The London Organising Committee of the Olympic Games and Paralympic Games Limited
Report and accounts for the 18 month period ended 30 September 2012

London 2012

Report and accounts

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London 2012

When London was awarded the Games of the 30th Olympiad in Singapore back in 2005, our vision was to use the power of the Games to inspire lasting change. To host a Games where everyone could join in, and to inspire a generation.

Athletes at the heart of our Games
The Olympic and Paralympic athletes who competed at London 2012 captured the imagination of the world. They were able to perform at their peak because we committed to providing the best possible training and competition venues, fields of play, accommodation, security, transport and food.

Inspiring the youth of the world
Ever since we won the bid to stage the Games, our vision has been to connect young people everywhere with the inspirational power of sport. This includes bringing sport to some of the world's most vulnerable young people through our International Inspiration programme. In the UK, projects across every nation and region are developing sports participation schemes for people of all ages.

Transformation
The construction of the Olympic Park has been the catalyst for the single biggest transformation in London for more than a century. A new part of the capital has emerged, bringing major social and economic benefits to a deprived area. The benefits of staging the Games will continue to be felt throughout the nations and regions of the UK, helping to protect businesses and jobs.

'Our simple vision to use the Games as a catalyst for change has touched and transformed the lives and communities of millions of people across London, the UK and around the world.'

Lord Coe
Chair, London 2012 Organising Committee (LOCOG)

London
London was a spectacular Host City, providing an unrivalled Games-time experience and boosting its image in the eyes of the world. This was only possible due to partnership working that welded together the city and its daily life, vitality, iconic architecture and cultural settings with our Games-time operations, transport schedules, festivals and celebrations.

The Games
The London 2012 Games experience centred on:

– Sport that was compelling, excited the world and had the power to inspire a generation.

– Seats in venues occupied by passionate fans, with tickets virtually sold out and an electric atmosphere.

– Streets, public spaces and Live Sites that were vibrant places where people could celebrate sport, art and culture together.

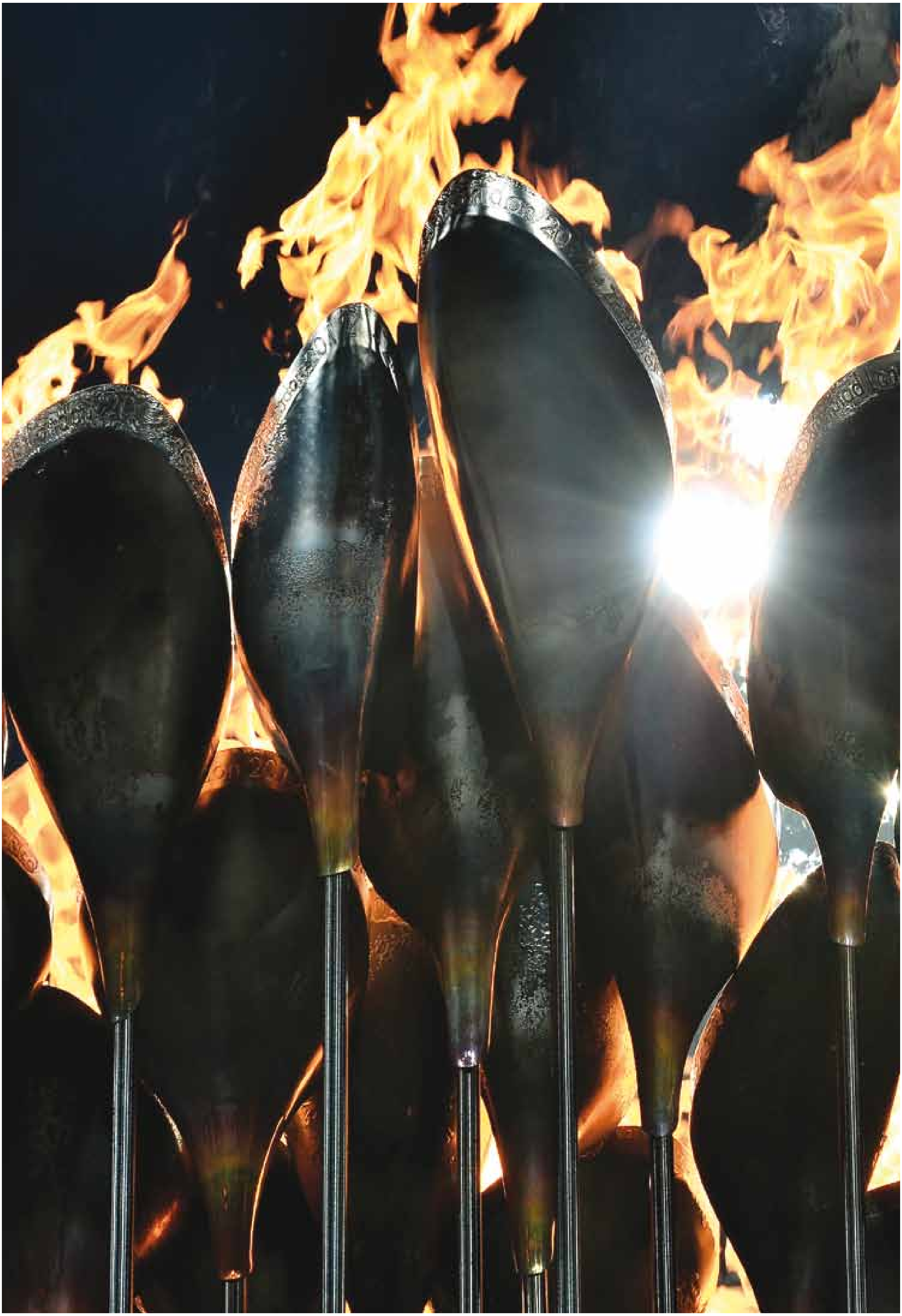
– Service – high standards of service and support for athletes, spectators and visitors from friendly and well-informed volunteers.

– Sustainability – important social and economic benefits as well as environmental legacies.

– Security – integrated, multi-layered security services that did not detract from the Games experience.

– Schools, students and sports programmes inspired by the Olympic and Paralympic values.

The London 2012 Organising Committee delivered everything promised in London's bid: spectacular sport in iconic venues and a magical experience for everyone involved; Games for the international community as well as the host nation and city; Games that engaged, excited and inspired young people; Games that showed why the Olympic and Paralympic values still matter in the 21st century; and Games that will produce sustainable social, economic and sporting legacies long into the future.



Chairman's statement

Lord Coe
Chair
The London Organising Committee of the Olympic Games and Paralympic Games Limited

When London was awarded the Games of the 30th Olympiad in Singapore back in 2005, we made a number of promises. Among them, we promised that London would offer a warm and heartfelt welcome to the world, and serve as a fitting stage for the most important sporting and cultural event on the planet. We promised that our venues would be filled with knowledgeable and enthusiastic fans. We promised to deliver magical Games that would underpin meaningful social and community change. And we promised to inspire a generation.

Mindful of the enormous honour and responsibility of becoming the first city to host the summer Olympic Games for a third time, following the 1908 and 1948 London Games, our ambition was to reinforce the role of sport in modern society and re-establish the importance of sport in the lives of young people. Our aim was to celebrate the achievements of the athletes who will inspire young people from all backgrounds and cultures, and we were determined to grasp this once-in-a-lifetime opportunity to make a profound, positive and lasting impact on millions of people around the UK and across the world.

By the time the Paralympic Flame was extinguished on 9 September 2012, after 17 days of unforgettable Olympic sport followed by 11 days of equally memorable Paralympic competition, there was little doubt that we had kept the promises we made seven years ago.

This was a unique time when sport seemed to rule the world, and people everywhere were transfixed by the joy of sport. We felt the uplifting spirit that distinguishes the Olympic and Paralympic Games from other sporting events, and we saw how sport can break down barriers and extend the boundaries of human achievement. The athletes performed at an awe-inspiring level and with grace and sportsmanship, whether they won or lost. We had a plethora of world, Olympic and Paralympic records that we could marvel at.

We knew British people would embrace the Games and the demand for tickets was insatiable, creating an extraordinary atmosphere in venues all around the UK and right through both Games. To see a packed Olympic Stadium for morning sessions during both the Olympic and Paralympic Games was unprecedented.

The whole of the United Kingdom celebrated the London 2012 Games and took pride in our shared achievement. Our Olympic Opening Ceremony proclaimed that these would be a Games for everyone; by the close of the Paralympic Games, we can truly say that these were a Games by everyone.

The Cauldron is lit during the Olympic Games Opening Ceremony.

'Our aim was to bring into sharp focus the distinctive features of the London Games.'

International Olympic Committee President Jacques Rogge declared the London 2012 Olympic Games 'happy and glorious' at the Closing Ceremony. He also thanked the public for their enthusiastic support: 'You, the spectators and the public, provided the soundtrack for these Games. Your enthusiastic cheers energised its competitors and brought a festive spirit to every Olympic venue.' At the Paralympic Games Closing Ceremony, International Paralympic Committee President Sir Philip Craven stated that the Games had been 'unique and without doubt, in my mind and those of the athletes, the greatest Paralympic Games ever. These Games have changed us all forever.'

Meeting our vision

During the 18-month period covered by this report, The London Organising Committee of the Olympic Games and Paralympic Games Limited ('the Company', 'LOCOG') worked to implement the tens of thousands of pieces of detailed planning carried out since 2005, thereby lifting our operational efficiency and resilience, creating facilities in which athletes would be able to compete and train in the best possible conditions, and ensuring an unforgettable experience for the public.

Our aim was to bring into sharp focus the distinctive features of the London Games: compelling sport in existing landmark settings and sustainable new venues, full of spectators and with a great atmosphere; excitement and innovation throughout the Host City; community participation and greater social inclusion; the inspiration of young people; and the social, physical and economic legacies which could transform entire communities through the power of sport.

In order to achieve this, we concluded our test events programme, the most comprehensive in Games history. We completed our venue fit-out and overlay. We mobilised, trained and deployed our Games Maker volunteers. We allocated and distributed millions of highly sought-after tickets. We established command structures in conjunction with key Government departments and other agencies. We opened the Olympic and Paralympic Village, Main Press Centre and International Broadcast Centre. We prepared sponsor hospitality and showcasing services and facilities. We installed 'Look' and prepared the city. We rehearsed thousands of volunteer cast members for four memorable ceremonies. And we staged an immensely successful and inspiring Torch Relay as the prelude to each Games.

We also worked closely with the Olympic Broadcasting Service and Rights Holding Broadcasters to fine tune broadcast, press, social media services, applications and technologies to take the London 2012 Games and the Olympic and Paralympic values to the biggest ever worldwide audience. This made the inspiration of the Games accessible to more people than ever before, connecting communities, towns and cities across the planet through the Games.

Two key principles guided us during this extraordinary project. The first was placing the athletes at the heart of our preparations. We consistently committed to providing the best possible training and competition venues, fields of play, accommodation, security, transport and food to allow the world's finest sportsmen and women to perform at their best.

The second was building and maintaining great relationships with every individual and organisation that had a part to play in delivering the Games. Our principal partners, the International Olympic Committee (IOC) and the International Paralympic Committee (IPC), offered support and guidance every step of the way, while the IOC Coordination Commission, chaired by Denis Oswald, provided essential scrutiny during its 10 visits to London over the last seven years.

'The Athletes' Committee illustrated the central role of athletes in our preparations for the Games.'

I want to pay tribute to our colleagues in the Olympic Delivery Authority (ODA), whose remarkable work produced spectacular, world-class venues for athletes to compete in and a beautiful Olympic Park for spectators and the wider public to enjoy for generations to come. The ODA handed over the Olympic Park to LOCOG on schedule in January 2012, and their progress played a significant part in building high levels of public approval for the London 2012 project.

LOCOG has enjoyed strong relations with all levels of UK Government and its relevant departments, and greatly benefited from cross-party political support. I would like to thank Rt Hon Jeremy Hunt MP, Secretary of State for Culture, Olympics, Media and Sport, and Hugh Robertson MP, Minister for Sport and the Olympics, for their continued encouragement, and Rt Hon Tessa Jowell MP for her unstinting commitment since the bid.

We worked very closely with the Mayor of London and the London Assembly in order to weld together the city and its daily life, vitality, iconic architecture and cultural settings with our Games-time plans, operations, transport schedules, festivals and celebrations. We also met regularly with the British Olympic Association, British Paralympic Association and the Government Olympic Executive. We acknowledge the contribution and cooperation of host local authorities in London and beyond, and the support of other local authorities across the UK.

I would like to take this opportunity to thank Britain's members of the International Olympic Committee: HRH the Princess Royal, Sir Craig Reedie, Adam Pengilly and Sir Philip Craven. Sir Philip and the IPC's senior leadership team helped us achieve our aim of delivering integrated yet distinctive Paralympic Games. We also benefited from productive relations with sport's International Federations.

The Athletes' Committee, chaired by British Olympic triple jump gold medallist Jonathan Edwards, with Baroness Tanni Grey-Thompson, a five-time Paralympian, as vice-chair, illustrated the central role of athletes in our preparations for the Games. The Cultural Olympiad Board harnessed the power of the Games to inspire creativity across all forms of culture, especially among young people, while the Nations and Regions Group ensured the benefits and excitement of the Games were spread around the UK as part of our commitment to create Games for everyone. With commercial and public partners, broadcasters and the Olympic Lottery Distributor, we created a network of more than 70 Live Sites which enabled eight million people to watch the Games on giant screens in every region of the UK.

This commitment was driven by the timeless Olympic and Paralympic values of respect, excellence, friendship, courage, determination, inspiration and equality. We integrated these values into our Get Set education programme, and into sport, culture, art and community settings, events and programmes across the UK and internationally.

While we can never expect the Games to solve all social ills or concerns of young people, we were able to show that Games-related programmes have an important role to play. This was highlighted by the universal support generated within the United Nations for the London 2012 Olympic Truce Resolution. All 193 UN member states co-sponsored the resolution, making it the most sponsored resolution in UN history, reflecting the importance of the Olympic values as a worldwide source of hope in challenging times.

Securing a legacy

When London won the bid to stage the Games, our vision was to transform a huge area of east London, much of which had been used by heavy industry and for landfill, and suffered decades of contamination and neglect.

The 'big build' of the Olympic Park was achieved in less than three years by the ODA, and will leave a legacy of new homes, schools, sports facilities and a community medical centre set inside a stunning urban park, changing the landscape forever.

The construction programme has already provided an important economic stimulus for UK business and communities, generating thousands of jobs and approximately £7 billion in contracts for a wide range of goods and services. This work has helped to protect jobs in a challenging economic environment. As more investment flows into east London, even more jobs will be created, including three-quarters of all those created on what will become the Queen Elizabeth Olympic Park going to local people.

An aerial view of the Olympic Park on Day 7 of the Olympic Games.

More than 12 million children in 20 countries have benefited from the International Inspiration programme.

From the retail boost of the Westfield shopping centre to the boom in digital, creative and high-technology companies in the area around the Park, the future growth ambitions for east London as a result of the Games are enormous.

International focus

Staging Games for everyone must involve bringing sport and the benefits of sport to some of the world's most vulnerable young people. Our primary mission has been to use London 2012 to reach young people all around the world and connect them to sport, which we achieved through our global sports development programme, International Inspiration. This has taught sport, education and life skills to more than 12 million young people in 20 countries. Delivered around the world by the British Council, UNICEF UK and UK Sport, the aim of International Inspiration was to reach 12 million children in 20 developing countries by the start of the Games. That target was reached in February 2012, when Egypt became the 20th and final country to join the programme.

Schoolchildren help plant an oak tree in the Olympic and Paralympic Village. Saplings were grown from acorns taken from the original Coubertin Oak in Much Wenlock.

International Inspiration uses the power of physical education, sport and play to enrich the lives of millions of children and young people of all abilities. In Bangladesh, where thousands of children drown each year, International Inspiration worked with the Bangladesh Swimming Federation to teach swimming survival techniques to more than 80,000 non-swimmers. In Trinidad and Tobago, International Inspiration used sport to tackle the issue of violence by providing alternative activities for those involved in anti-social behaviour. In Zambia, International Inspiration helped to address and educate young people about the issues of HIV and AIDS.

School partnerships are also an integral part of International Inspiration, providing an opportunity for teachers, children and young people to develop and share innovative approaches to PE, sport and play in the classroom and their local community – as well as learning about and understanding each other's cultures and experiences. More than 200 schools in the UK linked to a school overseas through International Inspiration.

Nearly 25,000 schools and colleges registered for Get Set, the official London 2012 education programme, with two-thirds going on to become members of the Get Set network. In total, our Get Set programme was taken up by 85 per cent of UK schools and colleges. The network recognised those schools and colleges that had made a real commitment to living the Olympic and Paralympic values, with a reward and recognition scheme offering prizes and once-in-a-lifetime opportunities, such as tours of the Olympic Park and visits from athletes and the official mascots.

Another benefit of being part of the Get Set network was eligibility for the London 2012 Ticketshare initiative. This scheme entitled UK schools and colleges to a free allocation of tickets to the Games, and nearly 16,000 schools received Ticketshare tickets as a result.

The months prior to and during the Games saw fantastic opportunities for Get Set schools and their pupils. A number of inspirational young people were selected to be Olympic Torchbearers, others took part in the Opening and Closing Ceremonies, some were able to deliver activities in the Olympic Park, such as in the Great British Garden. The winners of our 'Get Set to exercise your tastebuds' competition had their culinary creations served in the Olympic and Paralympic Village at Games time.

The Young Games Maker programme supported our commitment to inspire young people to choose sport and leave a volunteering legacy. We invited organisations such as youth or sports clubs, community and volunteering groups and schools and colleges that were members of the Get Set network to encourage young people to form a team to fill Games-time roles. The team approach ensured the young people were able to focus on their tasks and have a memorable experience.

The international element of our education programme, Get Set goes global, supported students to explore how sport brings the world together. Through the 'Support a team' initiative, schools were encouraged to become official supporters of at least one team from around the world. Some schools supported the teams who trained in a nearby Pre-Games Training Camp; others rooted for a country with which they had an existing school or community link.

Inspiring and engaging

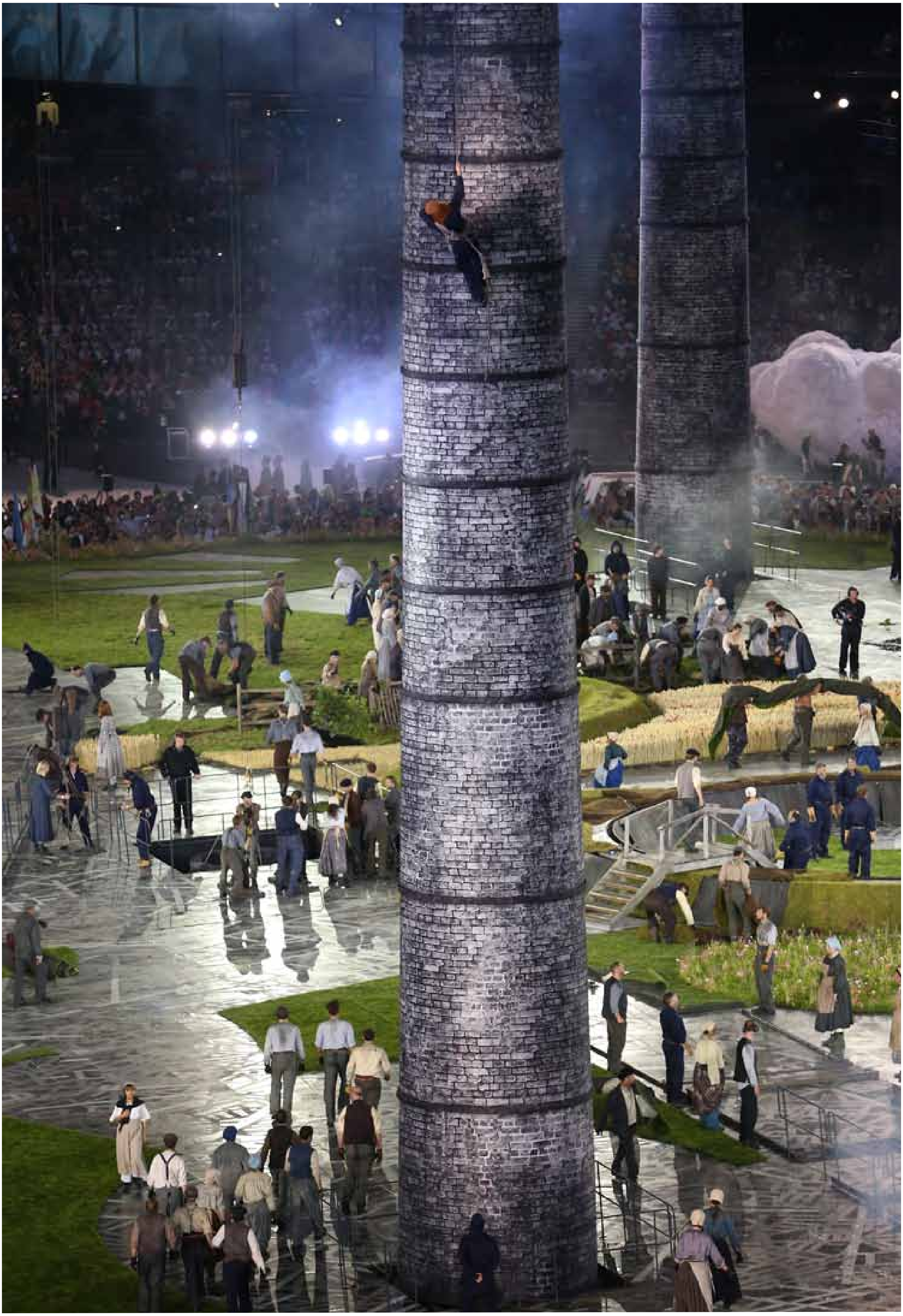
Non-commercial projects and events inspired by the Games were able to join the official London 2012 Inspire programme, a Games first.

This programme ran for four years and recognised projects and events inspired by London 2012. Inspire mark projects spanned sport participation, culture, education, sustainability, volunteering and business opportunities and skills, took place all over the UK, and were for people of all ages and abilities. In total, 2,000 projects were awarded an Inspire mark, including almost 900 that engaged young people in sport.

The 1,000th Inspire mark was awarded to 'Jump London', a London-based project designed to support the safe teaching of parkour. In August 2012, the 1,500th Inspire mark was awarded to the West Midlands Fire Service in recognition of its Fire Fit community engagement programmes.

Hundreds of sports participation and engagement programmes have been activated by local, city and national government departments, and by our commercial partners. For example, Coca-Cola entered into a three-year partnership with national charity StreetGames, the sports charity that brings sporting opportunities to young people in disadvantaged communities across the UK. GE funded a competition which targets young people and encourages them to re-shape their midday break to make it a healthy and happy time. The project promotes teamwork and empowers young people to come up with ideas which will help improve their own lives.

Spectators at North Greenwich Arena enjoy the Paralympic Wheelchair Basketball match between Great Britain and Germany.



Lloyds TSB National School Sport Week, delivered in partnership with the Youth Sport Trust, is a week-long sporting celebration for schools across Britain that uses the power and inspiration of London 2012 to encourage more young people to play sport. More than 21,000 schools and almost nine million children have participated in the programme since it began in 2009. All UK schools were invited to showcase and celebrate the athletes and cultures of the world on London 2012 World Sport Day, presented by Lloyds TSB, on 25 June 2012.

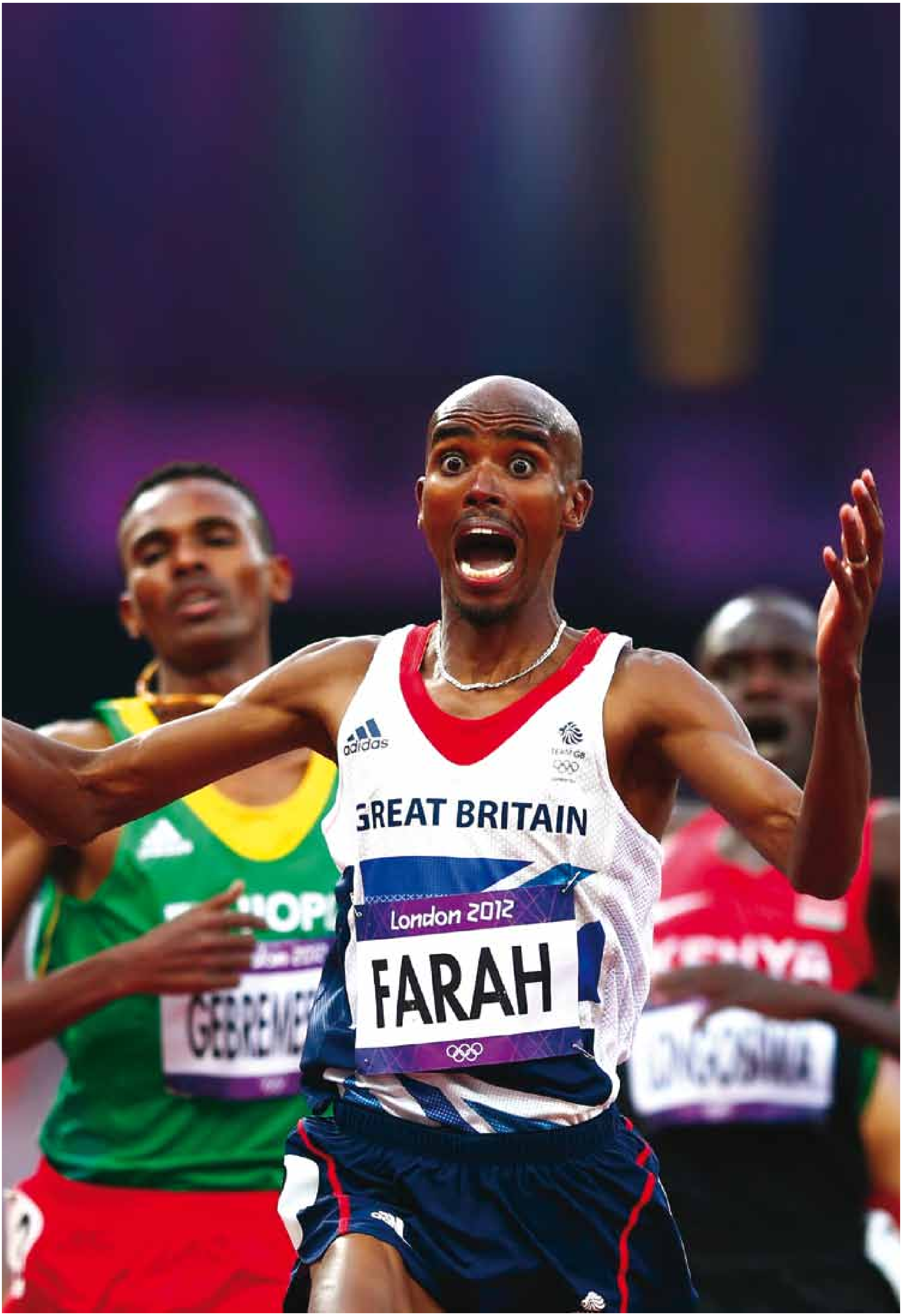
In January 2012, the Government announced a £1 billion, five-year youth and community strategy to develop our promise to inspire a generation, by creating 4,000 school-based community sports clubs with links to one or more national governing bodies of sport. Our vision for the Games, and the impetus that has followed their successful delivery, have significantly raised the status of sport on the national agenda.

On behalf of the Company Board, I would like to express my sincere thanks to our supporters, and to all our employees who worked so incredibly hard to deliver the Games we all hoped for. As Chair, I offer my personal gratitude to the members of the Board for their diligence in running an efficient and effective Company.

Lord Coe
Chair
The London Organising Committee of the Olympic Games and Paralympic Games Limited

'We only built what the communities of London can use and afford after the Games – a strategy to deliver excellence without extravagance.'

Performers depict the Industrial Revolution during the Olympic Games Opening Ceremony.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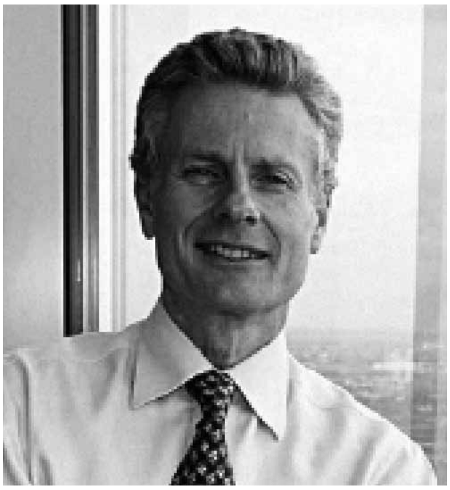
Chief Executive's review



Lord Deighton
Chief Executive Officer
The London Organising Committee of the Olympic Games and Paralympic Games Limited

From the outset, the London 2012 Games were built around the inspirational power of sport, and the values of the Olympic and Paralympic Movements. Our ambition was to use the power of the Games as the catalyst for positive change and inspiration for the youth of the world.

In order to achieve this, during the 18-month period covered by this report LOCOG transitioned from an organisation still planning the Olympic and Paralympic Games into one capable of successfully delivering the world's two largest multi-sport events. The challenges facing us lost little of their scale, scope and complexity, so the need was to prepare every member of the organisation to do the best work of their lives. At 31 March 2012, 3,224 paid staff worked for LOCOG – yet a further 5,411 had still to be recruited, prepared and motivated between that date and the start of the Games less than four months later.

Central to our work was the integration of our own planning with that of stakeholders and delivery partners. We enjoyed excellent relations with the Home Office and Metropolitan Police (security), Transport for London, the Department of Health, Health and Safety Executive and NHS, and the Mayor of London, his agencies and the London boroughs (city operations). The Games Operations Group functioned as a forum for the practical challenges involved in staging celebrations, festivals and sporting events in the city.

Excellence without extravagance

London landmarks such as Horse Guards Parade, Greenwich Park, Wembley Stadium, Lord's Cricket Ground, Buckingham Palace and Wimbledon, together with some of the world's leading theatres, museums and cultural institutions, served as unforgettable venues and backdrops to the Games and helped to create the magical atmosphere and electrifying experience for competitors and spectators alike.

Our venue plan put sport in the heart of the city, using a mix of existing world-famous venues, temporary facilities at iconic locations, and new venues in the Olympic Park designed to deliver a long-term legacy. We only built what the communities of London can use and afford after the Games – a strategy to deliver excellence without extravagance. Those venues with a long-term use are permanent, and many site operators were appointed before the Games started. Those venues with no identified long-term use are being dismantled to be recycled or reused elsewhere.

Mo Farah wins the men's 5,000m title to claim his second gold medal.

The centrepiece Olympic Stadium was the lightest, most sustainable and most adaptable ever constructed, showing how the Games can respond to important issues such as sustainability. The athletics track will be retained after the Games, as promised, providing inspiration and a landmark venue for young people and athletes of all levels, and ensuring a long-term legacy for the sport, including hosting the IAAF World Championships in 2017.

This approach led to the challenges of building more temporary venues than any previous Games, and sourcing enough suppliers of items such as seating, toilets and other temporary infrastructure. By proactively engaging with the market we were able to ensure that there were no shortages in the £750 million supply chain for temporary venues, equating to approximately 30 per cent of the entire LOCOG procurement budget.

'London 2012 is the first summer Olympic and Paralympic Games to measure its carbon footprint over the entire project term.'

We worked in partnership with our supply base to make health and safety the first consideration in everyone's minds, from design through to delivery, with the ultimate aim of providing 'a harm-free environment for everyone involved in the creation, development and ultimate enjoyment of the London 2012 Olympic and Paralympic Games'.

This was achieved and the Games were delivered without any major safety incidents, maintaining the excellent health and safety record achieved during the 'big build' phase of the project.

Our ambition to stage the most sustainable Olympic and Paralympic Games possible included setting new standards across key social, commercial and environmental sectors, encompassing sustainable construction and event management; and delivering low carbon, zero-waste Games that conserved biodiversity and natural resources and promoted social inclusion and healthy living.

London 2012 is the first summer Olympic and Paralympic Games to measure its carbon footprint over the entire project term. By using the outcomes of the footprinting assessment to inform decision-making, we radically improved our ability to avoid, reduce and substitute our carbon emissions.

Our commitment to delivering a public transport Games meant millions of spectators experienced sustainable travel. We also were the first Games to specify stringent sustainability requirements for our catering operations, with all our caterers signed up to our Food Vision standards and serving 14 million sustainably sourced meals during the Games.

In 2011 LOCOG became the first Organising Committee to be independently certified to the British Standard 8901: Specification for a Sustainability Management System for Events. This standard was inspired by London 2012 and is proof of how deeply sustainability was embedded into our organisation. In June 2012 it was superseded by an international standard, ISO 20121, which will become the global sustainability standard for the event sector.

Horse Guards Parade, surrounded by some of London's most iconic buildings, proved to be a memorable venue for Beach Volleyball.


GREAT BRITAIN
TEAM GB

LOCOG Chair Seb Coe signs the Truce Wall in the Olympic Village.

Athletes at the heart of planning

Athletes capture the imagination of the world. We worked for more than seven years to create the best possible environment for them, including the London Prepares series of 42 test events – the most extensive programme of live event testing ever undertaken by an Organising Committee.

In just under 12 months, we hosted more than 8,000 elite athletes across 183 days of competition, spanning all Olympic sports and disciplines and six Paralympic sports. We showcased 28 of our venues in London and across the UK. And we deployed a workforce of more than 25,000, including paid staff and volunteers, welcoming 350,000 spectators.

The London Prepares series ranged from high-profile competitions in front of sell-out crowds to low-key events focused on testing particular aspects of our operational procedures. The programme was hailed as a success by athletes, teams, International Federations and the public, while providing us with the essential information that allowed us to improve our venues, facilities, services and operational procedures in time for the Games.

Pre-Games Training Camp agreements were signed by 93 National Olympic Committees, with 25 sports represented throughout the UK. These world-class training facilities helped the athletes perform at their best and will provide a legacy of sporting facilities to encourage young people across the UK. They were supported by an unprecedented financial award, which enabled many smaller teams to experience the benefits of pre-Games training for the first time. A £10 million investment in Games-time Training Venues will leave further long-term benefits to local communities.

The Olympic and Paralympic Village was at the heart of the action in the Olympic Park, within walking distance of the sporting venues and close to the majority of other London venues.

The athletes' and team officials' apartments were located across 11 residential plots, complete with spacious courtyards, gardens and balconies. The Village housed up to 16,000 residents at peak occupancy, all of whom had access to comfortable lounge space and free internet access, together with state-of-the-art gym and healthcare facilities.

The 24-hour main dining facility, containing nearly 5,000 seats, and 'grab and go' catering carts proved extremely popular, as did the Village Plaza with its shops and services and The Globe entertainment centre.

Satellite Villages for athletes competing in Rowing and Canoe Sprint at Eton Dorney and Sailing at Weymouth and Portland provided the same excellent levels of service.

Her Majesty The Queen meets athletes during her visit to the Olympic Village.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Wheelchair Rugby player David Anthony enjoys the atmosphere during the Paralympic Games Opening Ceremony.

Paralympic integration

One of our bid promises was to deliver a fully integrated Olympic and Paralympic Games. Our Paralympic Integration directorate played a key role in making sure this vision was enacted at both strategic and operational levels.

Compared to the historic model of separate Organising Committees, the integrated approach was arguably more complex to implement over the whole life of the organisation, but the benefits included the ability to drive efficiencies through the project; a smoother Games-time experience for Paralympic clients, workforce and contractors; and the chance to devote greater resources and attention in areas such as marketing and communications.

There can be no doubt that our approach contributed to the unprecedented popular and commercial success of the Paralympic Games, which set new attendance records with more than 2.7 million tickets purchased, was the first to be supported by all TOP and Tier One domestic partners, and achieved the biggest ever broadcast deals for the event. London 2012 unquestionably enhanced the Paralympic brand and took the Games to a new level.

David Weir wins gold in the men's 800m T54 final during the Paralympic Games.

An organisation to deliver

By amalgamating Workforce Planning and Operations, we were able to gain a clear picture of how functions such as recruitment, training, uniforms, accreditation and scheduling worked together in developing and preparing both the paid and the volunteer workforce for the Games.

The entire workforce was educated in the values of the Games, with diversity and inclusion embedded in every aspect of Workforce Planning and Operations to a degree that was unique for the Games and for UK industry. Tremendous employment opportunities were made available in the Host Boroughs through LOCOG and our contractors, while the training provided has left the workforce with a valuable set of transferable skills.

In 1948, London was the first Games to use volunteers. Fittingly, they took centre stage once again in 2012.

A key decision was the way volunteering was marketed to the public. Past Games have seen sizeable attrition as a result of disillusionment over the exact role volunteers were expected to play. Our approach was to generate excitement but be explicit about the work involved, resulting in a volunteer workforce that had come through the recruitment process with no illusions about the job they were expected to do.

The invitation process was divided into two phases, the first for disabled groups and sport specialists, the second for the general public. Forty-six large disabled groups were proactively targeted. This two-phase approach proved very successful in attracting the sports specialists required, and a much higher proportion of disabled applicants than for any previous Games.

Terezinha Guilhermina of Brazil and her guide Guilherme Soares de Santana compete in the women's 200m T11 event in the Olympic Stadium.

We worked closely with the Nations and Regions Group to encourage applications from outside London, in keeping with our commitment that this was a Games for everyone, and nine regional recruitment centres meant applicants didn't have to travel to London to be interviewed. Nevertheless, the programme was most popular in east London, where the biggest proportion of volunteers was recruited from the Host Boroughs.

In total, more than 250,000 people applied for volunteer roles. Of these, 40 per cent said that London 2012 had inspired them to volunteer for the first time. The opportunity is there to shape a new culture of volunteering across the UK.

That number was reduced to the 70,000 Games Maker volunteers who helped to stage the Games, generating positive media coverage throughout the world as the enthusiastic, friendly and well informed 'face of the Games' offering a wonderfully warm welcome to the world. A further 10,000 people volunteered to perform in the Ceremonies, others in Host City Ambassador programmes.

Our paid and volunteer workforce was talented, enthusiastic and diverse – entirely reflecting the population of the city they represented. Indeed, diversity and inclusion were embedded in our operations and culture, and a key differentiator of our Games, celebrating the many differences among the cultures and communities of the UK. We worked closely with key stakeholders and partners to understand their perspectives, issues and concerns, in order to inform and shape our diversity and inclusion strategy.

We were the first organisation to receive the Mayor's Diversity Works for London Gold Standard, and we identified 22 strategic projects which ensured we met our promise of providing inclusive Games services across the six strands of diversity – age, faith, disability, ethnicity, gender and sexual orientation – and will leave a legacy for the UK and for the Olympic and Paralympic Movements. We were also the first organisation to be awarded the Advanced Level of the UK's Equality Standard for Sport.

A great spectator experience

Our aim was to enable as many people as possible to watch the athletes' feats. Our ticketing programme was designed to deliver full stadia, with every venue packed to the rafters with enthusiastic and knowledgeable fans. A number of innovations, such as shorter sessions and flexible seating arrangements, including the very popular Paralympic day pass, helped achieve this ambition.

70,000 volunteer Games Makers welcomed the world to the Games. The volunteers' charisma, character and commitment were recognised by everyone who visited London 2012.

Our approach to in-venue sport presentation had three key aims: to educate spectators about the sport they were seeing, often for the first time; to tell the stories of the athletes and celebrate their achievements with engaging and emotional medal ceremonies; and to use the very best announcers, commentators, music and graphics packages to make each session memorable.

‘We were determined to stage ceremonies that celebrated the UK’s contributions to the world.’

Away from the venues, the excitement and spectacle of London 2012 was spread throughout the UK thanks to an unprecedented network of Live Sites. We worked with key partners in the BBC and local councils to deliver more than 70 sites that helped to make the Games a truly national event, with screens in almost every major city in the UK. Almost a third will become permanent city centre celebration sites. During an extended Games-focused operational period, from 1 May to 30 September, the sites were broadcasting 16 hours a day as well as linking to other key elements of the Games, such as the Torch Relays.

One of the defining factors in the success of any Games is the strength of the visual design and its execution on everything from the field of play to the city’s landmarks. With more than 30 competition venues, 160 other official locations, such as hotels and transport hubs, and literally hundreds of other items – from travel passes to merchandise and sports equipment – the challenge was to ensure a uniform application. During the Games, a dynamic and colourful ‘Look’ using the strong London 2012 brand colours helped spectators navigate to their venue, with prominent use of the pictograms promoting sport at the heart of the Games. The Look programme was energised by the prominent use of the Olympic Rings and Paralympic Agitos in high-profile ‘spectaculars’ – from Tower Bridge and St Pancras station in London to prominent locations in cities across the UK.

Staging unforgettable ceremonies

The Opening and Closing Ceremonies of every Olympic and Paralympic Games are the historical moments which help determine how a Host City and its Games are remembered. The Opening Ceremonies set the tone for the celebrations of sport and culture that follow; the Closing Ceremonies are the exclamation marks that conclude incredible days of competition and friendship.

Our strategy was to recruit the best British artistic and creative talent, who had never worked on the Games before, and surround them with a highly experienced production team who had. Hiring renowned talent, such as the Oscar-winning film directors Danny Boyle and Stephen Daldry, brought a fresh perspective to the creative elements of the shows. It guaranteed that there would be a true British feel to the ceremonies. It also brought a sense of reassurance to the public and stakeholders alike.

Dancers perform during the Olympic Games Opening Ceremony.

Siling Yi of China celebrates during the victory ceremony for the Olympic Shooting women's 10m Air Rifle final at The Royal Artillery Barracks.

We were determined to stage ceremonies that celebrated the UK's contributions to the world and also delivered innovation in the events themselves. At the same time, the aim was to contribute to the development and profile of the International Olympic and Paralympic Movements, while observing the protocols of the IOC and IPC. All of this was done on a budget that reflected the fact that no matter how significant these set-piece shows are, they have to deliver value-for-money just as much as entertainment and spectacle. We spent less delivering our Opening and Closing Ceremonies than the two previous Games did on Opening Ceremonies alone.

A major innovation in the Olympic Opening Ceremony was that the Athletes' Parade was significantly shortened. By coming to an agreement with the IOC to reduce the number of officials taking part, we were able to cut the overall show time. In addition, we were able to reach an agreement for most of the live television images to be controlled by a local director.

Members of the National Youth Theatre of Great Britain greet members of the Indian Olympic team during their Welcome Ceremony in the Olympic Village.

By uniting all ceremonies – Opening and Closing, Medal and Welcome, as well as the Torch Relays – in one department, we were able to bring coherence, consistency and efficiency to the creative and operational approaches across both Games, and deliver pieces of work that were acclaimed the world over.

In another example of the importance of working with our key stakeholders, we were the first Organising Committee to establish a dedicated 'task force' to manage every aspect of the challenging logistics associated with the Opening and Closing Ceremony days. Chaired by the LOCOG Director of Ceremonies, the task force was supported by the Metropolitan Police, Transport for London, the Mayor's Office, UK Government and local authorities as well as the security services and many LOCOG teams.

Our Team Welcome Ceremonies, created, produced and delivered by the National Youth Theatre of Great Britain, rewrote the script for the way that national teams are welcomed to the Host City with youthful zest and genuine enthusiasm.

More than 800 flawless Victory Ceremonies were also underpinned by youthful creativity. Many of the design elements (costumes, podia and trays) were created by students of the Royal College of Art. The much treasured Olympic and Paralympic medals were designed by David Watkins and Lin Cheung after a national competition for professional designers and sculptors.

The Olympic Rings are assembled in a scene depicting the Industrial Revolution during the Olympic Games Opening Ceremony.

Games for the nation

The Nations and Regions Group was set up jointly with the Government Olympic Executive to ensure that London 2012 was more than just a London Games, and that it left a lasting benefit throughout the UK. Executive visits to the regions by LOCOG board members were invaluable in breeding confidence and enthusiasm. And from the Olympic Torch journeying across the country to Britain's biggest ever cultural festival, there was no shortage of opportunities to join in the Olympic spirit.

Olympic Torch Relay

70 days

8,000 miles

1,018 communities

8,000 Torchbearers

People all over the UK poured onto the streets to welcome the Olympic Flame to their community during the Olympic Torch Relay. The Flame was lit in Olympia in Greece on 10 May 2012, and arrived in the UK on 18 May 2012 on board a BA aircraft.

The 70-day Relay started at Land's End, Cornwall, and finished on 27 July when the Flame made its way to the Olympic Stadium for the lighting of the Cauldron at the Opening Ceremony. In the process it travelled 8,000 miles around the UK, taking in 1,018 villages, towns and cities, and was carried by 8,000 inspirational Torchbearers, each of whom had a story of personal achievement or contribution to the local community. Every county in England and every Local Authority area in Scotland, Northern Ireland and Wales welcomed the Flame as it passed within 10 miles of 95 per cent of the UK population.

A unique approach to the Paralympic Torch Relay saw flames created at the summit of the highest peaks of the four home nations: Scafell Pike (England), Snowdon/Yr Wyddfa (Wales), Ben Nevis (Scotland) and Slieve Donard (Northern Ireland). These were united at the Paralympic Flame Lighting Ceremony at Stoke Mandeville, the spiritual home of the Paralympic Movement, to create the London 2012 Paralympic Flame. This Flame was carried by 580 Torchbearers on a 24-hour overnight relay to London and the Opening Ceremony of the Paralympic Games.

Joseph Forrest and students from Madras College run along West Sands in St Andrews, Scotland, during the Olympic Torch Relay.

In total, approximately one-third of the UK population watched the Torch Relays visiting their communities.

The reputation of London as a cultural centre was enhanced by the London 2012 Festival, the biggest festival the UK has ever seen. From 21 June to 9 September 2012, 25,000 leading artists from all over the world came together in celebration of the Games, providing 10 million free opportunities for people to get involved. The Festival was the culmination of the four-year Cultural Olympiad, which encompassed both major large-scale projects with nationwide reach and the Inspire programme of cultural events and activities enabling grassroots organisations to be part of the Games.

More than 18 million people all over the UK participated in or attended around 9,000 performances and more than 8,000 workshops as part of Cultural Olympiad programmes inspired by London 2012.

In November 2011, the launch of 12 official posters further marked the meeting of sport and art. The world-renowned artists commissioned to create images to celebrate London hosting the Games included Martin Creed, Tracey Emin, Bridget Riley and Rachel Whiteread.

Excitement mounts as the Olympic Flame passes through Frome, Somerset.


JAPAN

'London 2012's status as the first fully digital and social Games meant we were able to set records of reach, engagement and interaction.'

London 2012's status as the first fully digital and social media Games meant we were able to set records of reach, engagement and interaction. Digital media played a key role in enhancing the live spectator experience, and in spreading the excitement to a global audience both in the run-up to the Games and in the venues at Games time. In particular, our digital channels delivered strong reach into younger audiences and across socio-economic groups, playing back to the promise of connecting young people with sport.

New media platforms and channels played a key role in supporting our communications programme. Transactions and interactions with the public were almost exclusively digital. Ticket applications, volunteering registrations and Torch Relay nominations were online. More than four million people signed up to our email database.

Social media have been a critical part of our communications mix, particularly mass adoption networks such as Facebook, Twitter and YouTube. Through their use, we gained 4.7 million social followers. Our website was one of the world's most popular during the Games when we recorded 431 million visits, 60 per cent through mobile devices, making it the most visited Games website in history, attracting 40 per cent of all online Britons. There were 15 million app downloads.

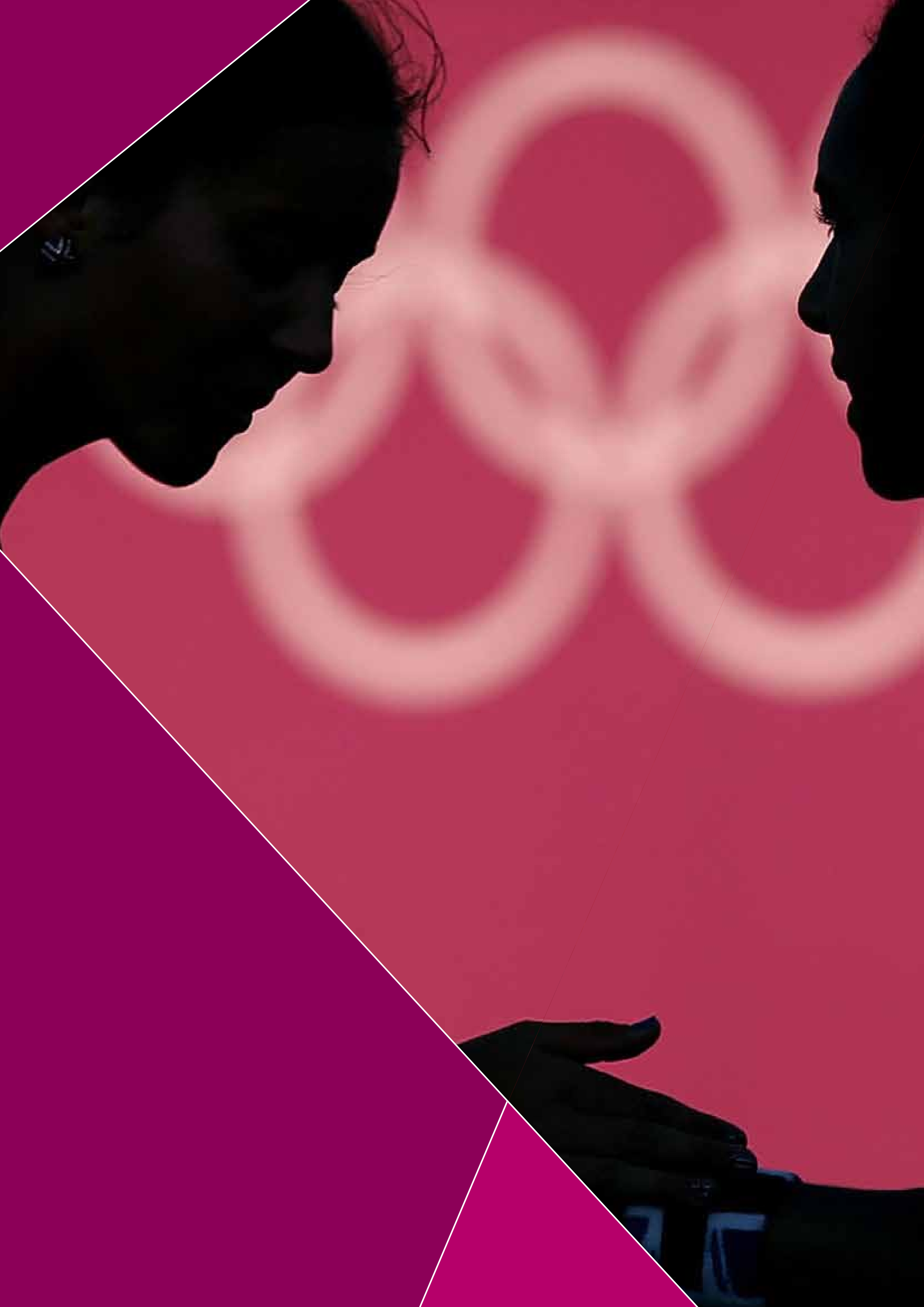
By giving prominence to key moments of the Games and making these easy to share on social networks, we were able to connect young people with the Olympic and Paralympic Games and their values.

Finally, we would not have been able to stage this never-to-be-forgotten celebration without the extraordinary dedication, commitment, creativity and stamina of everyone at LOCOG. I offer each and every member of the team my heartfelt thanks.

Lord Deighton
Chief Executive Officer
The London Organising Committee of the Olympic Games and Paralympic Games Limited

Athletes from Japan enjoy the Olympic Games Closing Ceremony.

Operating review



Operating review

The core lifetime operating budget of the Company is financed by private-sector revenue programmes, including international and domestic partners and sponsors, licensing and merchandising, ticket sales and International Olympic Committee contributions including a portion of the worldwide Games television broadcast rights.

Following the launch of the commercial programme in 2006, LOCOG secured 45 domestic partners and generated more than £700 million:

- Seven Tier One partners: adidas, BMW, BP, British Airways, BT, EDF and Lloyds TSB.
- Seven Tier Two supporters: Adecco, ArcelorMittal, Cadbury, Cisco, Deloitte, Thomas Cook and UPS.
- Twenty-eight Tier Three suppliers and providers: Aggreko, Airwave, Atkins, Boston Consulting Group, CBS Outdoor, Crystal CG, Eurostar, Freshfields Bruckhaus Deringer LLP, G4S, GSK, Gymnova, Heathrow Airport, Heineken UK, Holiday Inn, John Lewis, McCann Worldgroup, Mondo, Nature Valley, Next, Nielsen, Populous, Rapiscan Systems, Rio Tinto, Technogym, Thames Water, Ticketmaster, Trebor and Westfield.
- One Tier One Paralympic Games-only partner: Sainsbury's.
- Two Tier Three Paralympic Games-only suppliers: Otto Bock and Panasonic.

The London 2012 ticketing programme was the largest and potentially most complex ticketing operation ever undertaken in this country. More than 11 million tickets for 963 Olympic and Paralympic sessions were available, at a range of price points and, as a result, more than 4,000 different ticket 'products' were sold across 26 Olympic and 20 Paralympic sports, and four Ceremonies.

From the outset, LOCOG set out its commitments and aims for the Olympic and Paralympic ticketing programme which were:

- to raise more than £500 million towards the cost of staging the Games;
- to fill our venues; and
- to offer affordable and accessible tickets.

In total 10.99 million tickets were sold out of a total 11.3 million tickets available. 8.21 million of these tickets were Olympic Games tickets and 2.78 million were Paralympic tickets. A total of £587 million was raised for LOCOG's core operating budget to stage the Games.

76.3 per cent of all Olympic and 91% of all Paralympic tickets were sold through the UK application process against a target of 75 per cent. This amounted to an unprecedented 8.8 million tickets sold (6.24 million Olympic and 2.53 million Paralympic) through the UK application process.

The athletes, National Olympic Committees and International Federations commented on the incredible and unique atmosphere in the venues. Athletes competed in stadia full of passionate sports fans which was a promise we made to the Olympic and Paralympic Movements in 2005. Pre-Games pledges on availability, affordability and accessibility were met or exceeded.

Putting athletes first

The Company's Athletes' Committee was an integral part of planning for the Games and reported directly to the LOCOG Board. Meeting bi-monthly, the committee advised on all areas of the business to ensure the best possible Games-time experience for the athletes.

The committee was chaired by Jonathan Edwards, with Baroness Tanni Grey-Thompson as vice-chair. The British Olympic Association and ParalympicsGB were represented on the committee, as was UK Sport. Between them, the members of the committee had competed at 22 Olympic and nine Paralympic Games.

The committee identified transport, accommodation, catering and ticketing as key areas for consideration, supported the work done on competition scheduling and worked with the Ceremonies team to optimise the number of athletes taking part in the Opening and Closing Ceremonies. With the support of the committee, our Athletes' Friends and Family programme provided athletes with greater access to tickets to events in which they competed.

The Athletes' Committee endorsed our commitment to provide athletes with a Games experience that was unique, personalised, flexible, fast, professional, friendly, unimposing, exciting and British. These became the criteria against which athlete service levels were measured across the organisation. The NOC/NPC Services team worked to promote this approach to the National Olympic and Paralympic Committees across the world, always respecting the unrivalled Games knowledge possessed by these organisations and communicating as much information as possible, on the premise that the most important thing for an NOC or NPC is simply to understand what the Organising Committee is planning in order to make its own preparations.

Cultural awareness was key to building strong relationships, and this was achieved thanks to a team that collectively spoke dozens of languages. The team also managed the Pre-Games Training Camp programme, which enabled teams to prepare in excellent facilities that will remain for communities to use in the future and which helped spread enthusiasm for the Games around the UK.

Athletes and all other client groups, including spectators, were supported by an extensive Medical Services programme. The Games were an opportunity to raise the bar in sports event medical services by tapping into the quality of the National Health Service and its existing expertise in sports medicine and primary care, while alleviating pressure on healthcare services around Games venues by making best use of a volunteer workforce.

The state-of-the-art anti-doping laboratory exceeded anything seen at previous Games.

Technicians carry out repairs on an athlete's prosthetic limb at the Otto Bock repair workshop in the Paralympic Village.

Around 4,000 medical volunteers were recruited, along with paid Medical Venue Managers. In order to meet the commitment to provide free ambulances at all venues without putting an unsustainable strain on the ambulance service, a new model was developed with Spectator Services that enabled the number of ambulances required to be reduced by increasing the skills of the spectator medical teams.

Medical Services also developed a 'treatment on the move' model, which enabled patients to be treated in situ instead of having to be moved to a medical centre. The key to this was a special medical rucksack equipped with the tools required to carry out a range of treatments, from basic first aid to a full intervention. These rucksacks have attracted interest from other organisations.

In anti-doping, the challenge of finding a World Anti-Doping Agency (WADA) accredited laboratory capable of processing 5,000 samples during the Olympic Games and 1,250 during the Paralympic Games was met by using a commercial partner, GlaxoSmithKline (GSK), to provide a facility in Harlow, Essex, and subcontracting King's College London to staff it. This solution resulted in a state-of-the-art laboratory that exceeded anything seen at previous Games.

As a result of the partnership, GSK has agreed to give WADA sight of any new drugs in development, and knowledge of any detectors, which will help WADA in its fight against doping. Our success in sourcing around 300 doping control officers and training them in a common procedure has created a body of expertise that can be called upon anywhere in the world. In addition, around 200 UK-based blood collection specialists have been trained in the anti-doping procedure and 1,500 generalists trained as chaperones, giving the UK a new resource that can be tapped into for future sports events.

Ready to deliver

Our comprehensive readiness programme was essential to the smooth delivery of the Games in a Host City environment that was particularly dense, high-risk and complex in terms of governance.

The aim was to implement a continual improvement process, where the results of testing could be fed back into planning, rather than as a box-ticking exercise. The challenging stakeholder landscape meant the approach needed to be evidence-based and collaborative, with a single structure bringing together readiness activities (test events, table-top testing and exercising), resilience (contingency planning) and command control communication. Integrated planning for functions and venues was managed through the Project Delivery Office, embedded across the organisation and integrated with partners. Paralympic readiness was included in all planning activity.

Games Services comprised four distinct functions that were key to enhancing the Games experience for client groups, from the moment they landed in the UK to the day they went home. Those functions were Arrivals and Departures, Accommodation, Logistics, and Catering, Cleaning and Waste.

With around 43,000 visitors within the Games Family arriving for the Olympic Games, the availability of various ports of entry, each under private ownership, coupled with the emphasis on using sustainable transport wherever possible, presented a challenge previously unseen by other Organising Committees. The decision was taken to simplify the structure by designating Heathrow as the single official port of entry, handling three-quarters of the Games Family, and then planning the management of the ports and railway stations around that centre.

The decision to form a sponsor partnership with BAA Airports Ltd, owner of Heathrow, led to far greater efficiencies in time spent in negotiations, and brought cost-effective benefits. For example, BAA agreed to build a temporary departures terminal to help ease the pressure after the Games. With this in place, a remote check-in process and bag drop in the Olympic and Paralympic Village was introduced for all athletes and their departure was processed through this terminal.

Spanish Paralympians arrive at Heathrow Airport ahead of the Games.

A new database was created that gathered a far greater depth of information than was previously available, helping to create a more accurate view of individual and collective requirements. This system should serve as a valuable legacy for future Organising Committees. The relationship with BAA also facilitated the formation of Building Ability, a group put together to carry out an accessibility audit of airport terminals, identify areas for improvement and put plans into action. This has already led to changes that were evident during the Games and will leave a tangible legacy.

In terms of Accommodation, the primary objective was to meet the needs of the Games Family, including athletes staying outside the Village. The principal challenge came from the diverse structure of hotel accommodation in London, trying to source rooms that met the needs of the various client groups as well as suiting the requirements of other LOCOG functions, such as Transport and Security. Both these functions were helped in their objective by clustering client groups together so that each operation could be focused on one location.

'With so many hotels called upon, many of them catering to a major event for the first time, the legacy for London's accommodation sector is substantial.'

The procurement of a new booking system proved a vital component, enabling clients to make their own amendments online, and thus minimising the amount of adjustment required. This was especially valuable during the Games period, when the numbers checking in reached 100,000 guests per night.

With so many hotels called upon, many of them catering to a major event for the first time, the legacy for London's accommodation sector is substantial. In addition to filling rooms throughout the Games period, and increasing business during the test events and Torch Relay, a wide range of hotels took advantage of this opportunity to showcase their services to potential new clients.

'Workforce enjoyed a bigger range of better meals at significantly lower cost than has gone before.'

The 24-hour Main Dining Hall in the Olympic and Paralympic Village could accommodate 5,000 athletes at any time.

With responsibility for the movement and storage of an estimated 30 million items, Logistics played a vital role across all the functional areas of the Games.

A significant challenge was working with Security to establish a working balance between unavoidable restrictions and practical necessities. In addition, the challenge of sourcing the necessary amount of warehouse space required development of a solution utilising three separate warehouses, which provided the necessary space while minimising journey times to venue, and enabled Olympic Broadcast Services equipment to be stored separately. The complex storage requirements were controlled by a Warehouse Management System which was tailored specifically for the Games and can be used by future Organising Committees as a template for their own Logistics function.

The challenge of feeding all the client groups and cleaning up afterwards came at a time of significant change within this particular field. On the catering side, it presented an opportunity to raise the standard of food served at sports events in the UK, thus leaving a legacy of higher expectations among consumers. In terms of cleaning and waste, it was a chance to deliver on the 'zero waste to landfill' promise of a sustainable Games, and leave a legacy of better practice in the manufacture and disposal of food packaging.

Building on the Food Vision document published in 2009, which set out minimum, benchmark and aspirational standards, the result was a higher quality of food than previously seen or expected at a major sports event, much of it delivered by suppliers new to the sports catering sector, and a heightened level of knowledge and capability across the sector as a whole. In addition, the workforce enjoyed a bigger range of better meals at significantly lower cost than has gone before.

With waste, the strategy was to deal with the problem at source. Suppliers were instructed only to package what was essential, to source recyclable packaging from LOCOG's approved supplier, and to colour-code all packaging. The colour-coding system matched three waste stream bins, very clearly marked, making it easy for consumers to play their part in the sustainable waste disposal plan by sorting their own litter. Employing a system like this for such a big event has raised awareness across the sector of the end-to-end process and found efficient, cost-effective solutions that also engage the consumer.

Creating a secure Games

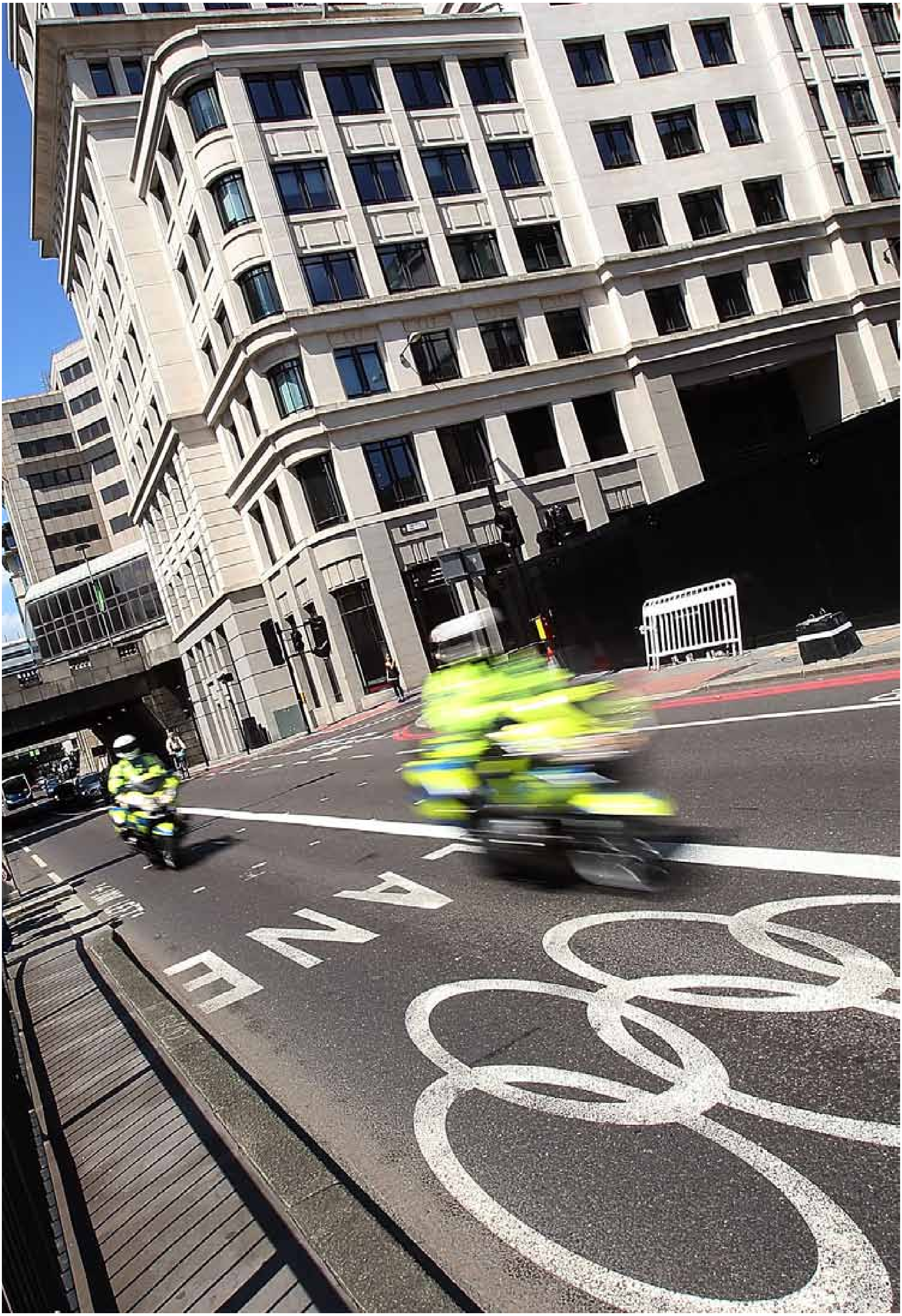
Ensuring a safe environment was crucial if the Games were to take place in an atmosphere of celebration. This was a particular challenge in London, where the threat level was greater than for any previous Host City. Our security strategy in this climate was risk-based and intelligence-led, moving away from a one-size-fits-all approach on the basis that different venues presented different levels of threat, and fully integrated with external law enforcement agencies. In order to build security into every aspect of Games planning, our Security directorate worked across the organisation to ensure security measures were implemented in everything from the design and distribution of tickets to catering, cleaning and, especially, Games-time logistics.

A 'designing-in security' concept was introduced for the first time in London, with anti-terror and anti-crime measures incorporated in venue plans from the outset. This not only helped enhance confidence at Games time, but will also benefit future residents of the Olympic Park. Anti-crime lighting, walkways and securely-designed apartments, for example, all play a part in the regeneration story.

Our commitment to effective and discreet security meant visitors to the Olympic Park and other venues were screened only once at the perimeter of the site. At the Paralympic Games, where the threat was assessed as lower, percentage 'mag and bag' checks were introduced for the accredited workforce. In addition, basic security training was provided to every member of the Games workforce, including the 70,000 Games Makers.

LOCOG faced a well-publicised challenge with the failure of its commercial partner G4S to deliver the contracted quantity of Games-time security guards. Nevertheless, robust contingency measures and the friendliness and professionalism of the UK armed forces and Police ensured that the security operation was among the big successes of London 2012.

'Our commitment to effective and discreet security meant visitors to the Olympic Park and other venues were screened only once at the perimeter of the site.'



Delivering a safe Games

We were determined to ensure that the excellent levels of health and safety performance achieved during the 'big build' phase continued up to and during the Games. Our approach to health and safety was 'risk-based' and designed to provide a proportionate and pragmatic approach to the identification and management of risk.

Our vast contractor and supplier base was drawn from a diverse mix of trades and cultures with very different ways of doing things. We therefore needed to make sure that the management arrangements developed were proportionate to the risk, easy to understand and effective.

This was achieved by working in partnership with our supply chain to develop our management arrangements and by constantly reinforcing, across all parts of our combined workforce, that the health and safety of everyone involved in the Games should be the first consideration in everything we did – from design and construction to the care of our workforce, the athletes and spectators.

Our systems and processes were designed to help people understand how to do things safely rather than stopping things from being done on grounds of 'health and safety'. In this way we established a credible approach that led to high levels of compliance, with people understanding the logic of what they were being asked to do. The Games passed without major incident, the excellent health and safety record achieved during the 'big build' phase was sustained and we provided the exciting experience that everyone wanted.

'The Olympic and Paralympic Route Networks functioned effectively and were sufficiently flexible to accommodate events such as the road races.'

Efficient transport systems

Integrating a Games-time transport service into a city as large and densely populated as London was one of the sternest challenges faced. It involved 1,300 buses and 4,500 cars serving nearly 300 locations.

The promise to provide free transport to all client groups had to be balanced with the constraints of a busy transport network. The solution lay in encouraging greater use of public transport than at any previous Games, which in turn meant convincing client groups who were not used to using public transport at home. While private transport was provided for tier 1-3 sponsors, athletes, officials and media; free travel cards encouraged other clients to discover the advantages of public transport in London, namely speed and flexibility.

One achievement was pulling together the various transport organisations, which historically operated independently of each other, into a coordinated, cooperative team structure. This should provide a lasting benefit to the UK's transport network. Another was the range of improvements made to London's transport infrastructure, including the complete remodelling of Stratford station, additional rolling stock and structure for the Docklands Light Railway, the Jubilee Line upgrade and advances in accessible facilities, all of which have brought vastly improved connections in east London.

The Olympic and Paralympic Route Networks were scaled down whenever possible to minimise the impact on the existing transport network.

'Ninety per cent of the UK population watched the Games.'

The private car fleet provided by BMW had a CO_2 emissions rating of just 116g/km, a significant step forward in making the Games more sustainable. BMW also brought forward the production of its latest electric cars to be ready for the Games, changing the production line in Germany to get the cars made a year earlier than scheduled.

Despite negative publicity in the run up to the Games, the Olympic and Paralympic Route Networks functioned effectively and were sufficiently flexible to accommodate events such as the road races. The Networks were scaled down whenever possible to minimise the impact on the existing transport network, such as after the Tennis competition at Wimbledon and for the Paralympic Games.

Global audience

Technology deployed the infrastructure and applications needed to support the delivery of the Games, from the Arrivals and Departures and Transport Management applications to the volunteer portal, the Olympic Results and Information Services (ORIS) and LOCOG's own website, london2012.com.

Olympic Broadcasting Services (OBS) and the Rights Holding Broadcasters were major clients for services provided by Technology. All signals were provided in high definition and, for the first time, OBS produced a 3D offering at certain venues. Also, in partnership with the BBC and NHK Japan, OBS was involved in providing coverage from selected events in super high vision, another first for the Olympic Games.

In the UK, the BBC reached an audience of 27.3 million for the Olympic Opening Ceremony, and 20 million for the men's 100m final. Ninety per cent of the UK population watched the Games, and the BBC used its many platforms to ensure that, for the first time ever, live coverage of every Olympic sport was available free of charge to UK viewers.

Pre-Games filming visits were an essential part of preparations. During the five months leading up to the Games, 126 applications were made to LOCOG by 51 broadcasters, with most from BBC and Channel 4.

The Games-time needs of the 5,800 accredited written press were met by the Press Operations team. Every major strategic decision was underpinned by the principle of calling on expertise wherever possible, including the formation of an advisory group of press representatives, and the employment of foreign experts as Venue Media Managers where British candidates lacked the required knowledge of specific sports.

The delivery of a robust communication network, accessible in all venues with one password, was applauded, as was the extension of MyInfo+ to users beyond the venues. Journalists could use their password to access the service anywhere on their laptop. Media representatives were also in favour of the decision to leave the Venue Media Centres open for four hours post-competition, rather than the usual three.

In order to meet sustainability aspirations, London 2012 saw a sizeable reduction in the amount of paper used by and for the press, with information primarily distributed in electronic form. Press Operations also instigated an educational legacy, by delivering three years of learning modules for media students at Sheffield Hallam University. In all, 300 students were put through the course and 150 joined the team at Games time, gaining valuable experience for future events.

Dissolution of the Company

The Company has always had the intention of operating for a limited period of time. Now its purpose of staging the Games has been completed, it will be wound down and dissolved in an orderly and solvent manner.

The aim of the dissolution of the Company is to maintain LOCOG's reputation gained through the success of the Games, fulfil the bid commitments, minimise cost overruns and maximise income from the disposal of assets and collection of revenue.

The organisation's operations are now primarily focused on the dissolution of the Company to achieve these aims. Management has established a dedicated programme team to implement dissolution plans and the organisation has been structured into work streams to enable this to happen.

The dissolution work streams are Venues Decommissioning, Operations Wind Down, Legal and Corporate Services, Finance and Commercial, and Human Resources. Contract close out, venues handover, asset disposal and information archiving are the key activities within these work streams. Progress is regularly reviewed by the Audit, Remuneration and Dissolution Committee of the Board.

Financial review


London 2012

Financial review

The Company has continued its track record in raising revenue throughout the 18-month period under review and has successfully reached its target of more than £2.4 billion income to cover the cost of its core scope. Furthermore, the Company has received approximately £0.8 billion funding for additional scope for which the Government identified that LOCOG was best placed to deliver.

Basis of preparation of financial statements

The Company is anticipated to cease trading in mid-2013 and wind up and dissolve in an orderly and solvent manner under a Members Voluntary Liquidation. International Financial Reporting Standards (IFRS) therefore require that the financial statements are prepared on a basis other than that of a going concern.

The company extended its accounting reference date to 30 September 2012, this coupled with the basis of accounts described above means the majority of lifetime revenue and expenditure has been captured in this 18-month accounting reference period. This reflects the significant activities of the Company taking place over this period.

In order to assist in understanding the underlying performance of the Company, the effect of the movements in the fair value of derivative financial instruments and embedded derivatives that do not qualify for hedge accounting under Financial Instruments Recognition and Measurement (IAS 39) has been separately identified. These movements are separately disclosed within revenue, recognising that the purpose of the instruments is to protect the Company's foreign currency revenues from the effect of foreign exchange fluctuations over the lifetime of the project.

Dani King celebrates victory in the women's Cycling Team Pursuit final in the Velodrome.

Total revenue

Total revenue is defined as revenue from core operating activities plus gains / (losses) from financial instruments not qualifying for hedge accounting. The Company generated the income required to stage the Games and as at the period end, 99 per cent of target revenue of over £2.4 billion had been secured. This does not include grant funding of £842m received from the Government Olympic Executive (GOE) for additional (non-core) scope of the Company which is credited against expenditure in accordance with the grant funding accounting policy.

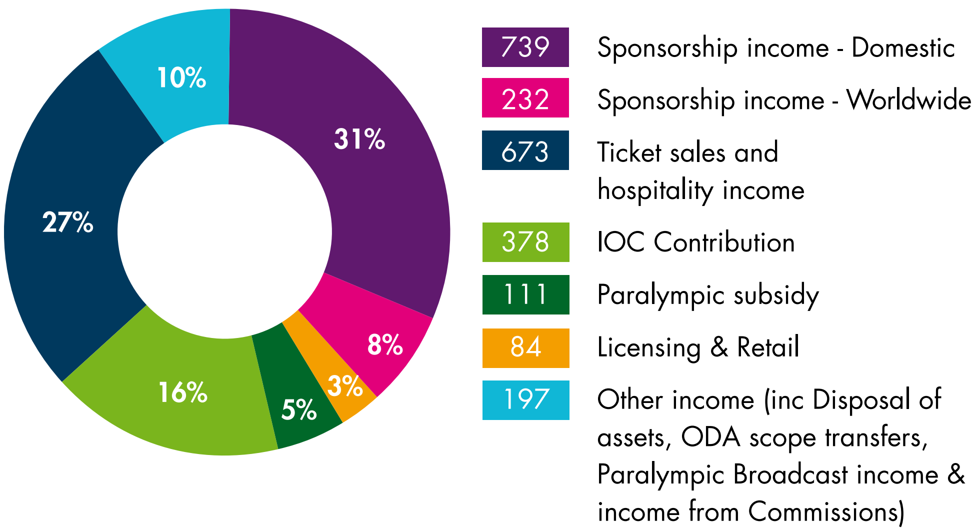
Lifetime core revenue includes £111m contribution from the Olympic Lottery Distributor (OLD) and GOE in relation to the Government obligation under the Host City Contract to fund 50 per cent of the incremental costs incurred for staging the 2012 Paralympic Games. Furthermore, the Company received £36m core revenue from the GOE to fund additional costs incurred relating to the relocation and reconfiguration of venues (see grant funding table below).

As at 30 September 2012, the Company had exceeded its domestic sponsorship target, having signed domestic sponsorship deals totalling £739m in value. Licensed merchandise sales had generated £78m at the period end, with total lifetime income expected to be in the region of £84m.

The success of the Games produced unprecedented demand for tickets, ensuring that ticket sales exceeded all expectations, with client group and public ticket sales and hospitality income achieving £673m in revenue for the Company.

The International Olympic Committee (IOC) allocates the Company a proportion of the sponsorship income from its Worldwide Sponsorship Programme. The total amount of sponsorship income due to the Company as agreed with the IOC in relation to this programme is $376m, of which, approximately two-thirds is in the form of goods and services (value in kind). Under the terms of the Host City Contract the Company receives a cash contribution of $675m from the IOC for staging the Games; the majority of this revenue has been received in the lead up to, during and immediately after the Games, with $50m remaining to be received after the period under review.

LOCOG Anticipated Lifetime Revenue breakdown (£millions)



This cash contribution has been hedged to deliver a Sterling income of £378m (see Foreign currency risk management below).

The accounting policy for revenue recognition is described in the notes to the accounts. In the period under review, £313m of domestic sponsorship and £99m of worldwide sponsorship has been recognised. Cash contributions from the IOC and revenue from ticket sales have all been recognised in the current accounting period. Royalty income recognised in the accounts has been received from domestic and international contracts of £58m and £3m respectively.

Further income recognised in the period includes:

– £104m out of a total £111m received for the Government Paralympic funding obligation
– £84m for ODA scope transfers and contributions
– £36m for GOE scope transfers and contributions (see Grant funding below)
– £15m for Games-time Rate Card rental income
– £11m Paralympic Broadcast income
– £11m Accommodation and Catering commission revenue
– £1.5m in relation to the licensing of marketing rights to Team 2012 Ltd
– £21m relating to other income streams such as test event revenue.

Under its revenue recognition policy, the Company deferred the majority of its revenue until Games–time and has therefore recognised £1,869m of this income in the current period before the impact of financial instruments not qualifing for hedge accounting. This brings the total of revenue from operating activities recognised since inception to £2,383m.

A significant portion of revenue was received in foreign currencies. As such, the Company established a policy of hedging to protect against exchange rate fluctuations and provide certainty over Sterling income. Therefore, accounting gains or losses recognised do not represent cash gains or losses to the Company.

The accounting loss from financial instruments not qualifying for hedge accounting in the period reflect the movement in the fair value of the Company's derivative financial instruments as is required under IFRS. The £14.1m accounting loss in the period is comprised of £25.7m of gains and £39.8m of losses on instruments that have matured in the period (see Foreign currency risk management below). Since inception, the Company has now recognised £60.1m of accounting losses and £0.8m of accounting gains primarily due to the strengthening of the Pound Sterling compared to the US Dollar over the periods of the hedging instruments.

The £39.8m losses represents the difference between the hedged rate and exchange rate actually received on instruments that have matured during the period. The impact being that the net cash received is at the hedged rate which provided a certain Sterling income to the Company.

The £25.7m gain is principally the difference between the Sterling value of the hedged foreign currency when calculated using the hedged rate and the value when calculated using the forward rate at the balance sheet date. Remaining unrealised gains are forecast to have a £0.8m positive impact on future cash flow.

Grant funding

LOCOG's core budget excludes grant income and expenditure which is considered to expand the original scope of the Company. The GOE has committed £842m of public funding for work LOCOG delivered on behalf of the Government, in addition to a further £147m recognised in core income for the Paralympic funding obligation and relocation and reconfiguration of venues. A summary breakdown of £989m total Public Sector Funding Package (PSFP) is set out in the table below. As noted above, non-core grant income is credited against expenditure in the accounts, £730m has been recognised in the current period.

PSFP Funding

Grants receivable from PSFP	Purpose	Core £m	Non-Core £m	Total £m
Venue Security	To support the Government for ensuring safe and secure Olympic and Paralympic venues	–	444	444
LOCOG funding	To pay for, for example, additional work on venues and facilities on the Olympic Park and including £41m of additional funding to enable LOCOG to deliver the Government's ambition for the opening and closing ceremonies	36	188	224
Operational provisions	To support the Government in delivering its operational responsibilities including £79m for the management of the flow of spectators between transport hubs and the Olympic venues - known as 'Last Mile'	–	132	132
Park Operations	For the operation and security of the Olympic Park and venues between completion of construction and handover to legacy owners	–	78	78
Paralympic funding obligation	For the Government's commitment to pay for 50 per cent of the incremental cost of the Paralympic Games	111		111
Total		**147**	**842**	**989**

Operating activities expenditure 2006 - 2012

Year	Millions
2006	8.8
2007	23.7
2008	45.4
2009	74.1
2010	129.4
2011	209.1
2012	1,887.1
Total	**2,377.6**

Operating expenditure

As described in the Corporate Governance report, throughout most of the period until Games-time, four core committees continued to oversee the Company's key activities: the Games Operations Committee; the Communications and Engagement Committee; the Organisation Committee; and the Ceremonies Committee. In addition, the Deal Approval Group continued to work with the committees to ensure that all significant transactions and commitments by the Company to pay or receive value were subject to appropriate review and approval. The operation of these bodies has been an effective mechanism for controlling expenditure. Expenditure for the period was £1,887m, bringing the total core operating expenditure since inception to £2,378m. Expenditure in the period is analysed further in note 4 to the financial statements.

During the period under review, the Company maintained its focus on controlling expenditure to achieve the lifetime budget. The Company regularly produced its Anticipated Final Cost (AFC) and Anticipated Final Revenue (AFR) in relation to the lifetime budget. The AFC and AFR highlighted potential budget pressures and were reviewed and monitored by senior executive management and the Audit Committee to mitigate and control the risks of cost overrun and revenue shortfall. As a result, the Company has been able to achieve its objective of delivering the Games within the envelope of funds available.

Result for the period

The result for the period is defined as total revenue less operating expenditure, being a loss of £33m. This is not a particularly representative way to measure performance as the Company reviews its results in raising revenue and controlling expenditure over the lifetime of the project rather than for a specific period.

The cumulative financial position for the Company to the end of the current period is a loss of £53m. Under its revenue recognition policy, many of the revenue streams are recognised on a straight line basis over the life of the agreements which typically run until 31 December 2012. As at 30 September 2012, deferred revenue was £78m. This will be recognised in future periods along with other smaller ongoing revenue streams, such as royalty income, and is anticipated to be sufficient to cover the brought forward loss and the costs to dissolution, to put the Company in a break even position to enable a solvent liquidation. Dissolution costs includes the ongoing commercial expenditure of the Company associated with the winding up of operations.

It is anticipated that the Company's performance in raising funds and controlling expenditure will meet the objective of breaking-even. LOCOG forecasts that both core lifetime revenue (AFR) and expenditure (AFC) will be £2.4 billion.

Cash flow and net cash/borrowings

The net cash/borrowing position is defined as cash, cash deposits and cash equivalents less bank borrowings. During the period, the Company's available net positive cash position has increased from £5m as at 31 March 2011 to £147m at period end (cash, cash deposits and cash equivalents of £222m less bank borrowings of £75m). The Company held £70m on long term deposit at 31 March 2011 which were intended to be held to maturity and not classified as cash and cash equivalents. Deposits of £205m held at 30 September 2012 matured within 3 months of the period end and were classified as net cash/borrowing. The availability of this surplus cash to be placed on deposit and consequent opportunity to earn interest income is as a result of the continued strength of the four main income streams referred to above: domestic commercial programmes; worldwide sponsorship; IOC contribution and ticketing income and maintaining tight control over expenditure and the collection of revenues.

It is anticipated that the collection of remaining revenues and the maturity of deposits in October and December 2012, together with continued control over working capital, will result in the Company being able to execute an orderly and solvent wind down and dissolution in 2013.

A portion of sponsorship revenue is receivable as value in kind rather than cash. The management and utilisation of value in kind is key to the Company in being able to reduce its requirement for cash. Since inception until 30 September 2012, £527m of value in kind has been utilised. Of the £557m available as value in kind, it is anticipated that £21m will not be utilised and provision has been made in the accounts.

Principal risks and uncertainties

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

Foreign currency risk management

The Company received a significant portion of its revenues in foreign currencies. As such, the Company established a policy of hedging to protect the Company against exchange rate fluctuations and to provide the Company with increasing certainty over its likely Sterling income.

The Company entered into foreign currency derivative financial instruments to mitigate this risk, thereby providing exchange rate certainty over its foreign currency cash revenues and ensuring the Company received a guaranteed Sterling income.

In implementing this policy the Company has used financial instruments commonly used for hedging purposes which are structured to provide the economic hedge desired. However, due to the structure of these instruments and the inherent uncertainty over the timing of some of the cash flows, some of the derivatives do not qualify for hedge accounting under IAS 39.

As a result, for those instruments that do not qualify for hedge accounting, IAS 39 requires that all movements in fair value of the instruments are recorded in the income statement immediately.

Whilst most of the lifetime foreign currency income has now been received, at the balance sheet date, $56m remained to be received by the Company. This has been hedged to achieve a guaranteed Sterling income.

Budget management

As described above, the Company is responsible for generating £2.4 billion of revenue in order to fund the core costs required to stage the Games and controlling all expenditure whether related to core or non-core Grant funded activities.

Throughout the period under review, the Company continued to focus on delivering the Games within the resources available. As referred to above, the Company’s senior executive management and the Audit Committee were responsible for the review and mitigation of risks identified through the Anticipated Final Cost processes. In addition, a monthly change control process operated to manage changes against the Board approved budget.

Dissolution management

As referred to above, the Company is anticipated to cease trading in mid-2013 and wind up and dissolve in an orderly and solvent manner under a Members Voluntary Liquidation. In order to ensure that the Company effectively implements its dissolution plan, it has established a Dissolution Committee to oversee an effective and efficient dissolution of the Company, including close-out of contracts, handback of venues, and asset disposals.

The Dissolution Committee is organised with departmental Directors responsible for the delivery of five key workstreams covering Venues Decommissioning; Operations Wind Down; Legal & Corporate Services; Finance & Commercial; and Human Resources.

The Deal Approval Group will continue to function during the dissolution period, the primary function of the Group until the Company’s liquidation will be to review and approve the terms upon which contracts are closed out by the various functional areas.

The Company continues to operate the AFC and AFR process, under the direction of the Chief Financial Officer, to ensure that focus is maintained on breaking-even. Progress in implementing the dissolution plan and the anticipated financial position is regularly reviewed by the Audit, Remuneration and Dissolution Committee of the Board.

Board of Directors

Li Zhang Yu of China celebrates with his silver medal in the Cycling men's Individual C1 Pursuit event in the Velodrome.

Board of Directors

Lord Coe – Chair

Sebastian Coe was Olympic medallist in Moscow 1980 where he won Gold in the 1500m and Silver in the 800m a feat which he repeated in Los Angeles in 1984. He set a total of 12 world records during his athletic career. He retired from competitive athletics in 1990 and then became a Conservative MP and Private Secretary to William Hague. In 2002 he was elevated to the Peerage as Lord Coe of Ranmore. He retains close links with his sport through a variety of national and international bodies and was appointed as a Council Member of the International Association of Athletics Federation (IAAF). He was appointed Chairman of the London 2012 Bid and subsequently appointed Chairman of LOCOG (London Organising Committee of the Olympic Games).

Following the close of the Olympic Games in 2012, Lord Coe was appointed by the Prime Minister as his Olympics and Paralympics Legacy Ambassador, charged with advising the Prime Minister on how best to secure the long-term economic and business benefits of hosting the Games.

In November 2012, Lord Coe was appointed Chairman of the British Olympic Association.

He received a KBE in the 2006 New Year's Honours List

Sir Keith Mills – Deputy Chair

Sir Keith Mills is Deputy Chair of the Company and was appointed to the Audit Committee in May 2011 (now Audit, Remuneration and Dissolution (ARD) Committee). He became the International President and Chief Executive Officer of the London 2012 bid company in 2003, and is Chair of the International Inspiration Foundation which was established to deliver the bid promise to inspire young people around the world to choose sport. He was knighted in the 2006 New Year's Honours List.

Sir Keith founded Air Miles International Group BV in 1988 to develop the Air Miles programme. Until December 2007 he was also Chairman of Loyalty Management Group Ltd (the company which owns and manages the Nectar programme in the UK and licenses Air Miles programmes internationally).

He is actively involved with charities including the Sported Foundation, which he chairs and which provides support for community sports projects. His sporting interests include the ownership of two yacht racing teams, and he is a member of the Board of Directors of Tottenham Hotspur Football Club.

HRH The Princess Royal

The Princess Royal is President of the British Olympic Association and has been a member of the International Olympic Committee since 1988.

The Princess has a very long standing interest in all equestrian matters. She won the individual European Eventing title in 1971 and was voted the BBC's Sports Personality of the Year. In 1976 she was a member of the British Eventing team at the Montreal Olympic Games.

She is President or Patron of around 230 organisations, including the Riding for the Disabled Association, the Scottish Rugby Union and the Royal Yachting Association.

Sir Charles Allen

Sir Charles Allen is the Chair of LOCOG's Nations and Regions Group, responsible for bringing about the UK-wide benefits of the Games; he was appointed to LOCOG's Audit Committee in May 2011 (now ARD Committee) and to the Ceremonies Committee in July 2010. Sir Charles was previously Vice-Chairman of the London 2012 bid company. His business career ranges from steel to hotels. He is especially known for his contribution to the media industry, having played a key role in the development of ITV.

Sir Charles chaired the Manchester Commonwealth Games in 2002. He is Chairman of Global Radio Group, Chairman of 2 Sisters Food Group and Chairman of the Join In Charitable Trust. He is a member of the Boards of Directors of Virgin Media, Endemol and GET. He is also a Senior Advisor to Goldman Sachs.

Sir Charles has been Chairman of Granada and EMI Music, a member of the Board of Directors of Tesco plc, Chief Executive Officer of ITV and Chief Adviser to the Home Office.

Dr Muhammad Bari MBE

Muhammad Abdul Bari is an educationalist and a parenting consultant in the British Muslim Community. He has served East London's diverse capacities for three decades. Since 2002 he has been the Chairman of the Board of Trustees at the East London Mosque, Britain's largest Muslim religious and community complex.

He is a founding member of The East London Communities Organisation (TELCO) which has transformed the way politics happens in east London through initiatives such as the successful Living Wage Campaign. Dr Bari was Secretary General of the Muslim Council of Britain from June 2006 until June 2010, and is a patron of the National Youth Agency, the Ramphal Centre and Anchor House. He is currently the Secretary of Muslim Aid, an international relief and development charity. Dr Bari has written for various newspapers and journals and is the author of a number of books on family, parenting and Muslim identity.

In recognition for his services to the community, Dr Muhammad Abdul Bari was conferred an MBE in 2003, was made a Fellow of the Royal Society of Arts in 2005 and an Honorary Fellow of Queen Mary, University of London in July 2008.

Sir Philip Craven MBE

Sir Philip Craven has been President of the International Paralympic Committee since 2001 and is also a member of the International Olympic Committee. In 2005 he received a knighthood in the Queen's Birthday Honours List.

He is a five-time Paralympian in Wheelchair Basketball and Swimming, and was President of the International Wheelchair Basketball Federation from 1988-2002.

In 2006 he received the Juan Antonio Samaranch Disabled Athlete Award, recognising all he has done for the world of sport. Philip is currently a Director of the British Olympic Association and Vice-President of the Great Britain Wheelchair Basketball Association. He also sat on the board of the London 2012 bid company.

Lord Deighton – Chief Executive Officer

Over the last six and a half years, Paul has been in charge of the day-to-day operations of the Company. His responsibilities included establishing strong working relationships with stakeholders, the International Olympic Committee and the Olympic Delivery Authority; overseeing recruitment and the annual budget; and providing leadership in the development of a variety of Olympic and Paralympic programmes, from sponsorship and marketing to ticketing and the Torch Relay.

Prior to joining London 2012, Paul was the Chief Operating Officer of Goldman Sachs in Europe, and a member of its European Management Committee. At Goldman Sachs he worked in a variety of management and client-facing roles for over 22 years, and was appointed a partner of the firm in 1996.

In November 2012, Paul was appointed to the House of Lords and will join the Government as Commercial Secretary to the Treasury in January 2013. His role will involve delivering infrastructure projects across the public sector and facilitating private sector investment from domestic and international sources into UK infrastructure.

Jonathan Edwards CBE

Jonathan Edwards is the Company's athlete representative on the board, having played an important part in the success of the London 2012 bid as an Official Ambassador. He was Chair of the Athletes' Committee of the Board.

Jonathan was Olympic champion in Triple Jump at the Sydney 2000 Games. He set the current world record for the event in 1995, and was named BBC Sports Personality of the Year.

Jonathan is still involved with athletics as a member of the European Athletics Council, in an ambassadorial role with the International Association of Athletics Federations, and chaired the group charged with establishing an Athletes Panel for UK Athletics. He is a trustee of the Newcastle United Football Foundation, and a television presenter for both the BBC and Channel 4.

Jonathan is actively involved in a range of charities, in particular with AIDS orphans and an Outward Bound centre for groups of mixed abilities.

Lord Hall

Lord Hall was the Chair of the London 2012 Cultural Olympiad Board. Tony became Chief Executive of the Royal Opera House in April 2001. Until 2001, Tony was Chief Executive BBC News and launched Radio 5 Live, Britain’s first 24 hour news and sport radio channel, BBC News 24, BBC News Online and BBC Parliament.

At present he is a member of the London Cultural Strategy Group, Deputy Chairman of Channel 4 Television, and a Trustee of the British Council and a Trustee of the Paul Hamlyn Foundation.

In 2005, Tony became a Commander of the British Empire (CBE) and in February 2010 was appointed to the House of Lords.

In November 2012, Lord Hall became Director General of the BBC.

Andrew Hunt

Andy Hunt is the Chief Executive of the British Olympic Association (BOA). Andy joined the BOA shortly after the Beijing Games in 2008 and led the transformation of the BOA to become one of the leading national Olympic committees in the world. Andy was the Chef de Mission for Team GB at the Vancouver 2010 Winter Olympic Games and was most recently the Chef de Mission for Team GB at the London 2012 Games, where Team GB had its most successful Olympic Games in 104 years.

Andy is a member of the European Olympic Committee (EOC) Olympic Games Commission and a Director of Team 2012 (a fundraising joint venture between UK Sport, BOA, BPA and LOCOG).

Andy has extensive Board experience across a range of service industries and prior to joining the BOA was the Managing Director of Reliance Security Services Limited. He was also a member of the Athletes' Committee.

Justin King CBE

Justin King is the Mayor's appointee to the Board, and is also a member of the ARD Committee (previously Audit Committee). He has been Chief Executive of Sainsbury's since March 2004. Before joining Sainsbury's, he was Director of Food at Marks & Spencer and prior to that held senior positions at ASDA/Wal-Mart and was Managing Director of Haagen-Dazs UK. His early career was at Mars Confectionery and Pepsi International.

Justin sits on the CBI President's Committee and in October 2010 was made a member of the Prime Minister's Business Advisory Group . He is a Visiting Fellow of Oxford University's Centre for Corporate Reputation.
Justin is a Non-executive Director of Staples Inc.

Stephen Lovegrove

Stephen Lovegrove is the Government's appointee to the Board, and is also a member of the ARD Committee (formerly Audit Committee). He is the Chief Executive of the Shareholder Executive, which was formed in 2003 to provide oversight of and create value through the Government's remaining businesses and stakes, including the Royal Mail, the Ordnance Survey, the Royal Mint, the Met Office, Channel 4, the Green Investment Bank and over 20 others. The Shareholder Executive also provides corporate finance advice across Whitehall and works jointly with HM Treasury and Cabinet Office to project manage the Government's Asset Management Programme.

Previously, he spent 10 years at Deutsche Bank, where he was the head of the European media team. During that time Stephen worked on a wide range of capital raisings, acquisitions and divestments in all sectors of the media industry. Before that, he spent five years as a strategic consultant.

Stephen worked with the Department of Culture, Media and Sport on the London 2012 bid and the BBC Charter Review. He is a Trustee of the Charities Aid Foundation.

Lord Moynihan

Lord Moynihan was Chairman of the British Olympic Association until November 2012. He also resigned from the LOCOG Board of Directors on this date.

Lord Moynihan won a silver medal in Rowing at the Moscow 1980 Games. He was a Member of Parliament for ten years, where he served as Minister for Sport and Parliamentary Under Secretary of State at the Department of the Environment from 1987 to 1990, and Minister for Energy from 1990 to 1992.

He is a Director of Rowan Drilling and Honorary President of British Water Ski. He has been Vice-Patron of the British Wind Energy Association and a member of the Royal Institute of International Affairs: Energy and Environment Programme Steering Committee. He is a member of the International Olympic Committee's International Relations Commission, the 2009 IOC Olympic Congress Editorial Committee, and the IOC 2016 Olympic Candidate Acceptance Working Group.

Lord Moynihan is a member of the Executive Committee of the European Olympic Committee and Chairman of its Youth Sport for All Commission, and a member of the Association of National Olympic Committees.

Timothy Reddish OBE

Tim Reddish is the Chairman of the British Paralympic Association (BPA) and is the BPA's appointee to the board.

Tim is a three-time Paralympian in Swimming and was honoured by his home town, Nottingham, in 2005 when he was given the Freedom of the City for services to disability sport. He was awarded an OBE in 2009 for services to disability sport.

Tim, who was the National Performance Director for British Disability Swimming from 2003 to May 2010, was responsible for leading the British team to success during the last two Paralympic Games. He has now taken on the role of Executive Director at British Disability Swimming.

Adam Pengilly

Adam Pengilly was elected by the Vancouver Olympians onto the International Olympic Committee's Athletes' Commission and subsequently became an IOC Member in February 2010.

He has been on Britain's Olympic Winter team on three occasions: initially as a coach for Bobsleigh, and then twice competing in the sport of Skeleton, in which he was silver medallist at the 2009 World Championships. Adam has recently started an MBA, having retired from competition in 2012.

A director of the British Olympic Association and on the Foundation Board of the World Anti-Doping Agency, Adam was formerly a director and then Vice Chair of the British Athletes' Commission, serving from 2005-2011. He has been representing athletes and their interests since 2003.

Sir Craig Reedie CBE

Sir Craig Reedie is a member of the International Olympic Committee (since 1994) and is a member of its Executive Board. He was elected as a Vice-President of the IOC in 2012 and will Chair the 2020 Evaluation Commission. He also serves on several other IOC Commissions.

Sir Craig retired as Chairman of the British Olympic Association in 2005, having played a key role in London's successful bid for the 2012 Games. He is a member of the LOCOG ARD Committee (he was formerly a member of both the Audit Committee and Remuneration Committee).

Sir Craig is a director of the British Olympic Association and a member of the Executive Committee and Foundation Board of the World Anti-Doping Agency since 1999. He is also a Board member of the Olympic Lottery Distributor.

He played Badminton at national and international level from 1962 to 1970, before taking senior positions in the Scottish Badminton Union and later the International Badminton Federation, eventually becoming President in 1981. He was a member and Deputy Chairman of UK Sport from 1996 until 2002.

Martin Stewart

Martin became a member of LOCOG's Board of Directors in November 2006. He is Chairman of the ARD Committee (formerly Chairman of the Audit Committee and a member of the Remuneration Committee).

He spent nine years at BSkyB plc, six of those as Chief Financial Officer and a member of the Board, and then spent two years at EMI plc in the same roles before spending nearly two years at Ono as Director General.

Martin is a Non-executive Director and Chair of the Audit Committee of SIS Limited, a member of the Supervisory Board and Chair of the Audit Committee of Kabel Deutschland Holding AG, and the Executive Chairman of Eurotaxglass Ltd.

Sir Robin Wales

Sir Robin Wales is the directly elected Executive Mayor of the London Borough of Newham, one of just 12 directly elected Mayors nationally. He had served as the Leader of Newham Council from 1995 until his first Mayoral election in 2002. He was re-elected for a third term in May 2010 with an increased majority.

He was the chair of the Association of London Government (now London Councils) from 2000 to 2006 and was awarded a knighthood in the 2000 Queen's Birthday Honours List in recognition of his service to local government. Sir Robin comes from Kilmarnock and has a BSc in chemistry from Glasgow University. He has two children, and before becoming Mayor was employed by British Telecom, where he was responsible for developing credit and fraud management systems.

Sir Robin was Chair of the Company's Remuneration Committee and is now a member of the ARD Committee.

Neil Wood MBE

Neil Wood is the Chief Financial Officer of the Company.

Neil was the finance director of the the bid company from 2003. Over the past seven years he has, as Chief Financial Officer of LOCOG, been responsible for the financial governance of the Company, including maintaining close working relationships with, amongst others, the IOC, ODA and Government Olympic Executive.

He is a partner in the accountancy and consulting firm Deloitte and a Fellow of the Institute of Chartered Accountants in England and Wales.

Neil was awarded an MBE in the 2006 New Year's Honours list for his services to the London 2012 bid.

Officers and professional advisers

Chairman
Lord Coe

Deputy Chairman
Sir Keith Mills

Chief Executive Officer
Lord Deighton

Chief Financial Officer
Neil Wood

Other Directors
Her Royal Highness The Princess Royal
Sir Charles Allen
Dr Muhammad Abdul Bari
Sir Philip Craven
Jonathan Edwards CBE
Lord Hall
Andrew Hunt
Justin King
Stephen Lovegrove
Lord Moynihan (Resigned November 2012)
Adam Pengilly
Timothy Reddish
Sir Craig Reedie
Martin Stewart
Sir Robin Wales

Secretary
Terry Miller

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers
Lloyds TSB Bank plc
25 Gresham Street
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Registered Office
25 Canada Square
Canary Wharf
London E14 5LQ

Registered Number 05267819

Directors' report

Members of the public enjoy 'Sacrilege', an inflatable Stonehenge, as part of the London 2012 Festival.

Directors' report

The London Organising Committee of the Olympic Games and Paralympic Games Limited ('the Company') is responsible for the planning, funding, preparation and staging of the 2012 Olympic Games and Paralympic Games.

Business review and future developments

A review of the business and the future developments, including the principal risks and uncertainties, of the Company is presented in the Operating Review and Financial Review on pages 38 to 57.

Risk management

The Company's risk management objectives and policies are discussed in the principal risks and uncertainties section of the Financial Review on pages 51 to 57.

Future outlook and basis of financial statements preparation

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating Review and Financial Review on pages 38 to 57. The lifetime position of the Company is discussed in the Results for the Period section within Financial Review on page 55.

The entity is expected to cease trading in mid-2013 and wind up and dissolve in an orderly and solvent manner under a Members Voluntary Liquidation. Therefore, the financial statements have been prepared on a basis other than that of a going concern which includes, where appropriate, adjusting the entitiy's assets to a net realisable value.

Subsequent to 30 September 2012, revenue will be recognised on Local Sponsorship contracts which run until 31 December 2012 and a number of licensing and royalty arrangements. Costs to be incurred subsequent to 30 September 2012 primarily relate to servicing these revenue streams and the close out of other ongoing contractual matters.

Directors and their interests

The Directors of the Company who served throughout the period are shown in the list of officers and professional advisors on page 67. Directors' interests are disclosed in note 29 to the financial statements.

Directors' indemnities

The Company has granted an indemnity to all of its Directors against liability in respect of proceedings brought by third parties, subject to conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

Research and development

There have been no research and development activities during the period (2011: £nil).

Charitable and political donations

During the period the Company made charitable donations to UK Sport of £1.5m (2011:£2.4m) and no political donations (2011: £nil).

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidates' particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available for disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. Regular meetings have been held between management and employees to allow free flow of information and ideas.

Supplier payment policy and practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, providing that trading terms and conditions have been complied with.

At 30 September 2012, the Company's purchase obligations owed to trade creditors were equivalent to 50 days (31 March 2011: 43 days) based on the average daily amount invoiced by suppliers during the period.

Auditor

Ernst & Young LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Directors' statement as to disclosure of information to the auditor

The Directors who were members of the Board at the time of approving the Directors' report are disclosed in the Board of Directors section on page 60. Having made enquiries of fellow Directors and of the Company's auditors, 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the Board
19 December 2012

Lord Deighton
Chief Executive Officer


BRITISH AIRWAYS
TEAM GB
WORTH YOUR
WEIGHT IN
GOLD!

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under Company law the Directors must not approve the Company financial statements unless they are satisfied that they present fairly the financial position, the financial performance and cash flows of the Company for that period. In preparing the Company financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records which 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of The London Organising Committee of the Olympic Games and Paralympic Games Limited (limited by guarantee)

We have audited the financial statements of The London Organising Committee of the Olympic Games and Paralympic Games Limited for the period ended 30 September 2012 which comprise the Income and Expenditure Account, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. As set out in note 2, these financial statements have been prepared on a basis other than that of a going concern.

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 74, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2012 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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.

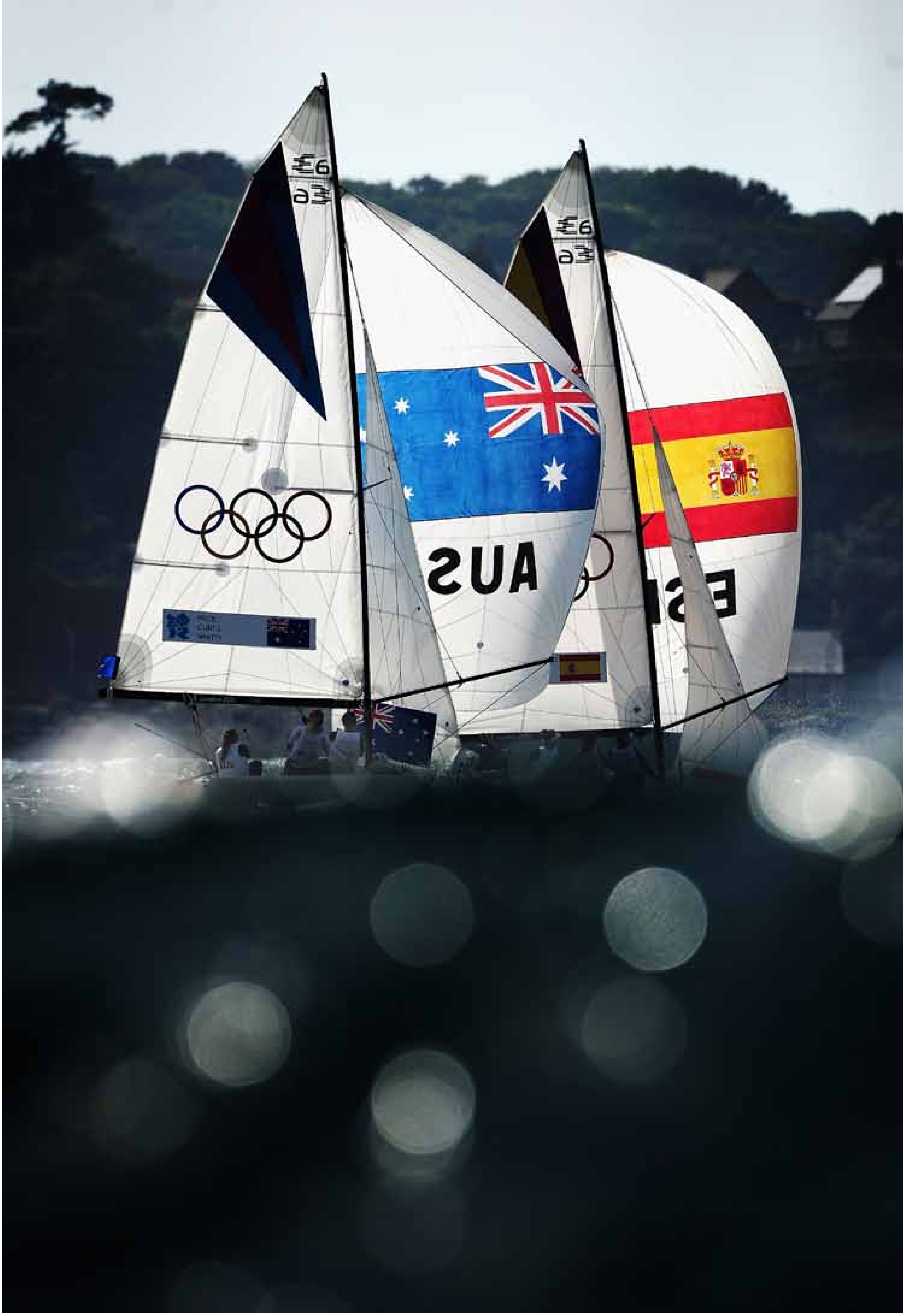
Matters on which we are required to report by exception

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.

Michael Rudberg
(Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
London, 21 December 2012

Thrilling close-quarters action during the Olympic Sailing competition at Weymouth and Portland.



Corporate governance report

The Company is a private company limited by guarantee, charged with organising the 2012 Olympic Games and Paralympic Games, and has responsibility for the delivery of all Games-time operations. It is recognised by the IOC and IPC as the official Organising Committee and primary point of contact. The Company is accountable to its stakeholders the Secretary of State for Culture, Olympics, Media, and Sport, the Mayor of London and the BOA, under the terms of a Joint Venture Agreement. The Company is committed to meeting high standards of corporate governance and as such the Board acknowledges its contribution to achieving management accountability, improving risk management and ultimately building a world class company to deliver an inspirational Olympic Games and Paralympic Games.

This statement explains how the Company has applied the main and supporting principles of corporate governance and, although as a private company limited by guarantee the Company is not obliged to do so, how it seeks as a matter of best practice to comply with the standards of conduct set out in Section 1 of the UK Corporate Governance Code published by the Financial Reporting Council in June 2010 and appended to the Listing Rules.

To the extent relevant and appropriate in the context of its unique purpose and operational framework, the Company believes it has operated in a manner which generally is consistent with the standards set out in Section 1 of the UK Corporate Governance Code throughout the 18-month period ended 30 September 2012. These standards are applied so far as applicable, bearing in mind that the Company has no shareholders; the composition of its board is largely set by specific provisions in the Joint Venture Agreement implementing requirements of the Host City Contract with the IOC, and must include persons affiliated with organisations which are key stakeholders, delivery partners and contractual counterparties of the Company; and the Company has only one purpose and will operate only for a limited period of time. This means, for example, that there is no nomination committee, nor has the board appointed a senior independent director. The Audit Committee of the Board, which post-Games has been reconstituted as the Audit, Remuneration and Dissolution Committee as described below, carried out an evaluation of its performance during the past financial period, as well as ongoing reviews of internal controls as described in more detail below.

The Board and its committees

The Board currently comprises the Chairman, Chief Executive Officer, Chief Financial Officer and 15 Non-executive Directors, including the Deputy Chairman. All of the Non-executive Directors are considered by the Board to be independent. This determination takes into account the affiliations between certain directors and external stakeholders (bearing in mind that the appointment of directors to the Board by such stakeholders or on an ex-officio basis, is mandated under the Joint Venture Agreement) and it also takes into account that two Non-executive Directors serve as paid consultants for the Company, but is nevertheless believed to be accurate given the unique circumstances of the Company's constitution and operation. Above all, as the directors' biographies on page 60 demonstrate, they have a range of experience and are of sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Company. The roles of the Chairman and Chief Executive are distinct, as set out in writing and agreed by the Board. The Chairman (and, in his absence, the Deputy Chairman) are responsible for the effectiveness of the Board, ensuring fulfilment of the Company's objectives in respect of the planning, organisation, financing and staging of the operational elements of the Olympic Games and Paralympic Games and for the management generally of the Company and its business.

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 74 and a statement regarding the basis the accounts are prepared on is set out on page 70.

The Board met eight times during the period. The following Board Committees deal with specific aspects (as indicated) of the Company's affairs. The scope of each committee is summarised below and terms of references are detailed in each committee's report. The committee chairmen report regularly to the Board and are required to confirm that the committees have sufficient resources to undertake their duties. Attendance at Board meetings and committees of the Board during the period is shown in the Directors remuneration report.

Audit Committee

The Audit Committee met thirteen times during the period. Its members throughout the period, following adjustment of its composition and resignation of Lord Moynihan in May 2011 (with a view for the Audit Committee to be best placed to oversee the dissolution strategy and implementation), were Martin Stewart (Chairman), Stephen Lovegrove, Justin King, Sir Craig Reedie, Sir Keith Mills and Sir Charles Allen, all of whom are members of the Board. Sir Craig Reedie is a consultant to the Company.

The Company Secretary acts as secretary of the Committee. The Chief Financial Officer attended each meeting, as did the Head of Risk Assurance, and in addition the Committee held private sessions with the Head of Risk Assurance outside the presence of the CFO and Secretary. The Board is satisfied that at least one member of the Audit Committee has recent and relevant financial experience and, based on the considerations set forth above in terms of determinations of independence notwithstanding the affiliations held by some members, that the Audit Committee comprises only independent Non-executive Directors, consistent with the standards set forth in section C.3.1. of the UK Corporate Governance Code. Meetings are attended as relevant by the external auditors and by the Chief Executive Officer and other members of management as invited. After each meeting of the Committee, the Chair reports to the Board on matters considered, subjects reviewed and resulting recommendations, findings or decisions. In addition, agendas and minutes of each meeting are provided to the Board.

The role and responsibilities of the Audit Committee were modified by the Board in May 2012 to enhance its remit post-Games expressly to encompass remuneration and dissolution matters. Following the final meeting of the Remuneration Committee on 3 October 2012, the Audit Committee has been renamed the Audit, Remuneration and Dissolution Committee (ARD Committee) in recognition of its enhanced remit. Its current role and responsibilities are set out in the terms of reference described in detail in the Report of the Audit Committee on page 88.

Remuneration Committee

Over the course of the period, the Remuneration Committee of the Board has comprised Sir Robin Wales (Chairman), Sir Craig Reedie and Martin Stewart, all of whom are Non-executive Directors. Further information about the composition, terms of reference and activities of the Remuneration Committee is set forth in the Report of the Remuneration Committee on page 92. The Remuneration Committee held its final meeting on 3 October 2012 following which its functions have been assumed by the ARD Committee and the operation has ceased.

Athletes' Committee

The Athletes' Committee met six times during the period before its operation was concluded and the Committee's existence brought to an end by the Board in September 2012. The objective of the Committee was to inform, challenge and monitor the Company's plans for all service levels and policies which might affect the athletes' experience of the Games. The Committee members during the course of the period were Jonathan Edwards (Chairman, Olympian and consultant to the Company), Andrew Hunt (CEO of the BOA), Debbie Jevans (Director of Sport for the Company), Baroness Tanni Grey-Thompson (Paralympian and consultant to the Company), Simon Clegg (Chief Executive of Ipswich Town Football Club), Peter Keen OBE (Director of Performance, UK Sport), Aileen McGlynn OBE (Paralympian), Shirley Robertson (Olympian), Simon Mason (Olympian), Stephanie Cook (Olympian), Ade Adepitan (Paralympian), Karen Pickering (Olympian), Tim Henman (Olympian) and Tim Brabants (Olympian). Jonathan Edwards and Andrew Hunt are members of the Board. Other than as indicated above no Committee members are members of the Board of Directors, employees or consultants to the Company.

Cultural Olympiad Board (COB) Committee

The Cultural Olympiad Board Committee was established in November 2010 as a formal committee of the Board and continued to operate as such until its existence was brought to an end by the Board in September 2012. The Committee will now revert to its previous status as a "free-floating" group established in July 2009 with the support of the Company and its key stakeholders (Government, the Mayor of London and the British Olympic Association), independent in nature and with no formal decision-making power, with the purpose of giving strategic direction and oversight to the Cultural Olympiad programme. To provide a formal frame of reference for this body within the Company's governance structure, to engender accountability within the Board for the work of the committee, and to enhance the amount, quality and profile of information available to the Board concerning the strategic vision and progress of the Cultural Olympiad, the Board determined to constitute it as a formal committee during the two years preceding the Games. During the course of the period the Committee was chaired by Tony Hall (CEO of the Royal Opera House) and its members were Jude Kelly (Artistic Director, Southbank Centre), Alan Davey (Chief Executive, Arts Council England), Vikki Heywood (Executive Director, Royal Shakespeare Company), Nicholas Kenyon (Managing Director, Barbican), Munira Mirza (Advisor on Arts and Culture to Mayor of London), Nicholas Serota (Director, Tate), Mark Thompson (Director, BBC), Neil MacGregor (Director, British Museum), Janet Paraskeva (Chair, Olympic Lottery Distributor), Dugald Mackie (Chair, Legacy Trust UK), Jackie Brock-Doyle (Director of Communications and Public Affairs for the Company), Bill Morris (Director of Ceremonies, Education and Live Sites for the Company), Nick Allot (Managing Director, Cameron Mackintosh Ltd). Tony Hall is a member of the Board. Other than as indicated above, no Committee members are members of the Board of Directors, employees or consultants to the Company.

Executive Committee

The Executive Committee was established by the Board of Directors in May 2011 for the purpose of delegating authority to a group of directors to act on behalf of the Board should such be required during Games time or thereafter when gathering a quorum of the full Board was likely to be difficult to accomplish. The Executive Committee is called to meet by the Chairman when deemed to be necessary, and its membership consists of the CEO, the CFO and any other three members of the board determined by the Chairman to be particularly relevant to the reason for calling the meeting. The Executive Committee was only required to meet once during the period.

Membership of the Committees

Membership of the Company's committees as at period end (reflecting the termination of the Athletes Committee and the Cultural Olympiad Board Committee as committees of the Board and the assumption of Remuneration Committee operations by the ARD Committee) for those members also part of the Board of Directors, is shown below:

Chair	ARD	Executive
Martin Stewart	Chair	–
Stephen Lovegrove	•	–
Sir Craig Reedie	•	–
Sir Robin Wales	•	–
Justin King	•	–
Sir Keith Mills	•	–
Sir Charles Allen	•	–
Lord Deighton	–	•
Neil Wood	–	•

Ethical Policies

The Company is subject to compliance with the Code of Ethics adopted by the IOC. The Company has also adopted a code of conduct covering conflicts of interest to which all Directors and staff are subject, a code of practice on gifts and gratuities, an anti-fraud policy, a 'speak up' policy encouraging employees to elevate matters of concern, and a diversity and inclusion policy. Compliance with the ethical policies is subject to annual internal audit review which was provided to the Audit Committee during the course of the period. In addition the Head of Risk Assurance, in her role as Chair of the Fraud Response Group (which was established pursuant to the anti-fraud policy to deal with incidents involving actual or suspected fraud) reports on such incidents to the Audit Committee. The ethical policies are intended to ensure that all employees observe the spirit and letter of relevant laws and exercise high standards of ethical conduct in all of the Company's activities. These include its dealings with stakeholders, creditors, sponsors, suppliers, employees and the general community in which the Company operates.

Internal Control

The Directors acknowledge that they are responsible for the Company's system of internal control and have charged the Audit Committee of the Board (now the Audit, Remuneration and Dissolution Committee) with carrying out ongoing review of the effectiveness of internal controls and risk management systems. Although the Company is not obliged to comply with the Disclosure and Transparency Rules, or with many of the elements of the Turnbull Guidance directed at listed companies, nevertheless the Directors consider that the maintenance of effective internal controls is of fundamental importance to achieving the Company's objectives. This section highlights the key policies and procedures which have been implemented in this regard, taking into account the Company's unique structure and purpose. It is important to note that the Company's system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Company's strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company's internal audit function was established in early 2007. The current Head of Risk Assurance has, since her appointment in November 2009, continued to develop and enhance the approach to risk assurance, working closely with the Programme Management team (and the Project Delivery Office, see below, in the run-up to the Games) in risk management activities to ensure that there was an integrated approach for addressing and mitigating operational risk associated with both short- and long-term programme milestones. The Company's relationship with Deloitte LLP as official provider of professional services includes their engagement to assist in carrying out ongoing programme management and project delivery activities.

The focus of Risk Assurance activity is to ensure that the Company continuously reviews priority risks and maintains a robust assurance process appropriate to its mission and capable of adjustment in accordance with increased and then reduced operational size and complexity. During the period, KPMG LLP continued as our co-sourced provider to assist in carrying out the internal audit activities under the direction of the Head of Risk Assurance.

Over the course of the period, the internal audit charter was further refined and internal audit planning principles and reporting processes have been refined, to align with the Company's acceleration of pace and growth. Programme and risk management activities were further coordinated and enhanced within the Company and across the London 2012 programme, with the Company's Head of Programme Management taking responsibility for management of the London 2012 Programme Office. In addition, the Project Delivery Office ("PDO") previously established within the Company, reporting to the Director of Readiness, maintained responsibility for project and risk management relating to operational delivery. The Head of the PDO, the Head of Programme Management, and the Director of Readiness all worked closely with the Head of Risk Assurance in identifying risk and managing the internal control environment.

Focussed work on the dissolution strategy and operational approach continued during the course of the period. Dissolution matters will be overseen by the Audit, Remuneration and Dissolution Committee as a standing agenda item at each future meeting until the Company's liquidation.

The Company's key risk management processes and system of internal control include the following:

Management structure: In continuing to move into operational delivery, further adjustments in organisational structure were implemented during the course of the period.

Throughout most of the period until Games–time, four core committees continued to oversee the Company's key activities: the Games Operations Committee; the Communications and Engagement Committee; the Organisation Committee; and the Ceremonies Committee. In addition, the Deal Approval Group continued to work with the committees to ensure that all significant transactions and commitments by the Company to pay or receive value were subject to appropriate review and approval.

During the period, the Dissolution Committee was established with responsibility for the development and implementation of strategy, processes and procedures for the Company's orderly and efficient dissolution, anticipated to culminate in a voluntary solvent liquidation by its members in mid-2013. Following the establishment of the Dissolution Committee in March 2012 the Organisation Committee's operation was subsumed into that of the Dissolution Committee and the former's operation ceased.

Following the conclusion of the Games, the core committees continuing to operate at period-end are the Communications and Engagement Committtee and the Dissolution Committee and the Deal Approval Group also continues to operate. Each of these bodies consists of directors of the key departments responsible for the day-to-day running of the Company (as well as, in some cases, heads of departments) and meets regularly to undertake its duties. Each committee reports at each meeting of the Board (as did all of the core committees operating during the period), providing an update of activities and delivery objectives. The Directors' Group has also continued to operate as the key management body for purposes of exercising decision-making power and oversight beyond the remit of any one core committee. The Directors' Group is chaired by the CEO and consists of Directors of the Company's primary functional areas. Other than the Executive Officers in the Directors' Group listed in the Officers and professional advisers section on page 67, no Directors are members of the Board of Directors or statutory Directors of the Company.

During the period, the Games Operation Committee was accountable for delivering all aspects of Games Operations to stage a great Games within a balanced budget. The Committee was chaired by the Director of Games Operations and its remit included oversight of City Operations (including co-host cities); Games Services; Broadcast; Security Operations; Press Operations; Anti-Doping; Accreditation; Technology for Games Delivery; Testing; Paralympic Integration; Venue Delivery and Venue Management; Villages; Games Workforce; Look and Feel Execution; Operational Health and Safety; and Sustainability.

The Ceremonies Committee was responsible for overseeing the creative development and delivery of the Opening and Closing Ceremonies for the Olympic Games and Paralympic Games. The Committee was chaired by the Chairman of the Board of Directors, and included within its members Sir Charles Allen, who is a member of the Board.

The mission of the Communications and Engagement Committee was to inspire, excite and engage our audiences on their journey to London 2012 and, during its post-Games operation, to focus on enabling legacy including the production of official reports on the Games. The Committee is chaired by the Communications and Public Affairs Director with a remit including oversight of Brand and Brand Protection; Ceremonies; Cultural Olympiad; Government and Community Relations; Enabling Legacy; Live Sites; Marketing Communications; Nations and Regions; New Media; Torch Relay; and Volunteering.

The mission of the Organisation Committee was to deliver an organisation that was lean, adaptable, and focused on delivering operational excellence whilst achieving a balanced budget. The Committee was chaired by the Chief Financial Officer with a remit including People; Finance; Technology (other than Games-time); Security (other than Games-time Security Operations); Facilities; Information Knowledge Management; Programme Management; Dissolution; and Risk Assurance. To the extent its responsibilities have not been completed, the remit of the Organisation Committee has been subsumed into that of the Dissolution Committee and the operation of the former Committee has been terminated.

The mission of the Dissolution Committee is to oversee an orderly and efficient dissolution of the Company, including close-out of contracts, hand-back of venues, and asset disposals. The Committee is chaired by the Chief Financial Officer with a remit including Contract Management, Risk Assurance, Security, Business Contingency Planning, Technology, and Facilities.

The Directors' Group continues as the ultimate decision-making body within senior management. The Group met each week during the period until Games-time operations commenced, to exchange information and also to take decisions on matters of fundamental policy or those superseding the remit of any one of the four core committees. This included review and sign-off of annual and lifetime business plans and material adjustments thereto, and accountability for management of strategic risk. During Games-time the Directors' Group was constituted as the Strategic Decision Committee, with members called upon as required by the CEO and Director of Games Operations to consider matters arising in the Main Operations Centre which required consultation with senior management.

Efficient coordination between the Company's management team and that of the ODA was facilitated throughout the period by means of regularly scheduled meetings chaired by the Director of Games Operations and senior management within the ODA overseeing the activities of working groups established for specific purposes. These include a Park Operations group which was established with the Company's Director of Games Operations as Chair, to ensure close coordination of the various roles and responsibilities arising from the need to manage the Olympic Park from venue completion through to Games-time operation.

Identification and evaluation of business risks: The Board and its committees, along with the management team and the core committees, work together to develop and implement key policies and internal control strategies for the Company. To ensure continuing alignment between risk management, programme management, readiness and operational project delivery throughout the course of the period, the Head of Risk Assurance worked closely with the Head of Programme Management and the Director of Readiness (who oversaw the Project Delivery Office) as described in more detail above. Throughout the period, and continuing post-Games the Audit Committee (now the Audit, Remuneration and Dissolution Committee has continued to oversee the risk assurance function and the Company's programme and risk management reporting, to ensure that detailed risk assessment and assurance work are focused on key areas of the business and aligned to identified business risk. The role of the ARD Committee will now focus on the dissolution of the Company, including review of the preparation and completion of the final audited accounts.

Information and financial reporting systems: The Company has maintained an extensive planning and financial reporting programme which included operational budgets for each year and for the lifetime of the Company. Government, the Mayor and the BOA as key stakeholders have reviewed the 18 month business plan and budget (which for the 2011-2012 period was effectively the lifetime business plan and budget) before its consideration and adoption by the Board at the commencement of the period. Performance was monitored and relevant action taken throughout the period through the monthly reporting of key performance indicators, monthly cash flow forecasts and information on key risk areas. The reporting process overseen by the Head of Programme Management, reporting into the Director of Strategic Programmes included standardised quarterly reporting to stakeholders of key achievements, projected activity, and key risks as well as integrated programme reporting on a monthly basis between the Company and its key delivery partners. Beyond this the Company has implemented a mechanism for tracking financial exposure on anticipated final cost (AFC) risks. During the period, the AFC report was reviewed weekly by the CEO and CFO and a weekly summary was provided to the Audit Committee for review. The AFC will continue to be maintained accordingly, with regular oversight by the ARD Committee.

Report of the Audit Committee

The composition of the Audit Committee (now the ARD Committee) is on page 82.

The members of the ARD Committee have no personal financial interest in matters to be decided, no potential conflicts of interest (other than those identified and appropriately managed) arising from their affiliations with external interested parties and no day-to-day involvement in running the business. In light of the ARD Committee's role in overseeing the dissolution process and given the existence of conditional liabilities to the BOA should the final audited accounts reflect a surplus, the membership of the ARD Committee was reconstituted in May 2011 with Lord Moynihan as Chairman of the BOA resigning and Sir Keith Mills and Sir Charles Allen joining. The relationships between members and stakeholders (i.e. Stephen Lovegrove as a Government employee, Sir Craig Reedie as a member of the IOC and Non-executive Director of the BOA) are recognised and appropriately disclosed, consistent with the processes applicable to their position as members of the Board of Directors. During the period, the conflicts of interest raised for the ex officio BOA members of the Board by the BOA's initiation of a dispute with the Company were addressed by exclusion from participation in some or all of the agenda items at Committee meetings, with the ex officio BOA members returning to full participation at Board meetings following resolution of the dispute during the period.

The ARD Committee has formal written terms of reference which were enhanced by the Board during the period and comprise the full remit of the Committee's roles and functions as summarised below.

The primary duties of the ARD Committee are to monitor and review the Company's financial reporting, internal controls and risk management, internal audit and external audit matters. It is also responsible for reviewing the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

With respect to external audit matters, the Committee is responsible for the development, implementation and monitoring of the Company's policy on external audit. The policy assigns oversight responsibility to the Committee for monitoring the independence, objectivity and performance of the external auditor. Pursuant to these policies, the Committee has adopted guidelines concerning the engagement of the external auditor to supply non-audit services; regularly reviews the performance of the external auditor; and requires confirmation from the external auditor of their continuing independence in connection with their preparation of the annual audited accounts.

With respect to internal audit matters, as set forth above the ARD Committee oversees the risk assurance function to ensure that the internal audit work carried out by that function is focused on key areas of the business and aligned to identified business risk.

The Committee carries out an annual review of its composition, performance and terms. In 2011, the Board approved enhancement of the Committee's role to include considering, and making recommendations to the Board, concerning entry into significant financial transactions, in-depth review of annual and lifetime business plans, and areas of critical importance and financial risk to the delivery of the Company's objectives. In March 2012, the Board approved further enhancement to the Committee's role to expand its remit to cover any remuneration matters arising after the final meeting of the Remuneration Committtee in October 2012 (for which purpose the former Chairman of the Remuneration Committee would join the ARD Committee meeting) and to oversee the Company's dissolution. In June 2012, the Board additionally delegated authority to the Committee to approve all significant financial transactions other than those beyond a stated threshold where expenditures went beyond approved budget or AFC amounts.

The ARD Committee meets every month or less frequently as required. During the period the Audit Committee met thirteen times. For details of attendances see page 100.

At each regularly scheduled meeting in the period the Committee received standing reports from the Chief Financial Officer and the Head of Risk Assurance. The General Counsel also reported regularly on legal matters including any pending or ongoing litigation and in her role as Ethical Compliance Officer she provided an annual report on ethical compliance matters along with the Head of Risk Assurance.

During the period the Audit Committee carried out the following activities:

- at each regularly scheduled meeting reviewed the status of the internal audit plan approved for 2011-2012 and findings from work undertaken in accordance with the plan. The internal audit plan approved by the Committee and the Board for the 2011–2012 period is effectively the lifetime internal audit plan as well. This was reviewed at each Committtee meeting to consider and approve adjustment so as to encompass special audits authorised as necessary on an interim basis where needs were identified;
- adopted further enhancements to the internal audit planning principles, and revised internal audit reporting processes to ensure continuing alignment with the Company's growth, pace and operational focus, including regular review of an integrated assurance map prepared by the Head of Risk Assurance, Head of Programme Management and Director of Readiness working with the external auditor, which identified and rated assurance activities carried out by the Company and its key delivery partners to prevent duplication of effort where reliance upon work done by others provides a reasonable level of assurance; and development, and regular review, of a Company-specific "risk cloud" highlighting areas perceived to pose particular operational risk;
- met three times with the external auditor to receive preliminary and final reports of the 2011 audit results and receive interim reports on the Company's operation during the unusually lengthy span of the past period;
- reviewed the draft Annual Report for the year ended 31 March 2011, and recommended its approval by the Board;
- with specific reference to its responsibilities for ongoing review of internal controls, during the period the Committee received and considered various reports relating to internal controls, including:
  - review, and recommendation for approval by the Board, of revised business approvals policies, and a revised value threshold mandating Board approval of expenditures of £5 million or above;
  - review of the Company's operation of its cash management policy covering cash on deposit;
  - consideration of quarterly reports provided by the Director of Security and Resilience concerning corporate and Games-related security and resilience initiatives, including business continuity arrangements;
  - regular reporting by the Procurement Director concerning procedures and progress;
  - review and recommendation to the Board concerning all significant financial transactions involving initial expenditure of £5m or more, including those relating to venue overlay, venue security and transport;

– approval of a special tracking tool to monitor all significant venue overlay expenditures, which was reviewed on a weekly basis against projected future total expenditure;

– intensive review of the amendment to the security man-guarding contract to significantly increase scope of delivery, including sessions with the Director of Procurement, the CEO and the CFO;

– ongoing review of Government funding arrangements relating to Park Operations, Security, and Transport;

– the annual ethical compliance review;

– a comprehensive review of its own composition, membership and terms;

– updates on Games cancellation insurance, and public and product/ employee liability insurance;

– regular review of strategic and programme-related risk;

– in-depth review at two meetings, and recommendations to the Board, concerning the Olympic Games ticket pricing strategy;

– regular review of the anticipated final cost mechanism for tracking financial exposures;

– review and approval of the Company's dissolution strategy and regular review of reports by the Dissolution Committee of progress in implementation.

The Audit, Remuneration and Dissolution Committee is required to compile this report to stakeholders on its activities, covering the matters described herein.

Martin Stewart,
Chairman of the Audit, Remuneration and Dissolution Committee
19 December 2012

Directors' remuneration report

Foreword from Chairman of the Remuneration Committee (during the period)

On 3 October 2012, the Remuneration Committee held its final meeting and discussed the overall performance of both the executives and the wider organisation. The following was acknowledged by the Committee:

– The Games had been an exceptional success and widely regarded as the best Games ever.

– By any measure, the Games, and in particular the leadership of the Chief Executive has been exceptional. In particular, he excelled against the four key criteria set out in advance by the Committee: building a world class organisation; working effectively with stakeholders; balancing the budget; and delivering a great Games.

– The organisation has been taken from c.100 people to over 200,000 (including Volunteers and Contractors) and been taken assuredly through all the associated challenges. It has been built and fostered in such a way as to remain robust, resilient, committed and responsive, such that when unforeseen difficulties arose, they were effectively dealt with.

– The Games truly delivered on our commitment to "Inspire a generation" and the executives and our staff deserve immense credit for an extraordinarily successful delivery of the Games.

In light of the above, the Committee made the following decisions at its final meeting:

For the all employee performance related award, 10% of salary would be paid for the period under review, representing the maximum under the plan design.

– For the Chief Executive, 75% of salary would be paid for the period under review, representing the maximum under the plan design. It was also determined that the maximum multiplier (being 2x) would apply to the long term pot of deferred amounts, accrued cumulatively for performance since 2006/07.

– For the Chief Executive, amounts deferred in 2008/09 would also be paid.

These decisions and awards are a reflection of the delivery of a fantastic Games for London and Great Britain – a Games that truly delivered our commitment to "Inspire a generation".

Sir Robin Wales
Chairman of the Remuneration Committee (during the period)

Four golds and two silvers took Michael Phelps' tally of Olympic medals to 22, making him the most decorated Olympian of all time.


London 2012

Remuneration Committee and advisers

As noted above, immediately following the end of the period under review, the Remuneration Committee held its final meeting. Until the Company ceases to operate, any of the functions previously exercised by the Remuneration Committee will be carried out by the Audit Committee (recently renamed the Audit, Remuneration and Dissolution Committee) under enhanced terms approved by the Board in March 2012. The information set out below therefore relates to the operation of the Remuneration Committee during the period under review, as it will have no continuing operation as a separate committee going forward.

The Remuneration Committee of the Board has comprised Sir Robin Wales (Chairman), Sir Craig Reedie and Martin Stewart, all of whom are Non-executive Directors.

During the period under review, the Remuneration Committee members had no personal financial interest in matters to be decided, no potential conflicts of interest (other than those identified and appropriately managed) arising from their affiliations with external interested parties, or from their specialist consultancy duties on behalf of the Company, and had no day-to-day involvement in running the business.

The Remuneration Committee consulted with the Chief Executive Officer on matters relating to Directors' and other Senior Executives' performance and remuneration and with the Chairman regarding the Chief Executive's performance and remuneration.

The Chief Executive Officer, Chief Financial Officer and the Director of Human Resources attended meetings by invitation but were not present at those parts of meetings where their own remuneration was discussed.

The Remuneration Committee has been advised by Deloitte LLP.

The Remuneration Committee has operated pursuant to written terms of reference delegated by the Board. These are summarised below.

Terms of reference

As a committee of the Board, the primary responsibilities of the Remuneration Committee have been to:

- Define the Company's overall remuneration strategy.
- Set the component parts, relative potential sizes, and overall potential sizes of the Executive Directors' remuneration packages.
- Consider and take responsibility for approving the Chief Executive Officer's recommendations on the remuneration of Senior Executives and of other members of the senior management team with significant strategic impact.

Remuneration strategy

The Company's primary role was to deliver an inspirational, safe and inclusive Olympic Games and Paralympic Games in 2012. The Remuneration Committee has considered it important that the executive leadership can retain and motivate a high quality, high performance team, responsible for building, organising, managing and leading, and finally dissolving what was at its peak a substantial, complex and dynamic organisation. As well as the many enthusiastic volunteers recruited and trained to help in the delivery of the Olympic Games and Paralympic Games in 2012, up until Games time the Company continued to recruit high quality staff including world class specialists, taking account of overall business plans.

In light of these unique circumstances, the Committee adopted the following principles which are aligned to the overall Olympic and Paralympic values:

– remuneration will be set such that it is: fair and consistently applied; simple; transparent and easy to understand; flexible; and supportive of health and well being;

– recruitment will at all times take account of the Company's diversity and inclusion agenda, which emphasises six strands of diversity: ethnicity, faith, disability, gender, sexual orientation and age.

These principles were applied as follows:

– basic salaries are benchmarked against other organisations of a similar size and complexity to the Company and reflect the main employment geography;

– to support its aim of simplicity and consistency, the same remuneration policy applies to all employees across the business, with the exception of the Chief Executive Officer;

– in order to incentivise the delivery of strong performance, an element of performance related award is incorporated within the remuneration structure. This structure also reflects typical remuneration practice in the wider market;

– in order to recognise the critical role that the Chief Executive Officer has in the delivery of the Games, a greater proportion of his remuneration is linked to performance and continuity of service;

– the Company aims to be a good practice, responsible employer and, as such, also offers a range of health and wellbeing benefits, such as pension contributions, subsidised gym membership, bike-to-work, life assurance, long-term disability cover and childcare voucher schemes to its longer term employees.

This framework of principles provided a general guide to the operation of the remuneration strategy. Experience elsewhere suggests that it is necessary to implement the strategy in a practical, flexible manner and the Remuneration Committee continued to monitor its appropriateness during the period under review. There have been no major changes to this strategy during the period under review, and currently there are no plans to make major changes for the period ahead, which in any event would be effected by the ARD Committee.

Elements of remuneration

Outlined below are the key elements of Directors' and employees' remuneration packages, as they applied to the period under review.

Basic salary: Salaries and fees are reviewed annually taking account of benchmarks from relevant markets. The policy has been to award salary increases to Executive Directors and Senior Executives that are consistent with those elsewhere in the business. With the exception of the Chief Financial Officer, to whom under the terms of the Deloitte Sponsorship agreement, no increase was awarded, the Director Group received a 3 per cent increase in salary for the 18 month period from 1 April 2011 to 30 September 2012 (2 per cent per annum pro-rata). The previous year's increase had been 2 per cent from 1 April 2010. This is consistent with the increase applied generally across the Company.

The Chief Executive Officer's basic pay was considered in the context of an external market characterised by executive pay restraint. Although it was not reflective of the Chief Executive Officer's individual performance, the Remuneration Committee did not propose an increase to the Chief Executive Officer's basic pay, which has remained at £440,250 since 2009.

All employee performance related award: For the period under review in this report, the Company operated discretionary performance award arrangements that were driven primarily by an assessment of progress for the Company as a whole. This assessment has been made by the Board and was taken into account by the Remuneration Committee in setting levels of performance related award.

The Board considers that very good progress continued to be made by the Company during the final year of preparations from 1 April 2011 to 31 March 2012 and the Remuneration Committee therefore approved an overall budget of up to 8 per cent (8 per cent in 2011) of salary for the performance related award.

Given the highly successful delivery of the Olympic Games and Paralympic Games in 2012 the Remuneration Committee approved an overall budget of up to 10 per cent of salary (pro rata) for the performance related award for the period 1 April 2012 to 30 September 2012, representing the maximum under the plan design. No further performance related awards are payable to employees after this date.

These awards will be distributed to all employees who participated in the Company performance award scheme based on an assessment of their individual performance against their objectives.

Benefits: The Company provides the following benefits to all employees: Pension Scheme, life assurance, holiday entitlement (average 25 days per annum 2009–2012), enhanced maternity/paternity policy, redundancy policy, childcare voucher scheme, sick pay, long-term disability cover, discounted on-site physiotherapy and sports massage, subsidised gym membership, interest-free season ticket loans, bike-to-work scheme and a further range of voluntary benefits. During the period there were no Directors under the defined contribution pension scheme (2011: nil).

Chief Executive Officer remuneration

The remuneration package for the CEO role was determined by the Remuneration Committee prior to the selection and appointment of the individual.

It was designed to attract and retain applicants with the extraordinary skill set required to carry out the Company's mission. In particular, previous Games experience indicated that it was critical to retain the incumbent in the years leading up to the Games. The CEO role's remuneration structure was therefore designed to incorporate a significant element of deferred incentive subject to continued employment.

Each year up to and including 2012 the CEO is eligible for a performance related incentive award of up to 75 per cent of basic salary.

Under the structure of the incentive scheme for the three years from 2006/07 to 2008/09, one-third of any incentive earned was payable on award. The other two-thirds were deferred into 'mid-term' and 'long-term' pots. For the four years from 2009/10 to 2012/13, two-thirds of any incentive is payable on award, the remaining one-third is deferred into the long-term pot.

The mid-term pot is payable over four years from 2009 to 2012 subject to continued employment.

The long-term pot is payable after the completion of the Games in 2012 subject to continued employment and the delivery of a successful Games.

The long-term pot incentive award element can potentially be halved or, for exceptional performance, doubled.

Period ended 30 September 2012

In respect of the period ended 30 September 2012 and in light of the performance discussed in the foreword to this report, the following amounts are payable (and represent the maximum amounts) in respect of the Chief Executive's incentive arrangements.

- 2008/09 deferred incentive award. £185,875 earned in the 2008/09 financial year was deferred until after the Games and is payable.
- The fourth of four instalments of the mid-term pot. £77,975 earned in prior years and now payable.
- Annual incentive award for 18-month period ended 30 September 2012 not subject to long-term pot multiplier. £220,125 was paid for the 12-month period ended 31 March 2012 and £110,062 is payable for the 6-month period ended 30 September 2012.
- Long-term pot accrued and in respect of performance from April 2006 to September 2012, and subject to successful delivery of the Games. The accrued long-term pot to 30 September 2012 is £697,121. Following the successful delivery of the Games, the maximum multiplier (2x) was applied and the amount payable is £1,394,242.

3-month period ending 31 December 2012

In line with his contract dated 31 May 2006, the Chief Executive's employment will cease on 31 December 2012. The maximum amount that could be paid in respect of his incentive arrangements for the 3-month period ending 31 December 2012 is £110,062.

Chief Financial Officer remuneration: The Chief Financial Officer is seconded from Deloitte LLP, pursuant to the tier two sponsorship deal agreed with Deloitte. The Chief Financial Officer is not eligible to participate in the Company performance award scheme, nor is he eligible to receive any other employee benefits provided by the Company.

Non-executives

The remuneration of Non-executive Directors is determined by the Chairman and executive members of the Board, who take appropriate independent advice. The level of remuneration is set at £1,000 for each Board meeting attended and £500 for each Board Committee meeting attended. This is intended to recognise not only the time spent in preparing for and attending the meetings, but also the significant contribution made by the Non-executive Directors in carrying out their duties by representing the interests of the Company across a spectrum of initiatives throughout the course of the period. The remuneration of the Deputy Chairman is separately determined taking into account the broader scope of his activities on behalf of the Company. Fees for the Chairman are determined by the Stakeholders as a whole, subject to independent advice. Athletes' Committee members who hold executive positions with stakeholders or contracts with the Company do not receive attendance fees.

Non-executive Directors are not involved in any discussions or decisions about their own remuneration. They do not participate in any of the Company's incentive or retention plans and are not eligible to join the Company's pension scheme. There has been no increase in Non-executive Directors' fees in the period.

Board and committee members, frequency of meetings and attendance

During the period the Board met eight times, excluding ad hoc meetings, solely to deal with procedural matters. The Remuneration and Audit Committee met two and thirteen times respectively. The Athletes' Committee met six times and the Cultural Olympiad Board Committee met seven times.

Attendance is recorded in the table below:

	Board Meetings	Remuneration Committee Meetings	Audit Committee Meetings	Athletes' Committee Meetings	Cultural Olympiad Committee Meetings	Executive Committee
Scheduled Meetings	8	2	13	6	7	1
Executive Directors						
Lord Deighton[1]	8	2	1	–	–	1
Neil Wood[2]	8	2	12	–	–	1
Non Executive Directors						
Lord Coe	8	2	–	–	–	–
Sir Keith Mills[4]	7	–	10	–	–	1
HRH The Princess Royal	6	–	–	–	–	–
Sir Charles Allen[4]	6	–	6	–	–	–
Dr Muhammad Abdul Bari	8	–	–	–	–	–
Sir Philip Craven	8	–	–	–	–	–
Jonathan Edwards	7	–	–	6	–	–
Lord Hall	6	–	–	–	7	–
Andrew Hunt	7	–	–	6	–	1
Justin King	8	–	12	–	–	1
Stephen Lovegrove	6	–	12	–	–	1
Lord Moynihan[4]	6	–	–	–	–	–
Adam Pengilly[3]	7	–	–	3	–	–
Timothy Reddish	8	–	–	–	–	–
Sir Craig Reedie	8	2	12	–	–	–
Martin Stewart	8	2	13	–	–	–
Sir Robin Wales	6	2	–	–	–	–

[1] Lord Deighton was not a member of the Audit Committee but was invited to attend meetings as required.

[2] Neil Wood was not a member of the Audit Committee but attended in his role as Chief Financial Officer.

[3] Adam Pengilly is not a member of the Athletes' Committee but attended as an observer.

[4] The membership of the Audit Committee (now ARD Committee) was reconstituted in May 2011 with Lord Moynihan as Chairman of the BOA resigning and Sir Keith Mills and Sir Charles Allen joining. See Report of Audit Committee, page 88.

Directors' remuneration (18 month period)

	Basic salary and fees(18 months) £	Performance related award paid in respect of performance in period £	Total 2012 (18 months) £	Total 2011 (12 months) £
Executive Directors				
Lord Deighton (1)	719,805	330,187	1,049,992*	699,998*
Neil Wood (2)	390,000	–	390,000	260,000
Non Executive Directors				
Lord Coe (3)	535,500	–	535,500	357,000
Sir Keith Mills	75,000	–	75,000	50,000
HRH The Princess Royal	6,000	–	6,000	4,000
Sir Charles Allen	9,000	–	9,000	8,000
Dr Muhammad Abdul Bari	8,000	–	8,000	9,000
Sir Philip Craven	8,000	–	8,000	6,000
Jonathan Edwards (4)	7,000	–	7,000	7,000
Lord Hall	6,000	–	6,000	7,000
Andrew Hunt	7,000	–	7,000	6,000
Justin King	13,000	–	13,000	13,000
Stephen Lovegrove (5)	–	–	–	–
Lord Moynihan	6,000	–	6,000	6,000
Adam Pengilly	7,000	–	7,000	6,000
Timothy Reddish	8,000	–	8,000	7,000
Sir Craig Reedie (4)	15,000	–	15,000	11,500
Martin Stewart	15,500	–	15,500	13,000
Sir Robin Wales	7,000	–	7,000	10,000
Total	**1,842,805**	**330,187**	**2,172,992**	**1,480,498**

*denotes highest paid Director

1 There was no increase in Lord Deighton's basic salary or bonus.

2 Since 1 January 2008 the secondment fee payable to Deloitte LLP in respect of the services of Neil Wood is included within the consideration received from Deloitte as a tier two sponsor of the Company.

3 There was no increase in Lord Coe's basic fee.

4 Sir Craig Reedie and Jonathan Edwards are Non-executive Directors of the Company. They also provide services to and on behalf of the Company under consultancy agreements. In addition to the fees in respect of their Non-executive duties, during the period, the Company paid a fee of £18,000 (2011: £12,000) and £130,500 (2011: £87,000) for consultancy services from Sir Craig Reedie and Jonathan Edwards respectively.

5 Stephen Lovegrove does not draw a fee for his services as a Non-executive Director given the nature of his role within the UK Government.

Chief Executive incentive awards

During the period ended 30 September 2012, the following amounts are payable to the Chief Executive in respect of his incentive arrangements and in recognition of his exceptional performance.

	Amount	Multiplier	Total
Incentive amounts deferred in 2008/09	£185,875	n/a	£185,875
Fourth of four deferred instalments from the mid-term pot (accrued from performance in the three year period from April 2006 to April 2009)	£77,975	n/a	£77,975
Incentive for the 18-month period ending 30 September 2012 (not subject to long-term pot multiplier)	£330,187	n/a	£330,187
Aggregate value of long-term pot amounts accrued from performance in the six and a half year period from April 2006 to September 2012	£697,121	2.0 x	£1,394,242

These payments above were subject to confirmation by the Audit, Remuneration and Dissolution Committee before 31 December 2012 that the accounts for the period ended 30 September 2012 and the anticipated position of the Company's final audited accounts, were consistent with the expectations and the firm beliefs concerning the CEO's performance as held by the Remuneration Committee at the time of its meeting on 3 October 2012. This requirement has since been met.

The Chief Executive received £77,975 in the previous financial period ended 31 March 2011. This related to the third installment of the mid-term pot.

Note also that the Chief Executive's employment will cease on 31 December 2012. The maximum amount that could be paid in respect of his incentive arrangements for the 3-month period ending 31 December 2012 is £110,062.

This report was approved by the Board of Directors on 13 December 2012 and signed on its behalf by:

Sir Robin Wales
Chairman of the Remuneration Committee (during the period)
19 December 2012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Financial statements

Income and expenditure account
for the period ended 30 September 2012

	Notes	Before fair value adjustment under IAS 39* 18 months ended 30 September 2012 £'000	Total 18 months ended 30 September 2012 £'000	Before fair value adjustment under IAS 39* Year ended 31 March 2011 £'000	Total Year ended 31 March 2011 £'000
Revenue from operating activities	3	1,868,556	1,868,556	237,942	237,942
(Loss)/gain from financial instruments not qualifying for hedge accounting	3	–	(14,055)	–	993
Total		**1,868,556**	**1,854,501**	**237,942**	**238,935**
Operating expenses	4	(1,896,919)	(1,896,919)	(208,531)	(208,531)
Operating (loss)/profit	**4**	**(28,363)**	**(42,418)**	**29,411**	**30,404**
Finance costs	9	(1,339)	(1,339)	(856)	(856)
Finance revenue	8	11,205	11,205	303	303
(Loss)/profit for the period		**(18,497)**	**(32,552)**	**28,858**	**29,851**

*The fair value adjustments relate to movements in the fair value of the derivative financial instruments that do not qualify for hedge accounting (see note 22).

Statement of comprehensive income
for the 18 month period ended 30 September 2012

	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
(Loss)/profit for the year	(32,552)	29,851
Other comprehensive income:		
(Losses)/gains recognised on cash flow hedges	(4,085)	10,852
Reclassification to profit and loss	11,048	–
Total comprehensive (loss)/income for the period	**(25,589)**	**40,703**

Statement of changes in equity
for the 18 month period ended 30 September 2012

	Income and expenditure reserves £'000	Hedging reserve £'000	Total equity £'000
Balance at 31 March 2010	(50,134)	(17,815)	**(67,949)**
Net profit for the year	29,851	–	**29,851**
Other comprehensive income: Gains recognised on cash flow hedges	–	10,852	**10,852**
Total comprehensive income	29,851	10,852	**40,703**
Balance at 31 March 2011	(20,283)	(6,963)	**(27,246)**
Net loss for the period	(32,552)	–	**(32,552)**
Other comprehensive income:			
(Losses)/gains recognised on cash flow hedges	–	(4,085)	**(4,085)**
Reclassification to profit and loss	–	11,048	**11,048**
Total comprehensive loss	(32,552)	6,963	**(25,589)**
Balance at 30 September 2012	**(52,835)**	–	**(52,835)**

Statement of financial position

as at 30 September 2012

	Notes	30 September 2012 £'000	31 March 2011 £'000
Non-current assets			
Property, plant and equipment	10	–	11,153
Intangible assets	11	–	12,994
Investments in joint venture	12	–	–
Long term cash deposits	15	–	70,000
Financial assets	13	–	5,025
Trade and other receivables	14	–	21,595
		–	120,767
Current assets			
Trade and other receivables	14	496,007	296,151
Cash and cash equivalents	15	17,120	5,106
Cash deposits	15	205,000	–
Property, plant and equipment	10	321	–
Intangible assets	11	2,570	–
Financial assets	13	1,184	15,689
Assets held for sale	10	10,753	–
		732,955	316,946
Total assets		732,955	437,713
Current liabilities			
Trade and other payables	16	630,891	72,435
Deferred income	19	77,822	55,033
Borrowings	18	75,000	–
Provisions	17	295	–
Financial liabilities	18	1,782	34,537
		785,790	162,005
Non-current liabilities			
Financial liabilities	18	–	32,418
Deferred income	19	–	265,954
Provisions	17	–	1,579
Other payables	16	–	3,003
		–	302,954
Total liabilities		785,790	464,959
Net liabilities		**(52,835)**	**(27,246)**
Capital and reserves			
Income and expenditure reserve		(52,835)	(20,283)
Hedging reserve		–	(6,963)
Total deficit		**(52,835)**	**(27,246)**

The financial statements were approved by the Board of Directors on 13 December 2012 and were signed on its behalf by:

Lord Deighton
Chief Executive Officer
Company registration number: 05267819

Statement of cash flows
for the 18 month period ended 30 September 2012

	Notes	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
Operating activities			
Operating (loss)/profit		(42,418)	30,404
Adjustments to reconcile operating profit to net cash flows from operating activities:			
Depreciation	10	53,867	4,850
Amortisation	11	12,297	7,308
(Gain)/loss on disposal of assets		(2,466)	110
Increase in trade and other receivables	14	(178,259)	(209,088)
Increase in trade and other payables	16	550,345	37,110
(Decrease)/increase in provisions	17	(1,284)	79
Decrease in net financial assets/liabilities	13,18	(25,758)	(10,831)
(Decrease)/Increase in deferred income	19	(243,165)	196,211
Net cash flow from operating activities		**123,159**	**56,153**
Investing activities			
Interest received	8	11,205	303
Proceeds on disposal of assets		2,466	–
Receipt of held to maturity investments	15	70,000	–
Amounts paid into escrow		–	(452)
Purchase of held to maturity investments	15	(205,000)	(70,000)
Purchase of property, plant and equipment	10	(53,788)	(7,133)
Acquisition of intangible assets	11	(1,873)	(1,235)
Net cash flow used in investing activities		**(176,990)**	**(78,517)**
Financing activities			
Increase in borrowings	18	75,000	–
Proceeds from sale and finance leaseback	20	349	–
Repayment of capital element of finance lease	20	(8,165)	(2,989)
Repayment of interest element of finance lease	9	(651)	(761)
Interest paid	9	(688)	(95)
Net cash flow from/(used in) financing activities		**65,845**	**(3,845)**
Increase/(decrease) in cash and cash equivalents		12,014	(26,209)
Cash and cash equivalents at the beginning of the period	15	5,106	31,315
Cash and cash equivalents at the end of the period	**15**	**17,120**	**5,106**

Notes to the financial statements

1 Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of The London Organising Committee of the Olympic Games and Paralympic Games Limited ('the Company') for the 18 month period ended 30 September 2012 were authorised for issue by the Board of Directors on 13 December 2012 and the Statement of financial position was signed on the Board's behalf by Lord Deighton, the Chief Executive Officer, on 19 December 2012. The London Organising Committee of the Olympic Games and Paralympic Games Limited is a company limited by guarantee, incorporated and domiciled in the United Kingdom under the Companies Act. The address of the registered office is given on page 67. The Company extended its accounting period to 18 months ended 30 September 2012 to avoid impacting the delivery of the Games.

2 Accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Company for the 18 month period ended 30 September 2012.

These financial statements are presented in pounds sterling being the currency of the primary economic environment in which the Company operates.

As explained in the Directors' report, the Company is expected to cease trading in mid-2013 and wind up and dissolve in an orderly and solvent manner under a Members Voluntary Liquidation. The financial statements have, therefore, been prepared on a basis other than that of a going concern which includes, where appropriate, adjusting the entity's assets to net realisable value. Subsequent to 30 September 2012, revenue will be recognised on Local Sponsorship contracts which run until 31 December 2012 and a number of licensing and royalty arrangements. Costs to be incurred subsequent to 30 September 2012 primarily relate to servicing these revenue streams and the close out of other ongoing contractual matters.

Derivative financial instruments have been recorded at fair value. The principal accounting policies adopted are set out below.

b) Accounts presentation

In order to assist in understanding the Company's financial performance, the effect of movements in the fair value of derivative financial instruments that do not qualify for hedge accounting have been separately identified.

c) Changes in accounting policy

The accounting policies adopted are consistent with those of the previous year with the exception of the changes in the basis of accounting described above.

d) Key accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the end of the reporting period and the amounts reported for revenues and expenses during the peroid. However, the nature of the estimation means the actual outcome could differ from those estimates.

In the process of applying the Company's accounting policies, management has made the following judgements and estimates, which have the most significant effects on the amounts in the financial statements:

i) Value in kind (VIK)

VIK is recognised in accordance with the revenue accounting policy given below. Initial revenue recognition is based on managements' judgement that all VIK as detailed within the sponsorship agreement will be fully utilised within the terms of the agreement.

Management determine 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 are compared to market rate and the fair valuation contractually agreed. Where management do not anticipate available VIK will be used, provision has been made within revenue.

2 **Accounting policies (continued)**

d) Key accounting estimates and judgements (continued)

ii) Fair value of derivatives and other financial instruments

Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on using market rates for observable market inputs adjusted for specific features of the instrument. Details of the assumptions used and of the results of the sensitivity analyses regarding these assumptions are provided in note 22.

iii) Joint Marketing Programme Agreements

The Company has entered into Joint Marketing Programme Agreements (JMPAs) with the British Olympic Association (BOA) and the British Paralympic Association (BPA) to acquire the rights of their trademarks until 31 December 2012. In return for these rights, the Company will transfer a consideration of VIK and cash to the BOA and BPA. The consideration has been valued at fair value and amortised over the period of the agreement until 31 December 2012.

iv) Profits/(losses) from financial instruments not qualifying for hedge accounting

The majority of the Company's derivative financial instruments do not qualify for hedge accounting under IAS 39 and hence gains and losses must be taken to the income and expenditure account. Management considers that it is most appropriate to classify these as part of the operating result given that the instruments protect the rate at which foreign currency revenue is received.

v) Estimates and judgements required for change in basis of accounting in period ended 30 September 2012

All assets held by the Company have been written down to net realisable value. Provision has been made for all onerous contracts. The financial statements do not include any provision for the future costs of terminating the business.

e) Revenue recognition

Revenue in the forms of both cash and VIK received from sponsors is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes. The following criteria must also be met before revenue will be recognised:

i) Sponsorship income

Revenue in the forms of both cash and VIK, received from sponsorship income is recognised on a straight-line basis 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. Whilst the supply of certain rights are weighted towards Games-time, the benefit that the sponsor receives from its association with the Company will be spread evenly throughout the contract term. Domestic and worldwide sponsorship are accounted for in the same manner.

ii) IOC Contribution

Revenue is received from the IOC in accordance with a timeline agreed with the IOC. Due to the performance criteria as laid out within the agreement, the revenue could not be recognised until the Games were staged. Revenue has been recognised on completion of the Games and all required contractual obligations.

iii) Royalty revenue

Royalty revenue agreements include minimum guaranteed amounts receivable from licensed merchandise and retail sales. Minimum guaranteed amounts are recognised on a straight line basis over the term of the contract. Royalty revenue over and above the minimum guaranteed amount is recognised on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

iv) Sponsorship hospitality income

Revenue received from sponsorship hospitality agreements is recognised on the basis that the sponsor receives the rights to sell tickets and hospitality packages. Revenue is recognised on a straight line basis from the date of ticket launch over the remainder of the agreements. Hospitality income for Games-time services at the Olympic Hospitality Centre is recognised on completion of the Games.

v) Ticketing income

Revenue received from ticketing sales has been recognised upon the staging of the Games.

2 Accounting policies (continued)

e) Revenue recognition (continued)

vi) Commission income

Revenue received from Catering and Accommodation sales to client groups through licensed caterers and accommodation suppliers is recognised on a net basis when the catering or accommodation has been provided to the customer. Commissions made on each deal are recognised in revenue.

vii) Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

viii) Grant income

Grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. See accounting policy note (t) for further description.

ix) Interest income

Interest income is recognised as it accrues on the effective interest rate method.

f) Intangible assets

Intangible assets, including patents and trademarks, are measured initially at cost and are amortised on a straight line basis over their estimated useful lives being from purchase to 31 December 2012. The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstance indicate the carrying value may not be recoverable and at each end of reporting period. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The amortisation expense on intangible assets is recognised in the income and expenditure account in the operating expenses category.

g) Investments in joint venture

A joint venture is an entity over which the Company is in a position to exercise joint control over the financial and operating policy decisions of the investee. The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting. Investments are carried at cost as adjusted by post-acquisition changes in the Company's share of the net assets of the joint venture. Losses of a joint venture in excess of the Company's interest in that joint venture are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. Under the Team 2012 joint venture agreement LOCOG does not incur legal or constructive obligations or make payments on behalf of the joint venture.

h) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. All differences are included in the income and expenditure account within administrative expenses. Transactions in foreign currency are translated at the date the transaction occurred.

i) Financial instruments

i) Financial assets

Financial assets are recognised when the Company becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; or as available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial period end.

When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if it is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be achieved.

Financial assets may be designated at initial recognition as at fair value through the profit or loss if the following criteria are met:

(i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or
(ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management strategy; or
(iii) the financial asset contains an embedded derivative that would need to be separately recorded.

2 Accounting policies (continued)

i) Financial instruments (continued)

ii) Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

iii) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separate embedded derivatives are also classified as held for trading, unless they are designated as effective hedging instruments. Gains or loss on liabilities held for trading are recognised in the income and expenditure account through Gains/losses from financial instruments not qualifying for hedge accounting.

iv) Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are significantly modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in income and expenditure.

j) Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset or group of financial assets is impaired.

i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie: the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability that particular debts will not be recovered) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

ii) Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the current market rate of return for a similar financial asset.

2 Accounting policies (continued)

k) Cash and cash equivalents

Cash and cash equivalents in the Statement of financial position comprise cash at bank, in hand and short-term deposits with an original maturity of three months or less.

l) Derivative financial instruments and hedging policy

Derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current foreign currency exchange rates for contracts with similar maturity profiles.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they have actually been highly effective throughout the reporting period for which they were designated.

For the purposes of hedge accounting, hedges are classified as fair value hedges, cash flow hedges or hedges of a net investment. The Company has only identified cash flow hedges.

Cash flow hedges occur when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. A hedge of the foreign currency risk associated with a firm commitment is also classified as a cash flow hedge.

The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship:

– The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while the ineffective portion is recognised in the profit and loss immediately. Amounts taken to the hedging reserve in equity are transferred to the income and expenditure account when the hedged transaction affects profit or loss, such as when the income being hedged affects profit and loss.

– If a forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs and are transferred to the income and expenditure account as above. If the related transaction is not expected to occur the amount is taken to profit or loss immediately.

m) Current assets held for sale

Current assets classified as held for sale are measured at the lower of carrying amount and net realisable value. Given the basis of preparation of the accounts, all assets held for sale have been classified as current.

Current assets are classified as held for sale if their carrying amount will be recovered through a sales transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2 **Accounting policies (continued)**

n) Property, plant and equipment

Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life being the shorter of the useful economic life of the asset and as follows:

Fixtures and equipment	–	4 years
Information technology	–	3 years
Vehicles	–	3 years
Leasehold improvements	–	Over the lease term (3–6 years)

The Company expects the useful economic life of all assets purchased to be no longer than the expected life of the Company. Assets will be depreciated on a straight line basis to net realisable value prior to disposal.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstance indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or where no future economic benefits are expected to rise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income and expenditure account in the period of derecognition. On the completion of the Games, all assets with no future use other than sale were written down to net realisable value.

o) Leases

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. Where there are rent-free periods in a rental lease the benefit of the rent-free period is spread equally over the life of the lease.

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income and expenditure statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

p) Trade and other receivables

Trade receivables, which generally have a 20 to 30 day term, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision is made where there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

q) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2 **Accounting policies (continued)**

r) Pensions

The Company offers a pension contribution of 8 per cent to qualifying employees, which is payable into a Group Personal Pension Plan. This plan operates on a defined contribution basis and contributions are recognised in the income statement in the period in which they become payable. For employees to be eligible for the pension scheme they must make a minimum personal contribution of 2 per cent. From April 2006 the scheme is closed to employees who have applied for enhanced pension protection from HM Revenue and Customs.

The pension costs represent the contributions payable in respect of the accounting period.

s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. The Company has not incurred borrowing costs which meet the capitalisation criteria. All other borrowing costs are expensed in the period they occur.

t) Grants and funding received

Grants and funding are deferred and recognised over the period necessary to match the costs to which they relate. If the funding of the project expands the scope of the Company remit then the grant income is netted off against the specific expenses of the project. However, if the funding covers the Company's core activities then the grant income is recognised as revenue. Any grant income that has not been utilised during the financial year is held within other creditors at the end of the reporting period date. See note 6 for further detail.

u) Taxation

Due to specific provisions introduced in the 2006 Finance Act, the Company is exempt from corporation tax effective from 22 October 2004, the date of incorporation. No current or deferred tax has therefore been provided in the Company's financial statements.

v) Adoption of new and revised standards

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following new and revised Standards and Interpretations which have affected the amounts reported in the financial statements:

Standards affecting the financial statements

Amendments to IFRS 7 Financial statements: Disclosures

Standards not affecting the reported results nor the financial position

The following new and revised standards and Interpretations have been adopted in the current period. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

Amendment to IAS 24 (2009) Related Party Disclosures
Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU, effective date in brackets):

IFRS 7 (amended)	Disclosures – Transfers of Financial Assets (1 July 2011)
IFRS 9	Financial Instruments (1 January 2015)
IFRS 10	Consolidated Financial Statements (1 January 2013)
IFRS 11	Joint Arrangements (1 January 2013)
IFRS 12	Disclosure of Interests in Other Entities (1 January 2013)
IFRS 13	Fair Value Measurement (1 January 2013)
IAS 1 (amended)	Presentation of Items of Other Comprehensive Income (1 January 2013)
IAS 12 (amended)	Deferred Tax: Recovery of Underlying Assets (1 January 2013)
IAS 19 (revised)	Employee Benefits (1 January 2013)
IAS 27 (revised)	Separate Financial Statements (1 January 2013)
IAS 28 (revised)	Investments in Associates and Joint Ventures (1 January 2013)
IFRS 7/IAS 32	Amendments on offsetting of financial assets and liabilities (1 January 2013 (IFRS 7) and 1 January 2014 (IAS 32))

2 Accounting policies (continued)

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Company.

Given the Company intends to enter in solvent liquidation in 2013, other than IFRS 7 (amended), LOCOG is unlikely to adopt any of the above new standards. IFRS 7 (amended) is not expected to have a material impact on future financial statements.

3 Revenue

Revenue recognised in the income and expenditure account is analysed as follows:

	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
Ticket sales	587,294	–
IOC Contribution	451,252	–
Sponsorship income	412,285	217,269
Other contributions & scope transfers	120,207	–
Paralympic grant income	104,138	4,083
Sponsorship hospitality income	73,172	2,993
Royalty income	61,237	11,173
Commissions income	10,570	–
Rental income	14,925	–
Other income	33,476	2,424
Revenue from operating activities	1,868,556	237,942
(Loss)/gain from financial instruments not qualifying for hedge accounting	(14,055)	993
Total	**1,854,501**	**238,935**

IOC contribution income includes $675m received from the IOC under the terms of the Host City Contract plus a further $28.5m to support additional operational technology requirements. This has been hedged to guarantee a Sterling income. Losses on exchange for hedging instruments not qualifying for hedge accounting in relation to this income have been recognised over the six year period in which the cash was received.

Sponsorship income includes £98.9m (2011: £53.0m) from IOC worldwide sponsorship and £313.4m (2011: £164.3m) from local sponsorship programmes.

VIK sponsorship revenue recognised in the current year was £240.2m (2011: £123.1m). £20.5m has been provided as a reduction in Sponsorship Revenue in the current period for VIK which will not be used by the Company and cannot be converted into cash.

Other contributions and scope transfers includes £84.2m (2011: £nil) received from the ODA and £36.1m (2011: £nil) from the GOE for fund additional costs incurred relating to the relocation and reconfiguration of venues.

Other income earned in the 2011/12 financial period includes £1.5m (2011: £1.5m) received from Team 2012 Limited (a joint venture, part owned by the Company – see note 12), Test event income £6.0m (2011:£nil) and Paralympic Broadcast income £10.7m (2011:£nil).

Notes to the financial statements

4 Operating profit

The profit for the year has been arrived at after charging/(crediting):

	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
Venues expenditure	918,133	27,192
Games time contractors	334,945	–
Technology costs	324,061	45,334
Games services costs	182,468	–
Staff costs (note 7)	177,980	56,090
Games time accredited accommodation	149,016	–
Events & production management	130,798	4,340
Catering, cleaning & waste	116,280	–
Games equipment	108,847	–
Royalties & license fees	79,113	12,071
Professional costs	69,145	15,666
Business support costs	57,488	14,606
Marketing	31,707	7,873
Rental payments – net of amounts due under license agreement	11,545	4,198
Donations to UK Sport	1,501	2,400
Staff travel and accommodation	40,812	1,635
Depreciation of property, plant and equipment (note 10)	53,867	4,850
Amortisation of intangible assets (note 11)	12,297	7,308
Other costs	51,107	23,343
Foreign exchange (gain)/loss	(1,330)	1,174
(Gain)/loss on disposal of property, plant and equipment	(2,466)	110
Recharge income credited against expenditure	(142,107)	–
Grant and funding credited against expenditure (note 6)	(808,288)	(19,659)
Total operating expenses	**1,896,919**	**208,531**

Donations to UK Sport represent contributions made by LOCOG through funding received from Team 2012 Ltd.

Recharge income includes amounts received for the provision of Games time accommodation for the 'Games Family'. A commission of 10% was recognised in revenue (note 3) for this service.

5 Auditor 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.

	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
Audit of the financial statements	380	238
Other fees to auditor		
Other services	1,021	80
Total	1,401	318

Other services provided includes audit related procedures performed in relation to grant and contract compliance.

6 Grant and funding receivable

The table shows the sources and application of the grant funding receivable during the period.

	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
Credited to revenue	140,238	4,083
Credited to expenditure	808,288	19,659
Total grant income recognised	948,526	23,742

Total grant funding committed from the Government Olympic Executive is £989m which includes;

- £444m to support the Government in delivering its responsibilities for ensuring safe and secure Olympic and Paralympic venues.
- £224m contribution to the pay for, for example, additional work on venues and facilities on the Olympic Park and including £41m of additional funding to enable LOCOG to deliver the Government's ambition for the opening and closing ceremonies.
- £132m to support the Government in delivering its operational responsibilities including £79m for the management of the flow of spectators between transport hubs and the Olympic venues - known as 'Last Mile'
- £78m for the operation and security of the Olympic Park and venues between completion of construction and handover to legacy owners.
- £111m for the Government obligation to fund 50% of cost incurred for staging the 2012 Paralympic Games.

In accordance with the grant receivable accounting policy this grant funding has been recognised to match the timing of the costs incurred and credited to expenditure if the grant is considered to expand the original scope of the company.

Grants credited to revenue

£147m of GOE grant funding is considered LOCOG core scope. Funding credited to revenue in the current period, includes £104.1m (31 March 2011: £4.1m) in relation Government Paralympic obligation and £36.1m to fund costs incurred for relocation and reconfiguration of venues (recognised in 'Other contributions and scope transfers in note 3). As at period end, £106.1m had been drawn down from these grants.

Grants credited to expenditure

£842m of GOE grant funding is considered to expand the original scope of the Company. As at the period end, £579.6m had been drawn down from these Grants and £730.1m recognised as income credited against expenditure. The remainder is expected to be fully drawn down in the next period.

Further grant funding credited against expenditure includes £55.7m recognised for additional transport scope and joint communications operations received from the ODA and £22.5m relates to a number of cultural and education programmes. As at period end, £30.4m had been drawn down from the ODA grant and £29.1m received for other grant income.

Grants received during the period are conditional on the funds being used towards achieving the purpose as specified in the individual Grant Agreement. Commitments and contingencies relating to Grant funding are disclosed in note 27.

LOCOG is currently involved in a commercial negotiation with G4S in relation to the contract for the provision of security services for the Games. This contract falls under the scope of the Government grant covering venue security, and hence the outcome to this negotiation will have no net impact on the income or expenditure of the Company. Costs recognised for this contract include amounts settled and paid with G4S in the period. No further provision has been made in these financial statements pending resolution of the negotiation. In particular, given G4S' public recognition of its responsibility for the costs of military and other replacement personnel deployed in response to G4S' inability to fully deliver Games-time guarding requirement, no provision has been made for these costs.

7 Staff costs and Directors' emoluments

	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
(a) Staff costs		
Wages and salaries	152,104	47,579
Social security costs	17,823	5,528
Pension costs	8,053	2,983
	177,980	56,090

The average monthly number of employees during the period was made up as follows:

	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
Operations	1,338	419
Finance & administration	346	234
Sales & marketing	259	139
	1,943	792

Total employees at 30 September 2012 was 595 (31 March 2011: 1,162). Average and total employees include paid full time members of LOCOG staff and not temporary Games-time workforce. Total workforce peaked at 8,635 during July 2012.

	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
(b) Directors' remuneration		
Directors' remuneration(1)	2,173	1,480
	2,173	1,480

(1) Directors' emoluments include fees to Non-executive Directors amounting to £0.8m (31 March 2011: £0.5m) and amounts paid to third parties in respect of Directors' services of £0.4m (31 March 2011: £0.3m). Since 1 January 2008 the secondment fee in respect of the services of Neil Wood has been paid to Deloitte LLP, a tier two sponsor of the Company.

No Directors were members of the defined contribution pension scheme (31 March 2011: nil).

The remuneration paid to Directors is shown in the Directors' remuneration report. Details of amounts received under LTIPs, which relate to the highest paid Director, are included on Page 102 of the Directors' remuneration report.

The highest paid director during the period was Lord Deighton. Total Remuneration for the 18 month period, including employers NI, was £1.2m (12 month period ended 31 March 2011: £0.8m).

8 Finance revenue

	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
Bank interest receivable	11,205	303
Total finance revenue	**11,205**	**303**

Notes to the financial statements

9 Finance costs

	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
Bank loans and overdrafts	688	95
Finance charges payable under finance leases	651	761
Total finance costs	1,339	856

10 Property, plant and equipment

	Leasehold improvements £'000	Fixtures and equipment £'000	Information Technology – Hardware £'000	Vehicles £'000	Total £'000
Cost					
At 1 April 2010	5,996	899	8,024	–	14,919
Additions	812	1,686	4,629	6	7,133
Disposals	(103)	–	(62)	–	(165)
At 31 March 2011	6,705	2,585	12,591	6	21,887
Additions	–	30,436	23,352	–	53,788
Disposals	(553)	(2,262)	(7,161)	–	(9,976)
Reclassified as held for sale	–	(30,759)	(28,782)	(6)	(59,547)
At 30 September 2012	6,152	–	–	–	6,152
Depreciation					
At 1 April 2010	(2,567)	(590)	(2,782)	–	(5,939)
Charged during the period	(1,470)	(527)	(2,851)	(2)	(4,850)
Disposals	50	–	5	–	55
At 31 March 2011	(3,987)	(1,117)	(5,628)	(2)	(10,734)
Charged during the period	(2,397)	(25,699)	(25,768)	(3)	(53,867)
Disposals	553	2,262	7,161	–	9,976
Reclassified as held for sale	–	24,554	24,235	5	48,794
At 30 September 2012	(5,831)	–	–	–	(5,831)
Net book value at 30 September 2012	321	–	–	–	321
Net book value at 31 March 2011	2,718	1,468	6,963	4	11,153

Assets held for sale	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
Fixtures and equipment	6,205	–
Information Technology	4,547	–
Vehicles	1	–
Total assets held for sale	10,753	–

All property, plant and equipment, other than Leasehold improvements, held by the Company at 30 September 2012 is considered available for sale. Management is committed to the sale of all assets held by the Company by mid-2013 given the aspiration to enter a solvent liquidation in this future period. LOCOG are actively marketing all assets held for sale and it is expected that the carrying amount will be recovered through a sale transaction rather than through continuing use.

Assets made available for donation have been fully written down to a net realisable value of zero. This includes sporting equipment used during the Games which has been made available to Sports federations within the UK.

11 Intangible assets

	Software £'000	Trademarks* £'000	Total £'000
Cost			
At 1 April 2010	9,945	29,660	39,605
Additions	1,281	76	1,357
Disposals	(46)	–	(46)
At 31 March 2011	11,180	29,736	40,916
Additions	1,768	105	1,873
Disposals	(3,699)	–	(3,699)
At 30 September 2012	9,249	29,841	39,090
Amortisation			
At 1 April 2010	(4,025)	(16,589)	(20,614)
Amortised during the year	(2,527)	(4,781)	(7,308)
At 31 March 2011	(6,552)	(21,370)	(27,922)
Amortised during the period	(5,091)	(7,206)	(12,297)
Disposals	3,699	–	3,699
At 30 September 2012	(7,944)	(28,576)	(36,520)
Net book value at 30 September 2012	1,305	1,265	2,570
Net book value at 31 March 2011	4,628	8,366	12,994

* The Company has entered into agreements with the BOA and BPA to acquire the rights to certain trademarks until 31 December 2012. The related lease obligation is recorded in obligations under leases (see note 20).

Assets held under finance leases

The carrying value of trademarks held under finance leases as at 30 September 2012 was £1.3m (31 March 2011: £8.4m).

12 Investments in joint ventures

Details of the Company's joint ventures at 30 September 2012:

	Place of incorporation	Proportion of ownership interest	Proportion of voting power held
Team 2012 Limited	UK	25%	25%

Team 2012 Limited, a company limited by guarantee, is a joint venture equally owned by LOCOG, BOA, BPA and UK Sport, which was established during the year ended 31 March 2010. Team 2012 Limited's primary activities are fund raising and project management through receipt of donations and sponsorship. The BOA, BPA and LOCOG receive payments from Team 2012 Limited under a licence agreement.

On inception the investment was valued at £nil as Team 2012 Limited is a company limited by guarantee, has no share capital and hence LOCOG paid £nil consideration for its share of ownership in the joint venture. No profit or loss has been recognised by LOCOG for the period ended 30 September 2012 or year ended 31 March 2011 as the future discounted cash flows of the joint venture are forecast to be £nil and in accordance with the joint venture agreement LOCOG has not incurred legal or constructive obligations or made payments on behalf of the joint venture.

13 Financial assets

	30 September 2012 £'000	31 March 2011 £'000
Financial assets – Current		
Embedded derivatives	–	13,318
Forward exchange contracts	1,184	2,371
Total	1,184	15,689
Financial assets – Non-current		
Embedded derivatives	–	3,911
Forward exchange contracts	–	1,114
Total	–	5,025

Financial assets classified as effective cash flow hedges are current £nil (31 March 2011: £2.4m) and non-current £nil (31 March 2011: £1.1m). All remaining financial assets are classified as fair value through profit and loss.

14 Trade and other receivables

	30 September 2012 £'000	31 March 2011 £'000
Current		
Trade receivables	71,477	115,403
Prepayments	3,813	22,970
Accrued revenue	370,699	123,242
Other receivables	50,018	34,536
Total current	496,007	296,151
Non-current		
Prepayments	–	16,349
Employee benefit trust	–	4,196
Other receivables	–	1,050
Total non-current	–	21,595

The trade receivables held by the Company amounted to £67.7m (31 March 2011: £45.8m) denominated in Sterling. £3.8m (31 March 2011: £69.6m) were denominated in US Dollars.

Included within trade and other receivables is the net asset of the Employee Benefit Trust of £nil (31 March 2011: £4.2m). This is the net of the trust asset of £6.6m and the provision for expected future pay out of £6.6m, based on current employee profile (see note 23).

Other receivables includes £0.5m (31 March 2011: £0.5m) placed in escrow for the performace award to be paid to the CEO post-Games provided certain employment conditions are met. This amount represents the minimum amount that could be payable post-Games, being half of a portion of bonuses which have been compulsorily deferred annually since 2006, as well as amounts voluntarily deferred by the CEO. This has been received and paid to the CEO post period end.

At 30 September 2012, no trade receivables (31 March 2011: £nil) were impaired and fully provided for. All other receivables are determined to be fully recoverable as at 31 March 2011 and 30 September 2012 and the Directors consider that the carrying amount of trade receivables approximates to their fair value.

14 Trade and other receivables (continued)

At 30 September, the analysis of trade receivables is as follows:

	Total £'000	Neither past due nor impaired £'000	0–30 days £'000	30–60 days £'000	60–90 days £'000	90–120 days £'000	Past due >120 days £'000
2012	71,477	68,220	2,385	150	12	540	170
2011	115,403	111,027	4,317	59	–	–	–

Actual credit terms determine that debtors must pay within 20 to 30 days. The credit quality of the trade receivables is assessed on a case by case view by reference to historical and publicly available information. One debtor comprises 85 per cent of the debt which was past due; which is to be settled in full following negotiation of the final contractual position.

As at period end, there are no other receivables or accrued income that are considered past due or impaired. Credit quality of the counter-party is assessed prior to entering into all income generating contracts.

15 Cash, cash equivalents and deposits

	30 September 2012 £'000	31 March 2011 £'000
Cash at bank and in hand	17,120	5,106
Total	17,120	5,106

Cash deposits	205,000	70,000
Total	205,000	70,000

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of these assets approximates their fair value. £0.9m (31 March 2011: £0.1m) of the period end balance is denominated in foreign currency.

The Company deposits cash surpluses with Lloyds Bank plc exclusively pursuant to the sponsorship agreement.

£205.0m (31 March 2011: £70.0m) had been placed on long-term deposit with Lloyds Bank plc during the period for which it is management's intention to hold to maturity. This has been classified as short term at 30 September 2012 as this all matured within 3 months of the period end.

£1.0m (31 March 2011: £1.0m) is held at year end in a designated bank account relating to royalties received from the National Lottery, which will be made available for use post-Games.

16 Trade and other payables

	30 September 2012 £'000	31 March 2011 £'000
Current		
Trade payables and accruals	625,741	58,906
Other payables	5,150	13,529
Total	630,891	72,435

Non-current		
Other payables	–	3,003
Total	–	3,003

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 50 days (2011: 43 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

Other payables include value added tax payable, national insurance payable and payables under operating lease.

17 Provisions

	Dilapidations Provision £'000
At 1 April 2010	1,579
Revaluation of provision	(1,284)
At 30 September 2012	295

The dilapidations provision represents management's best estimate of the Company's liability under the terms of the property contracts to restore the property to its required condition, based on estimates obtained from industry professionals. Re-instatement work is taking place between October 2012 and March 2013. £nil (2011: £1.6m) of the balance is considered to be non-current.

During the current period, updated estimates or final quotes were received for re-instatement work for property occupied by the Company and the provision updated accordingly.

18 Financial liabilities

	30 September 2012 £'000	31 March 2011 £'000
Unsecured borrowing		
Bank loan and accrued interest	75,000	–
Finance lease (see note 20)	1,370	14,293
Forward exchange contracts	325	52,662
Commodity contracts	87	–
Total financial liabilities	76,782	66,955
Amount due for settlement within 12 months	76,782	34,537
Amount due for settlement after 12 months	–	32,418
Total financial liabilities	76,782	66,955

Borrowing facilities

During the period, the Company held a Revolving Credit Facility (RCF) of £75m. The individual loan notes mature based on specific terms for each loan note, however, the facility is available until 31 March 2013 and carries an interest rate at 0.125 per cent above LIBOR.

At 30 September 2012, the Company had available £nil (2011: £75m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Financial liabilities classified as effective cash flow hedges are current £nil (31 March 2011: £0.1m) and non-current £nil (31 March 2011: £10.3m). All remaining financial liabilities are classified as fair value through profit and loss.

19 Deferred income

	30 September 2012 £'000	31 March 2011 £'000
Deferred income to be recognised in less than one year	77,822	55,033
Deferred income to be recognised in greater than one year	–	265,954
Total deferred income	77,822	320,987

Deferred income represents consideration received or receivable but not yet recognised in line with the accounting policy. Local and worldwide sponsorship contracts expire on 31 December 2012 and a portion of the related revenue has been deferred on this basis.

20 Obligations under finance leases

The Company has entered into finance lease agreements with the BOA and BPA under which it will pay for the rights to certain trademarks over the period 1 October 2005 to 31 December 2012. Furthermore, in the current period the Company has entered into finance lease agreements for the sale and leaseback of tangible assets. Future minimum lease payments under finance leases are as follows:

	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
Future minimum payments due:		
Within one year	1,382	9,074
After one year but less than five years	–	5,989
	1,382	15,063
Less: future finance charges	(12)	(770)
Present value of lease obligations	1,370	14,293
Ageing profile of lease obligation		
Amounts due for settlement within 12 months	1,370	8,516
Amounts due for settlement after 12 months	–	5,777
	1,370	14,293

All lease obligations are denominated in Sterling. The fair value of the Company's lease obligations approximates their carrying amount. Payments made during the current period to the BOA and BPA are disclosed in note 30 and remaining payments to be made are only in VIK. During the period, the Company entered into sale and finance leaseback agreements for certain assets held. This lease was valued at £0.3m at period end (31 March 2011: £nil). Future finance charges are forecast to be £nil.

21 Operating lease arrangements

The Company has entered into commercial leases for its offices and warehouses. The office leases had an average duration of between three and six years and the warehouse leases had an average duration of two years. The Company has entered into lease arrangements for which all payments will cease within 12 months of 30 September 2012.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
Within one year	945	9,630
In the second to fifth years inclusive	–	7,930
	945	17,560

Under a licence agreement entered into by the Company and the ODA, the total lease liability for the office space and equipment is shared between the two companies. The figures above represent the Company's share only.

Rental income recognised during the period of £14.9m (2011:£nil) relates to Rate Card income for short term Games-time leases.

22 Financial instruments

An explanation of the Company's financial instrument risk management objectives, policies and strategies are set out in the discussion of foreign currency risk management on pages 56 to 57.

Maturity risk profile of financial assets and liabilities

The profile of the financial assets and liabilities of the Company is as follows. These values represent undiscounted amounts.

18 month period ended 30 September 2012

	Within 1 year £'000	1–2 years £'000	Total £'000
Floating rate			
Cash	17,120	–	17,120
Short-term cash deposits	205,000	–	205,000
Loan	(75,000)	–	(75,000)
Fixed rate			
Trade and other receivables	121,495	–	121,495
Trade and other payables	(630,891)	–	(630,891)
Finance lease liabilities	(1,370)	–	(1,370)
Forward exchange contracts (assets)			
Gross outflow	(30,965)	–	(30,965)
Gross inflow	32,149	–	32,149
Forward exchange contracts (liabilities)			
Gross outflow	(4,309)	–	(4,309)
Gross inflow	3,984	–	3,984

22 Financial instruments (continued)
Year ended 31 March 2011

	Within 1 year £'000	1–2 years £'000	Total £'000
Floating rate			
Cash	5,106	–	5,106
Long-term cash deposits	–	70,000	70,000
Fixed rate			
Trade and other receivables	116,428	598	117,026
Trade and other payables	(72,435)	(3,003)	(75,438)
Finance lease liabilities	(9,074)	–	(9,074)
Forward exchange contracts (assets)			
Gross outflow	(44,727)	(23,381)	(68,108)
Gross inflow	47,097	24,505	71,602
Forward exchange contracts (liabilities)			
Gross outflow	(157,629)	(221,163)	(378,792)
Gross inflow	132,482	194,121	326,603

The forward exchange contracts included in the table above include a requirement to exchange $56.4m (31 March 2011: $445m) and exchange Pounds Sterling for CHF0.5m (31 March 2011: CHFnil) at the contractually agreed rates described further in the note below, based upon conditions existing as at 30 September 2012. Trade and other receivables are disclosed at amortised cost.

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Board of Directors, who built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate sources of funding by continuously monitoring forecast and actual cash flows.

During the period, the Company held a Revolving Credit Facility (RCF) of £75m available until 31 March 2013 that carries an interest rate 0.125 per cent above LIBOR.

At 30 September 2012, £75m was drawn under the facility so the Company had available £nil (31 March 2011: £75m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Capital risk management
The Company manages its capital to ensure that sufficient funds are available to make budgeted payments whilst maximising use of surplus income through long-term deposits.

The capital structure of the Company consists of cash, debt and equity. Equity comprises reserves and retained earnings as disclosed in the statement of changes in equity. The Company has drawn down on the RCF during the current period for working capital purposes to maximise interest earned from long-term cash deposits.

Interest risk
The Company is exposed to interest rate risks, primarily in the United Kingdom, on cash deposits and bank loans. Interest rates are presented by way of sensitivity analysis in accordance with IFRS 7.

If the market interest rates had been 100 basis points higher (lower) at 30 September 2012 the result for the period and total equity would have been £3.4m (31 March 2011: £nil) higher (lower). Market interest rate fluctuations are not expected to have a material effect on the result in future periods.

22 Financial instruments (continued)

Foreign currency risk

Movements in fair value of those derivative financial instruments that do not qualify for hedge accounting are recognised in the income and expenditure account immediately. The results for the period would therefore be impacted by currency movements due to the associated changes in the fair value of the derivative financial instruments, although this has no impact on the cash flow in the current period. For those derivative financial instruments that qualify as cash flow hedges the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in the income and expenditure account. The effect on other comprehensive income in the period ended 30 September 2012 was a £7.0m gain (31 March 2011: £10.9m gain) and the effect on the profit for the period was £14.1m loss (31 March 2011: £1.0m gain). The loss is a result of net movement on non-expired fair valued instruments, reversals of fair value revaluations which have expired or been settled, and realised gains and losses on instruments which have expired or been settled.

Foreign exchange forward contracts are considered by management to represent a concentration of risk given changes in certain economic conditions would affect the profit and other comprehensive income of the Company. Market exchange rates are not expected to have a material effect on results in future periods.

Fair values of financial assets and financial liabilities

Details of the Company's financial instruments are below. The book value approximates to fair value for all financial assets and liabilities. Fair values of the financial assets and liabilities are assessed on a monthly basis.

This table excludes short term receivables and payables where fair value approximates to book value.

	30 September 2012 £'000	31 March 2011 £'000
Financial assets		
Cash	17,120	5,106
Cash deposits	205,000	70,000
Embedded derivatives	–	17,229
Forward exchange contracts	1,184	3,485
Financial liabilities		
Interest-bearing loans and borrowings:		
Finance lease obligations	1,370	14,293
Loans	75,000	–
Forward exchange contracts	325	52,662
Commodities	87	–

Credit risk

There are no significant concentrations of credit risk within the Company. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the end of the reporting period.

The Company has established procedures to minimise the risk of default by trade debtors including detailed credit checks undertaken before a customer is accepted. Historically these procedures have proved effective in minimising the level of impaired and past due debtors.

The Company has established procedures to minimise the risk of default by trade debtors including detailed credit checks undertaken before a customer is accepted. Historically these procedures have proved effective in minimising the level of impaired and past due debtors.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas typically large UK and overseas companies and governmental departments. Ongoing credit evaluation is performed on the financial condition of accounts receivable and customers are subject to due diligence procedures prior to entering into agreement.

22 Financial instruments (continued)

Derivative financial instruments

The Company has received a significant portion of its revenues in foreign currencies. As such, the Company has established a policy of hedging to protect against exchange rate fluctuations and to provide the Company with certainty over its likely Sterling income.

LOCOG has hedged its foreign currency exposure, providing exchange rate certainty over at least 99 per cent of its received foreign currency revenues and thereby ensuring the Company could rely upon a guaranteed minimum Sterling income. At 30 September 2012, 100% of foreign currency revenues receivable are hedged.

In implementing this policy the Company has used financial instruments commonly used for hedging purposes (accrual forward contracts, conditional forward contracts, cylinder hedges and forward contracts) which are structured to provide the economic hedge desired. However, due to the structure of some of these instruments and the inherent uncertainty over the timing of some of the cash flows, the majority of the instruments have not qualified for hedge accounting under IAS 39. As a result, IAS 39 requires that the movements in the fair value of these instruments (principally the difference between the Sterling value of the hedged foreign currency when calculated using the hedged rate and the value when calculated using the forward rate at the end of the reporting period) are recorded in the income and expenditure account. As at 30 September 2012, 100 per cent by value of outstanding financial derivative contracts on income have been classified as fair value through profit or loss (31 March 2011: 74 per cent).

The Company does not enter into derivative financial instrument transactions for speculative trading purposes.

The Company has entered into commodity hedging arrangements in the current period to guarantee a price of sale for excess Gold and Silver over and above the amount required by the Company to manufacture the medals presented during the Games. Similarly, LOCOG hedged oil prices during the period to guarantee the price of oil used for Games operations.

The following is a summary of outstanding forward contracts as of 30 September 2012:

Forward contracts (GBP:CHF)

The level of protection the Company is entitled to is listed as per below:

Maturity date	Notional amount	Protection rate
Expenditure forward contracts		
26 November 2012	CHF0.5m	1.4

Forward contracts (GBP:USD)

The level of protection the Company is entitled to is listed as per below:

Maturity date	Notional amount	Protection rate
Income forward contracts		
15 October 2012	$50.0m	1.6
13 November 2012	$6.4m	1.7

Period end exchange rates were US$1.6:£1 (2011:US$1.6:£1) and CHF1.5:£1 (2011:CHF1.5:£1).

22 Financial instruments (continued)

The Company had embedded derivatives with certain contracts for receipt of revenue from the IOC. These contracts matured on 29 July 2011 and 9 August 2012. The Company received €80m on 29 July 2011 at a rate of 1.48 and €25m on 9 August 2012 at 1.48.

The following is a summary of expired forward contracts for the period ended 30 September 2012:

Maturity date	Notional amount	Contracted rate	Protection rate
(GBP:USD)			
Income forward contracts			
4 April 2011	$104.0m	1.8	1.6
27 April 2011	$2.9m	1.8	1.6
10 May 2011	$3.5m	1.7	1.6
1 August 2011	$4.0m	1.8	1.6
1 August 2011	$1.2m	1.7	1.6
30 September 2011	$28.3m	1.6	1.6
17 October 2011	$2.8m	1.8	1.6
17 October 2011	$2.5m	1.7	1.6
10 November 2011	$1.2m	1.8	1.6
19 January 2012	$11.8m	1.8	1.6
19 January 2012	$2.9m	1.7	1.6
10 May 2012	$4.1m	1.8	1.6
10 May 2012	$2.4m	1.7	1.6
27 July 2012	$2.7m	1.8	1.6
27 July 2012	$2.4m	1.7	1.6
31 July 2012[1]	$140.0m	1.8	1.6
13 August 2012[1]	$115.0m	1.7	1.6
13 August 2012	$35.0m	1.8	1.6
15 August 2012	$100.0m	1.6	1.6
Expenditure forward contracts			
15 September 2011[1]	$1.3m	1.5	1.6
13 January 2012[1]	$1.0m	1.5	1.5

Maturity date	Notional amount	Contracted rate	Protection rate
(GBP:EUR)			
Income forward contracts			
29 July 2011	€80.0m	1.5	1.1
1 August 2012	€5.7m	1.5	1.2
9 August 2012	€25.0m	1.5	1.3
10 September 2012	€0.5m	1.3	1.1
Expenditure forward contracts			
29 July 2011[1]	€53.3m	1.1	1.2
30 August 2011	€0.5m	1.1	1.1
29 February 2012	€1.1m	1.1	1.2
2 April 2012[1]	€27.8m	1.2	1.2
30 July 2012	€2.3m	1.2	1.1
(GBP:CHF)			
Expenditure forward contracts			
28 June 2012	CHF44.2m	1.4	1.5
24 August 2012	CHF0.7m	1.4	1.5

[1]Relates to contracts which were fully effective cash flow hedges.

22 Financial instruments (continued)

The gain or loss recognised in the income and expenditure account on the above expired forward contracts is the difference between the hedged rate and protection rate on the date of the transaction.

Financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 September 2012, all current financial assets and liabilities held as FVTPL were designated as Level 2 instruments. Assets in Level 2 are disclosed in the Financial Asset note 13 and Liabilities held in Level 2 are disclosed in Financial Liabilities note 18.

There were no transfers between Level 1 and 2 during the current period or prior year.

Fair value measurements for financial assets and liabilities held by the Company are estimated using valuation techniques based on observable market data being current and future expected foreign exchange rates.

23 Employee Benefit Trust

The Company has established a defined benefit post-employment incentive scheme for the purpose of making one-off payment to employees on completion of their employment contracts. The Company has made payments into a trust to meet its obligations in relation to these post-employment benefits.

The scheme pay-outs are determined by the estimated length of service and final salary of each employee. The value of the obligation recorded as at the balance sheet date is calculated based on the Projected Unit Credit Method and is management's best estimate of the consideration required to settle the present obligation. The Company is not applying the corridor method and as such all changes in the value of the liability are recorded in the income and expenditure account in the period incurred.

Contributions to the trust are determined by management at regular intervals based on the forecast obligation and the asset value. No forecast of future interest has been made in determining the fair value of the scheme assets as it is deemed immaterial. The fair value of the scheme assets reflects the payments made by LOCOG and interest earned to date. The defined benefit obligation is wholly funded by the Company.

Movements in the present value of the defined benefit obligations:	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
Liability brought forward	(5,990)	(3,660)
Obligation arising in relation to current service	(7,034)	(2,330)
Benefits paid	6,424	–
Liability carried forward	(6,600)	(5,990)

Movements in the present value of the defined benefit assets:	18 months ended 30 September 2012 £'000	Year ended 31 March 2011 £'000
Asset brought forward	10,186	5,012
Contributions by the employer	2,500	5,100
Interest earned	330	74
Benefits paid	(6,424)	–
Asset carried forward	6,592	10,186

An asset of £nil (31 March 2011: £4.2m) has been recorded in the balance sheet within non-current assets as at 30 September 2012. This amount reflects the defined benefit obligation of £6.6m (31 March 2011: £6.0m) and scheme assets of £6.6m (31 March 2011: £10.2m). The current service cost of £7.0m (31 March 2011: £2.3m) has been recognised in the income and expenditure account as operating expenses. Interest received on the scheme assets of £0.3m (31 March 2011: £0.1m) has been recorded as finance revenue.

The scheme assets as at 30 September 2012 reflect the cash invested and interest earned by the Company from the bank and short term deposit accounts.

During the period ended 30 September 2012, £7.0m (31 March 2011: £2.3m) expense has been recognised in the income and expenditure account. No further gains or losses have been recognised.

The estimated amounts of contributions expected to be paid into the scheme during the 2012/13 financial period is £0.5m (31 March 2011: £4.7m).

24 Company guarantee

The Company is limited by guarantee. It has three members (see note 25) that each guarantee to pay £1 in the event of the Company being wound up.

25 Ultimate controlling interest

The Company has three members who hold the controlling interest. The members are the Secretary of State for Culture, Olympics, Media and Sport, The Mayor of London and the British Olympic Association.

26 Contingent liabilities

If during its lifetime the Company generates income greater than US$815m from UK sponsorship, official suppliers and licensing it is required, as part of its contract to purchase trademarks from the BOA, BPA and British Paralympic Enterprises Limited (BPEL), to pay 5 per cent of any surplus to the BOA and 2.5 per cent of any surplus to the BPA and BPEL.

This surplus is to be calculated in USD, adjusting for exchange rates, discounting and inflation. The amount payable by the Company is capped at the lower of US$8m for the BOA and US$4m for the BPA and BPEL, or the amount that when distributed, would cause the Company to have a surplus of nil. This surplus is calculated prior to calculations on surplus in note 27.

The Company exceeded the above US$815m limit during the year ended 31 March 2010. Whilst the Company is anticipated to achieve a balanced budget over its lifetime, due to the uncertainty over the generation of a surplus, no provision has been included in these financial statements relating to these contingencies.

LOCOG is involved in certain claims and litigation that arose in the normal course of business with its suppliers/contractors for the reimbursement of costs of additional work and/or for additional costs because of changed conditions. Any settlement, payments or necessary accruals are reflected in the financial statements when management believes an outcome is reasonably determinable and the amount can be reasonably estimated.

LOCOG is currently involved in a commercial negotiation with G4S in relation to the contract for the provision of security services for the Games. This contract falls under the scope of the Government grant covering venue security, and hence the outcome to this negotiation will have no net impact on the income or expenditure of the Company.

27 Commitments and guarantees

Under the revised terms of the Grant Agreement signed in the current period with the Department of Culture, Media and Sport (DCMS), up to £104 million which has been made available to LOCOG which will be repayable, after the payment of any amounts due to the BOA or BPA as per note 26, in the event of the Company making a surplus. Repayment is limited to the amount of the surplus but before calculation and division of any remaining surplus under the commitments of the Host City Contract.

Under the Host City Contract with the IOC the Company undertook the commitment to host the Olympic Games and Paralympic Games in 2012. The contract set out the detailed commitments for the host city.

In accordance with the Host City Contract, in the event of a surplus upon the liquidation of LOCOG, the surplus will be divided as follows:

- 20 per cent to the BOA
- 20 per cent to the IOC
- 60 per cent to the Company to be used for the general benefit of sport in the UK, as may be determined by the Company in consultation with the BOA.

The Host City Contract stipulates the Company is committed to providing to the IOC a 3 per cent share of revenue earned on the retail price of Olympic coin and banknote programmes.

The Host City Contract also requires the Company to pay to the IOC:

- 7.5 per cent of the value of the cash consideration of all local sponsorship, licensee contracts and ticket sales;
- 5 per cent of the value of the consideration of all local sponsorship contracts which provide for the value in kind pertaining to the Joint Marketing Programme.

As set out by a letter of guarantee to the IOC dated 9 November 2004 and signed by the then Prime Minister and a letter of guarantee to the IOC dated 10 November 2004 and signed by the then Chancellor of the Exchequer on behalf of the UK Government; the UK Government guarantee to provide all the necessary financial support to ensure a successful Games and to act as the ultimate guarantor of Olympic funding.

28 Events after the balance sheet date

On 1 October 2012, LOCOG acquired London 2012 Ceremonies Limited following a share transfer from Flow Productions Limited for nil consideration. LOCOG intend to dissolve this company as soon as is reasonably practical. LOCOG acquired assets of £12.6m and liabilities of £12.6m.

29 Directors' interests

Deloitte LLP is an official sponsor of the Company. As part of the sponsorship deal the Company receive services from Deloitte LLP on a VIK basis (this includes the services of Neil Wood). Neil Wood served as a Director of the Company and is also a Partner in Deloitte LLP. During the period ended 30 September 2012, the Company invoiced Deloitte LLP £17.3m (31 March 2011: £4.2m) for marketing rights and purchased £21.8m (31 March 2011: £3.8m) of services from Deloitte LLP, of which £0.4m (31 March 2011: £0.3m) related to Neil Wood's services as Chief Financial Officer of the Company. Deloitte LLP contributed £12.9m to revenue (31 March 2011: £7.7m) representing cash of £1.0m (31 March 2011: £4.0m) and VIK of £11.9m (31 March 2011: £3.7m). As at 30 September 2012 there was £2.2m (31 March 2011: £11.1m) owing to Deloitte LLP, and the value of the deferred income was £2.1m (31 March 2011: £7.6m).

Justin King is a Non-executive Director of the Company and the Chief Executive of J Sainsbury plc (Sainsbury's). In May 2010, the Company entered into a sponsorship agreement with Sainsbury's to become a tier one sponsor of the Paralympic Games exclusively. During the period ended 30 September 2012, the Company invoiced £6.8m (31 March 2011: £4.6m) for marketing rights to Sainsbury's. Sainsbury's contributed £10.8m to revenue (31 March 2011: £5.1m) representing cash of £8.6m (31 March 2011: £3.6m) and VIK of £2.2m (31 March 2011: £1.5m). As at 30 September 2012 there was £0.1m (31 March 2011: £1.0m) owed by Sainsbury's and £0.9m (31 March 2011: £nil) owed to Sainsbury's. The value of the deferred income was £1.3m (31 march 2011: £0.5m accrued income).

Sir Craig Reedie and Jonathan Edwards are Non-executive Directors of the Company. They also provide services to the Company under consultancy agreements. In addition to the fees in respect of their Non-Executive duties, during the period, the Company paid the ongoing annual fee of £18,000 (31 March 2011: £12,000) and £130,500 (31 March 2011: £87,000) for consultancy services from Sir Craig Reedie and Jonathan Edwards respectively. No amounts were outstanding at the period end (31 March 2011: £nil).

Sir Keith Mills served as the Deputy Chairman of the Company during the year, he also is a Director of KEM Management Limited. Transactions between the Company and KEM Management Limited in the financial period amounted to £54,000 (31 March 2011: £22,000) for administrative services provided to the Company. As at 30 September 2012 there was £nil (31 March 2011: £2,400) owed to KEM Management Limited.

30 Other related party transactions

During the period the Group entered into transactions, in the ordinary course of business, with other related parties. Those transactions with directors are disclosed in note 29. Transactions entered into, and trading balances outstanding at 30 September with other related parties, are as follows:

Related party	Sales transactions with related party £'000	Purchases from related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
International Olympic Committee (IOC)				
30 September 2012	306,069	29,497	3,901	12,432
31 March 2011	127,894	7,039	69,569	–
International Paralympic Committee (IPC)				
30 September 2012	424	1,336	39	–
31 March 2011	–	1,774	–	–
British Olympic Association (BOA)				
30 September 2012	10,289	11,247	16	90
31 March 2011	1,576	4,574	–	–
British Paralympic Association (BPA)				
30 September 2012	719	2,350	279	–
31 March 2011	19	750	19	–
Team 2012 Limited				
30 September 2012	1,500	–	–	–
31 March 2011	1,500	–	–	–
Greater London Authority (GLA)				
30 September 2012	3,190	68	310	–
31 March 2011	11	135	–	–
Olympic Delivery Authority (ODA)				
30 September 2012	31,839	79,109	1,019	7,673
31 March 2011	1,997	2,010	1,355	1,800
Department for Culture Media and Sport (DCMS)				
30 September 2012	738	76	98	–
31 March 2011	–	–	–	–
London 2012 Ceremonies Limited				
30 September 2012	–	89,433	–	–
31 March 2011	–	504	20	–
Flow Productions Limited				
30 September 2012	–	302	–	–
31 March 2011	–	854	–	–

Nature and description of related parties

Under the Host City Contract with the IOC and IPC the Company undertook the commitment to host the Olympic Games and Paralympic Games in 2012. Sir Philip Craven, Her Royal Highness The Princess Royal, Sir Craig Reedie and Adam Pengilly are Non-executive Directors of the Company and are also members of the IOC. Sir Philip Craven is also the President of the IPC. Receipts from the IOC during the period include agreed contributions under the Host City Contract for the staging of the Games and sponsorship fees in relation to the IOC worldwide sponsorship programme. Payments relate to royalties payable under the Host City Contract (see note 27) and management fees payable for the worldwide sponsorship programme. £98.9m income (2011: £53.0m) has been recognised in the income and expenditure account for the worldwide sponsorship programme in the current period.

British Olympic Association is one of the three members holding an interest in the Company. During the 18 month period, six Non-executive Directors of the Company held positions at the BOA. Lord Moynihan served as Chairman, Andrew Hunt served as Chief Executive, Her Royal Highness The Princess Royal is the President, Adam Pengilly is a Director and Sir Craig Reedie and Sir Philip Craven are Non-executive Directors. The Company has an agreement with the BOA for the use of trademarks owned by the BOA. As at 30 September 2012, the present value of the liability due under this agreement is £1.0m (31 March 2011: £11.2m). This is payable to the BOA in the period to 31 December 2012. During the period the Company made cash payments of £5.8m (2011: £3.0m) and VIK payments of £0.7m (2011: £0.7m) with amounts accrued at the period end of £3.7m in relation to this agreement. Interest of £0.5m (2011: £0.6m) was charged to the income and expenditure account.

30 Other related party transactions (continued)

During the 18 month period, Tim Reddish was a Non-executive Director of the Company, he is also the Chairman of the British Paralympic Association. The Company has an agreement with the BPA for use of trademarks owned by the BPA. As at 30 September 2012 the present value of the liability due under this agreement is £0.1m (31 March 2011: £3.1m). During the period cash payments made in relation to the agreement were £2.4m (31 March 2011: £0.8m) and interest of £0.1m (2011:£0.2m) was charged to the income and expenditure account.

Team 2012 Limited is a joint-venture owned jointly by LOCOG, BOA, BPA and UK Sport, the relationship is further explained in note 12. Receipts from Team 2012 Limited relate to licence fees receivable under the joint-venture agreement, for the use of trademarks owned by LOCOG.

Greater London Authority (GLA) as part of the office of The Mayor of London is one of the three members holding an interest in the Company. Amounts receivable during the period relate to a number of London 2012 projects such as the Look of the Games and ticket sales. Amounts payable to the GLA during the period relate to agreed funding for specific joint London 2012 projects such as the sustainability and community relations events.

The ODA is a non-departmental public body, overseen by the Department for Culture, Media and Sport, one of the three members holding an interest in the Company. The ODA is primarily responsible for the delivery of new venues and infrastructure for the Games. The two organisations are separate legal entities, are separately funded and have separate and distinct governance arrangements. The Company and the ODA are co-located and have a cost-sharing agreement for the use of premises under lease to LOCOG for which £2.5m was invoiced during the period (2011: £1.6m).

As part of the operational delivery of the Games, LOCOG and ODA identified and agreed certain deliverables from their original scope that the other entity was better placed to complete. A contribution was paid to cover the cost of each scope transfer. During the period, LOCOG invoiced the ODA £29.1m (2011: £nil) for additional venues and infrastructure costs incurred on behalf of the ODA. ODA invoiced LOCOG £44.7m (2011:£1.5m) for costs incurred on behalf of LOCOG. Furthermore, ODA paid LOCOG £55.1m compensation during the period to fund additional costs incurred by LOCOG relating to the relocation and reconfiguaration of venues. This has been fully recognised in income in the current period.

Over and above the amounts invoiced to and purchased from the ODA, the organisation made available £59m of grant funding to LOCOG for additional transport scope and joint communications operations. As at the period end, £30.4m had been drawn down from these grants and £55.7m recognised as income credited against expenditure. The majority of this funding is expected to be drawn down in the next financial period.

The Department for Culture, Media and Sport (DCMS), is one of the three members holding an interest in the Company. The Government Olympic Executive (GOE) was set up within DCMS to ensure the Games were delivered on time and on budget, to the benefit of the whole of the UK. Over and above the amounts invoiced to DCMS, the department has made available £989m grant funding to LOCOG. This is explained further in note 6. As at the period end, £685.7m had been drawn down from these grants, £730.1m was recognised as income credited against expenditure and £140.2m recognised within revenue.

London 2012 Ceremonies Limited is a private company with which LOCOG were considered to exert an influence given LOCOG representation on the Board of Directors of London 2012 Ceremonies Limited and joint interests of both parties during the period. The company was responsible for the production of the major ceremonies of the London 2012 Olympic and Paralympic Games. Three members of LOCOG Senior Management were Non-executive Directors of the company during the period. Payments in the period relate to the design, creation and management of the Ceremonies of the Games under the Ceremonies Production Agreement. Following the period end, LOCOG acquired London 2012 Ceremonies Limited through a share transfer from Flow Productions Limited for £nil consideration.

Flow Productions Limited wholly owned London 2012 Ceremonies Limited during the period. Payments in the period relate to management fees payable under the Ceremonies Production Agreement.

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