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FACTS&FIGURES

Companies House
Annual Report and Accounts
2005/06

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A DTI SERVICE



Companies House
— for the record —

dti

A DTI SERVICE

The DTI drives our ambition of 'prosperity for all' by working to create the best environment for business success in the UK. We help people and companies become more productive by promoting enterprise, innovation and creativity.

We champion UK business at home and abroad. We invest heavily in world-class science and technology. We protect the rights of working people and consumers. And we stand up for fair and open markets in the UK, Europe and the world.

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**COMPANIES HOUSE
ANNUAL REPORT AND ACCOUNTS 2005/06**

Presented to Parliament pursuant to section 4 (6) of the
Government Trading Funds Act 1973 as amended by
the Government Trading Act 1990

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of Trade and Industry

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OUR BUSINESS /

OUR MISSION IS TO BE THE FOUNDATION OF COMPANY INFORMATION EXCHANGE IN THE UK: HELPING BUSINESS, INFORMING THE PUBLIC, BENEFITING THE ECONOMY

In moving towards our vision we are building on the achievements of recent years and transforming ourselves into a modern e-business. We are moving from an organisation focusing on processing paper to one that is centred on exchanging data. Our role remains twofold: registering information and making it available to everyone who wants it.

OUR VISION IS TO BE A WORLD-CLASS INFORMATION PROVIDER – ACCESSIBLE, EASY TO USE AND CUSTOMER FOCUSED: EXCHANGING INFORMATION; CREATING BENEFITS

Registering information

Limited liability reduces personal risk in business and provides an incentive to trade and commerce. In exchange, companies are required to make certain information public via Companies House. Our aim is to make it simpler for companies to meet their obligations by developing our electronic services.

Providing information

We now hold the records of 2.3m live companies. Our customers for this information include members of the public, businesses, large business information providers and credit reference agencies. Some of our customers add value to information and then provide it as part of a broader service to their own customers. Our role is providing the core company information, meeting customer needs and making best use of this public asset.

FACT /

80% OF DOCUMENTS TO BE FILED AT COMPANIES HOUSE CAN BE FILED ELECTRONICALLY



FACT /

**SEARCHES INCREASED FROM
3,726,000 TO 4,676,000 IN
2005/06**

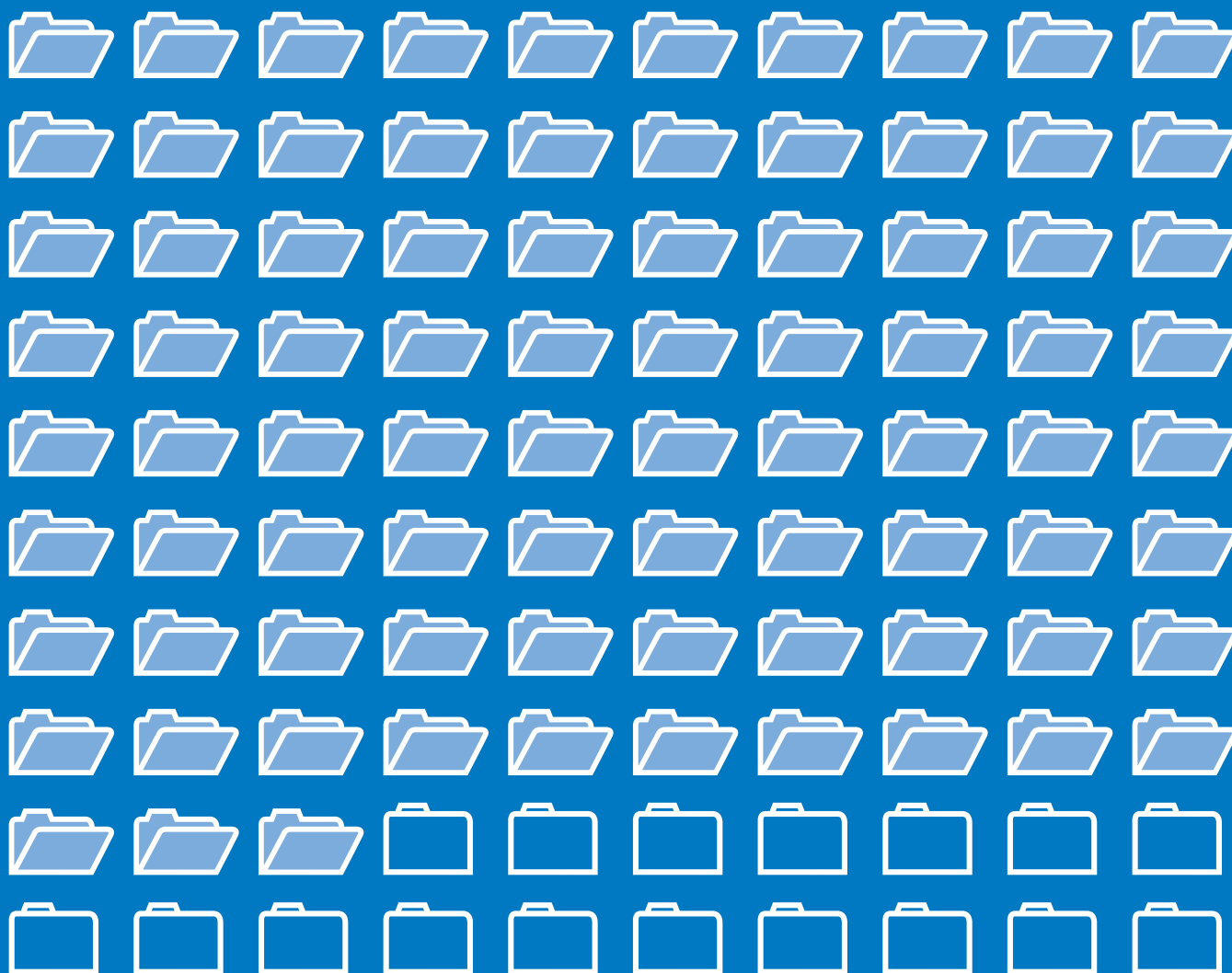


FACT /
10,000 SETS OF ACCOUNTS
WERE FILED ELECTRONICALLY
IN 2005/06



FACT /

83% OF NEW COMPANIES ARE NOW INCORPORATED ELECTRONICALLY



JOINT STATEMENT / FROM THE CHIEF EXECUTIVE AND CHAIRMAN OF THE STEERING BOARD

Since we both took up post as Chief Executive and Chairman of Companies House in 2002, there has been unprecedented growth in the business and we have done much to transform the way we serve our customers. Back then, there were just under 1.5m live companies on the register; now there are over 2.3m. There were 60% more incorporations last year than in 2001/02 and, for the 81% done electronically, these were processed in under 24 hours rather than the four days it took before. The number of company searches has more than doubled. We are delighted by our progress in transforming Companies House to meet the demands of our customers now and in the future.



Although we still have much to do to realise our vision, the steps we took in 2005/06 were significant achievements that took us a long way forward. We would like to pay tribute to all the staff who work in Companies House who do a fantastic job and have a well-deserved reputation for first class customer service.

In 2005/06 we concentrated on our programme to develop our electronic services. The year saw an increase of 160% in the number of documents filed electronically; over 80% of documents filed at Companies House can now be delivered this way. We began incorporating companies electronically in 2001, and by the end of 2005/06 we had already electronically incorporated over one million companies. Our target is to complete the electronic incorporation process within 24 hours, but our record for incorporating a company is actually five minutes. It is recognised that it is easier to set up a company in the UK than in most other countries and that this is a major benefit to the economy.

By the end of the financial year, we had also registered more than 10,000 sets of accounts electronically. This success is doubly gratifying because it is the first time any government organisation has ever enabled delivery of data using XBRL (eXtensible Business Reporting Language). Again, this delivers an immediate benefit to customers because of our speed of processing. It also heralds a longer term benefit, helping to progress our ambition of joining up filing of accounts with other parts of government. We have continued to work closely with HMRC (Her Majesty's Revenue and Customs) towards achieving this, and the joint consultation document we issued in December 2005 produced an encouraging response from small businesses.

The ease of use, added security, lower cost and additional functionality of our electronic services is key to Companies House's contribution to the government's better regulation agenda. Through these services we are reducing the burden on business. Electronic filing enhances the integrity of the register because we can be sure that data has come from an authorised source and we can, in the case of accounts, point out basic errors or omissions before documents are finally registered on a company's record.

This work is also very important in helping to combat the fraudulent use of the companies register. We have worked closely with the Metropolitan Police, with other government bodies and with our customers to develop anti-fraud tools. Much of this work has depended on the added security which the ability to receive and process data electronically gives to us and our customers.

Knowing our customers and understanding their needs is vital to our success. We involve our customers in developing and improving services by maintaining close contact with them. Our regular customer satisfaction survey and mystery shopping exercise have given customers opportunities to comment directly on our levels of service. Our communication campaigns and seminars have given company directors the information and guidance they need to understand their statutory obligations. Our focus groups have ensured a dialogue with customers on a broad range of issues. Perhaps most crucial among these is the Company Law Reform Bill, which began its passage through Parliament this year. It is vital that we prepare customers for the changes this will introduce, and that we ourselves are ready to meet the demands it will place on us. Internally, we have established a major programme to ensure that our staff and the systems they operate make a smooth transition to the new legislative framework.



The introduction of different fees for electronic and paper documents, based on their processing costs, brought increased volatility to our income. This, combined with the growth in the register and the high levels of investment in our systems, was managed successfully. In 2005/06 we invested £12.4m in the business including more phases of CHIPS and new areas of e-service delivery. As expected, both income and running costs were higher than in previous years. Through close expenditure control, and headcount and resource planning, we delivered a retained surplus of £2.9 million on an income of £69.2 million. This was the good financial result we needed to ensure we are in a stable position for the future. The accounts provide fuller detail of our financial performance last year.

The potential for volatility in income, the continued high levels of investment, and the change agenda we face over the next couple of years will provide many financial challenges. The whole point of our investment in these new developments and restructuring is to pass on to customers the benefits from efficiency gains that our transformation programme will deliver in the longer term.

During the past year we have made good progress on our journey from a paper processing orientated registry to one based on the electronic flow of data. As we look ahead, we recognise that this change requires a bold new way of serving our customers, whether they are filing or searching information. It will not simply be a matter of changing a few products and services. We want our customers to be able to do everything electronically and enjoy the benefits that this brings. This will involve significant change and investment.

The rapid progress and sound financial management of recent years has put us in an excellent position to meet the challenges of 2006/07 and beyond. We have an ambitious and challenging agenda: implementing new legislation; driving take-up of our electronic services; reshaping the organisation; working with partners across government to the benefit of wider public services; delivering efficiency and developing a new way of serving our customers. We must move forward on all these fronts if we are to deliver our vision and retain our reputation for excellent public service.

Claire Clancy
Chief Executive

Professor Ian Percy
Independent Chairman
Companies House Steering Board

STRATEGIC OBJECTIVE / PROGRESS TOWARDS A FULLY ELECTRONIC OPERATION

01

By March 2006, our capacity to receive company information electronically had been extended to 15 different document types, collectively representing over 80% of all the documents filed at Companies House.

November 2005 saw the very first electronic filing of a set of accounts at Companies House, as the e-Accounts project made abbreviated and dormant accounts filing options available through software filing packages. This was a major achievement, representing the first successful application of XBRL in submitting statutory data to Government in this country. It is the first step towards a future in which companies only need to file accounts data once with Government. In March, an initial dormant company accounts filing option was also added to the WebFiling service, and by the end of the financial year over 10,000 sets of company accounts had been filed with us electronically.

Crucially, during 2005/06 we achieved significant growth in take-up levels of our electronic filing services as well as increasing the range of services available in this area. The year saw nearly 1.6 million documents filed electronically, including our millionth ever electronic incorporation. This was a dramatic increase on the previous year's record volume of 0.6m electronically filed documents. Investment in service improvement during the year delivered systems capacity and infrastructure that successfully managed this step change in usage without major performance problems.

During the last month of the year 28% of all the documents filed at Companies House were filed electronically compared with 12% at the end of 2003. This included 48% of annual returns and 83% of incorporations.

4 SECONDS

The new fees introduced in February 2005 reduced prices for searching company information by 32%, and since then volume for online searches has increased by over 15%. A company document is bought every 4 seconds.

STRATEGIC OBJECTIVE / READILY AND FREELY ACCESSIBLE INFORMATION

02

We have continued to develop the way we use technology to deliver information to customers searching the companies' register. For some years, our main platform for this delivery has been Companies House Direct (CHD). This year we have enhanced CHD by providing an integrated online ordering service for certified copies of documents and certificates. Following the introduction of a Fees Order by Parliament in February 2005, we have seen the number of CHD customers increase by 30%.

Our XML Gateway has been very popular with customers who want to incorporate a name-checking service into their website, or who want to re-sell our information. The number of customers for this service increased by more than 100% during 2005/06 (from 43 accounts to 87 accounts), and we have also re-designed the corresponding information website, which provides more information to prospective customers.

Customers searching the register benefit from the work we have been doing to encourage electronic filing and to improve the integrity of the register. The greater security offered by our electronic systems ensures that the information appearing on the register is from an authenticated source, and helps us achieve lower rejection rates. We are able to avoid the quality issues raised by paper documents and our faster processing times mean information taken from the register is more likely to be current. Our success has been reflected in an increase in the number of searches made from 3,726,000 in 2004/05 to 4,676,000 in 2005/06.

95%

Companies House offers almost all of its services online, with 80% of registration services and more than 95% of search services available electronically.

STRATEGIC OBJECTIVE / AN EFFICIENT, RELIABLE AND UP-TO-DATE REGISTER

03

The past year has seen significant increases in both the number of active companies on the register, which grew by 7%, and the amount of information filed with us, which grew by 6%. Searches grew by 29%. To deal with this substantial increase in workload our average headcount increased by only 2%. It is also important to distinguish this increase in the average headcount from the significant reduction that had been achieved by the end of the year. Our total headcount peaked in August 2005 at 1230 FTE's (1352 heads) and since then our drive to electronic filing has delivered a reduction to 1161 FTE's (1262 heads) through redeployment and voluntary early severance. We are planning further headcount reductions as we move into 2007. Whilst accommodating all this change, we achieved a creditable level of compliance for annual returns and accounts of 91%, against a target of 92%.

We are addressing the shortfall against the compliance target by encouraging take-up of electronic filing. We achieved dramatic growth in electronic filing levels through a promotional campaign, using press and online advertising, supported by events and seminars where the benefits of online filing were outlined to customers.

An innovation this year has been the assistance we are offering to companies which may be compliant in one area but not in another. We have established a team to contact companies which may, for example, be compliant for their annual return but not their accounts. In this way we have helped 8,000 companies to become fully compliant and have added 13,000 customers who no longer have a use for companies to move towards voluntary dissolution.

We levied 190,534 penalties for the late filing of accounts and dealt with 17,943 appeals against penalties. To streamline the processing of appeals, we have introduced the option of having appeals dealt with by telephone. This helps us to achieve much faster resolution of appeals.

We have exceeded other targets relating to integrity of the register. Against a target of 97.5% to capture documents error-free, we achieved 97.9%; and for legibility of documents placed on the register, we achieved 99.7% against a target of 99.5%.

1,200,000

We process 40 documents per second
and received over 1,200,000 documents
electronically in 2005.

STRATEGIC OBJECTIVE / CUSTOMERS WHO ARE HIGHLY SATISFIED WITH OUR SERVICES

04

Our main points of contact with customers remain our customer satisfaction survey and our focus groups. These ensure we are in touch with customer views on the performance of existing services and they inform our development of new services.

The customer satisfaction survey allows a wide range of customers using our contact centre, electronic and general filing services, Companies House Direct, WebCheck, and general search services, to comment on aspects of our services which they have said are important to them. We achieved a satisfaction level of 85.9% against a target of 85% for the year as a whole, and we use feedback from the survey to help service ownership groups and e-filing improvement programmes to generate developments and improvements to our services.

We ran 21 regular focus groups, visiting each focus group twice a year. Twenty of these were regionally based and one was industry based with specialised customers helping us to develop our electronic filing. We also achieved customer involvement through eight roadshows and 19 seminars held for new company directors and secretaries at our offices in Cardiff, London and Edinburgh. We attended 10 exhibitions. These all help us to inform company directors and their professional advisers about our services and their obligations under company law.

This year saw our third mystery shopping exercise, which was undertaken independently by NOP Mystery Shopping, and which tested all customer contact channels excluding the filing of live documents to the register. We achieved an overall score of 88%, an improvement of 10% on the same exercise undertaken in 2004.

Complaints are an important source of information on our performance for customers. We have a well-developed system for resolving complaints and for ensuring adjustments are made to processes where complaints point to weaknesses. Against a target to resolve 97% of complaints within five days, we achieved 98.6%. If customers are unhappy with our handling of a complaint, they may contact our Independent Complaints Adjudicator at:

PO Box 2
Fakenham
Norfolk
NR21 0RJ

The Independent Complaints Adjudicator produces his own annual report which is available on the Companies House website.

30,000,000

The Companies House website and electronic services receive over 20 hits per second (over 30,000,000 a month).

STRATEGIC OBJECTIVE / ACT WITH OTHERS IN GOVERNMENT TO BENEFIT COMPANIES AND BUSINESS

05

During the last year, we have worked more closely with HMRC to identify areas for co-operation which would benefit our customers. This has included work on joint filing of accounts, which has long been considered a prize worth working towards, and also on reducing the regulatory burden on business by identifying where data can be submitted to one organisation before sharing across government.

The consultation document on aligning filing dates for accounts issued jointly by HMRC and Companies House, signalled our intention to make real progress in this area. The feedback received has given us further insight into customer behaviour and requirements, which will help us to design a joint accounts filing service that customers will wish to use. The endorsement of plans for joint filing in Lord Carter of Cole's Review of HMRC Online Services gave a welcome impetus to this work.

We have worked with the Metropolitan Police and others to reduce the scope for fraudulent use of the companies register. We launched Operation Sterling, a London based anti-fraud initiative, jointly with the Metropolitan Police in May 2005 and we introduced a three-point plan, based on our electronic services, to help companies protect themselves against fraud.

The three-point plan includes:

- WebFiling – a safe and secure way to send information to Companies House
- PROtected Online Filing (PROOF) – which means we will only accept forms relating to changes of addresses and directors' details from a company electronically
- Monitor – a service which automatically provides copies of documents filed on a company's record.

We continued to work as part of the cross-government group on benefits realisation. This provided a forum for the exchange of best practice and experience to ensure that projects in government deliver intended benefits. We have made arrangements with the Office for National Statistics to share internal audit facilities, and we are working with the Patent Office on our approach to administering projects.

2,300,000

There are 2,300,000 companies on the register with 120 new companies being added every working hour.

STRATEGIC OBJECTIVE / SKILLED AND COMMITTED STAFF WHO ENJOY WORKING FOR COMPANIES HOUSE

06

In line with our development of electronic services to meet customer needs, we have developed and implemented a human resource strategy which addresses issues of right-sizing, skills development and organisation design. This strategy encompasses a wide range of activities, in terms of resourcing, training and succession planning, which aim to underpin successful achievement of our business transformation and deliver a team which is fit for the future.

As Companies House develops more efficient means of delivery, resourcing has become a pivotal issue. We have worked to ensure that our staff are developed effectively and that we have appropriate measures in place to assist staff exploring opportunities outside Companies House, as we reduce headcount in line with efficiency gains and our targets from the Gershon Review.

We have deployed a "Fit for the Future" team to manage the resourcing aspects of our human resource strategy. We have implemented a training and development programme which includes participation in the government's "Skills for Life" initiative, and a leadership development programme for managers and potential managers. This has been supported by a health and well-being strategy to promote health consciousness among all our staff.

As an equal opportunities employer, we recruit people on the basis of fair and open competition. Candidates are selected on merit in line with the guidance of the Civil Service Commissioners. All procedures are subject to internal and external audit and we are required to publish statistics on the year's recruitment. Our staff turnover for 2005/06 was approximately 7%, which is an increase of just over 1% in turnover since last year. The number of permanent staff recruited was very low at 32, which is a notable reduction from last year when we recruited 112 permanent staff. This year we ran 24 external recruitment campaigns, excluding campaigns for casual staff.

1,000,000

The customer record for the fastest incorporation is less than 5 minutes and over 1,000,000 companies have been formed electronically.

THE ENVIRONMENT / CORPORATE SOCIAL RESPONSIBILITY / HEALTH AND SAFETY / RISKS AND UNCERTAINTIES

THE ENVIRONMENT

Companies House acknowledges that sustainable development is key to meeting the needs of the present without compromising the ability for future generations to meet their own needs. We will do this through an annual action plan incorporated into our ISO14001 (2004) Environmental Management System (EMS). The enhanced standard from ISO14001 to ISO14001 (2004) was awarded to Companies House in September 2005. The action includes targets for the consumption of electricity, gas and water, and transport policies to help our staff reduce their impact on the environment. Our new building at Nantgarw will be included in our EMS by the end of 2006.

All employees receive training in environmental awareness and we have established an "Eco Champion" group, to discuss and drive forward initiatives to reduce our environmental impact.

We monitor the environmental performance of our contractors by carrying out an environmental review of several key supplier contracts during the year.

CORPORATE SOCIAL RESPONSIBILITY

Companies House is an executive agency, operating within a statutory framework. Within this context, we take responsibility within the wider community seriously and aim to deliver a socially and environmentally responsible performance which achieves more than the minimum standards.

We have developed and launched the Companies House Social Responsibility Framework. We participate in the Business in the Community Programme and the Realise Project.

We release team leaders to participate in the Prince's Trust Programme. We make Companies House facilities, such as our car park, available to members of the local community, and we provide work experience opportunities for children from local schools.

HEALTH AND SAFETY

Companies House is committed to the promotion of a safety culture throughout the organisation and of safe attitudes and behaviour among its staff. A safe environment is provided for staff and visitors in line with statutory obligations. All our staff receive Health & Safety training within an established timetable.

As an office based organisation, Companies House carries out risk assessments in accordance with the Management of Health and Safety at Work Regulations, CAW Regulations, the Display Screen Equipment Regulations and the Fire Precautions (Workplace) Regulation 1997.

We carry out accident reporting and investigation procedures in accordance with all H&S Legislation. Thirty two accidents or incidents were reported in 2005/06. Two of these resulted in three or more days loss of attendance and therefore were reported under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).

RISKS AND UNCERTAINTIES

Companies House has a Risk Policy and Strategy agreed by the Board of Directors, and a formal process for risk management. This includes a common language and routes for escalation, based on set risk tolerance levels. Risk management is embedded at all levels in the organisation.

LOOKING AHEAD / FUTURE PROSPECTS, CUSTOMERS AND AMBITIONS

The future prospects for Companies House and our customers are exciting and ambitious. That means the challenges, including the pressure on our finances, will be tough. Our vision is to be a world-class information provider. To achieve this, we must continue to place customers at the centre of our business, delivering services they find easy to use. Over the next five years we will deliver our vision for customers through a new, integrated online service. This will provide an interactive environment where companies can access and update their records seven days a week, and where we are able to target reminders to ensure timely compliance. We will provide flexible, efficient and cost-effective search services, which will suit a wide range of customers.

In supporting this we will change our internal processes so that they focus on processing data rather than paper. We have excellent staff who know our old processes very well and offer high service levels to customers. As our requirement for processing skills changes, we will retrain our staff to develop their customer support skills and broaden their knowledge of the business. As ever, the key to our future success will be our staff.

We will continue to work actively at the heart of joined-up government, seeking opportunities to work in partnership with others to share services and simplify the business of dealing with government. As the primary source of company information in the UK we will ensure integrity of the register by educating directors, so that they understand and fulfil their responsibilities, and by working with industry groups and professional bodies.

The basis for all this improvement is a combination of improvements in legislation delivered by the Company Law Reform Bill and cost reductions passed on to customers, made possible by the development of a fully electronic core business. As a trading fund we will be adjusting our fees structure to reflect the changes in the way we process information and interact with customers.

This transformation will take place over the next few years and, as part of this, our priorities for 2006/07 are to:

- implement our new internal processing system (CHIPS);
- expand e-service delivery and take-up;
- develop our new customer proposition;
- prepare for the Company Law Reform Bill; and
- maintain high customer service levels.

The public targets for 2006/07 for Companies House are:

- To ensure that Companies House Direct, WebCheck and Web-Filing are available for 99% of the time between the hours of 7am and midnight, Monday to Saturday.
- To achieve 40% take-up for electronic submission of documents by the end of 2006/07 and 75% take-up by the end of 2007/08.
- To achieve, on average, a monthly compliance rate for accounts submitted of 95.5%.
- To ensure that of 99.5% of images placed on the Companies House image system are legible.
- To achieve for 2007/08, a reduction in real terms of 10% compared to 2004/05 in the unit cost of the range of transactions covering registration, company search and active register size.
- To achieve a score of more than 85% in each quarterly Companies House Customer Satisfaction Survey.
- To resolve 97% of complaints within five days.



Claire Clancy
Chief Executive
10 July 2006

REMUNERATION REPORT /

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on senior salaries. The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975. In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the government's departmental expenditure limits;
- the government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com

SERVICE CONTRACTS

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

During 2005/06 there were no new appointments. Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk

Senior managers, not members of the senior civil service, remuneration is set as part of the Companies House pay negotiations.

SALARY

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by Companies House and thus recorded in these accounts.

BENEFITS IN KIND

No senior manager received a benefit in kind in 2005/06.

PERFORMANCE PAY

All staff, including senior managers (non-senior civil servants), are eligible to participate in the corporate bonus scheme. The scheme is available to all staff not subject to formal disciplinary letters within the period. The scheme is based on target and productivity elements and is a maximum of 7% of earnings for a senior manager. Senior civil servants performance pay is determined by the senior pay committee of the Department of Trade and Industry.

The salary and pension entitlements of the senior managers of Companies House in the year to 31 March 2006 are as follows:

	Salary including performance pay (2005/06)	Salary including performance pay (2004/05)	Real increase in pension and lump sum at age 60	Total accrued pension at age 60 at 31/03/06 and related lump sum	CETV at 31/03/05	CETV at 31/03/06	Real increase in CETV funded by employer
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Claire Clancy Chief Executive	90-95	85-90	0-2.5 5-7.5	25-30 85-90	361	511	40
Eileen Heasman Human Resources Director	60-65	55-60	0-2.5 0-2.5	5-10 25-30	155	205	16
Jack Mansfield Finance Director	55-60	55-60	0-2.5 0-2.5	5-10 25-30	156	206	14
Mark Pacey e-Transformation & Technology Director (left: June 2005)	10-15	55-60	0-2.5 0	5-10 5-10	72	88	0
Tim Moss Corporate Strategy Director	**75-80	*35-40	0-2.5 2.5-5	0-5 5-10	17	40	15
Tom Smith Customer Delivery Director	55-60	*25-30	0-2.5 2.5-5	10-15 30-35	81	136	18
Paul Coombs Central Operations Director	55-60	*25-30	0-2.5 0	0-5 0	4	18	10

Senior managers have been defined using the definition of "key management" contained within FRS8 Related Party Transactions: "Those persons in senior position having authority or responsibility for directing or controlling the major activities of the reporting entity"

- * Tim Moss figures quoted are from 26/07/04
- * Tom Smith figures quoted are from 13/09/04
- * Paul Coombs figures quoted are from 27/09/04
- ** Salary includes arrears of pay relating to 2004/05

REMUNERATION REPORT / CONTINUED

CIVIL SERVICE PENSIONS

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002, calculated broadly in the same way as in classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

CASH EQUIVALENT TRANSFER VALUES

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the

benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements, and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

REAL INCREASE IN CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

COMPANIES HOUSE STEERING BOARD

In addition, independent members of Companies House Steering Board received fees totalling £30,100 (2004/05: £31,400). There were five independent members in 2005/06 (2004/05: six).



Claire Clancy
Chief Executive
10 July 2006

ACCOUNTS 2005/06

Government Trading Funds Act 1973

COMPANIES HOUSE ACCOUNTS 2006

The accounts for Companies House for the period 1 April 2005 to 31 March 2006, together with the report of the Comptroller and Auditor General thereon, prepared pursuant to Section 4(6) of the Government Trading Funds Act 1973, as amended by the Government Trading Act 1990.

In continuation of House of Commons Paper No. HC1334, Parliamentary Session 2005/2006

Presented pursuant to Government Trading Funds Act 1973, c.63, s4(6)

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FOREWORD TO ACCOUNTS

The attached accounts have been prepared in accordance with a direction by the Treasury in pursuance of section 4(6) of the Government Trading Funds Act 1973.

They are accompanied by the Comptroller and Auditor General's Report.

HISTORY

Companies House became an executive agency on 3 October 1988 as part of the Government's Next Steps initiative. The agency subsequently took on a range of delegated powers from the Department of Trade and Industry, relating to finance, personnel and support services. It commenced operating as a Trading Fund on 1 October 1991.

This has provided a financial framework outside Vote finance, covering all operating costs and receipts, capital expenditure, borrowing and the Fund's net cash flow. It provides greater flexibility and greater delegated responsibility.

STATUTORY BACKGROUND

Major UK legislation under which the agency operates includes the accounting requirements of the Companies Acts.

PRINCIPAL ACTIVITIES

Companies House has two main areas of activity:

- information registration, including the incorporation and striking off of companies and maintaining a register of the documents delivered under companies, insolvency and related legislation;
- information provision to the public on companies, for which purpose we enforce compliance with the statutory requirements on registered companies. This is available to customers in a variety of formats. Companies House continues to develop its business along quasi-commercial lines within the framework agreed by Ministers and Treasury Guidelines.

FINANCIAL BACKGROUND

Companies House was established through the introduction of "public dividend capital" and three 15-year loans from the Department of Trade and Industry. The loans were provided at fixed interest rates and the remaining balances are shown in note 16. The largest source of financing for Companies House is now the retained surplus that has been built up through yearly surplus/deficits since commencing trading fund status in October 1991. Land and buildings are valued at £25.5m, and the development of the CHIPS project (which is to replace the core information process system) continues and has been disclosed as part of assets under construction in note 5.

RESULTS AND APPROPRIATIONS

The operating surplus on ordinary activities was £4.7m (2004/05:£2.2m). After charging interest payable of £54k (2004/05:£95k) and declaring dividends payable of £1.7m (2004/05:£1.6m), a net surplus for the year of £2.9m remained and was added to the retained surplus which at 31 March 2006 was £26.4m.

BUSINESS REVIEW

As reported in Note 2, the fees order which came into effect in February 2005 set fees to recover the changing cost structure of Companies House going forward. The new fee schedule generated £55.9m in registration fees (a 35% increase compared to 2004/05) to recover the increasing unit cost of processing paper forms and the cost of additional work involved in maintaining the growing register. Income from company searches was £11.7m, a decrease of 18% on 2004/05.

Overall workload increased by 8% compared to 2004/05.

The final increment of a 3-year pay deal and additional pension contribution rates added to staff costs per head and average staff numbers employed across the year increased by 2% compared to 2004/05 (note 3). By year end, however, reductions in staff numbers were achieved as benefits began to feed through from ongoing investment in electronic registration and other gains in efficiency. In future years, efficiency targets for the medium term together with further developments in electronic registration will drive significant reductions in full-time equivalent staff numbers engaged in processing activities. The policy of Companies House is to reduce staff numbers through redeployment to other jobs outside the organisation and employing cost-effective voluntary schemes. A limited voluntary early retirement scheme was implemented before this year-end-costing just under £1m.

Other operating charges were slightly lower than last year, reflecting the positive financial result of sound investment decisions.

Increasing levels of capital investment in recent years has given rise to higher depreciation charges in 2005/06. As described in note 5, an impairment review of the CHIPS project carried out at year-end resulted in a write down of £4.6m in the carrying value of the project, in accordance with our accounting policy. The impairment adjustment was necessary because aspects of the early development work, carried out before we changed our development approach and brought CHIPS in-house, had to be reworked. In accordance with the Companies House accounting policy, the cost of this work, while properly incurred as part of the early phases of the development, no longer added to the fair capital value of CHIPS.

Capital expenditure was £12.4m, of which £9.7m was incurred on the CHIPS project during the year. The expenditure to date on this project is £30.1m and a more detailed analysis is shown in note 5. Other capital expenditure of £1.6m was incurred on several other IT projects within Companies House's programme of electronic transformation.

CASH BALANCES

Net cash inflow for the year was £1.1m taking cash balances at this year-end to £10.8m. Cash outflow on development and restructuring is expected to accelerate over the next few years and we anticipate, therefore, our cash balances will be substantially consumed over that timescale. In 2005/06, through prudent management, we have maintained the level of our reserves in order to finance future developments. These cash reserves will be used to fund investment and restructuring in connection with the electronic transformation of Companies House over the next few years. Cash balances are managed, in accordance with Treasury guidelines, via deposit arrangements made with the National Loans Fund, which provides higher rates of interest income than those available on current accounts.

VALUE OF LAND AND BUILDINGS

The independent valuation of the freehold land and buildings at Crown Way, Cardiff as at the end of this financial year resulted in a revaluation surplus of £6.1m. More information on this is provided in notes 5 and 9.

AUDIT SERVICE

The statutory external audit was performed by the Comptroller and Auditor General at a cost of £36k for the 2005/06 reporting period.

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

PAYMENT POLICY

It is Companies House policy to pay all invoices not in dispute within 30 days or the agreed contracted terms if otherwise specified. The out-turn (as reported in note 18) was 100% (2004/05:100%).

POLITICAL AND CHARITABLE GIFTS.

No political or charitable gifts were made from Companies House funds during the year.

EMPLOYEE ISSUES

The involvement of our employees is seen as a key element in the success of the organisation. Regular cascade briefings, a staff magazine, newsletters and a range of ad hoc briefings and plenary meetings are all aimed at aiding communication and commitment. Companies House is committed to a policy of equal opportunities. We employ an Equal Opportunities Adviser whose responsibilities include assisting the career development of disabled staff. Disability is not regarded as a bar to recruitment or advancement. Selection is based upon the individual's ability to do the job.

Companies House is committed to the promotion of a safety culture throughout the organisation and of safe attitudes. A safe environment is provided for staff and visitors in line with its statutory obligations. New members of staff are given basic induction training in Health and Safety issues. During the year specialised training on safe manual handling, safe use of VDU equipment and safe handling of chemicals was given once staff had taken up their post. Risk assessments were carried out in accordance with the Management of Health and Safety at Work Regulations. Accident reporting and investigation procedures have been reviewed in accordance with the Woolf reform. Health and Safety procedures are under review to reflect the updating of legislation.

COMPANIES HOUSE BOARDS

At 31 March 2006 the Executive Directors of the Agency were:

Claire Clancy	Chief Executive
Jack Mansfield	Finance Director
Eileen Heasman	Human Resources Director
Tim Moss	Corporate Strategy Director
Paul Coombs	Central Operations Director
Tom Smith	Customer Delivery Director

The following served as an Executive Director during the year under review:

Mark Pacey	e-Transformation & Technology Director (left: June 2005)
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STEERING BOARD

In addition to the Chief Executive, at 31 March 2006 the Steering Board members were:

Ian Percy	Independent Chairman
Peter Mason	DTI member
David Evans	DTI member
Geoff Dart	DTI member
Nigel Paul	Independent member
Mike Hathorn	Independent member
Dan Bernard	Independent member
Alex Jablonowski	Independent member



Claire Clancy
Chief Executive
10 July 2006

STATEMENT OF COMPANIES HOUSE'S AND THE ACCOUNTING OFFICER'S RESPONSIBILITIES

Under section 4(6) of the Government Trading Funds Act 1973, the Treasury has directed Companies House to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year-end, and of its income and expenditure, recognised gains and losses, and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Treasury has appointed the Chief Executive of Companies House as the Accounting Officer for the Agency. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, and for safeguarding the Agency's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL WITHIN COMPANIES HOUSE

SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Companies House policies, aims and objectives, as agreed while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

I am advised by:

The Companies House Steering Board. Membership of the Steering Board includes an independent Chairman, four independent members and senior officials from the DTI. It is attended by all of the Agency's Executive Directors and meets quarterly to advise on strategic issues.

The Audit Committee, which reports to the Steering Board. Membership of the Audit Committee includes three independent members (one of whom is the Chairman) and myself. Meetings are attended by the Finance Director of Companies House, a senior representative from DTI Finance Directorate, DTI Internal Audit, our External Auditors and, as independent expert, the Finance Director of the DVLA. The Audit Committee meets four or five times a year; at least once a year all executive directors attend the Audit Committee.

The Executive Directors of Companies House who meet as a Main Board on a bi-monthly basis to set the direction for Companies House, maintain overall stewardship and governance, and ensure the Agency's organisational capacity to deliver. There are also three Management Boards: – The Agency Services Board, The Business Delivery Board and a Strategy Panel who:

- take decisions about issues and policies with short and medium term impact (e.g. within a business planning annual cycle);
- review performance and initiate appropriate action by groups;
- stimulate and consider new ideas and ensure that they are taken forward in the most effective way by groups; and
- engage in the creation and implementation of strategy.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Companies House policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Companies House for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

CAPACITY TO HANDLE RISK

Management has taken a lead in embedding risk management throughout the organisation. A risk management policy that forms part of Companies House's internal control and corporate governance arrangements has been designed to be consistent with best practice during the year to ensure:

- effective risk management takes place in the corporate, operational and support functions and projects;
- all management and staff are aware of risk management and their responsibilities for managing risks;
- Companies House complies with the requirements of HM Treasury and DTI in operating a sound risk management framework as part of our internal control environment.

The Assurance, Risk and Consultancy Team provides ongoing support, training and facilitation to the risk management process and provides specific advice and guidance on the management of risk.

The Risk and Control Framework

A framework of formal risk management operates at the corporate level, led by the Companies House Main Board.

Additionally a framework of formal risk management operates:

- in all projects and programmes, with responsibility with the project and programme boards. Programme Boards have responsibility for ensuring that projects reporting to it are applying the risk management process;
- in all operational and support departments. Management in each department has responsibility for ensuring risks are being effectively managed in accordance with Companies House policy;
- in the Information Security Forum, which provides a link between the corporate process and the technical risk management carried out as part of BS7799.
- in the Management Boards. Each of the Boards has responsibility for managing key risks within their scope. These may be identified from within the business and escalated to the relevant Board via the Assurance, Risk and Consultancy (ARC) team and the relevant Director, or may be originated by the Board itself if identified at that level. The Boards are further required:
 - to be responsible for the oversight and management of risk at Companies House;
 - to review and update the Companies House Risk Register at each meeting;
 - to seek evidence on matters related to the management of risk so that there is formal assurance that appropriate measures are in place;
 - to provide guidance on risk management, financial management and control in accordance with best practice;
 - to ensure that risk management is embedded within Companies House; to satisfy the requirements of internal or external auditors; consider any resource implications; and advise on sources of audit services and consulting;
 - to carry out recommendations agreed with Internal Audit and the National Audit Office in relation to risk.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL WITHIN COMPANIES HOUSE / CONTINUED

The risk management policy encourages the taking of controlled risks designed to maximise new opportunities and to promote the use of innovative approaches to further the interests of Companies House and to achieve its objectives, provided the resultant exposures are within our documented risk appetite range. The risk appetite levels are set by combining the impact and probability levels of residual risk and defining a response for each. Companies House works in partnership with DTI Internal Audit Unit, operating to Government Internal Audit Standards. The work of the Internal Audit Unit is informed by an analysis of risk to which Companies House is exposed and annual audit plans based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Audit Committee and approved by me. At each financial year-end the Head of Internal Audit provides me with a report on the internal audit activity at Companies House. This report contains an opinion on the adequacy and effectiveness of our internal controls, and the management processes in place to control risk.

REVIEW OF EFFECTIVENESS

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Executive Directors within Companies House who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and the Management Boards, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Each of the Executive Directors considers the significant risks they manage directly and provides me at the year-end with a written formal assertion comprehensively covering the internal controls in each of their Directorates. These assertions are reviewed at a meeting of all the Directors and the DTI Auditors. The assertions are also reviewed by Internal Audit and the outcome of this review is reported to the Audit Committee. This provides me with strong assurance that appropriate mechanisms are in place throughout Companies House.

We have continued with the programme to deliver the Companies House Information Processing System (CHIPS) and the initial development phase has been completed. The assurance programme has addressed particular technical and delivery issues and reviewed the management of the programme. Significant risks remain, which could impact on delivery, timing or costs, but these are being managed as they are identified. Our aim to implement CHIPS within the 2006/07 financial year therefore remains achievable.

In summary, my review indicates that there were no significant control weaknesses during the year. My review of the effectiveness of the system of internal control is informed by the work of Internal Audit, the Audit Committee and those within Companies House who have responsibility for the development and maintenance of the internal control framework, together with comments made by external auditors in their management letters.



Claire Clancy
Chief Executive
10 July 2006

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of Companies House for the year ended 31 March 2006 under the Government Trading Funds Act 1973. These comprise the Operating Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

RESPECTIVE RESPONSIBILITIES OF COMPANIES HOUSE, THE CHIEF EXECUTIVE AND AUDITOR

Companies House and the Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Companies House's and the Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament, and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if Companies House has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 25 and 26 reflects Companies House's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of Companies House's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises Our Business, Joint Statement, Management Commentary, the unaudited part of the Remuneration Report, Foreword to accounts, Key Statistics, Government Agency Performance Grid, Public Targets, Governance and the Organisation Chart. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

OPINIONS

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Trading Fund Act 1973 and directions made thereunder by HM Treasury, of the state of Companies House's affairs as at 31 March 2006 and of its surplus for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Fund Act 1973 and HM Treasury directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
14 July 2006

COMPANIES HOUSE TRADING FUND

Operating account for the year ended 31 March 2006

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Income			
Fees and charges		67,514	55,125
Other operating income		1,706	1,811
	2	69,220	56,936
Expenditure			
Staff costs	3	31,543	26,546
Depreciation and impairment	5	8,115	3,124
Other operating charges		25,299	25,656
		64,957	55,326
Operating surplus before interest	6	4,263	1,610
Interest receivable	7	473	589
Operating surplus on ordinary activities		4,736	2,199
Interest payable & finance costs	7	(54)	(95)
Surplus for the year		4,682	2,104
Dividend	8	(1,747)	(1,602)
Retained surplus for the year	14	2,935	502

All operations are classed as continuing

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Surplus on ordinary activities for the year after dividend		2,935	502
Net unrealised surplus on revaluation of fixed assets	9	6,138	6
Total gains and losses recognised since last Annual Report		9,073	508

The notes on pages 31 – 39 form part of these accounts

COMPANIES HOUSE TRADING FUND

Balance sheet as at 31 March 2006

	Note	£'000	As at 31 March 2006 £'000	As at 31 March 2005 £'000
Fixed assets				
Tangible fixed assets	5	50,855		40,661
			50,855	40,661
Current assets				
Debtors	10	4,516		3,811
Bank balances and cash in hand	11a	10,750		9,676
		15,266		13,487
Creditors				
Falling due within one year	12	(9,919)		(7,550)
Net Current Assets			5,347	5,937
Total assets less current liabilities			56,202	46,598
Provisions for liabilities and charges	13		(970)	(54)
			55,232	46,544
Financed by:				
Capital and reserves (Government Funds)				
Public Dividend Capital	14	15,889		15,889
Long-term loans	16	-		385
Revaluation reserve	9	12,920		6,782
Retained surplus	14	26,423		23,488
			55,232	46,544



Claire Clancy
Chief Executive
10 July 2006

COMPANIES HOUSE TRADING FUND

Cash flow statement for the year ended 31 March 2006

	Note	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Net cash inflow from operating activities	15(a)	13,249	6,857
Returns on investment and servicing of finance			
Interest received	15(c)	474	579
Interest paid	15(d)	(66)	(105)
Dividend paid	8	(102)	(1,683)
Net cash inflow/outflow from returns on investment and servicing of finance		306	(1,209)
Capital expenditure and financial investments			
Payments to acquire tangible fixed assets	15(b)	(12,096)	(8,812)
Net cash outflow from capital expenditure and financial investments		(12,096)	(8,812)
Net cash inflow/outflow before financing		1,459	(3,164)
Financing			
Long term loan repayments	16	(385)	(384)
Increase/Decrease in bank balances and cash in hand	11(a)	1,074	(3,548)
Opening bank balance and cash in hand		9,676	13,224
Closing bank balance and cash in hand		10,750	9,676

COMPANIES HOUSE TRADING FUND

Notes to the accounts for the year ended 31 March 2006

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of accounting

The accounts have been prepared in accordance with the historical cost convention modified to include revaluation of tangible fixed assets (where material) in a form determined by HM Treasury in accordance with section 4(6) of the Government Trading Funds Act 1973. These accounts conform insofar as is practicable and appropriate with United Kingdom Accounting Standards, the Companies Act 1985 and Trading Funds Accounts Guidance, as issued by HM Treasury.

(b) Revaluation and depreciation of fixed assets

The minimum value for capitalisation of expenditure is £2,000 for an individual asset. Where appropriate, assets falling below the threshold are capitalised as groups.

As stated above, fixed assets are revalued (where material) in accordance with HM Treasury requirements. Land and buildings are revalued triennially by an independent external valuer, using the existing use method, and in intervening years using an appropriate index.

Other fixed assets are revalued annually, using appropriate indices supplied by the Office for National Statistics. Revaluation gains or losses are treated in accordance with FRS 15.

Depreciation is provided on a straight line basis on all tangible fixed assets (other than freehold land) at rates calculated to write down the cost or valuation of each asset to its residual value, evenly over its expected useful life, as follows:

Freehold buildings – over 50 years
Leasehold improvements – over 3 years
IT equipment – over 2 to 5 years
Plant and machinery – over 4 to 10 years
IT projects - over 4 to 10 years

(c) Replacement of the core information processing system (CHIPS)

In accordance with FRS 15, the policy on expenditure incurred on the replacement of the core information processing system is to capitalise only costs directly attributable to bring it into working condition.

The labour costs of our own employees (note 3) arising directly from the construction of the specific tangible fixed asset along with contract and agency staff are capitalised as directly attributable costs.

Administration and other general overhead costs are excluded from the cost of the tangible fixed asset. Where costs are not treated as directly attributable, they are charged to the operating account.

The costs of phase 1 and 2 of the project which were incurred between the 00/01 and 02/03 financial years were treated as pre-development research costs and charged to the operating account. Phase 3 of the project that specifically relates to the design and production of the system is treated as capital expenditure. Initially the capitalisation of expenditure is shown as an asset in the course of construction. Once a software release is achieved, the release cost is taken to IT assets constructed and depreciated in line with the policy described in (b) above.

The depreciation rates specifically applied to these assets are:

IT asset hardware – 4 years
IT asset development costs – 5 years

Review of capitalised costs

Capitalised costs are reviewed at each year-end based on our accounting policy and in the light of progress on delivery of the programme.

Other development projects

Other development project expenditure that delivers tangible benefits to our services to the public are capitalised where the direct costs exceed £250k. The tangible assets are depreciated over the expected useful lifespan of the benefits envisaged over a period, which is between 4 to 10 years.

For development expenditure on a project that spans more than one financial year, the expenditure is capitalised as an asset in the course of construction. An impairment review is undertaken at each year end to assess the carrying value of assets in the course of construction.

All research expenditure is written off as incurred.

(d) Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the term of the lease.

(e) Income

Income, which excludes value added tax, represents fees and charges in respect of services provided. Included in income is an amount recovered from the Department of Trade and Industry for running costs incurred by Companies House in respect of the charging, administration and collection of penalties raised on companies as the result of the late filing of accounts. Miscellaneous income, for example rent receivable, is accounted for as other operating income.

(f) Taxation

As a Trading Fund Companies House is not liable for Corporation Tax.

Companies House is not registered separately for VAT, but falls within the Department of Trade and Industry registration. Irrecoverable VAT on expenditure is charged to the operating account and is capitalised in relation to purchase of fixed assets.

(g) Pension costs

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded. Companies House recognises the expected cost of providing pensions on a systematic basis over the period in which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. Further information is given in the remuneration report.

2. INCOME

(a) Segmental Reporting

All significant activities of Companies House are derived from a single legislative requirement, the Companies Acts, and consequently are considered for segmental purposes to be one single class of business.

The following information on the main activities of Companies House is produced for fees and charges purposes and does not constitute segmental reporting under Statement of Standard Accounting Practice 25.

	Turnover		Cost of services		Surplus/(Deficit)	
	2005/06	2004/05	2005/06	2004/05 (Restated)	2005/06	2004/05 (Restated)
	£m	£m	£m	£m	£m	£m
Registration activities (i)	55.9	41.4	55.2	47.6	0.7	(6.2)
Dissemination activities (ii)	11.7	14.2	9.6	7.7	2.1	6.5
Other services (iii)	1.6	1.3	1.5	1.1	0.1	0.2
Total as per operating account	69.2	56.9	66.3	56.4	2.9	0.5

- (i) Registration activities – Includes incorporation, annual registration, change of name, mortgage registration, dissolution, liquidation and recharges of costs incurred in the administration of late filing penalties.
- (ii) Dissemination activities – Includes searches delivered on paper, electronically, magnetic tape and to bulk users.
- (iii) Other services – Includes income from rentals of surplus office space.
- (iv) Cost of services includes interest payable, interest receivable and dividends payable in accordance with the cost recovery principles of the Treasury's Fees and Charges Guide.
- (v) Support costs are apportioned based on the usage made by the main service providers; otherwise, by floor area.
- (vi) The cost of the impairment review for CHIPS has been apportioned to registration and dissemination activities in proportion to income on the basis that the replacement of the company register is designed to benefit all services. The cost of the voluntary early retirement scheme has been charged to those services which employed the respective staff concerned when they opted to take advantage of the scheme.

As was indicated in last year's accounts, a new fee structure was implemented under the fees order that became effective on 1 February 2005. This year's segmentation reflects this new fees structure and, for comparative purposes, the prior year's segmentation has been restated. The new fee structure was set to recover the cost of services going forward, in accordance with the Treasury's Fees and Charges Guide, and takes into account the changing cost structure resulting from Companies House's migration to electronic registration, growth in the companies register and the significantly lower unit cost of delivering electronic company searches. The overall costs attributed to dissemination of company information have decreased significantly because over 95% of all company searches are delivered electronically. On the other hand, costs allocated to labour intensive paper-based registration have increased significantly because of the higher unit costs associated with manual processing of paper forms.

Lower fees for company search, introduced in February 2005, had the effect of increasing demand for dissemination activities in 2005/06 more sharply than we had predicted. The resulting surplus derived from these services for the year has therefore exceeded the targeted average rate of return. If, over time, income were to continue to exceed costs we would need to lower fees further in accordance with Fees and Charges Guide principles.

(b) Late Filing Penalties

Late filing penalties received are surrendered directly to HM Treasury and do not form part of the Trading Fund Income. The amounts collected by Companies House in 2005/06 were £30.3m (2004/05:£32m).

Included in income is £3.6m recovered from the Department of Trade and Industry for the running costs incurred in the charging, administration and collection of late filing penalties raised (2004/05:£3.1m).

3. STAFF COSTS

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

	2005/06 Total Employees	Full time Equivalent Posts	2004/05 Total Employees	Full time Equivalent Posts
3(a) Staff numbers by location				
Cardiff	1,284	1,150	1,244	1,127
Edinburgh	41	39	38	36
London	9	9	9	9
	1,334	1,198	1,291	1,172
3(b) Staff numbers by activity				
Central Operations & LFP	834	729	828	721
IT Services	172	167	153	153
Finance, HR, Policy, Marketing & Customer Services	322	296	303	291
Senior Management	6	6	7	7
	1,334	1,198	1,291	1,172
Staff on capital projects (included above)	57	56	61	58

The number of full time equivalent civil servant staff employed was 1,198 (2004/05:1,172)

	2005/06	2004/05
Total number of contract staff	78	39
Contract staff on capital projects (included above)	66	24
3(c) Staff costs (for the above persons)		
	2005/06 £'000	2004/05 £'000
Salaries	25,869	23,652
Voluntary Early Retirement Scheme	955	-
National insurance	1,780	1,629
Pension costs	4,174	2,824
Contract staff	7,821	3,164
Capitalised staff costs (included above)	(2,240)	(2,158)
Capitalised contract staff project costs (included above)	(6,816)	(2,565)
Staff costs per operating account	31,543	26,546

4. PENSIONS

For 2005/06, the banded charges averaged 17.6% of pensionable pay for permanent staff (2004/05:12.9%). This equates to a charge for the year of £4.2m (2004/05:£2.8m), at one of the four rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands. The increase in banded charge this financial year is due to an increase in the rates in 2004/05 of between 12 and 18.5 per cent. The rates will increase in 2006/07 to between 17.1 and 25.5 per cent, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The date of the last actuarial valuation was 31 March 2003. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Companies House has prepaid certain redundancy and early retirement costs, which are disclosed more fully in note 13. All other liabilities incurred in the year were satisfied by the year-end.

5. TANGIBLE FIXED ASSETS

	Freehold land & buildings	Leasehold improvement	Plant & machinery	IT assets constructed & computer equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Revaluation						
At 1 April 2005	20,000	631	2,193	13,123	13,434	49,381
Additions	-	92	132	851	11,292	12,367
Disposals/Retired	-	-	(2)	(55)	-	(57)
Asset transfer	-	-	-	193	(193)	-
Revaluation at end of year (Note 9)	5,500	-	(11)	(953)	-	4,536
At 31 March 2006	25,500	723	2,312	13,159	24,533	66,227
Depreciation						
At 1 April 2005	320	105	1,662	6,633	-	8,720
Provided during year	320	228	189	2,758	-	3,495
Impairment	-	-	-	836	3,784	4,620
Disposals/Retired	-	-	(2)	(55)	-	(57)
Revaluation at end of year (Note 9)	(640)	-	(9)	(757)	-	(1,406)
At 31 March 2006	-	333	1,840	9,415	3,784	15,372
Net Book Value at 31 March 2006	25,500	390	472	3,744	20,749	50,855
Net book value at 31 March 2005	19,680	526	531	6,490	13,434	40,661

As at 31 March 2006 £30.1m has been capitalised in respect of the replacement of the core information processing system (CHIPS). During 2005/06 £9.7m of directly attributable expenditure was capitalised within assets in the course of construction.

In accordance with policy an impairment review of the capitalised project costs for CHIPS was carried out at year-end. This review concluded that certain capitalised costs properly incurred on the development of early phases of work done prior to bringing CHIPS in-house, which had required considerable reworking and recoding in 2005/06, could no longer be considered, in accordance with accounting policy, to be directly attributable to bring CHIPS into working condition and therefore no longer represented fair capital value to the project. A total of £4.6m was written off as a result of the impairment review. The write-off of £4.6m meets the Government accounting definition of a constructive loss.

The land and buildings were valued as at 31 March 2006 by Messrs DTZ Debenham Thorpe on the basis of existing use, as set out in the RICS Appraisal and Valuation Manual. This basis is appropriate for use when valuing, for financial statements, property that is occupied for the purposes of the business operating within it.

All other assets have been revalued using appropriate pricing indices.

6. OPERATING SURPLUS

	2005/06 £'000	2004/05 £'000
This is stated after charging the following:		
Audit Remuneration		
- Audit Services	36	35
- Other Services	-	-
Loss on disposal of fixed assets	-	-
Travel, subsistence & hospitality:		
Chief Executive and Senior Managers	19	23
Employees	474	525
Hire of assets (property rental)	1,051	1,205
And after crediting:		
Rental income	1,289	1,184

7. INTEREST

	2005/06 £'000	2004/05 £'000
Short-term daily interest receivable from the Paymaster General's Office and National Loans Fund	473	589
Interest payable on unsecured loans from the Department of Trade and Industry repayable wholly or partly in more than 5 years by installments	(53)	(91)
Unwinding of discount on early retirement provision	(1)	(4)
	(54)	(95)

8. DIVIDEND

A dividend of £1.7m (2004/05: £1.6m) was payable to the Department of Trade and Industry. The dividend is calculated as 3.5% of average capital employed and reflects the average annual return required by the Treasury Minute dated 12 October 2004.

9. REVALUATION RESERVE

	Land & buildings £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Balance brought forward 1 April 2005	6,776	6	-	6,782
Revaluation of fixed assets at 31 March 2006 – Cost	5,500	(11)	-	5,489
Revaluation of fixed assets at 31 March 2006 – Depreciation	640	9	-	649
Reversal of previously recognised impairment loss credited to the operating account	-	-	-	-
Transfer to retained surplus	-	-	-	-
Balance carried forward 31 March 2006	12,916	4	-	12,920

10. DEBTORS

	31 March 2006 £'000	31 March 2005 £'000
Trade debtors	2,092	1,610
Other debtors	1,251	1,057
Prepaid expenditure	748	839
Amounts due from the DTI	425	305
	4,516	3,811

No amounts fall due after more than one year (2004/05: nil).

11. MOVEMENT IN NET FUNDS

(a) Reconciliation of Movement in Net Funds

	At 1 April 2005 £'000	Cash flows £'000	Other changes £'000	At 31 Mar 2006 £'000
Bank balance and cash in hand	9,676	1,074	-	10,750
Loan due after 1 year	(385)	-	385	-
Loan due within 1 year	(384)	385	(385)	(384)
Total	8,907	1,459	-	10,366

(b) Reconciliation of Net Cash Flow to Movement in Net Funds

	2005/06 £'000	2004/05 £'000
Increase/Decrease in cash in the period	1,074	(3,548)
Movements in loans	385	384
Net funds at beginning of year	8,907	12,071
Net funds at end of year	10,366	8,907

12. CREDITORS: AMOUNT FALLING DUE WITHIN ONE YEAR

	31 March 2006 £'000	31 March 2005 £'000
Current installments of long term loans	385	385
Trade creditors	395	648
Accruals and customer prepayments	6,342	5,369
Social Security	969	564
Other creditors	81	482
Dividend payable	1,747	102
	9,919	7,550

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Note	Early retirement £'000
Balance at 31 March 2005		54
Transferred to current liabilities		(38)
Charged to operating account		955
Unwinding of interest	7	(1)
Balance at 31 March 2006		970

Treasury guidance requires that the full cost of early retirement and severance schemes should be recognised in the accounts when early departure decisions are made. The operating account has accordingly been charged with the full liability of new decisions taken and a balance sheet provision has been made which will be offset against the amount paid to retirees in respect of pension and related payments as they fall due between 2005 and 2015.

In accordance with FRS 12, the provisions are net of the effect of discounting at a real rate of 2.2%. The unwinding of the discount is treated as an interest charge on the operating account (see Note 7).

14. MOVEMENT IN CAPITAL AND RESERVES (GOVERNMENT FUNDS)

	Public dividend capital £'000	Long term loans £'000	Revaluation reserve £'000	Retained surplus £'000	Total £'000
Balance at 1 April 2005	15,889	385	6,782	23,488	46,544
Retained surplus for the year	-	-	-	2,935	2,935
Movement in revaluation reserve in the year	-	-	6,138	-	6,138
Transfer to current liabilities	-	(385)	-	-	(385)
Balance at 31 March 2006	15,889	-	12,920	26,423	55,232

15. NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of operating surplus to net cash inflow from operating activities

	2005/06 £'000	2004/05 £'000
Operating surplus	4,263	1,610
Depreciation and impairment charge	8,115	3,124
Adjustment for non-cash item	196	493
Net increase/decrease in provisions for liabilities and charges	916	(66)
(Increase)/decrease in debtors	(733)	291
Increase in creditors	492	1,405
Net cash inflow from operating activities	13,249	6,857

(b) Cash outflow on capital expenditure

	2005/06 £'000	2004/05 £'000
Capital expenditure accrued at previous year-end	112	817
Additions to tangible fixed assets	12,367	8,107
Accrued capital expenditure not paid for at year-end	(383)	(112)
Payments to acquire tangible fixed assets	12,096	8,812

(c) Cash inflow from interest receivable

	2005/06 £'000	2004/05 £'000
Interest receivable accrued at previous year-end	14	4
Interest earned during the year	473	589
Interest receivable not received at year-end	(13)	(14)
Net cash inflow from interest receivable	474	579

(d) Cash outflow from interest payable

	2005/06 £'000	2004/05 £'000
Interest payable accrued at previous year-end	26	40
Interest charged during the year	54	91
Interest payable not paid at year-end	(14)	(26)
Net cash outflow from interest payable	66	105

16. LONG TERM LOANS

	31 March 2006 £'000	31 March 2005 £'000
Loans are repayable as follows:		
Less than one year (see note 12)	385	385
Between one and two years	-	384
Between three and five years	-	-
	385	769

The Secretary of State for the Department of Trade and Industry made available loans at rates and terms shown below:

Amount outstanding as at 31/3/06 £'000	Original Date Issued	Period	Interest	Repayment Basis
214	1.10.91	15 years	9.750% fixed}	Equal installments of principal on six month anniversary of issue
67	1.10.91	15 years	9.750% fixed}	
104	31.3.92	15 years	10.125% fixed}	
385				

17. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases on leasehold premises are as follows:

	31 March 2006 £'000	31 March 2005 £'000
Operating leases which expire:		
Within one year	315	315
In the second to fifth years inclusive	-	-
Over five years	638	638
	953	953

18. PAYMENT POLICY

It is Companies House payment policy to pay all invoices not in dispute within 30 days or the agreed contractual terms if otherwise specified. For 2005/06 100% of invoices paid were within these limits (2004/05:100%).

19. DISCLOSURE OF INTRA-GOVERNMENT BALANCES

	31 March 2006		31 March 2005	
	creditor £'000	debtor £'000	creditor £'000	debtor £'000
Balances with other central governmental bodies	3,310	1,523	1,635	1,030
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and other trading funds	-	-	-	-

This is a new disclosure required by Treasury to disclose the value of any material debtor or creditor balances with other bodies within the whole of government accounts (WGA) boundary. This requirement has been introduced to aid preparation of information for WGA and to help understand the nature of balances between the reporting entity and the rest of the public sector.

20. FINANCIAL INSTRUMENTS

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks that Companies House faces in undertaking its activities. Financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies and financial institutions to which FRS 13 mainly applies. Companies House has very limited powers to borrow or to invest surplus funds, and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks faced in undertaking normal activities.

All of the liabilities Companies House carries are at nil or fixed rates of interest. Interest-bearing financial assets comprise cash balances which are held at floating rates of interest as defined by FRS 13. As cash is available on demand or is placed on short term deposit at fixed rates, interest rate risk is limited.

Companies House is not exposed to any liquidity risk as at 31 March 2006, neither does it carry any exposure to foreign currency risk as all fees and charges are denominated in sterling, any payments made in foreign currency being immaterial in terms of foreign exchange risk on translation.

21. PERFORMANCE INDICATORS

a) Average rate of return

As defined in the Treasury Minute of 12 October 2004, Companies House has a target to achieve a return for the five-year period from 1 April 2004 to 31 March 2009, averaged over the period as a whole, of at least 3.5% in the form of a surplus on ordinary activities before interest payable and dividends payable expressed as a percentage of capital employed.

The return achieved for the year ended 31 March 2006 was 9.2% and the return achieved since 1 April 2004 was 6.9%.

b) Unit cost reduction

Companies House has a target to reduce unit costs by 10% over the three year period 2005/06, 2006/07, 2007/08 on the range of transactions (register, search and active register size) compared to 2004/05. The unit cost is a weighted average calculation derived from the cost of each transaction range and the volume of transactions in that range.

The unit cost target and performance for 2005/06 is shown below:

	Target	v	2004/05	Actual	v	2004/05	Outturn
	£		Index	£		Index	
2004/05 Base	27.13		100.0	27.13		100.0	-
2005/06	28.76		106.0	27.32		100.7	5% better than target
2006/07	27.40		101.0	-		-	-
2007/08	24.42		90.0	-		-	-

22. RELATED PARTY TRANSACTIONS

Companies House is an Executive Agency of the DTI with Trading Fund status. The DTI is regarded as a related party and during the year Companies House has had various material transactions with the divisions of the Department. In addition, Companies House had a number of material transactions with other Central Government bodies, most of which have been with the Treasury Solicitor and the Inland Revenue. None of the Steering Board members or senior managers has undertaken any material transactions with Companies House during the year.

SCHEDULE 1 / APPLICATION OF THE COMPANIES ACTS' REQUIREMENTS

The disclosure exemptions permitted by the Companies Acts in force for the financial period for which the statement of accounts is to be prepared shall not apply to Companies House unless specifically approved by the Treasury.

1. The Foreword shall contain the information required by the Companies Acts to be disclosed in the Directors' Report, to the extent that such requirements are appropriate to Companies House.
2. In preparing its Operating Account and Balance Sheet, Companies House shall adopt respectively format 2 and format 1 prescribed in Schedule 4 to the Companies Act 1985 to the extent that such requirements are appropriate to Companies House. Regard should be had to the examples in Annex C of the Trading Accounts booklet, in particular the need to strike the balance sheet totals at "Total Assets less Current Liabilities".
3. The Foreword and Balance Sheet shall be signed and dated.

SCHEDULE 2 / ADDITIONAL DISCLOSURE REQUIREMENTS

The Foreword shall state that the accounts have been prepared in accordance with the direction given by the Treasury in pursuance of section 4(6) of the Government Trading Funds Act 1973.

1. The Foreword shall include a brief history of Companies House and its statutory background. Regard should be had to Annexes B and C of the Trading accounts booklet.
2. The Notes to the accounts shall include, inter alia:
 - (a) details of the total income received from fees levied by Companies House and how these are divided between payments to the Consolidated Fund and payments to the Trading Fund;
 - (b) details of the further financial objectives set by the responsible Minister with Treasury concurrence in accordance with section 4(1)(b) of the Government Trading Funds Act 1973, together with an indication of the performance achieved. The Treasury Minute shall be reproduced as an appendix to the accounts.

TREASURY MINUTE

DATED 12 OCTOBER 2004

1. Section 4(1) of the Government Trading Funds Act 1973 provides that a trading fund established under that Act shall be under the control and management of the responsible Minister and in discharge of his function in relation to the fund it shall be his duty:
 - (a) to manage the funded operations so that the revenue of the fund:
 - (i) consists principally of receipts in respect of goods or services provided in the course of the funded operations, and
 - (ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and
 - (b) to achieve such further financial objectives as the Treasury may from time to time, by minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
2. A trading fund for Companies House Executive Agency was established on 1 October 1991 under the Companies House Trading Fund Order 1991 (SI 1991 No. 1795).
3. The Secretary of State for Trade and Industry, being the responsible Minister, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by the Companies House Trading Fund for the 5-year period from 1 April 2004 to 31 March 2009 shall be to achieve a return, averaged over the period as a whole, of at least 3.5 per cent in the form of a surplus on ordinary activities before interest payable and dividends payable expressed as a percentage of average capital employed. Capital employed shall equate to the capital and reserves, i.e. public dividend capital, the long-term Exchequer loans and reserves.
4. This Minute supersedes that dated 22 June 2004.
5. Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.

KEY STATISTICS

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Registration activity						
Active Register (annual average, '000)	1406	1464	1555	1752	1909	2048
Active Register (year-end, '000)	1442	1492	1640	1843	1980	2118
Incorporations ('000)	236	225	322	394	334	370
Removals from the Register (net of restorations, '000)	155	163	180	182	190	199
Statutory documents filed ('000)	5938	6062	6561	7236	7021	7447

Company searches

Images ('000) – Company equivalent	995	1475	1952	2280	2609	3393
Images ('000) – Individual images	1556	2179	2864	3340	3726	4676
Fiche based ('000)	641	413	177	65	27	19
Percentage of electronic searches	61%	78%	92%	97%	99%	99%

Manpower

Average full-time equivalents (permanent / fixed term)	860	1000	995	1078	1160	1186
Casual & agency staff	117	36	50	23	12	12
Total staff	977	1036	1045	1101	1172	1198
Actual year-end full-time equivalents (permanent / fixed term)	899	1012	1009	1125	1182	1157
Casual & agency staff	94	34	4	9	16	4
Total staff	993	1046	1013	1134	1198	1161

Performance statistics

	Targets	Out-turn	Targets	Out-turn	Targets	Out-turn	Targets	Out-turn	Targets	Out-turn	Targets	Out-turn
Take-up for electronic document submission	–	–	–	–	–	–	–	–	15%	12%	35%	28%
Compliance rate – accounts and returns	–	–	–	–	–	–	–	–	92%	92%	92%	91%
Image quality	–	–	–	–	98%	95%	98%	97%	98%	100%	99.5%	99.7%
Data capture quality	96%	96%	96%	96%	96%	96%	96.5%	95.1%	96.5%	97.5%	97.5%	97.9%

GOVERNMENT AGENCY PERFORMANCE GRID

Key ministerial targets for 2006/07	Targets out turns & achievements								Targets for 2006/07
	2002/03		2003/04		2004/05		2005/06		
Efficiency and reliability									
Take-up for electronic submission of documents by end 04/05					Targets 15%	Out-turn 12%	Targets 35%	Out-turn 28.2%	40%
Compliance Rate accounts & returns					Targets 92%	Out-turn 92%	Targets 92%	Out-turn 91%	n/a
Data capture accuracy	Targets 96%	Out-turn 96%	Targets 96.5%	Out-turn 95.1%	Targets 96.5%	Out-turn 97.5%	Targets 97.5%	Out-turn 97.9%	n/a
Image quality - legibility & completeness	Targets 98%	Out-turn 95%	Targets 98%	Out-turn 97%	Targets 98%	Out-turn 100%	Targets 99.5%	Out-turn 99.7%	99.5%
Compliance rate accounts									95.5%
Unit cost reduction. Three year target reduction on the 2004/05 range of transactions by 2007/08 The target for 2005/06 was to limit the unit cost increase to 6% of the 2004/05 (base year) cost The target for 2006/07 is to limit the unit cost increase to 1% of the 2004/05 (base year) cost							Target Index 106.7	Actual Index 100.7	101
Readily and freely accessible information									
WebFiling, WebCheck and CH Direct availability (Mon – Sat, 7.00am – 12.00pm)							Targets 99%	Out-turn 99.3%	99%
Customer service									
Respond to complaints within five days	Targets 90%	Out-turn 98%	Targets 97%	Out-turn 97%	Targets 97%	Out-turn 99%	Targets 97%	Out-turn 98.6%	97%
Customer satisfaction	Targets >80%	Out-turn 81%	Targets >80%	Out-turn 85%	Targets >82%	Out-turn 86%	Targets 85%	Out-turn 85.9%	> 85%
A fully electronic operation									
By March 2006 – to provide the capability for documents it would be possible to e-enable to be submitted online							Targets 80%	Out-turn 84.4%	n/a
Central government targets									
Reply to Chief Executive's Cases within ten days	Targets 100%	Out-turn 100%	Targets 100%	Out-turn 100%	Targets 100%	Out-turn 99%	Targets 100%	Out-turn 100%	100%
Rate of return as a percentage of the average capital employed					Targets 3.5%	Out-turn 4.5%	Targets 3.5%	Out-turn 9.2%	3.5%
Payment of bills	Targets 100%	Out-turn 99.6%	Targets 100%	Out-turn 100%	Targets 100%	Out-turn 100%	Targets 100%	Out-turn 100%	100%

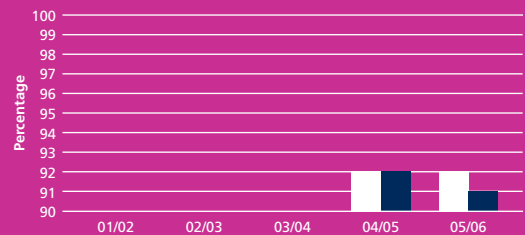
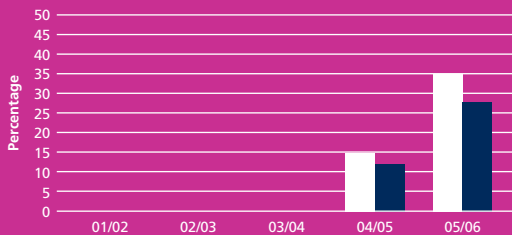
PUBLIC TARGETS

TARGET

Efficiency & Reliability
35% take-up for electronic submission of documents by end 2005/06

Efficiency & Reliability
To achieve, on average, a monthly compliance rate for accounts and annual returns submitted of 92%

HISTORICAL PERFORMANCE



OUT-TURN 2005/06

28%

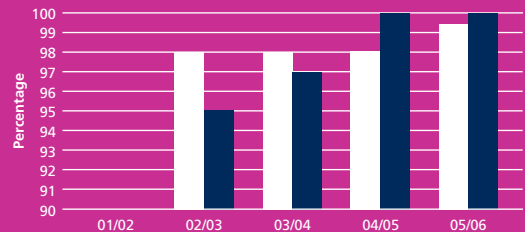
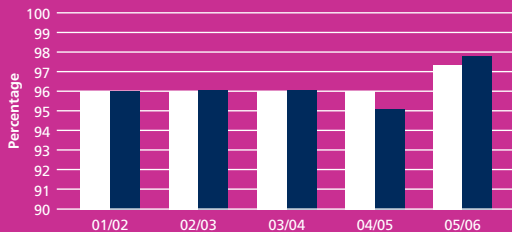
91%

TARGET

Efficiency & Reliability
To ensure that 97.5% of forms are captured error-free

Efficiency & Reliability
99.5% image quality of all images placed on the image system

HISTORICAL PERFORMANCE



OUT-TURN 2005/06

97.9%

99.7%

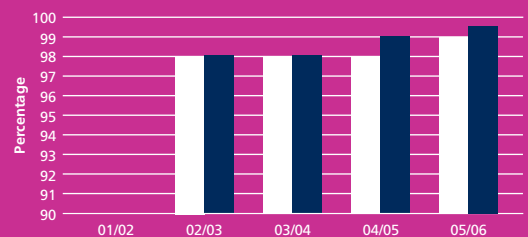
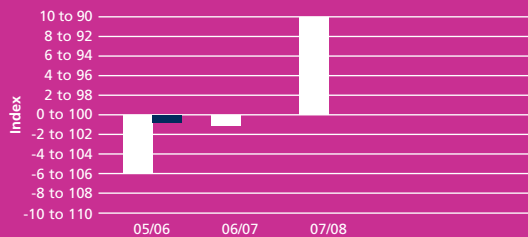
TARGET OUT-TURN

TARGET

Efficiency and reliability
Unit cost reduction on 2004/05 range of transactions (registration, searches, and active register size) by 2007/08 – 10% target

Readily & Freely Accessible Information
To ensure the WebFiling service is available to customers for a minimum of 99% between 7am and 12 midnight, Mon to Sat

HISTORICAL PERFORMANCE



OUT-TURN 2005/06

100.7

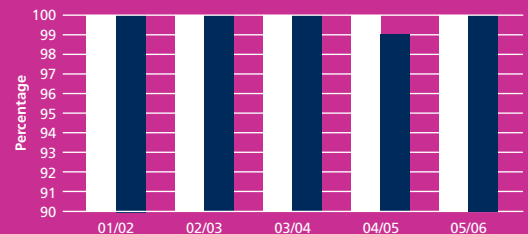
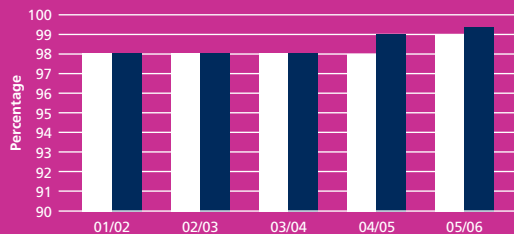
99.6%

TARGET

Readily & Freely Accessible Information
99% of all products and services to be made available on CH Direct and WebCheck between 7am and 12 midnight, Mon to Sat

Customer Service
The Chief Executive to reply to all letters from Members of Parliament delegated to her for reply within ten working days

HISTORICAL PERFORMANCE



OUT-TURN 2005/06

99.3%

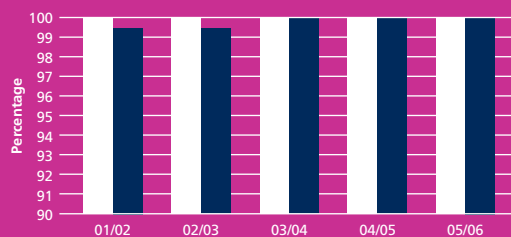
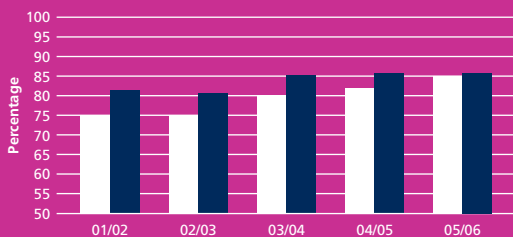
100%

TARGET

Customer satisfaction
Customer satisfaction survey results to exceed 85%

Financial
To pay all invoices within 30 days or other agreed terms

HISTORICAL PERFORMANCE



OUT-TURN 2005/06

85.9%

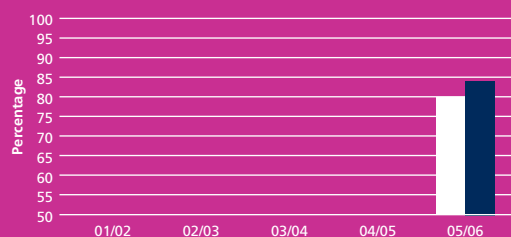
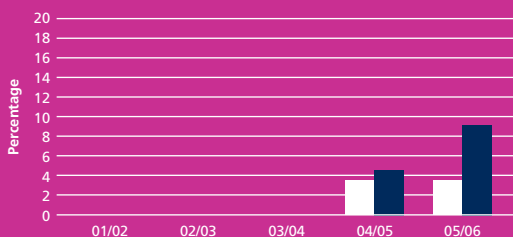
100%

TARGET

Central government targets
Rate of return as a % of the average net assets -3.5% target

A fully electronic operation
By March 2006 – to provide 80% capability for documents it would be possible to e-enable to be submitted online

HISTORICAL PERFORMANCE



OUT-TURN 2005/06

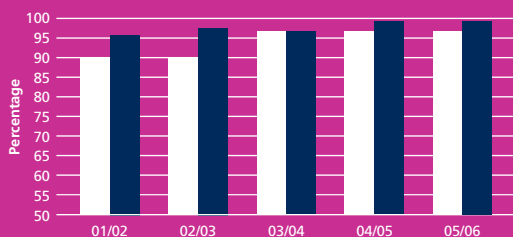
9.2%

84.4%

TARGET

Customer Service
To clear 97% of complaints within five working days

HISTORICAL PERFORMANCE



OUT-TURN 2005/06

98.6%

GOVERNANCE /

The Main Board manages the day-to-day running of the business, develops long-term strategy and makes sure that delivering excellent service to our customers continues to drive our operations.

The Main Board is supplemented by a new structure of three management boards:

- the Business Delivery Board, whose main responsibility is looking after customers and managing performance;
- the Agency Services Board, who ensure that we have the right infrastructure to support our work, such as having the appropriate IT facilities;
- the Strategy Panel, who look at our longer term strategy.

In addition, the Board is supported, advised and challenged by a Steering Board, which is led by an independent chairman and includes senior DTI personnel and independent members with a wealth of private sector experience. The Steering Board meets quarterly to provide advice on the governance of the Agency, in particular its corporate plan, targets and performance, and attends an annual away day to develop its strategic direction. The Steering Board's composition reflects our aim of drawing on best practice from the public and private sectors. Members play a vital role in our strategic planning process, and in making sure that our strategic priorities are at the forefront of our plans for delivery.

THE AUDIT COMMITTEE

The Audit Committee consists of Claire Clancy, our Chief Executive, and independent members Mike Hathorn (Chair), Nigel Paul and Alex Jablonowski. The National Audit Office and the DTI's Internal Audit Service also attend.

ACCOUNTABILITY FRAMEWORK

The Chief Executive is accountable to the Secretary of State for the day-to-day running of the Agency. She is appointed by HM Treasury as Accounting Officer for the Trading Fund, with responsibility for the propriety and regularity of its finances. Overall relationships are governed by the Companies House Framework Document and related policy statements. Financial relationships, including audit and internal control, are covered in more detail in the foreword to the annual accounts and the statement of internal control.

DATES OF STEERING BOARD AND AUDIT COMMITTEE 2005/06

Steering Board meetings: 18 May, 4 October and 5 December 2005, 23 February 2006.

Audit Committee meetings: 18 May, 29 June, 4 October and 1 November 2005, 22 February 2006.

GOVERNANCE / MAIN BOARD

CLAIRE CLANCY

Chief Executive

Claire joined Companies House in April 2002 from another DTI executive agency, the Patent Office, where she was Director of Corporate Services. Her earlier career was spent in a variety of public sector posts including Chief Executive of a Training and Enterprise Council (TEC) and Director of Policy and Planning at Companies House.

JACK MANSFIELD

Finance Director

Jack is a chartered accountant who gained experience in a range of senior financial posts in the manufacturing sector prior to joining Companies House in 1993. He became Finance Director in 1997.

EILEEN HEASMAN

Human Resources Director

Eileen joined Companies House in 2001, having gained extensive HR management experience in both the public and private sectors, including the manufacturing and electronics industries and, more recently, public services. She is a Fellow of the Chartered Institute of Personnel and Development.

MARK PACEY

Information Systems Director

Mark Pacey left Companies House during 2005. Interim arrangements are in place to cover IT requirements until implementation of the CHIPS programme at the end of 2006.





TOM SMITH
Customer Delivery Director

Tom joined us from the DTI, where, as head of the Trade Policy Strategy Unit, he was responsible for producing a White Paper on International Trade and Investment. He spent 14 years in a range of DTI policy positions: in a bill team; as a Private Secretary to the Permanent Secretary; in export promotion; and as part of the UK representation to the EU in Brussels. He has also worked for IBM in a technical support role.

TIM MOSS
Corporate Strategy Director

Tim joined Companies House after 12 years in various management roles in the manufacturing industry. During the last two years, he has led our core processing, compliance and customer service teams before taking up his current post last year as Corporate Strategy Director.



PAUL COOMBS
Central Operations Director

Paul joined Companies House in September 2004, having spent 16 years in local government. A member of the Chartered Institute of Public Finance & Accountancy (CIPFA), he has experience in managing culture change and performance management programmes in both direct and support service environments.



GOVERNANCE / STEERING BOARD



PROFESSOR IAN PERCY

Independent Chairman – Companies House Steering Board

Ian Percy is the first independent Chairman of the Companies House Steering Board and the first to be appointed to this role within the DTI. He brings a wealth of experience from a long and illustrious career in the accountancy profession. Other appointments include Deputy Chair of Weir Group plc and Ricardo plc, and directorships of a number of other companies. He is also a member of the Legal Aid Board for Scotland. Ian was a member of the Treasury and DTI Co-ordinating Committee on Accounting and Auditing issues, which reported in January 2003. He is a past president of the Institute of Chartered Accountants of Scotland, represented the UK on the International Auditing Practices Committee 1995-2000 and was Chairman of the Accounts Commission and Audit Scotland until 2000. He was awarded the CBE for services to the accountancy profession and local government in 1996. He is an Honorary Professor of Accounting at Aberdeen University.

DAVID EVANS

Steering Board DTI Member

David Evans has been acting Director General of the DTI's Services Group since March 2005. He is currently responsible for the Department's Corporate Services and also supervises the work of three of its agencies: Companies House, The Insolvency Service and the Employment Tribunals Service. He was previously the Director of Finance and Resource Management from January 2003. His other roles at the DTI have included Deputy Chief Executive of the Small Business Service, head of the Central Directorate, head of the Technology and Standards Directorate and head of the Environment Division.

GEOFF DART

Steering Board DTI Member

Geoff Dart joined the Steering Board in October 2005. He is the DTI's Director of Corporate Law and Governance and was previously the Director of the Strategy and Communications Directorate. He is responsible for company law, accounting, audit requirements and standards, and improving regulation. During his career, he has held a variety of senior civil service posts, including Principal Private Secretary to two cabinet ministers.

PETER MASON

Steering Board DTI Member

Peter Mason is the DTI's Director of Finance Policy & Support. He joined the DTI in 1973 and has occupied a wide range of posts, dealing with, among other things, the management of the DTI's liabilities following privatisation of the UK coal industry; policy towards the coal industry post-privatisation; various aspects of consumer policy and legislation; management best practice awareness campaigns; quality and design policy; competition policy; and financial services regulation.



MIKE HATHORN

Steering Board Independent Member

Mike was appointed to the Board in December 2001 and is Chairman of our Audit Committee. He is a partner in Moore Stephens, London, and is the firm's senior public sector specialist. He is also a non-executive director of a number of companies and Chairman of Baillie Gifford Shin Nippon plc. He is President of the Institute of Chartered Accountants of Scotland, a member of the Accounting Standards Board and the Public and Not-for-Profit Sector Committee, and is the UK representative and Deputy Chair of IFAC International Public Sector Accounting Standards Board.

NIGEL PAUL

Steering Board Independent Member

Nigel was appointed to the Steering Board in October 2002. He is Director of Corporate Services at the University of Edinburgh, where he is responsible for a wide range of operational and commercial activities. He also chairs the board of its commercialisation subsidiary and is a director of the Edinburgh University Press. Nigel, a chartered accountant, worked for ICI for 22 years – latterly as Finance, IT & Planning Director for one of its major international heavy chemical divisions. He also periodically works with the Leadership Trust in support of their leadership training.



DAN BERNARD

Steering Board Independent Member

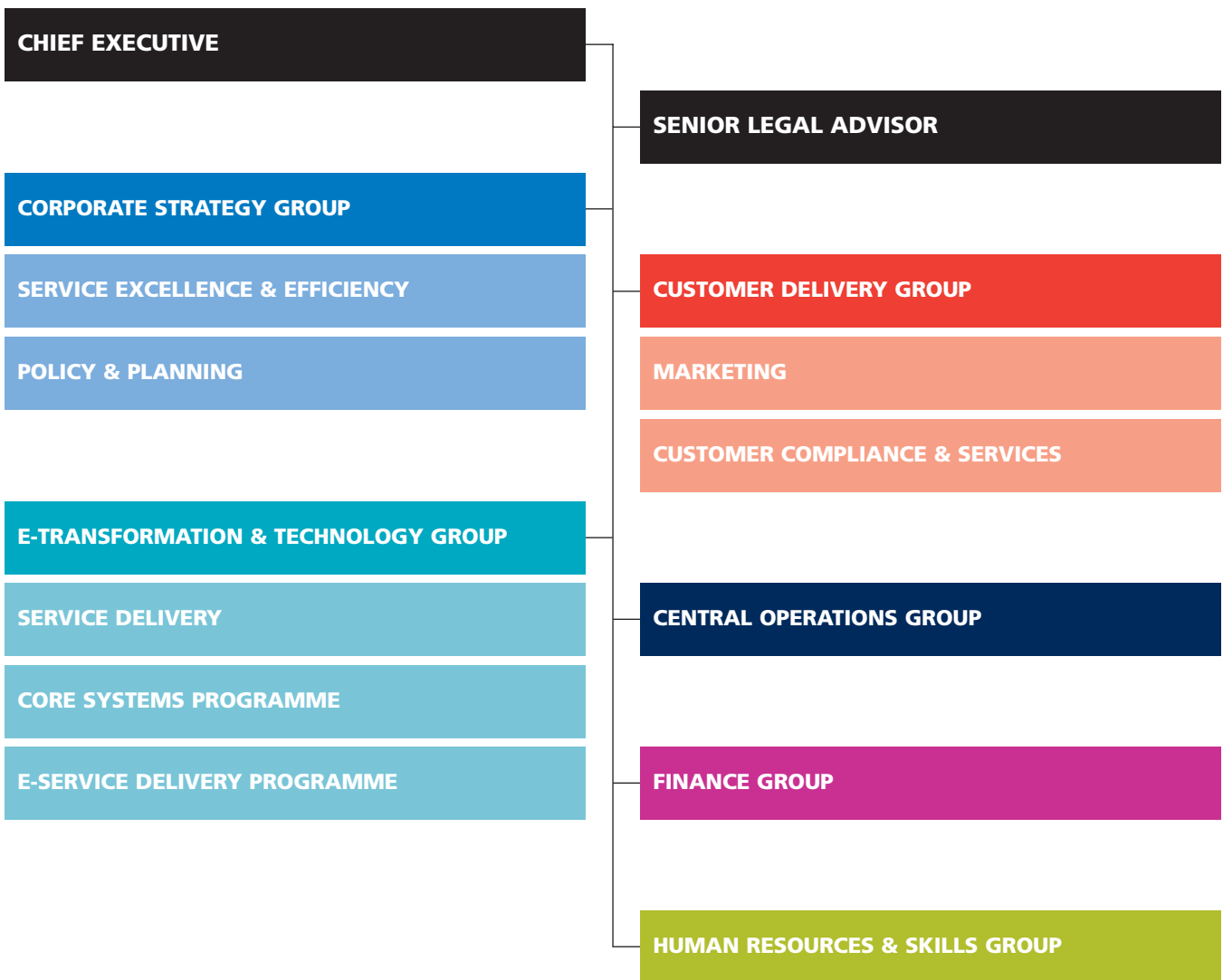
Dan was appointed to the Steering Board in May 2004. He has over 13 years' experience at Board Director-level with Kingfisher plc and its subsidiaries, B&Q plc and Woolworths plc, having been responsible for systems, logistics and business operations. He has extensive experience within multinational, customer-facing businesses and has worked in US and European business cultures. His strengths lie in business strategy, team leadership and people development, and management of major business re-engineering programmes.

ALEX JABLONOWSKI

Steering Board Independent Member

Alex was appointed to the Steering Board in January 2005. He is a senior international banker who has gained extensive experience in UK and international banking, financial institutions, operational services, IT and project management. He also has extensive industrial and commercial experience gained through corporate banking and lending. Alex has operated at Board level with many major companies and banks, holding positions such as Group Strategic Planning Director at Barclays, Divisional MD for Barclays and CEO of a merchant and private bank. He currently holds various advisory and venture capital roles and other non-executive directorships.

ORGANISATION CHART /



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