Barclays Wealth Management attend every quarterly meeting of the Finance & Investment Committee and answer questions on their fund management performance. Since the year end, the investment managers have been invited to attend Board meetings at least annually to give an account of their performance and respond to any questions.

Reserves policy

Spirit was granted a spend-out endowment when it was established by the Big Lottery Fund in 2013. The endowment was originally £40 million, which subsequently increased through additional grants and novations to £47 million. Spirit is required to have committed all endowment monies by the end of the 2020–21 financial year and to have spent them by the end of the 2023–24 financial year.

This means that there is currently no reserves policy, as the emphasis is on investing the money wisely and spending out by the specified date. Directors seek to maximise returns during the projected 10-year life of the organisation and maintain a tightly managed cashflow adequate to meet, but not inefficiently exceed, grant funding commitments rather than hold funds in reserve.

By March 2020, Directors will take a view as to whether they want to sustain Spirit beyond the life of the endowment and, if so, what is a prudent level of reserves to do that as the endowment is spent down. At that point, the Board will need to agree a Reserves Policy. As of 1 April 2015, there were reserves of £33,757,067. At 31 March 2016, funds in reserves had reduced to £29,194,955.

SPIRIT OF 2012

TRUSTEE'S REPORT

FOR THE PERIOD ENDED 31 MARCH 2016

PLANS FOR THE FUTURE

The charity will continue to make and manage grants from April 2016 within the framework of the lifetime programme strategy agreed by the Board

In January 2016, the Board agreed to award a grant of £4.5 million to a UK-wide consortium of organisations led by the English Federation for Disability Sport to deliver *Get Out & Get Active*, a project designed to increase participation in recreational physical activity and sport among the least active population groups across the UK. The emphasis will be on creating genuinely inclusive opportunities for disabled and non-disabled people to participate together as equals. The Charity will make the first payments relating to this award during the 2016–2017 financial year and a significant development in October will be the launch of programme delivery in 18 localities across the UK.

At the commencement of the new financial year, the Board approved a grant of up to £1 million to The Mighty Creatives for a project, across 12 East and West Midlands locations, which develops the voice and confidence of young people through the arts, inspired by the 400th anniversary of Shakespeare's death.

During the summer of 2016, Spirit will award up to four grants to organisations in England and Wales through the 2016 Spirit of Achievement Challenge Fund, for inclusive music and dance projects. A new investment in sports volunteering is under consideration and the Charity will announce further funding opportunities and WOW Festival locations within the Spirit of Women programme.

Throughout the year, Spirit funding will support some of the most engaging and broadly inclusive projects within Hull 2017 UK City of Culture. The Charity expects these to offer a programme that is both rich in creative and celebratory content, and engages and benefits the wellbeing of people across the diverse communities of Hull.

Spirit aims to collect and apply learning emerging from the *Legacy 2014 Physical Activity Fund* to inform the development of local GOGA initiatives during the period.

SPIRIT OF 2012

TRUSTEE'S REPORT

FOR THE PERIOD ENDED 31 MARCH 2016

TRUSTEE'S RESPONSIBILITIES

The Trustee is responsible for preparing the corporate trustee's annual report and financial statements in accordance with applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Spirit's Deed and laws applicable to charities in England and Wales require the Trustee to prepare financial statements for each financial year that 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, the Trustee is 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
- ✧ prepare the financial statements on the going concern basis, unless it is inappropriate to presume that Spirit will continue in business

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of Spirit and to enable it 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. The Trustee is also responsible for safeguarding the assets of Spirit and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors and solicitors

HW Fisher & Co. continue to act as the Trustee auditors, having been appointed in 2014 for a five-year period. Bates Wells Braithwaite have expressed their willingness to continue to act as Spirit of 2012 appointed solicitors.

Approved by the Trustee and signed on its behalf by:



Dugald Mackie
Chair

6 July 2016

SPIRIT OF 2012

STATEMENT ON THE SYSTEM OF INTERNAL CONTROLS

FOR THE PERIOD ENDED 31 MARCH 2016

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

The systems provide reasonable, though 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 the financial year, or other identified specific timeframe.

The systems of internal control are based on a framework of policies, regular management information, administrative procedures, including the segregation of duties, and a system of delegation and accountability. They include:

- ✧ comprehensive budgeting systems within the framework of policies set by Directors, and an annual budget that is agreed and regularly reviewed by the Board of the Corporate Trustee
- ✧ scrutiny by the Finance & Investment Committee of the Board of quarterly and annual financial reports, which indicate financial performance against targets
- ✧ an operational corporate plan that includes cash flow and budget variance targets to measure financial and other performance
- ✧ clearly defined capital investment control guidelines within the framework of an annual reviewed investment policy;
- ✧ formal operational risk and project management systems, processes and disciplines
- ✧ procedures for the assessment of applications, management and monitoring of grants, ensuring that all applications and grants are rigorously processed and scrutinised
- ✧ a consistent model across all grants for evaluating the outputs, outcomes and impact of funded projects to ensure effective use of Spirit grants for their intended purpose.

The Audit & Risk Committee of the Board reviews internal controls each year and ensures that any recommendations are actioned within six months.

Dugald Mackie
Chair
6 July 2016

Debbie Lye
Chief Executive
6 July 2016

AUDITORS' REPORT

We have audited the accounts of Spirit of 2012 for the year ended 31 March 2016 set out on pages 25 to 48. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the charity's Trustee, as a body, in accordance with Section 144 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's Trustee those matters that we are required to state to it 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 and its Trustee as a body, for our audit work, for this report, or for the opinions that we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement on page 19, the Trustee, is responsible for the preparation of the accounts and for being satisfied that they give a true and fair view.

We have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the accounts 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 accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company'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 accounts.

In addition, we read all the financial and non-financial information in the Trustees' Report to identify material inconsistencies with the audited accounts and 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 accounts

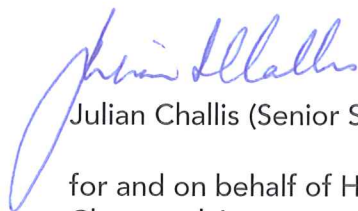
In our opinion the accounts:

- ✂ give a true and fair view of the state of the charity's affairs as at 31 March 2016, and of its incoming resources and application of resources for the year then ended
- ✂ have been properly prepared in accordance with UK Generally Accepted Accounting Practice
- ✂ 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:

- ✘ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ✘ the accounts are not in agreement with the accounting records and returns; or
- ✘ certain disclosures of trustees' remuneration specified by law are not made; or
- ✘ we have not received all the information and explanations we require for our audit



Julian Challis (Senior Statutory Auditor)

for and on behalf of H W Fisher & Company
Chartered Accountants
Statutory Auditor
Acre House
11-15 William Road
London NW1 3ER

20/7/2016

H.W. Fisher and Company is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

SPIRIT OF 2012

FOR THE PERIOD ENDED 31 MARCH 2016

STATEMENT OF FINANCIAL ACTIVITIES

		Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2016 £	Total Funds 2015 £
	Notes					
Income:						
Charitable Activities						
Grants	3	-	800,000	-	800,000	5,069,350
Investment Income	2	604,749	18,766	-	623,515	412,096
Total		604,749	818,766	-	1,423,515	5,481,446
Expenditure:						
Cost of Raising Funds						
Investment Management Costs		-	-	115,136	115,136	39,330
		-	-	-	-	-
Charitable Grants and Associated Activities		-	-	-	-	-

SPIRIT OF 2012

FOR THE PERIOD ENDED 31 MARCH 2016

Spirit of Glasgow	-	-	-	-	4,403,720	
Spirit of Youth	479,650	(693,845)	-	(214,195)	4,224,060	
Spirit of Achievement	752,812	6,701	-	759,513	1,977,039	
Spirit of Volunteering	-	-	-	-	1,538,313	
Spirit of Rio	35,138	-	-	35,138	1,420,251	
Spirit of Hull	2,752,473	-	-	2,752,473	526,020	
Spirit of Women	786,925	-	-	786,925	10,100	
Legacy 2014 Physical Activity Fund	-	767,632	-	767,632	-	
Innovation Fund	<u>42,955</u>	<u>-</u>	<u>-</u>	<u>42,955</u>	<u>78,396</u>	
Total	4-10	<u>4,849,953</u>	<u>80,488</u>	<u>115,136</u>	<u>5,045,577</u>	<u>14,217,229</u>
Net Gains/(Losses) on Investments	-	-	(940,050)	(940,050)	779,237	
Net Income/(Expenditure)	(4,245,204)	738,278	(1,055,186)	(4,562,112)	(7,956,547)	
Transfer of Funds	18	5,555,863	(705,910)	(4,849,953)	-	-

SPIRIT OF 2012

FOR THE PERIOD ENDED 31 MARCH 2016

Net Movement in Funds		1,310,659	32,368	(5,905,139)	(4,562,112)	(7,956,547)
Total Funds Brought Forward at 1st April 2015	18	<u>433,248</u>	<u>-</u>	<u>33,323,819</u>	<u>33,757,067</u>	<u>41,713,614</u>
Total Funds Carried Forward at 31 st March 2016	18	<u>1,743,907</u>	<u>32,368</u>	<u>27,418,680</u>	<u>29,194,955</u>	<u>33,757,067</u>

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

SPRIT OF 2012

FOR THE PERIOD ENDED 31 MARCH 2016

BALANCE SHEET

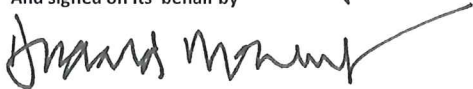
		2016		2015	
		£	£	£	£
	Notes				
Fixed assets					
Tangible assets	12	20,414		26,399	
Investments	13	33,592,768		33,675,833	
			33,613,182		33,702,232
Current assets					
Debtors and prepayments	14	21,714		20,863	
Short term deposits	15	2,735,199		7,438,009	
Cash at bank and in hand		1,361,494		2,142,948	
		4,118,407		9,601,820	
Creditors : Amounts falling due within one year	16	4,980,862		5,377,027	
Net current assets			(862,456)		4,224,793
Creditors : Amounts falling due after year	17		(3,555,771)		(4,169,958)

SPIRIT OF 2012
FOR THE PERIOD ENDED 31 MARCH 2016

Net assets		29,194,955	33,757,067
Represented by			
Unrestricted Funds	18	1,743,907	433,248
Restricted Funds	18	32,368	-
Endowment	18	27,418,680	33,323,819
	22	29,194,955	33,757,067

The notes on pages 33 to 48 form part of these accounts

Approved by the Trustee on
And signed on its behalf by



Dugald Mackie
Chair

6-Jul-16

STATEMENT OF CASHFLOWS

	2016 £	2015 £
Notes		
Cash flows from operating activities		
Net cash used in operating activities	(5,244,010)	366,100
Cash flows from investing activities		
Interest from investments	623,515	412,096
Purchase of fixed assets and equipment	(6,785)	(4,964)
Proceeds from sale of investments	11,213,733	1,619,448
Purchase of investments	(12,070,718)	(2,856,073)
Net cash used in investing activities	(240,255)	(829,493)
Net decrease/(increase) in funds on deposit	4,702,811	(3,736,277)
Cash and cash equivalents at 1 April 2016	2,142,948	6,342,618
Cash and cash equivalents at 31 March 2016	1,361,494	2,142,948

Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2016 £	2015 £
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(4,562,112)	(7,956,547)
Adjustments for:		
Add back depreciation charges	11,865	10,553
(Gains)/losses on investments	940,050	(779,237)
Deduct Interest from investments	(623,515)	(412,096)
Loss (gain) on disposal of fixed assets	905	-
(Increase)/decrease in debtors	(851)	73,571
Increase/(decrease) in creditors	(1,010,352)	9,429,856
Net cash provided by operating activities	(5,244,010)	366,100

Analysis of Cash and Cash
Equivalents

SPIRIT OF 2012

FOR THE PERIOD ENDED 31 MARCH 2016

	2016	2015
	£	£
Bank Current Accounts	1,361,494	2,142,948
	1,361,494	2,142,948

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

In preparing the accounts, the trustee has considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 for the first time, the restatement of comparative items was required. No restatements were required

The Charity meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

Preparation of the accounts on a going concern basis

We have set out in the Trustee's report a review of financial performance and the Charity's reserves position and we have a reasonable expectation that we have the resources to continue in operational existence for the foreseeable future. We believe that there are no material uncertainties that call into doubt the charity's ability to continue as a going concern. The accounts have, therefore, been prepared on the basis that the charity is a going concern.

Grants receivable

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

Income

All incoming resources are included in the statement of financial activities when the Charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

Voluntary resources are included in the statement of financial activities when the Charity is entitled to the income and the amount can be quantified with reasonable accuracy.

The value of services provided by volunteers has not been included in these accounts.

Investment income is included when receivable.

Unrestricted income is deferred when this is received and relates to a period following the year end. Restricted income is deferred only when this relates wholly to a future period, as specified by the funder.

Resources expended

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under Spirit's charity activities.

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 that are subject to annual monitoring procedures are deferred.

Allocation of overhead and support costs

Overhead and support costs 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.

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 more than £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.

Fixed asset investments

Investments held as fixed assets are revalued at market value at the balance sheet. The gain or loss for the year, which is calculated as the difference between the market value and historical cost value of investments, is taken to the Statement of Financial Activities.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered and provision for bad and doubtful debts. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash at bank and in hand

Cash at bank and cash in hand includes cash and short- term, highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions

Creditors and provisions are recognised where the Charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Financial instruments

The Charity only has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

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 represent the general reserves of the charity that 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 represent 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 is 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 Directors in furtherance of the general objectives of Spirit and which have not been designated for any other purposes. The Directors at their discretion may transfer any interest earned on the endowment to general unrestricted funds or restricted funds.

NOTES TO THE ACCOUNTS

2. Investment Income

	2016 £	2015 £
Income from listed investments	541,161	149,448
Bank interest receivable	82,354	262,648
	<u>623,515</u>	<u>412,096</u>

Income from listed investments can be analysed as follows;

Fixed Interest	354,503	50,816
Equities	134,236	69,857
Alternative investments	52,422	28,775
	<u>541,161</u>	<u>149,448</u>

3. Grant Income

During the year the following funds were received:

	2016 £	2015 £
Restricted Funds		
Big Lottery Fund - Keeping the Spirit Alive	-	4,569,350
Big Lottery Fund - Unlimited Impact	-	500,000
Scottish Government - Legacy 2014	800,000	-
	<u>800,000</u>	<u>5,069,350</u>

4. Analysis of Expenditure

Expenditure on charitable activities was £5,045,577 (2015: £14,217,229) of which £4,849,953 was unrestricted (2015: £9,068,647), £115,136 was endowment (2015: £39,330) and £80,488 was restricted (2015: £5,109,253)

Spirit awarded grants to a number of institutions in the furtherance of its charitable activities and also undertook programme development, monitoring and evaluation and communications activities.

	2016		2015	
	£	£	£	£
Grant Making (see note 5)		4,178,181		13,476,597
Other Direct Charitable Expenditure				
Programme Development - Staff Costs	225,579		164,500	
Programme Development - Other	79,641		75,748	
Communications Costs	11,490		44,475	
Monitoring & Evaluation	86,607		46,124	
		403,318		330,847
Governance				
Audit and Accountancy	5,400		5,400	
Legal Costs	4,308		3,594	
Protectors Fees	10,000		10,000	
Board Costs	11,359		7,482	
		31,067		26,476
Other Support Costs				
Core Staff Costs	233,147		259,489	
Recruitment Costs	1,200		2,848	
Investment Managers Costs	115,136		39,903	
Consultancy	11,280		22,437	
Premises Costs	25,607		32,933	
Operational Costs	46,641		25,699	
		433,011		383,309
		<u>5,045,577</u>		<u>14,217,229</u>

SPIRIT OF 2012

FOR THE PERIOD ENDED 31 MARCH 2016

5. Grants Payable

One grant commitment reported in the previous year under restricted expenditure was terminated and the unspent commitment transferred to unrestricted funding with the agreement of the funder (value £705,910)

	2016 No.	2015 No.	2016 £	2015 £
Spirit of Glasgow	-	5	-	4,185,893
Spirit of Youth	1	4	(214,195)	4,015,118
Spirit of Achievement	6	3	648,456	1,879,247
Spirit of Volunteering	-	3	-	1,462,222
Spirit of Rio	3	2	30,000	1,350,000
Spirit of Hull	1	2	2,350,000	500,000
Spirit of Women	1	1	671,859	9,600
Legacy 2014 Physical Activity Fund	11	-	655,387	-
Innovation Fund	2	7	36,674	74,517
	25	27	4,178,181	13,476,597

6. Grants Payable

The following grants were payable during the year to projects under the nine programme headings. One grant was terminated (as described in Note 5) and another grant payable was underspent and closed with the remaining balance of £19,670

	2016 No.	2015 No.	2016 £	2015 £
Spirit of Glasgow				
Streetgames UK	-	1	-	121,182
UK Community Foundation	-	1	-	3,000,000
Springboard	-	1	-	500,000
Volunteer Scotland	-	1	-	196,856
Glasgow UNESCO	-	1	-	367,855
			-	4,185,893

SPIRIT OF 2012

FOR THE PERIOD ENDED 31 MARCH 2016

Spirit of Youth

British Red Cross	-	1	-	778,472	
ukactive	1	1	(705,910)	1,500,000	
Youth Sport Trust	1	1	491,715	810,800	
Comic Relief	-	1	-	925,846	
			(214,195)		4,015,118

Spirit of Achievement

Shape London	-	1	-	500,000	
UK Sports Association	-	1	-	279,397	
British Paralympic Association	1	1	(19,670)	1,099,850	
Stockton Arts Centre (ARC)	1	-	250,000	-	
Streetwise	2	-	110,000	-	
Beacon Hill Arts	1	-	120,000	-	
Oasis Children's Venture Ltd	1	-	188,126	-	
			648,456		1,879,247

Spirit of Achievement

Voluntary Arts	-	1	-	832,824	
Welsh Council for Voluntary Action	-	1	-	179,398	
Greater London Authority	-	1	-	450,000	
			-		1,462,222

Spirit of Rio

British Olympic Foundation	-	1	-	600,000	
Rugby Football Development Ltd	-	1	-	750,000	
Sport and Recreation Alliance	1	-	10,000	-	
English Federation of Disability Sports	1	-	10,000	-	
ukactive	1	-	10,000		
			30,000		1,350,000

Spirit of Hull

SPIRIT OF 2012
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Hull City of Culture Ltd	1	2	2,350,000	500,000
Spirit of Women				
Southbank Centre	1	1	671,859	9,600
Legacy 2014 Physical Activity Fund				
Changes Community Health Project	1	-	21,574	-
NHS Highlands	1	-	70,000	-
Fife Sports & Leisure Trust	1	-	69,774	-
Leisure & Culture Dundee	1	-	56,908	-
North Ayreshire Leisure Ltd	1	-	70,000	-
Midlothian Council	1	-	69,453	-
Stirling Council	1	-	29,855	-
Cairngorms National Park Authority	1	-	69,825	-
Edinburgh Leisure	1	-	70,000	-
Drumchapel Sports Centre	1	-	69,848	-
Dumfries and Galloway Council	1	-	58,150	-
			655,387	-
Innovation Fund				
Sporting Memories Network	2	1	36,674	49,951
National Lottery Anniversary Run Organisations	-	6	-	24,566
			36,674	74,517
	26	27	4,178,181	13,476,597

7. Grants Paid in Year

Reconciliation of cash payments to grants payable

	Cash Paid 2016 £	Credit for grants accounted for in previous year £	Credit for closed/underspent grants £	Accrued for grants awarded in Year £	Grants Payable 2016 £	Cash Paid 2015 £
Spirit of Glasgow	1,065,175	(1,065,175)	-	-	-	930,907
Spirit of Youth	1,744,195	(1,301,835)	(705,910)	49,355	(214,195)	1,675,241
Spirit of Achievement	1,013,307	(874,127)	(19,670)	528,946	648,456	861,279
Spirit of Volunteering	537,160	(537,160)	-	-	-	410,138
Spirit of Rio	472,766	(442,766)	-	-	30,000	330,853
Spirit of Hull	138,487	(138,487)	-	2,350,000	2,350,000	245,100
Spirit of Women	31,152	-	-	640,707	671,859	9,600
Legacy 2014	327,695	-	-	327,692	655,387	-
Innovation Fund	46,074	(9,400)	-	-	36,674	65,108
	5,376,011	(4,368,950)	(725,580)	3,896,700	4,178,181	4,528,226

8. Grant Commitments

Below are pre-existing grant commitments, recognised at the beginning of the year, and the balances of those commitments recognised at the end of the year. It itemises new grant commitments made during the year, grants paid against both pre-existing and new commitments. It lists grants closed during the year

	Grant commitments recognised at the start of the year £	New grant commitments £	Grants paid during year £	Grants closed during year £	Grant commitments recognised at end of the year £
Spirit of Glasgow	3,254,985	-	(1,065,175)	-	2,189,810
Spirit of Youth	2,768,145	491,715	(1,744,195)	(705,910)	809,755
Spirit of Achievement	1,160,259	668,126	(1,013,307)	(19,670)	795,408
Spirit of Volunteering	1,052,084	-	(537,160)	-	514,924
Spirit of Rio	1,019,147	30,000	(472,766)	-	576,381
Spirit of Hull	254,900	2,350,000	(138,487)	-	2,466,413
Spirit of Women	-	671,859	(31,152)	-	640,707
Legacy 2014	-	655,387	(327,695)	-	327,692
Innovation Fund	9,409	36,674	(46,074)	-	9
	9,518,929	4,903,761	(5,376,011)	(725,580)	8,321,099

	Grants Payable within one year £	Grants Payable over one year £	Grant commitments recognised at end of the year
Spirit of Glasgow	999,996	1,189,814	2,189,810
Spirit of Youth	672,114	137,641	809,755
Spirit of Achievement	548,909	246,499	795,408
Spirit of Volunteering	486,098	28,826	514,924
Spirit of Rio	494,939	81,442	576,381
Spirit of Hull	102,118	144,529	2,466,413
Spirit of Women	214,387	42,632	640,707
Legacy 2014	327,692	-	327,692
Innovation Fund	9	-	9
	4,765,328	3,555,771	8,321,099

9. Staff Costs & Consultancy Costs

	2016	2015
	£	£
Wages and salaries	381,905	290,398
Social security costs	37,777	26,463
Pension contributions	<u>38,954</u>	<u>26,614</u>
Total staff costs	458,636	343,475
Consultancy fees - Director of Finance	-	41,480
	<u>458,636</u>	<u>384,955</u>

The value of paid annual leave accrued but not yet taken was not material, as staff members are not allowed to carry forward more than 5 days (pro rata) unused leave to future years.

During the year employees earning in excess of £60,000 per annum, including taxable benefits are as follows;

	2016	2015
	No.	No.
£60,000 - £69,999	1	1
£90,000 - £99,999	<u>1</u>	<u>1</u>
	<u>2</u>	<u>2</u>

The total amount of pension benefits for these higher paid employees was £15,906 (£15,594 in 2015)

The key management personnel of the charity in charge of directing, controlling, running and operating the charity on a day to day basis comprise of the Board Members, Chief Executive, Director of Policy and Research and Head of Finance. Total remuneration (gross pay and taxable benefits) for key management personnel was £184,630 (£160,291 in 2015).

No Director of the corporate trustee received any remuneration during the year. Seven Directors received £5,340 for the reimbursement of expenses incurred relating to the Trust (five Directors receiving £6,042 in 2015). Expenses incurred included for travel, subsistence and accommodation.

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The average headcount number of employees analysed by function was:

	2016 No.	2015 No.
Project staff	4	3
Management and Administration	6	4
	<u>10</u>	<u>7</u>

10. Net incoming resources

Net expenditure is stated after charging:

	2016	2015
Auditors' remuneration for audit services (incl. VAT)	5,400	5,400
Investment Management Fees	115,136	39,330
Travel, subsistence and hospitality costs	10,766	11,100
Directors' Indemnity Insurance	1,578	1,439
Fees and expenses of the Protector	10,000	10,000
Operating lease costs (office rentals)	<u>48,903</u>	<u>46,647</u>

11. 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 the 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 VAT incurred.

12. Tangible Fixed Assets

	Office Equipment £	Furniture and Fittings £	Total 2016 £	Total 2015 £
All used for direct charitable purposes				
Cost				
At 1 st April 2015	23,075	17,607	40,682	35,718
Additions	5,879	906	6,785	4,964
Disposals	(3,621)	-	(3,621)	-
At 1 st April 2016	<u>25,333</u>	<u>18,513</u>	<u>43,846</u>	<u>40,682</u>
Depreciation				
At 1 st April 2015	9,790	4,493	14,283	3,730
Charges for the year	8,238	3,627	11,865	10,553
Eliminated on disposals	(2,716)	-	(2,716)	-
At 1 st April 2016	<u>15,312</u>	<u>8,120</u>	<u>23,432</u>	<u>14,283</u>
Net book value				
At 31 st March 2016	<u>10,021</u>	<u>10,393</u>	<u>20,414</u>	<u>26,399</u>
At 31 st March 2015	<u>13,285</u>	<u>13,114</u>	<u>26,399</u>	<u>31,988</u>

13 Investments

	2016 Cost £	2016 Market value £	2015 Cost £	2015 Market value £
Fixed Interest	8,484,599	8,342,100	7,914,616	8,022,852
Equities	6,025,474	6,134,192	5,943,729	6,191,106
Alternative investments	19,155,973	19,116,475	19,073,988	19,461,875
	<u>33,666,046</u>	<u>33,592,768</u>	<u>32,932,333</u>	<u>33,675,833</u>

13 Investments (continued)

	2016	2015
	£	£
At 1 April 2015	33,675,833	31,659,971
Additions in the year	12,070,718	2,856,073
Disposals in the year	(11,213,733)	(1,619,448)
Realised gains (losses) in the year	(111,744)	52,189
Unrealised gains (losses) in the year	(828,305)	727,048
Balance at 31 March 2016	33,592,768	33,675,833

Individual assets, and their market values at 31 March 2016, representing over 5% of the investment portfolio are as follows:

BNP Linker Note on HSCEI, TAMSCI 03 Feb 2020	4,874,000	4,990,000
CS AutoCallable Note on UKX 30 Jan 2020	5,164,000	5,127,000
GS Linker - Call Note on SX5E RTY, 21 Nov 2019	4,091,853	4,231,643

14 Debtors

	2016	2015
	£	£
Other Debtors	630	162
Prepayments	17,778	14,528
Accrued Income	3,306	6,173
	21,714	20,863

15. Short Term Deposits

	2016	2015
	Cost	Cost
	£	£
Lloyds TSB - Three Month Bond	-	2,846,997
Santander UK - 95 Day Notice	-	2,847,239
Barclays Bank Deposit	2,361,585	1,238,677
Barclays - Dealing Accounts	167,982	505,096
ICS PLC Institutional Sterling Liquid	205,632	-
	<u>2,735,199</u>	<u>7,438,009</u>

16. Creditors – Amounts falling due within one year

	2016	2015
	£	£
Trade creditors	27,747	23,265
Grants payable	4,765,328	5,348,971
Taxation and Social Security Costs	11,869	-
Accruals	175,918	4,791
	<u>4,980,862</u>	<u>5,377,027</u>

17. Creditors – Amounts falling due after one year

	2016	2015
	£	£
Grants payable	3,555,771	4,169,958
	<u>3,555,771</u>	<u>4,169,958</u>

18. Funds

The value of total charitable expenditure was transferred from the endowment to unrestricted funds at the end of the period. In addition £705,910 was transferred from restricted to unrestricted funds, representing the amount unspent on a restricted grant commitment reported in the previous year which has now closed.

	At 31st March 2015 £	Income £	Expenditure £	Transfers Gains/(losses) £	At 31 st March 2016 £
Unrestricted Funds	433,248	604,749	(4,849,953)	5,555,863	1,743,907
Restricted Funds	-	818,766	(80,488)	(705,910)	32,368
Endowment Funds	33,323,819	-	(1,055,186)	(4,849,953)	27,418,679
Total Funds	33,757,067	1,423,515	(5,985,627)	-	29,194,955

19. Restricted Funds

	At 31st March 2015 £	Income £	Expenditure £	Transfers Gains/(losses) £	At 31 st March 2016 £
Spirit of Glasgow	-	-	-	-	-
Spirit of Youth	-	12,065	693,845	(705,910)	-
Spirit of Achievement	-	6,701	(6,701)	-	-
Spirit of Volunteering	-	-	-	-	-
Spirit of Rio	-	-	-	-	-
Spirit of Women	-	-	-	-	-
Legacy 2014	-	800,000	(767,632)	-	32,368
	<u>-</u>	<u>818,766</u>	<u>(80,488)</u>	<u>(705,910)</u>	<u>32,368</u>

20. Endowment Funds

Details regarding this expendable endowment can be found on page 5 of the trustees' report

At 31st March 2015	Investment Income £	Realised Losses £	Unrealised Losses £	Transfers £	Investment Managers Fees £	At 31 st March 2016 £
<u>33,323,819</u>	-	(111,744)	(828,305)	(4,849,953)	(115,136)	<u>27,418,680</u>

21. Net assets

	Fixed Assets £	Net current Assets £	Net Assets £
Unrestricted Funds	20,414	1,723,493	1,743,907
Restricted Funds	(73,278)	105,646	32,368
Endowment Funds	33,666,046	(6,247,366)	27,418,679
Total Funds	33,613,182	(4,418,227)	29,194,955

22. Related Party Transactions

Spirit, because of its nature, has close working relationships with a number of organisations which the Corporate Trustee Directors are involved with. These included the British Olympic Association.

Director Sir Harry Burns is the Professor of Global Public Health at the University of Strathclyde. In October 2015 Spirit awarded a monitoring and evaluation contract for Legacy 2014 programme to the University of Strathclyde, valued at £79,780 and lasting until February 2017. Spirit will pay the University £2,900 for four days of Sir Harry's work (see page 22).

23. Corporate Trustee

Spirit has only one Trustee, being Spirit of 2012 Trustee Limited.

24. Commitments Under Operating Leases

As at 31 March 2016 Spirit had annual commitments under non cancellable operating leases as follows.

	Land and Buildings	
	2016	2015
	£	£
Expiry Date		
Within one year	2,375	2,125
Between two and five years	128,641	166,278
	131,016	168,403

REPORT OF THE PROTECTOR FOR THE YEAR ENDED 31 MARCH 2016

Background

I took up my appointment as Protector of Spirit of 2012 ("Spirit") on 1 January 2014. I am required under the terms of the Trust Deed dated 7 October 2013 to prepare a statement for publication by the Trustee in its annual report that explains the function of the Protector, how that function has been exercised and, where appropriate, identifies any areas of administration of the charity that require improvement and the steps to be taken by the Trustee to effect such improvement.

The sole Trustee of the charity is Spirit of 2012 Trustee Limited ("the Trustee"), a private company limited by guarantee established for that purpose.

Function of the Protector

Under the Trust Deed, the Protector has a fiduciary duty to ensure the integrity of the administration of the charity and the propriety of its procedures.

Although the Protector is not involved in decision making within the charity, the Trust Deed stipulates that his consent is required in certain specified situations. The Protector is also required to report on any matters of serious concern to the Big Lottery Fund (BLF), as the Founder of Spirit, or to the Charity Commission.

The function of the Protector is, therefore, to ensure that that the Trustee administers the charity properly and applies the charity's property in accordance with the Trust Deed. Spirit's property consists of a portfolio of investments and cash derived originally from an endowment of £40 million from the Big Lottery Fund in December 2013, since which time further funds have been received – notably for six *Keeping the Spirit Alive* projects that had been jointly awarded grant funding by the Big Lottery Fund and Spirit in September 2013.

Objects of the Charity

The objects of Spirit are set out Trust Deed and are reproduced in the Trustee's report on pages 8 to 10.

Administration of the Charity

I have attended meetings of the Board of the Trustee, the Finance & Investment Committee, the Audit & Risk Committee, the Recruitment & Remuneration Committee and the Board Effectiveness Review Panel. I have also kept in periodic contact with the Chair, Chief Executive and representatives of the Big Lottery Fund to discuss status and progress.

I am satisfied that the charity has been administered in accordance with the terms of the Trust Deed in the year under review.

The Board of the Trustee

The Board of the Trustee commissioned an external survey of its effectiveness in the second half of 2015 which, in providing firm reassurance in overall terms, identified some areas for potential improvement. One of the agreed outcomes was the establishment of a Board Effectiveness Review Panel with the remit to advise the Board on development needs and how best to build on existing strengths. Board members have since been encouraged to identify any training needs, which are then met.

The policy of open recruitment of Directors continued – once again using an external search firm. This has enabled further complementary skills to be added to the Board's existing experience and expertise. The away day planned for the autumn will provide a timely forum for the Board to assess and review Spirit's direction and progress to date, and the Board's effectiveness in helping to ensure that Spirit's objectives and potential are fully realised.

The Executive team

The dedicated Executive team, under the effective leadership of Debbie Lye, has continued to provide expert and valuable support to the Board, the committees and the panels, so that decisions are reached on a fully-informed basis. The small core team, which is now well-established, is able to call on external specialist expertise where this is needed.

The programmes

A number of new commitments have been entered into during the year to extend Spirit's support for projects under agreed programme headings, largely event-based, which fulfil the Founder's original intentions. The level of spending commitment and the amount of income or match funding generated to date is in line with agreed budget projections.

As the grant programmes are developed, it is encouraging to see early use being made of the initial findings of Spirit's retained external evaluators on both impact and process. This provides a useful tool both for grant holders to share learning and for the Programme Evaluation Advisory Panel to review and enhance programme design and implementation.

The decision by the Scottish Government to entrust a grant award of £800,000 to Spirit to manage their Legacy 2014 Physical Activity Fund has given a useful early indication of the high regard in which Spirit's work is already held.

Finance and investment

The Board remains fully aware of the need to maintain a prudent approach to Spirit's investments and to ensure that the original value of the endowed fund is adequately protected for grant programme purposes, while also achieving a reasonable return to help meet the funding requirements of the various programmes.

A review of Spirit's investment policy was carried out during the year. Financial control reporting systems remain in place to provide appropriate comfort that the charity's assets are being properly protected. The risk register is updated and reviewed quarterly, and any risks carefully managed.

Summary

In summary, the last year, as evidenced by the positive reaction at the reception held in November 2015 to mark Spirit's achievements during its first two years, has seen further encouraging progress as the positive impact of its programme investment begins to show.

Jon Siddall

Protector, Spirit of 2012

6 July 2016