

SC 325245

GLASGOW 2014 LIMITED
REPORT AND FINANCIAL STATEMENTS
31 MARCH 2012

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GLASGOW 2014 LIMITED

Officers and Professional Advisors

Chairman: The Right Hon The Lord Smith of Kelvin Kt

Vice Chairman: Louise Martin CBE

Other Directors: Michael Cavanagh
Ian Emmerson OBE (resigned 14 December 2011)
Hon Michael Fennell (resigned 14 December 2011)
Eileen Gallagher OBE
Sir Bill Gammell
Archibald Graham
Colin Hood (appointed 1 September 2011)
Michael Hooper (resigned 14 December 2011)
John Mason
Dr Bridget McConnell
Alan Mitchelson
Francesca Osowska
John Scott (resigned 27 June 2011)
Rhona Simpson

Chief Executive: David Grevenberg

Company Secretary: Ian Reid

Auditor: KPMG LLP
191 West George Street
Glasgow
G2 2LJ

Bankers: Royal Bank of Scotland plc
10 Gordon Street
Glasgow
G1 3PL

Registered Office (until 26 September 2011):
5th Floor
Monteith House
11 George Square
Glasgow
G2 1DY

Registered Office (from 27 September 2011):
Commonwealth House
32 Albion Street
Glasgow
G1 1LH

Registered Number: SC 325245

GLASGOW 2014 LIMITED

DIRECTORS' REPORT

The Directors present their annual report and financial statements for the year ended 31 March 2012.

Principal Activities

The Company is engaged in the planning, organising, staging and operating of the Glasgow 2014 Commonwealth Games ("the Games"). Funding is raised through sponsorship, broadcasting revenue, ticket sales and other commercial activities with revenue support from the Scottish Government and Glasgow City Council.

Games Partners

As part of the overall Games budget, our partners in the Scottish Government (SG) and Glasgow City Council (GCC) are delivering certain infrastructure and other projects on our behalf. These items are not included in these financial statements, which reflect only the activities undertaken by Glasgow 2014 Limited.

Vision and Objectives

The Company's Vision is to stage an outstanding, athlete-centred and sport-focused Games of world class competition; a Games that will be celebrated across the Commonwealth, generate enormous pride in Glasgow and Scotland, and leave a lasting legacy.

Our Mission is to organise and deliver the Games in a manner consistent with the aspirations of the Glasgow bid and the contractual obligations of the Host City Contract, on time and on budget.

Our Objectives are:

- to provide an outstanding environment for athletes enabling them to perform at the peak of their abilities;
- to deliver an exciting and entertaining Games experience in a safe environment for the Commonwealth Games family and spectators that includes venues that are full or close to full capacity;
- to promote the Glasgow 2014 brand for the benefit of the Commonwealth Games Federation and to be true to its values of Humanity, Equality and Destiny;
- to generate significant commercial revenues to support the public investment in the Games;
- to work with our partners to deliver first class venues and to operate them effectively and efficiently;
- to stage a Games with responsible environmental and sustainability standards that set benchmarks;
- to create an atmosphere that drives positive and comprehensive media coverage and public attitude towards the Games;
- to support the Scottish Government, Glasgow City Council and Commonwealth Games Scotland in realising their ambitions for legacy from the Games; and
- to nurture and harness the enthusiasm of the people of Glasgow and Scotland through engagement.

Directors' Report (continued)

Business Review

The Company made considerable progress during the year in a wide variety of areas of planning towards the Glasgow 2014 Commonwealth Games. A significant achievement was the development of the Commercial programme. Harper Macleod, Search Consultancy, Ernst & Young and Atos became the Company's first four sponsors during the year. Since the year end, a further four sponsors - Longines, SSE, Dell and Toshiba - have been announced.

Another major milestone was achieved with the appointment in June 2011 of the BBC as the Domestic Broadcast Rights Holder for the Games. The BBC investment in Glasgow 2014 reflects the importance of the Games to the Home Nations, and offers the Company an unparalleled platform for the promotion of the Games to the widest possible UK audience.

The progress made in the fields of sponsorship and broadcasting has ensured that the Company has already secured more than one third of its commercial income target for the Games.

Following the year end, the Company appointed Global Sunset & Vine as its Host Broadcaster for the Games. This represents one of the most significant contracts to be let by the Company to date, and is an important milestone on the road to the Games.

The first two visits by the Commonwealth Games Federation's Coordination Commission to Glasgow took place during the year. The Commission's role is to liaise with, monitor and advise the Company on all matters relating to the organisation of the Games, as well as reviewing the Company's progress against its milestones and the Games Master Schedule. Both visits were successful, with the Commission praising the progress made by the Company and its Games Partners. This view was supported by Audit Scotland in their March 2012 report.

The Company has continued to work closely with its Games Partners, particularly with GCC in relation to the Venues and Village Development Programmes. Work has continued on the Games Venues and Athletes' Village, with plans for all venues on schedule and on budget. Several venues are approaching completion. New greens at the Kelvingrove Lawn Bowls Centre were completed in April 2012, while the Commonwealth Arena and Sir Chris Hoy Velodrome will open for use in October 2012.

During the year the Company finalised the Sport Programme for the Games, with the inclusion of a further three Shooting events for women, a Triathlon Mixed Team Relay event, and a revised Para-Sport programme providing up to 22 medal events across five Para-Sports, the largest ever for a Commonwealth Games. The Sport Programme forms the bedrock of the Company's vision of an outstanding sport-focused Games, and the Company will continue to develop its operational plans around it in the coming year.

The Company's workforce has continued to grow in tandem with its increasing workload. During the year, the Company undertook a thorough review of its workforce plan, which is designed to ensure that the right staff are recruited at the right time to deliver the Company's objectives. By the end of the year, 137 employees were in post, with the majority of functional areas now having staff in place. This figure will rise to over 1,000 by Games-time.

Other key achievements during the year include:

- The Company secured an agreement with HM Treasury to exempt international competitors from tax on endorsement income arising from their appearance at the Games. This agreement opens the door to the Commonwealth's elite athletes and puts Glasgow 2014 on the map as a "must attend" event.
- The Company hosted successful visits from a number of International Federations - the governing bodies of international sport - and Commonwealth Games Associations.

Directors' Report (continued)

Business Review (continued)

- The extension of the Lead 2014 programme to seven universities, and over 1,000 pupils from all over Scotland. Lead 2014 is a partnership between Glasgow 2014, sportscotland and the Youth Sport Trust, which aims to inspire university and school students to organise and deliver Commonwealth Games themed sports festivals within schools.
- The Games pictograms – iconic images of each of the 17 Games sports – were launched as part of the Company's sport-themed contribution to the Merchant City Festival in July 2011.
- In September 2011 the Company moved into refurbished premises – Commonwealth House – in Albion Street, Glasgow. The building will remain the Company's headquarters right through to and immediately following the Games.
- The Company commenced a Model Venue Exercise in March 2012. Using the Sir Chris Hoy Velodrome as an example, the Company and its Games partners examined the services that will be needed at Games-time.

Risk Management

The Company recognises that it has a responsibility to manage risks, protect its reputation, people, assets, environment and communities, and to protect the interests of its stakeholders. The Company's Risk Management policy seeks to adopt best practice where appropriate in the identification, evaluation and effective control of risks, to ensure that they are eliminated or reduced to an acceptable level.

The Company maintains a Games-wide collective register containing risks owned by all of the Games Partners and various stakeholders. This is managed by a specialist Risk Management team, which is supported by Marsh LLP, one of the world's leading insurance and risk advisors.

The current key risks and uncertainties facing the Company and how they are managed are described below.

- Security: The Company is working in partnership with the Scottish Government, Glasgow City Council, Strathclyde Police and other parties to develop an effective security solution for the Games. Strong governance has been put in place with representatives from all the key agencies to develop the strategy.
- Venues: The Company is working with a number of organisations including North Lanarkshire Council, SEPA, Scottish Water and Glasgow Scientific Services to manage the water quality risk at Strathclyde Country Park.
- Athletics track construction at Hampden Park: Construction and testing of a mock-up of the suspended deck option has been undertaken. Testing of the surface was carried out by an IAAF-approved testing authority, whose findings demonstrate that a track constructed on such an elevated platform could be expected to be certifiable.
- Ticketing: The Company is working to implement robust measures which will ensure that lessons are learned from past events with regard to the ticketing of multi-sports events. These measures will include a review of systems infrastructure, attendance and spectator experience.

The Board and its Committees

The Board currently comprises the Chairman, two representatives from each of the three members of the Company (the Scottish Government, Glasgow City Council, and Commonwealth Games Scotland), an athlete representative, and four independent directors appointed by the Chairman.

Directors' Report (continued)

Audit and Risk Committee

The Audit and Risk Committee met four times during the year. The Committee is chaired by Alan Mitchelson, Board Member, and its membership comprises three independent committee members, Andrew Shepherd, Charles Beattie and Paul Bush. Committee meetings are attended by the Chief Executive, the Director of Finance and Corporate Services, the Head of Programme Management and the Risk Manager, and, where relevant, by the Company's internal and external auditors and risk advisors. The Committee's responsibilities, as set out in its terms of reference, include:

- the appointment of external auditors, discussion of the nature and scope of audits, and review of the management letter and management's responses;
- the establishment of an internal audit function, review of the internal audit programme and recommendations;
- review of the Company's treasury policy, including foreign exchange exposure;
- oversight of management's implementation of systems for financial control, financial reporting and risk management;
- review of, and, where necessary, challenge to the actions and judgements of management, in relation to the annual financial statements before submission to the auditors and Board;
- recommendation to the Board of the Company's attitude towards governance and regulatory compliance;
- oversight of the Company's governance and regulatory processes and procedures and monitoring their effectiveness;
- review of the critical strategic, operational and financial risks and overall Company risk register;
- identification of any existing or potential risks and review of the proposed actions with respect to mitigation strategies; and
- review and assessment of the effectiveness and appropriateness of the Company's systems of non-financial internal controls.

The Committee's activities during the year included:

- regular reviews of the Company's financial reports, and risk register;
- approval of the Company's risk tolerance levels and risk policy statement;
- approval of the Company's scheme of delegation and financial rules;
- review and approval of the Company's Treasury policy; and
- approval of the Internal Audit programme for the year and review and consideration of Internal Audit reports.

Athletes' Advisory Committee

The purpose of the Athletes' Advisory Committee is to provide an athlete perspective for the Games and to provide advice to the Company in order to achieve the Glasgow 2014 vision to plan and deliver a truly athlete-centred and sport-focused Games; providing the best possible sporting experience for all participating athletes of Glasgow 2014.

The Committee is authorised by the Board to:

- consider questions related to athletes and provide advice to the Company;
- represent the interests of all the athletes and to make related recommendations to the Company; and
- obtain outside advice or guidance (when appropriate) from advisors or ambassadors of sport and such advisors may attend meetings as necessary.

Directors' Report (continued)

Athletes' Advisory Committee (continued)

The Committee is made up of current Scottish athletes who are aiming to compete at Glasgow 2014, and former Scottish athletes who have a vast experience in competing at Commonwealth, Olympic and Paralympic Games.

It is chaired by Rhona Simpson, Board Member and former international hockey player. Its membership comprises: Todd Cooper (Swimming), Steve Frew (Gymnastics), Aileen McGlynn (Para-Sport Cycling), Shirley Addison (Athletics), Susan Egelstaff (Badminton), Neil Stirton (Shooting) and Frania Gillen-Buchert (Squash). In addition, there are two ex-officio members: Suzanne Weckend-Dill (CGF athlete representative – Swimming and Triathlon) and Susan Jackson (Commonwealth Games Scotland athlete representative - Shooting).

During the year the Committee has provided advice and guidance in relation to a number of key deliverables for Glasgow 2014, including:

- Catering (athlete food focus)
- The Athletes' Village
- Competition Schedule development
- Games Ambassadors and Promotion
- Levels of Service (athlete journey)
- Transport

Remuneration Committee

The Remuneration Committee met twice during the year. It is chaired by Sir Bill Gammell and its membership comprises three other Board members: Michael Cavanagh, Dr Bridget McConnell and Francesca Osowska. The Chief Executive and the Director of Finance and Corporate Services attend meetings at the Committee's request. The Committee's duties include:

- To determine the remuneration, including salary and performance-related elements of the Chief Executive's package, in accordance with the Chief Executive's contract of employment;
- To consider the recommendations and proposals made by the Chief Executive and make a recommendation to the Board regarding pay, bonuses and any other matters regarding remuneration for the Executive Directors and any Heads of Function who directly report to the Chief Executive;
- To advise the Board and Chief Executive as requested on general matters regarding remuneration of the Company's employees;
- To review and determine the format of any performance and/or retention related remuneration scheme to be implemented for the Company's employees; and
- To recommend to the Board annually the inflationary uplift to be applied to salaries as part of the business planning process.

During the year the Committee approved a severance scheme for employees of the Company. Under this scheme, staff with more than two years' service will be entitled to a redundancy payment. The Company's senior management team are members of a separate retention scheme, which takes into account individual performance in the financial year. Redundancy payments and retention allowances will only be paid following the Games on successful completion of each individual's contract.

Directors' Report (continued)

Financial Results

The majority of the Company's revenue for the period is received by way of public grants and subsidies necessary to fund expenditure for the Games.

Total expenditure for the year was £17.5m. This includes a payment of £1.5m to the CGF under the Host City Contract, and payment of Sports Development Grants totalling £4m to 65 Commonwealth Games Associations, in fulfilment of a Bid Commitment. The overall result for the year was a surplus on operating activities and before taxation of £48,769. All expenditure by the Company in the year was covered by net funding from the Scottish Government and Glasgow City Council, and by other income received.

Future Developments

Following the London 2012 Olympic and Paralympic Games the spotlight will move to Glasgow. The Memorandum of Understanding signed between the Glasgow 2014 and London 2012 Organising Committees in May 2010 has ensured effective collaboration, and opportunities are now being maximised for the transfer of knowledge, expertise and equipment for the benefit of Glasgow 2014. The Company embedded a team of key staff within the London 2012 team, and will use the lessons learned to inform the planning for our own Games.

The Company's key objectives in 2012/13 include:

- The further development of the Commercial programme, including the appointment of a Master Licensee for Games-related merchandise;
- Continued development of the competition venues and the Athletes' Village, including testing of an athletics track prototype for Hampden Park;
- The appointment of a Ceremonies contractor to deliver the Glasgow 2014 opening and closing ceremonies;
- The opening of the Company's Volunteer Centre, and the launch of both the pre-Games and Games-time volunteer programmes;
- Recruitment of further key personnel;
- The launch of the Games mascot, following a nationwide competition during 2011;
- Implementation of appropriate IT networks and systems to support the Company's ongoing requirements; and
- Validation of the assumptions underlining the budget model.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

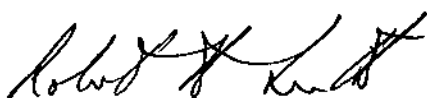
Directors' Report (continued)

Directors' statement as to disclosure of information to auditor

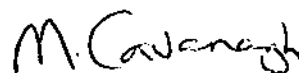
The Directors who were members of the Board at the time of approving the Directors' report are listed under Officers and Professional Advisers on page 1. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

- To the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor is unaware; and
- Each Director has taken all steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Approved by the Board of Directors and signed by order of the Board on 19 September 2012.



The Right Hon The Lord Smith of Kelvin Kt
Chair



Director

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Independent auditor's report to the members of Glasgow 2014 Limited

We have audited the financial statements of Glasgow 2014 Limited for the year ended 31 March 2012 set out on pages 11 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2012 and of its surplus for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 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 financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



DJ Watt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
191 West George Street
Glasgow G2 2LJ

20 September 2012

GLASGOW 2014 LIMITED

Income and Expenditure Account for the year ended 31 March 2012

	<i>Note</i>	<i>Year ended 31 March 2012 £000</i>	<i>Year ended 31 March 2011 £000</i>
Income	2	17,542	10,352
Expenditure		<u>(17,542)</u>	<u>(10,352)</u>
Operating surplus	3	-	-
Interest receivable		<u>49</u>	<u>12</u>
Surplus on operating activities before taxation		49	12
Tax on surplus on operating activities	5	<u>(15)</u>	<u>(4)</u>
Surplus for the financial year	12	<u>34</u>	<u>8</u>

All of the Company's activities relate to continuing operations. There are no recognised gains or losses other than the surplus for the financial year and the result for the previous year.

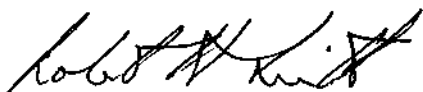
The notes on pages 14 - 22 form part of these financial statements.

GLASGOW 2014 LIMITED

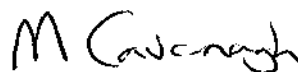
Balance Sheet as at 31 March 2012

	<i>Note</i>	2012 £000	2011 £000
Fixed Assets			
Tangible Assets	8	<u>300</u>	<u>56</u>
		300	56
Current Assets			
Debtors	9	3,370	2,319
Cash at bank and in hand		<u>13,128</u>	<u>3,072</u>
		16,498	5,391
Creditors: amounts falling due within one year	10	<u>(11,739)</u>	<u>(4,549)</u>
Net current assets		4,759	842
Creditors: amounts falling due after one year	11	<u>(5,015)</u>	<u>(888)</u>
Net assets		<u>44</u>	<u>10</u>
Capital & Reserves	12	<u>44</u>	<u>10</u>

These accounts were approved by the Board on 19 September 2012 and signed on its behalf by:



The Right Hon The Lord Smith of Kelvin Kt
Chair
SC 325245



Director

The notes on pages 14 - 22 form part of these financial statements.

GLASGOW 2014 LIMITED

Cash Flow Statement

for the year ended 31 March 2012

	Note	2012 £000	2011 £000
Reconciliation of operating surplus to net cash flow from operating activities			
Operating surplus		-	-
Depreciation	8	85	51
(Increase)/Decrease in debtors	9	(1,051)	(2,199)
Increase/(Decrease) in creditors	10, 11	7,667	2,669
Increase/(Decrease) in deferred income	10, 11	3,650	(125)
Net cash inflow from operating activities		10,351	396
Cash Flow Statement			
Net cash inflow from operating activities		10,351	396
Tax paid		(15)	(4)
Returns on investments - interest received		49	12
Capital expenditure – purchase of tangible fixed assets	8	(329)	(13)
Increase in cash in the period		10,056	391
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period		10,056	391
Movement in net funds in the period		10,056	391
Net funds at 1 April		3,072	2,681
Net funds at 31 March		13,128	3,072

The notes on pages 14 - 22 form part of these financial statements.

GLASGOW 2014 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The Company is engaged in planning, organising, staging and operating the Glasgow 2014 Commonwealth Games. The Games will be staged between 23 July and 3 August 2014. The Company will continue to trade for a short period of time following the Games, while it settles any liabilities and disposes of its assets, prior to being wound up. An overall budget for the Games, covering the anticipated life of the Company, has been agreed by the Scottish Government and Glasgow City Council, the Company's principal funders. Both the Scottish Government and Glasgow City Council have guaranteed to fund their respective shares of the Company's lifetime costs. Consequently the Directors consider it appropriate to prepare the financial statements on a going concern basis.

b) Revenue recognition

Income represents funding from the Scottish Government and Glasgow City Council and sponsorship and other commercial revenue, excluding value added tax.

Income received in advance which relates to activities associated with the staging of the Games, principally in respect of the right to broadcast the Games, is held in the balance sheet as deferred income and will be recognised when the Games are staged.

Sponsorship income, including that received in the form of Value in Kind, is recognised on a straight line basis in line with when it is earned over the life of the contracted agreement. The specified period of time over which the related services must be performed is the sponsorship term, as set out in each individual contract.

Grants and funding receivable as a contribution towards capital expenditure are held within accruals and deferred income and released to the income and expenditure account over the estimated useful economic lives of the assets to which they relate.

c) Value in Kind

Value in Kind (VIK) refers to the provision to the Company of materials, goods and services by companies as consideration for sponsorship/marketing rights granted by the Company. VIK can be in the form of goods, loaned items, maintenance agreements and provision of staff and services.

VIK income is recognised in accordance with the revenue accounting policy given above. Management determines that the fair value of the respective VIK is determined as the price the Company would have paid for comparable goods and services. On the inception of each VIK sponsorship agreement, the valuation of goods and services to be received is compared to the market rate and the fair valuation contractually agreed.

Notes to the financial statements (continued)

1. Accounting Policies (continued)

d) Fixed assets

Fixed assets comprise leasehold improvements, furniture, fixtures and fittings, office equipment and IT hardware and software. These are stated at cost less accumulated depreciation.

The Company expects the useful economic life of all assets purchased to be no longer than the expected life of the Company. Depreciation is charged so as to write off the cost of assets over their useful economic lives, using the straight line method, over the shorter of:

- 3 years from date of purchase; or
- Date of purchase until December 2014.

e) Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Leases where the lessor retains a significant portion of the risk and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income and expenditure statement on a straight-line basis over the lease term.

f) Post – retirement benefits

The Company operates a defined contribution pension scheme. The scheme is open to all paid employees of the Company, provided they make a minimum personal contribution of 2%. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

g) Cash

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand.

h) Corporation Tax

The charge or credit for taxation is based on the surplus for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

i) Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

j) Provisions and Accruals

Provisions and accruals are recognised when the Company has a present obligation as a result of a past event and a reliable estimate can be made of the amount of the obligation. Costs relating to employee service commitments are accrued on the basis of the amounts earned up to the balance sheet date.

Notes to the financial statements (continued)

2. Income

Income, which is stated net of value added tax, represents funding from the Scottish Government and Glasgow City Council, commercial and other income.

	<i>Year ended 31 March 2012</i>	<i>Year ended 31 March 2011</i>
	<i>£000</i>	<i>£000</i>
Scottish Government funding	13,724	7,812
Glasgow City Council funding	3,431	1,953
Commercial and other income	387	587
Total income	<u>17,542</u>	<u>10,352</u>

Commercial and other income includes VIK sponsorship revenue receivable for the year.

3. Operating Surplus

This is stated after charging:

	<i>Year ended 31 March 2012</i>	<i>Year ended 31 March 2011</i>
	<i>£000</i>	<i>£000</i>
Depreciation of owned fixed assets	<u>85</u>	<u>51</u>
And after crediting:		
Release of deferred capital grants	<u>85</u>	<u>51</u>

4. Auditor's remuneration

The Company paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Company:

	<i>Year ended 31 March 2012</i>	<i>Year ended 31 March 2011</i>
	<i>£000</i>	<i>£000</i>
Audit of the financial statements	15	12
Other services	3	-
Total	<u>18</u>	<u>12</u>

5. Tax on surplus on ordinary activities

	<i>Year ended 31 March 2012</i>	<i>Year ended 31 March 2011</i>
	<i>£000</i>	<i>£000</i>
Current Tax		
UK Corporation Tax on profits of the period	10	4
Adjustments in respect of previous periods	5	-
Total current tax charge	<u>15</u>	<u>4</u>
Deferred Tax		
Origination and reversal of timing differences	-	-
Total deferred tax charge	<u>-</u>	<u>-</u>
Tax on profit on ordinary activities	<u>15</u>	<u>4</u>

Notes to the financial statements (continued)

5. Tax on surplus on ordinary activities (continued)

Factors affecting tax charge for the year:

	<i>Year ended 31 March 2012</i> £000	<i>Year ended 31 March 2011</i> £000
Profit on ordinary activities before tax	<u>49</u>	<u>13</u>
Profit on ordinary activities at UK tax rate 20% (2011: 21%)	10	3
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	1
Adjustments in respect of previous periods	<u>5</u>	<u>-</u>
Total current tax charge	<u>15</u>	<u>4</u>

6. Staff Costs

Remuneration of Directors

The Company's former Chief Executive served as a Director from 6 July 2010 until his resignation on 27 June 2011. Total remuneration payable during his service as Director is shown in the table below.

	<i>Year ended 31 March 2012</i> £000	<i>Year ended 31 March 2011</i> £000
Directors' emoluments	42	137
Pension contributions	7	21
Compensation for loss of office	<u>-</u>	<u>-</u>
	<u>49</u>	<u>158</u>

No other Directors received any remuneration during the year for their roles on the Board of the Company. The Chairman declined to accept any remuneration for his role on the Board.

Other Staff Costs

The average number of persons employed by the Company during the year (excluding secondees) was as follows:

	<i>Year ended 31 March 2012</i>	<i>Year ended 31 March 2011</i>
Chief Executive's Office	2	2
Commercial	4	1
Communications & Marketing	13	6
Ceremonies & Culture	1	-
Corporate Services	29	13
Games Time Delivery	30	7
Technology & Broadcast	<u>8</u>	<u>1</u>
	<u>87</u>	<u>30</u>

Notes to the financial statements (continued)

6. Staff Costs (continued)

The aggregate payroll costs of these employees were as follows:

	Year ended 31 March 2012	Year ended 31 March 2011
	£000	£000
Wages and salaries	4,064	1,725
Social security costs	479	192
Pension costs	234	136
	<u>4,777</u>	<u>2,053</u>

The number of officers whose remuneration in the year was £80,000 or more, excluding pension contributions and including any bonuses payable in respect of 2010/11, is shown in the table below.

Range	Year ended 31 March 2012	Year ended 31 March 2011
	Total	Total
£80,000 - £89,999	-	1
£90,000 - £99,999	2	1
£110,000 - £119,999	1	-
£120,000 - £129,999	1	2
£140,000 - £149,999	1	-
£180,000 - £189,999	-	1

The Company operates a defined contribution pension scheme – the “Group Personal Pension Plan”. The pension costs charge for the period represents contributions payable by the Company to the scheme and amounted to £226,854 (2011: £107,741). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The former Chief Executive was a member of the Strathclyde Pension Fund which operates on a Defined Benefit basis. The Company made monthly contributions to this scheme up to the date of resignation; however, the ultimate liability lies with Glasgow City Council. The Company's total contributions for the period were £7,530 (2011: £28,402). No contributions were outstanding at either the beginning or end of the financial year.

7. Operating lease arrangements

The Company moved to new office premises during the year. The lease on these premises commenced on 1 October 2011 and will run until March 2015. Subsequent to the date of entry the lease was extended to cover adjacent premises which will serve as the Company's Volunteer Centre in the run up to the Games. Under the terms of the lease, the majority of the rent was paid in advance and is shown within Prepayments (see note 9).

Annual charges to the income and expenditure account representing future commitments under the lease are as follows:

	2012	2011
	£000	£000
Within one year	532	-
In the second year to fourth year inclusive	208	-
	<u>740</u>	<u>-</u>

Notes to the financial statements (continued)

8. Tangible Fixed Assets

	<i>Leasehold improvements</i>	<i>Furniture, fixtures and fittings</i>	<i>Office equipment</i>	<i>Hardware and software</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:					
At 1 April 2011	65	31	14	57	167
Additions	-	1	38	290	329
Disposals	(65)	-	-	-	(65)
At 31 March 2012	-	32	52	347	431
Depreciation:					
At 1 April 2011	52	20	7	32	111
Provided during the year	6	9	7	56	78
On disposals	(58)	-	-	-	(58)
At 31 March 2012	-	29	14	88	131
Net book value at 31 March 2012	-	3	38	259	300
Net book value at 31 March 2011	13	11	7	25	56

9. Debtors

Due within one year:

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	-	2,061
VAT debtor	279	198
Other debtors	7	13
Prepayments	3,084	47
	3,370	2,319

Prepayments at 31 March 2012 include an advance payment of rent on the Company's office premises.

Trade debtors at 31 March 2011 represented the net amount due from the Scottish Government in respect of funding.

10. Creditors: Amounts falling due within one year

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Trade creditors	10,954	4,205
Corporation Tax	14	4
Accruals and deferred income	771	340
	11,739	4,549

Trade creditors include amounts owed to the Scottish Government and Glasgow City Council, the result of funding advances received prior to the year end. Accruals and deferred income include invoices received after the year end and grant funding received relating to capital expenditure.

Notes to the financial statements (continued)

11. Creditors: Amounts falling due after more than one year

	2012 £000	2011 £000
Accruals and deferred income	<u>5,015</u>	<u>888</u>

Accruals and deferred income include broadcasting rights fees which are held in the balance sheet until the Games are staged, grant funding received relating to capital expenditure, and accrued future redundancy and retention costs.

12. Reconciliation of movement on reserves

The Company is limited by guarantee and has no share capital.

	<i>Income & Expenditure Account £000</i>
At 31 March 2011	10
Surplus for the year	<u>34</u>
At 31 March 2012	<u>44</u>

13. Commitments

The Company has contractual commitments to the Commonwealth Games Federation under the terms of the Host City Contract; to various Home Nations Commonwealth Games Associations under their respective marketing rights agreements; and to suppliers of goods and services.

Contractual commitments at the end of the year, for which no financial provision has been made, are as follows:

	2012 £000	2011 £000
Within one year	7,599	2,069
Between one and five years	<u>11,284</u>	<u>4,573</u>
	<u>18,883</u>	<u>6,642</u>

14. Ultimate controlling interest

The Company has three members who hold the ultimate controlling interest. The members are the Scottish Government, Glasgow City Council and Commonwealth Games Scotland.

Notes to the financial statements (continued)

15. Directors' interests and other related party transactions

The Directors who served during the year together with their related interests are listed below.

Director	Related Interests
Lord Smith of Kelvin	Chairman, The Weir Group plc Chairman, Scottish & Southern Energy plc Chancellor, University of the West of Scotland
Louise Martin	Immediate Past Chair, Commonwealth Games Scotland Chair, sportscotland Elected Member & Honorary Secretary General, Commonwealth Games Federation
Michael Cavanagh Ian Emmerson	Chairman, Commonwealth Games Scotland European Regional President, Commonwealth Games Federation Honorary Vice President, Commonwealth Games England
Michael Fennell	Life Vice President, Commonwealth Games Federation
Eileen Gallagher	No related interests
Sir Bill Gammell	No related interests
Archibald Graham	Councillor, Glasgow City Council Director, Hampden Park Ltd Director, Culture & Sport Glasgow (Glasgow Life)
Colin Hood	No related interests
Michael Hooper	Chief Executive, Commonwealth Games Federation
John Mason	Director of Business, Scottish Government
Dr Bridget McConnell	Chief Executive, Culture & Sport Glasgow (Glasgow Life)
Alan Mitchelson	Director, The Weir Group plc
Francesca Osowska	Director for Housing, Regeneration and the Commonwealth Games, Scottish Government
John Scott	No related interests
Rhona Simpson	No related interests

The Company received funding income of £13.7m from the Scottish Government (SG) in the year (2011: £7.8m) and £3.4m from Glasgow City Council (GCC) (2011: £1.9m). In addition, the Company received £4,487 from GCC (2011: £nil) in funding towards apprentices employed under the Commonwealth Apprenticeship Initiative.

During the year the Company paid £313,989 (2011: £92,955) to GCC, including payment of rates on the office premises, purchase of IT equipment, and various other administrative expenses. The Company leases its new office premises from GCC and paid a total of £4.2m in rent and service charges to GCC during the year. Of this figure, £1.2m relates to the period ending 31 March 2012 and the remaining £3.0m to the period from 1 April 2012 to 31 March 2015.

The Company paid £1.5m (2011: £1.5m) to the Commonwealth Games Federation (CGF) as a contractual payment under the Host City Contract. The Company has a Bid commitment to make Sports Development Grants available to all participating Commonwealth Games Associations (CGAs). Grants totalling £4.0m were paid to the CGF during the year for onward transmission to CGAs (2011: £0.4m). Other payments to the CGF in the year include £64,681 towards the Games Knowledge Transfer programme (2011: £53,535) and a recharge of £15,065 of various other costs (2011: £60,542).

The Company paid £1,821 to Commonwealth Games Scotland (CGS) during the year to recharge various administrative costs (2011: £2,862). In the year to 31 March 2011 the Company also paid £1.0m to CGS as a contractual payment under the Joint Marketing agreement, and £129,489 to CGS to reimburse costs incurred by CGS during the Delhi 2010 Commonwealth Games on behalf of the Company and other Games Partners.

Notes to the financial statements (continued)

15. Directors' interests and other related party transactions (continued)

The Company paid £759,400 to Commonwealth Games England (CGE) (2011: £750,600) under the terms of a marketing rights agreement.

The Company paid £70,462 to Hampden Park Ltd (2011: £nil) towards venue development costs.