

UK Trade & Investment

Resource Accounts 2004-05

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(For the year ended 31 March 2005)

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Annual Report

Scope

1. Basis of Accounts

These accounts have been prepared in accordance with directions given by HM Treasury in pursuance of Section 5(2) of the Government Resources and Accounts Act 2000.

2. Background

UK Trade & Investment (formerly British Trade International (BTI)) was established in May 1999, following a review of the arrangements for the support and promotion of exports by the then Cabinet Secretary, Sir Richard Wilson. The department was renamed UK Trade & Investment in October 2003.

UK Trade & Investment has lead responsibility within government for trade and investment services. It brings together the work of the Foreign and Commonwealth Office (FCO) and the Department of Trade and Industry (DTI) in supporting both companies in the UK trading internationally and overseas enterprises seeking to locate in the UK.

Since its inception UK Trade & Investment's Chief Executive and Accounting Officer (AO) has been accountable only for the programme resources voted directly to the department by Parliament. The administration costs associated with the delivery of UK Trade & Investment's programmes remain the responsibility of the Accounting Officers of the FCO and DTI and are voted to them by Parliament.

3. UK Trade & Investment's Objective

UK Trade & Investment is committed to the following objective:

To enhance the competitiveness of companies in the UK through overseas trade and investments¹; and ensure a continuing high level of quality foreign direct investment².

This objective is underpinned by a Public Service Agreement (PSA) target:

To deliver a measurable improvement in the business performance of UK Trade & Investment's international trade customers; and maintain the UK as the prime location in the EU for foreign direct investment.

The objective and the PSA target are shared with the FCO and the DTI.

From 1 April 2005, UK Trade & Investment's PSA target became:

By 2008, deliver a measurable improvement in the business performance of UK Trade & Investment's international trade customers, with an emphasis on new to export firms; and maintain the UK as the prime location in the EU for foreign direct investment.

4. Principal Activities

UK Trade & Investment works with a wide range of customers and in particular helps:

- New and inexperienced exporters, generally the smaller, small- and medium-sized enterprises (SMEs), to develop the skills and build the capacity to trade internationally;
- Experienced exporters to grow in existing overseas markets and to access new markets;
- Major companies to overcome barriers; and
- Potential inward investors.

In pursuit of its PSA target, UK Trade & Investment provides a range of services to its customers, including:

¹ Sub-objective 1 in Schedule 5

² Sub-objective 2 in Schedule 5

Trade Services

- Advice and Support: Helping firms to get started by providing top quality advice and support through a team of local international trade advisers who assist companies in identifying their needs and help in developing an action plan for success in their chosen market; and helping new and inexperienced exporters to succeed through the highly regarded Passport to Export programme;
- Information and Opportunities: Provision of information ranging from background market and sector research and business opportunities gathered by UK Trade & Investment's overseas network freely available to all, primarily via the www.uktradeinvest.gov.uk website, to fee based tailored information about the opportunities for a specific product in a market; and
- Making it Happen: Helping groups of companies attend major international trade shows and British trade missions overseas; and through marketing support, producing professionally translated press releases for new and innovative products for inclusion in the overseas trade press.

Inward Investment Services

- Promoting the UK generally as a prime location for inward investment;
- Advising potential investors on UK location; national, regional and local incentives; worker availability and skills; details of work permit regulations and immigration law; component suppliers; sub-contractors; and European markets particularly the European Union (EU) and its rules;
- Arranging visit programmes to enable overseas investors to view at first hand the advantages offered by a UK location;
- Encouraging and helping entrepreneurs overseas to establish knowledge driven businesses in the UK;
- Helping overseas businesses to find UK partners to encourage innovation in the UK;
- Maintaining dialogue with major investors already in the UK to encourage their successful development and expansion;
- Influencing government policy making, to influence the development and implementation of EU and UK government regulation so that it does not unnecessarily or inadvertently impede the attractiveness of the UK to inward investment; and
- Developing co-operation between the principal UK bodies engaged in inward investment promotion, through chairmanship of the Committee on Overseas Promotion.

UK Trade & Investment achieves its objective through its global network of staff, who have unparalleled knowledge of commercial, political and social issues, along with contacts and opportunities sought by UK businesses and overseas investors.

UK Trade & Investment deploys around 2,500 people, including over 1,500 overseas in UK embassies, high commissions, consulates and trade offices and over 300 in the English regions. Through its networks and partners within the UK and its staff in the overseas FCO network, UK Trade & Investment helps thousands of companies to take their place in the global market, creating wealth and jobs and increasing competitiveness. The foreign direct investment projects which it brings to the UK also create jobs and bring about the transfer of technology, skills and best practice to help make the UK more competitive.

5. The Role of HRH The Duke of York

HRH The Duke of York has been the UK's Special Representative for International Trade and Investment since October 2001.

HRH works closely with UK Trade & Investment and the Devolved Administrations in support of their overseas trade and investment objectives. During 2004-05 HRH participated in numerous regional and overseas events in support of UK companies and attended meetings with representatives from UK companies.

UK Trade & Investment meets part of the Duke of York's overseas expenses.

Details of HRH The Duke of York's engagements are available at www.royal.gov.uk.

6. Departmental Reporting

Main Estimates

Estimates are the means by which the government seeks from Parliament authority for its spending each year. Main Estimates are set at departmental level with one or more Requests for Resources (RfR) and one Net Cash Requirement (NCR) presented to parliament, by the Chief Secretary to the Treasury, around the start of the financial year to which they relate. The UK Trade & Investment Estimate has one RfR with an associated NCR. This covers expenditure on specified services, for which the Accounting Officer is accountable to Parliament. Further details can be found at www.hm-treasury.gov.uk.

The annual Appropriation Act, passed before the Summer Parliamentary recess, each year, authorises the issue of supply and appropriates resources to particular requests for resources in the Main Estimates.

Spring Departmental Report

The Spring Departmental Report is one of the main vehicles for the presentation of the government's spending plans and the Estimates need to be fully consistent with the Spring Report.

The UK Trade & Investment Departmental Report was published by The Stationery Office in July 2005 (Cm 6535) and is also accessible from www.uktradeinvest.gov.uk. It provides details of the organisation's activities and achievements in 2004-05 and its plans for 2005-08. It also provides information about the 2002 and 2004 Spending Reviews and PSA targets; services to customers; human resources; service developments and the UK Trade & Investment expenditure plans for major programmes to 2008.

Autumn Performance Report

In completion of the reporting cycle, departments are required to publish supplementary performance information in the autumn. The UK Trade & Investment Autumn Performance Report will be published later this year.

7. Pensions and Early Departure Costs

During 2004-05 UK Trade & Investment transferred its remaining pension liabilities to the Principal Civil Service Pension Schemes (PCSPS) leaving no outstanding pension liabilities. Details can be found in Note 14 to these accounts.

8. Post Balance Sheet Events

There were no post balance sheet events, which affected the results for the year. However, on 6 May 2005, The Rt. Hon. Alan Johnson MP replaced The Rt. Hon. Patricia Hewitt MP as Secretary of State for Trade and Industry. At the same time Ian Pearson MP replaced Douglas Alexander MP as Minister for Trade and Investment.

9. Financial Review

Financial Structure

The Chief Executive and Accounting Officer is responsible for all of UK Trade & Investment's programme expenditure, including any capital items purchased out of UK Trade & Investment's programme budget. The controls exercised over these resources are reported on by the Accounting Officer in the Statement on Internal Control. All administration expenditure and capital items other than those purchased from UK Trade & Investment's programme budget during 2004-05 were funded by the DTI or the FCO and remained the responsibility of the Accounting Officers for those departments. The controls the DTI and the FCO exercised over these resources are reported on in the individual Statements on Internal Control in their respective accounts.

The Accounting Officers for the FCO and the DTI have provided UK Trade & Investment's Accounting Officer with details of administration expenditure and administration capital items for inclusion as memoranda notes in these accounts.

Going Concern

The balance sheet at 31 March 2005 shows negative taxpayers' equity of £17 million. This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament to meet UK Trade & Investment's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All unspent monies, including those derived from UK Trade & Investment's income, are surrenderable to the Fund.

In common with other government departments, the future financing of UK Trade & Investment's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2005-06 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Liquidity and Currency Risks

UK Trade & Investment has no borrowings and relies primarily on voted funds from Parliament for its cash requirements. It is therefore not exposed to liquidity risk. It has no material deposits and all material assets and liabilities are denominated in sterling so it is not exposed to interest rate risk or to material currency risk. Further disclosures are provided in Note 22 to these accounts.

10. Operating Review

Review of the Year

The financial performance of UK Trade & Investment is reported in the financial statements and supporting notes to the accounts, which can be found on pages 19 to 39. Schedule 5, Resources by Departmental Objective, indicates the net programme expenditure incurred in delivering against each of UK Trade & Investment's two sub-objectives. Highlights by sub-objective are shown below.

To enhance the competitiveness of companies in the UK through overseas trade and investments, resources consumed by major programmes during 2004-05 were as follows (2003-04 figures are shown in brackets):

- £19.5 million (£19.2 million) was spent to support new and inexperienced exporters through the overseas exhibitions, seminars and vertical missions support scheme. The budget for the year was £19.1 million. The opportunity to support more new and inexperienced exporters than originally planned was provided by using savings generated from other budgets;
- £14.7 million (£10.7 million) was spent on funding customer-facing staff (International Trade Advisers) delivering international trade support in the Business Links and Chambers of Commerce. The budget for the year was £14.5 million. By utilising part of the savings from other programmes, it was possible to strengthen the regional customer-facing teams to a greater extent than originally anticipated;
- £11.5 million (£8.8 million) was spent on sector specific export promotional activities in markets and sectors with strong potential for British business. This was in line with the budget;
- £8.5 million (£7.8 million) was spent on trade marketing events and publicity. The budget for the year was £8.2 million. Additional funding was allocated to enable a number of events to be added to the programme for 2004-05. The funding was released as a result of savings from other budgets;
- £5.2 million (£5.4 million) was spent on the Passport to Export programme, aimed at providing practical advice and support to small to medium sized firms new to or inexperienced in exporting at all stages of their export development. The budget for the year was £5.5 million. The underspend of £0.3 million was largely due to a lower level of activity than planned;

- £2.0 million (£2.4 million) was spent on Export Promoters (private sector secondees) who provide specialist export advice to companies. The budget for the year was £2.2 million. The underspend of £0.2 million was largely due to reduction in the number of Export Promoters during the year;
- £2.2 million (£1.6 million) was spent on the Enterprise Scholarship Scheme. This was in line with the budget.

To ensure a continuing high level of quality foreign direct investment, resources consumed by major programmes during 2004-05 were as follows:

- Grant in Aid for Regional Development Agencies (RDAs) totalled £13.2 million (£12.9 million). This was in line with budget;
- £9.8 million (£8.4 million) was spent on Inward Investment programmes against a budget of £10.3 million. This included promoting the UK abroad, production of publicity materials and advertising. The underspend was largely due to slippage in development projects.

Outturn Against Estimate

In 2004-05, UK Trade & Investment's net Request for Resources was £101.1 million. This was underspent by £1.7 million, which equated to 1.7 per cent of the total Estimate.

UK Trade & Investment had a net cash requirement of £7 million less than Estimate. This was primarily due to the value of creditors other than the Consolidated Fund creditor as at 31 March 2005 being larger than anticipated.

Risks – Corporate Governance within UK Trade & Investment

UK Trade & Investment is committed to high standards of corporate governance and ensuring that a robust system of risk management is fully implemented throughout the organisation. The framework for the management and control of corporate activities has been developed to ensure that all risks to the attainment of UK Trade & Investment's objectives are identified, well managed and monitored. A corporate risk register has been developed to provide a focus for identified risks and includes assigned "risk owners" at senior management level. The register uses a traffic light system to highlight areas of concern to senior management and is regularly reviewed to ensure that any new risks are identified as well as any significant changes to the assessment of likelihood/impact of those risks already identified. In compiling the corporate risk register UK Trade & Investment has used a "bottom-up" approach to ensure that all operational risks are included and that appropriate levels of likelihood and impact are reflected.

11. Strategic Planning

Strategy 2008

UK Trade & Investment's corporate plan 2005-2008 outlines its vision and priorities through to 2008. They are:

Focusing on our customers

- to increase the proportion of trade resources going into helping new to export firms by 30 percentage points by 2007-08;
- Overseas and through national sector strategies, UK Trade & Investment will continue to assist medium and large companies to pursue trade and investment activities;
- to continue to increase its English regional network on the trade side and our inward investment operation at home and abroad; and
- UK Trade & Investment is planning to shift the balance of resources from the current split of 85 per cent trade and 15 per cent inward investment to around 67 per cent trade and 33 per cent inward investment. The optimum balance between the inward investment and trade activities will be informed by an economic study into the relative benefits of spending resources on inward investment and trade.

Key relationships

- UK Trade & Investment will forge even closer working relationships between its customer-facing trade advisers in the English regions and its people in Posts overseas, and ensure that working processes support these.

Trade services

- UK Trade & Investment will continue to develop its trade services framework to respond to the changing needs of its customers and will progressively recover more of its costs through charging; and
- UK Trade & Investment will continue to develop its use of the internet to promote further self-service access to basic information on sectors and markets and to improve the speed and efficiency of its service delivery.

Priority sectors

- UK Trade & Investment is focusing its trade sectoral activities on 16 priority sectors and will achieve synergies from closer working between trade and inward investment teams.

Support for overseas exhibitions and missions

- UK Trade & Investment will continue to support UK companies to attend overseas exhibitions and mission groups for 2006-07 and beyond; and will progressively move resources from direct subsidy to capacity building.

Overseas network

- UK Trade & Investment will focus its overseas resources on those markets where it can make the biggest difference. To do so within a reduced budget means reducing services in lower priority markets so it can deliver what customers need in others.

Spending Review (SR) 2004

As a result of the SR 2004 settlement, UK Trade & Investment's resources for the years 2005-2008 will be reduced by 12 per cent. This settlement has provided an additional spur to the organisation's strategy by focusing resources where they make most impact on its customers. SR 2004 has also given further impetus to UK Trade & Investment's plans to strengthen the English regional network, inward investment and professionalism, whilst slimming down its headquarters operation and re-focusing the resource on front line delivery.

12. Future Investment***E-Business***

UK Trade & Investment is implementing a web-based e-business strategy. Its aim is to transform the delivery of its advice and services to UK exporters, potential exporters and inward investors, and to join up its back office operations. Investments have been made in a new portal web service which became operational in October 2004; a web based customer relationship management system which became operational on a pilot only basis in September 2004 and a workflow management system to manage chargeable research and market support which was operational in 30 markets by March 2005. Together these systems support the delivery of the UK Trade & Investment corporate plan and are intended to help support its business objectives.

The majority of the e-business programme is being delivered via a Private Finance Initiative (PFI) contract. Details of future commitments under this contract can be found in Note 19 to these accounts.

Professional Development Strategy

Professionalism is key to enhancing UK Trade & Investment's customer focus, delivering excellent services and achieving organisational goals. The organisation is committed to the continuous development of knowledge and skills and this is reflected in the Professional Development Strategy. The strategy focuses

on customer needs, service delivery, people, change management and diversity. As part of this strategy, in partnership with Open University Business School, UK Trade & Investment offers a postgraduate business qualification for staff, using distance-learning techniques. In addition to a suite of core training modules, opportunities are also available for staff to develop leadership and management, client relationship management and business awareness skills.

Interchange Programmes

UK Trade & Investment promotes interchange between the FCO and the DTI, other government departments and the private sector. Interchange programmes provide developmental opportunities for staff both in the UK and overseas.

In 2004-05 over 70 people from the private sector worked for UK Trade & Investment as business experts, and 40 public sector staff worked in the private sector.

The interchange programme also provides opportunities for staff in the UK to work in overseas posts, and for locally employed staff overseas to work in the UK. During 2004-05 over 50 UK Trade & Investment staff had the opportunity to work overseas and over 60 locally employed staff in the overseas network were able to visit the UK.

13. Management

UK Trade & Investment Organisation

Joint ministerial responsibilities during the year were as follows:

Secretary of State for Foreign and Commonwealth Affairs,
The Rt. Hon. Jack Straw MP

Secretary of State for Trade and Industry,
The Rt. Hon. Patricia Hewitt MP

Portfolio Responsibility:

Minister for Trade and Investment,
Mike O'Brien MP (until September 2004)

Minister for Trade and Investment,
Douglas Alexander MP (from September 2004)

UK Trade & Investment undertook a review of its board structure in order to define the type of board roles that would be most beneficial to the organisation's future role and strategy. Ministerial approval to a new board structure was given in November 2004 and the UK Trade & Investment board was dissolved. Plans were put in place to recruit new independent board members. Five independent board members were recruited and the new Executive Board came into existence on 1 April 2005.

The composition of UK Trade & Investment's board until its dissolution in November 2004 was as follows:

Mike O'Brien MP (until September 2004)

Douglas Alexander MP (from September 2004)

Chairman

Sir David Brown KB
Sir Stephen Brown KCVO

Motorola Ltd
UK Trade & Investment

Vice Chairman
Chief Executive

Members

Phillippa Allan
Paul Barron CBE
Martin Donnelly CMG (from May 2004)
Stuart Doughty
Eddie Frizzell CB

Director, Stone The Crows!
Chief Executive, National Air Traffic Services Ltd
Director General Economic, FCO
Chief Executive, Costain Group plc
Secretary and Head, Enterprise and Lifelong Learning, The Scottish Executive
Director General Business Group, DTI

Mark Gibson

Alan Hingston	Director of Trade, Invest Northern Ireland
Derek Jones	Director Economic Affairs, National Assembly for Wales
Derek Mapp	Chairman, East Midlands Development Agency
Sir Peter Mason KBE	Group Chief Executive, AMEC Plc
Peter Mathews CMG	Chairman and Managing Director, Black Country Metals Ltd
Kirit Pathak OBE	Chairman and Chief Executive, Patak's Foods Ltd
Stella Pirie OBE	Chairman, Endeavour International Ltd
Arun Singh OBE	Cultural Dynamics
Jacky Stevens	Chief Executive, Business Link Wessex

From 1 April 2005, the composition of UK Trade & Investment's newly constituted board was as follows:

Executive Members:

Sir Stephen Brown KCVO	Chairman and Chief Executive, UK Trade & Investment
Susan Haird	Deputy Chief Executive and Director Strategy & Corporate Group, UK Trade & Investment
Ian Fletcher	Director, International Trade Development Group, UK Trade & Investment
Paul Madden	Director, International Sectors Group, UK Trade & Investment
William Pedder	Chief Executive, Inward Investment Group, UK Trade & Investment

Independent Members:

Peter John Hill	Chief Executive, The Laird Group plc
Claire A Ighodaro	Chairman, CIMA appointments committee; non-executive director, Banking Code Standards Board; national council member, Learning and Skills Council
Bill McGinnis CBE	Chairman, The McAvoy Group
Stella J Pirie OBE	Non-executive Director, Schroder UK Growth Fund, Avon Rubber plc, GCap Media Plc, Stroud and Swindon Building Society
Barry Stickings CBE	Chairman, UK Chemistry Leadership Council, Biocity Nottingham and Innovation East Midlands

Audit Committee

UK Trade & Investment also has an Audit Committee, which usually meets four times a year. The committee acts in an advisory capacity and brings an independent element into the consideration of audit, risk and other corporate governance matters within the organisation. The committee advises on the adequacy of arrangements for risk management and internal control and reviews and approves the planned internal audit programme annually. When the former board was dissolved in November 2004, the Audit Committee, which was a committee of the board, was also dissolved.

Until its dissolution in November 2004, the membership of the Audit Committee was as follows:

Jacky Stevens	Chief Executive, Business Link Wessex	Chair
Arun Singh OBE	Cultural Dynamics	
Paul Barron CBE	Chief Executive, National Air Traffic Services Ltd	
David Evans	Director, Finance & Resource Management, DTI	
Susan Haird	Deputy Chief Executive and Director Strategy & Corporate Group, UK Trade & Investment	
Simon Gass (until April 2004)	Finance Director, FCO	
Ric Todd (from April 2004)	Finance Director, FCO	

The members of the new Audit Committee, which came into existence in July 2005, are as follows:

Claire A Ighodaro	Chairman, CIMA appointments committee; non-executive director, Banking Code Standards Board; national council member, Learning and Skills Council	Chair
Barry Stickings CBE	Chairman, UK Chemistry Leadership Council, Biocity Nottingham and Innovation East Midlands	
Susan Haird	Deputy Chief Executive and Director Strategy & Corporate Group, UK Trade & Investment	
Adam Jackson	Director, Finance & Resource Management, DTI	
Tristan Price	Head of Financial Planning & Performance Department, FCO	

The Directors of Internal Audit of the FCO and DTI, and the Director of Audit at the National Audit Office with responsibility for auditing UK Trade & Investment's accounts also attend Committee meetings.

14. Senior Official Appointments

The Chief Executive was appointed by the Prime Minister on the recommendation of the Head of the Home Civil Service and with the agreement of the Ministerial Heads of the two parent departments. He is an employee of the FCO. The appointment is for an indefinite term. The rules for termination are set out in Chapter 11 of the Civil Service Management Code.

15. Remuneration

Ministers' remuneration is set by the Ministerial and Other Salaries Act 1975 and the Ministerial and Other Pensioned Salaries Act 1991. The ministerial salaries of the FCO ministers and the Minister for Trade and Investment are met by the FCO. The ministerial salaries of the DTI ministers are met by the DTI. Details of the ministers' salaries and pension entitlements are shown in the resource accounts of the respective departments.

The Chief Executive's pay is set by the Prime Minister on the recommendation of the Permanent Secretaries Remuneration Committee. The committee's membership and terms of reference were announced by the then Prime Minister on 9 February 1995 (Hansard, cols: 245-247). The salary of the Chief Executive is met by the FCO. Details of his salary and pension entitlements are reported on in the resource accounts of the FCO.

From April 2005, the independent members of UK Trade & Investment's board will receive remuneration for their services.

The pay of the remaining members of the board is determined by the Chief Executive in consultation with the permanent secretaries of the two parent departments, in accordance with the rules set out in Chapter 7.1. Annex A of the Civil Service Management Code.

16. Employment of Disabled Persons

UK Trade & Investment does not recruit or employ staff directly. It deploys staff drawn from the FCO, the DTI and the Government Offices for the Regions. It operates through the terms and conditions of its parent departments, including their diversity policies. In so doing it ensures that they are implemented properly and, where necessary, develops processes and policies to ensure that this happens effectively.

17. Equal Opportunities

UK Trade & Investment's status means that it can call on the expertise of the Diversity and Equality Units of both the DTI and the FCO. While the two departments develop and promote diversity and equal opportunities policies affecting UK Trade & Investment, the organisation supplements these with its own diversity policies in these areas.

UK Trade & Investment does not discriminate against staff or eligible applicants for posts on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religion, disability, age or sexual orientation. Every possible step is taken to ensure that staff are treated equally and fairly and that decisions on recruitment, selection, training, promotion and career management are based on objective and job related criteria. UK Trade & Investment actively pursues arrangements for flexible working patterns and is committed to creating a culture where individual differences are valued and respected. It does not tolerate any form of discrimination, harassment or victimisation. It is committed to providing a working environment where no one is disadvantaged.

18. Investors in People (IiP)

UK Trade & Investment's UK operations were assessed during 2003 against the IiP Standard and achieved recognition as an Investor in People in December 2003.

19. Communications

UK Trade & Investment has a communications strategy in place to inform and engage its staff across the network on key strategic, corporate and operational issues and uses a range of channels to communicate with its staff in the UK and abroad. These include:

- Our World: a bi-monthly magazine for all UK Trade & Investment staff, with dedicated sections for information on progress against corporate plan, key business messages including the impact of the Spending Review 2004, Strategy 2008, demonstrating UK Trade & Investment's values, plus items on best practice, professionalism and staff moves;
- The new UK Trade & Investment portal, released in October 2004, aimed at improving the knowledge sharing across UK Trade & Investment;
- The FCO email directory is available in the DTI's email system, available to all Headquarters' (HQ) staff in UK Trade & Investment in the UK. This enables HQ staff to communicate effectively with FCO staff overseas. In addition access is available directly to the FCO system in HQ;
- Weekly e-bulletin: a weekly email communication containing a synopsis of important global messages across UK Trade & Investment with embedded email and links to the intranet;
- Exchange: UK Trade & Investment's communication feedback programme, which assists managers to share key messages and engage with their staff to elicit feedback to the senior management team.
- Training events, stakeholder workshops and face-to-face meetings.

20. Payment of Suppliers

UK Trade & Investment's terms and conditions of payment require that a supplier's invoice be paid within 30 days or less of acceptance of the relevant goods and services, or the receipt of a valid invoice if that is later. In the year to 31 March 2005 UK Trade & Investment paid 91 per cent (2003-04 89 per cent) of invoices within 30 days.

21. Auditors

The Comptroller and Auditor General (C&AG), who has been appointed under statute and reports to Parliament, has audited the resource accounts.

The notional cost of providing audit services for 2004-05 was £41,000 (2003-04 £41,000), which was split between the administration costs of the DTI and FCO. See Note 27 for further details. There was no auditor remuneration (actual or notional) for non-audit work.

Sir Stephen Brown KCVO
Accounting Officer

29 November 2005

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000, UK Trade & Investment is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the department during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of UK Trade & Investment with regard to programme expenditure, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

The Treasury has appointed the Chief Executive as Accounting Officer for programme expenditure, with responsibility for preparing UK Trade & Investment's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts the Accounting Officer is required to comply with the Resource Accounting Manual prepared by the Treasury, and in particular to:

- observe 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 Resource Accounting Manual, have been followed and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis.

The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding the assets for which he is responsible, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

Statement on Internal Control

Scope of responsibility

This statement is given in respect of the Resource Accounts for UK Trade & Investment, which incorporates the programme transactions and programme assets and liabilities, which fall within the boundary for resource accounting purposes. As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of UK Trade & Investment's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. UK Trade & Investment brings together the work of the Department of Trade and Industry (DTI) and the Foreign and Commonwealth Office (FCO) on international trade and development and I am accountable to the Secretary of State for Trade & Industry and the Foreign Secretary. I ensure that both parent departments are kept fully informed and involved in risk management processes within UK Trade & Investment. I involve ministers in the management of risk to the achievement of UK Trade & Investment's objectives through my membership of the Executive Boards of the DTI and the FCO.

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 departmental 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 UK Trade & Investment for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

A robust risk management framework has been established within UK Trade & Investment. There is a corporate risk register which has been fully reviewed on a quarterly basis by UK Trade & Investment's management committee. In addition, discussions around specific risks take place when the cause for concern increases and impact and likelihood become higher. As Accounting Officer, I take risk management extremely seriously and ensure that senior management focus attention on those risk areas which could prevent the achievement of my organisation's objectives (see below for details provided under the risk and control framework).

Work is ongoing to embed risk management into the organisational culture including its incorporation into business plans at all levels. Risk management is referenced in induction training courses and staff are encouraged to take an active part in informing and updating operational level risk registers. Guidance for all staff is made available on the organisation's intranet as well as the material made available by the parent departments. Membership of HM Treasury's Risk Support Group and the DTI's Agencies Risk Management Network ensure that we keep up to date with best practice risk management.

The risk and control framework

UK Trade & Investment's risk management framework has been constructed "from the bottom up" with risk registers being formulated for each group within UK Trade & Investment in order to ensure that the risks are identified and managed operationally. Procedures are in place for ensuring that aspects of risk management and internal control are regularly reviewed and reported on. Initial evaluations are carried out at operational level and then ratified by senior management. The group registers are reviewed at regular quarterly intervals. These inform the corporate level risk register which reflects all higher level risks and has been used as a management tool by UK Trade & Investment's management committee. Named senior managers have responsibility for risk ownership. Risk priorities for UK Trade & Investment centre on the e-business programme, finance-related issues and regional delivery mechanisms.

A risk management policy that forms part of UK Trade & Investment's internal control and corporate governance arrangements has been designed to be consistent with best practice and forms the basis of the risk control framework. Risk assessment and management are built into all operational activities and into

the governance arrangements for project and programme management. Levels of risk appetite in relation to the risk themes, which appear in the corporate risk register, have been agreed by the management committee and communicated to staff.

The internal auditors report regularly on risk management processes to ensure that UK Trade & Investment keeps abreast of current developments in the field of corporate governance. A programme of work carried out by internal auditors provides assurance on control processes within UK Trade & Investment.

The Audit Committee has also provided an extremely valuable sounding board on the appropriateness of risk management processes.

Review of effectiveness

As Accounting Officer, I also 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 managers within UK Trade & Investment 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 and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. The system of internal control is under constant review, and when specific weaknesses are identified, an action plan is drawn up to address them. Immediate action is taken where the risks are considered to be unacceptable. Action plans are in place to address all of the weaknesses identified during the accounting period, and up to the date of the signing of the 2004-05 accounts.

During the accounting period, risk management was supported by the following processes:

- UK Trade & Investment's Board which consisted of eleven members from the private sector, three from other government departments and myself and which met regularly, until its dissolution in November 2004, to consider corporate planning;
- UK Trade & Investment's Management Committee, which met monthly to consider planning, performance, and management issues within the organisation. This includes the review of annual budgets and regular monthly financial reports. From 1 April 2005 this was replaced by a new Executive Board which includes five independent directors;
- The UK Trade & Investment's Audit Committee, which met regularly until its dissolution in November 2004. This included three members from the private sector and independent members from the organisation's parent departments. The Audit Committee regularly reviewed the corporate risk register and advised on the appropriateness of mitigation strategies. A new Audit Committee came into existence in July 2005 which includes two of the independent members from the Executive Board (one as Chair) and independent members from the organisation's parent departments;
- A Risk Improvement Manager who attends meetings of the HM Treasury's Risk Support Group and the DTI's Agencies Risk Management Network to ensure UK Trade & Investment operates best practice; and
- Assurance provided by my directors who each consider the significant risks they manage and provide me at the year-end with a written formal assertion covering the effectiveness of the internal controls operating in each of their groups. These assertions are reviewed by DTI Internal Audit and the outcome of this review is reported to the Audit Committee. This provides me with assurance that appropriate risk management strategies are in place throughout UK Trade & Investment.

The organisation has the services of the Internal Audit units of the DTI and the FCO, which operate to the Government Internal Audit Standards. They submit reports after each assignment, which include recommendations for improvement. Annually, the joint Heads of Internal Audit issue a report which includes an independent opinion on the adequacy and effectiveness of UK Trade & Investment's system of internal control based on their work for the year.

My review indicates that there were no significant internal control issues.

Sir Stephen Brown KCVO
Accounting Officer

29 November 2005

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 19 to 39 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and stocks and the accounting policies set out on pages 24 to 27.

Respective responsibilities of the Accounting Officer and auditor

As described on page 14, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and 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 if, in my opinion, the Annual Report is not consistent with the financial statements, if the department has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts at pages 3 to 13 and 40 to 43 and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent mis-statements or material inconsistencies with the financial statements.

I review whether the statement on pages 15 to 16 reflects the department's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the department's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the department in the preparation of the financial statements, and of whether the accounting policies are appropriate to the department'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 are free from material mis-statement, whether caused by error, or by fraud, or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of UK Trade & Investment at 31 March 2005 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by Treasury; 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

16 December 2005

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

SCHEDULE 1**Summary of Resource Outturn 2004-05 (£000s)**

	2004-05			2003-04				
	Estimate		Net total	Outturn		Net total outturn compared with Estimate: saving/ (excess)	Prior year outturn	
Gross expenditure	A-in-A	Gross expenditure		A-in-A	Net total			
Request for Resources 1	102,701	(1,604)	101,097	100,462	(1,057)	99,405	1,692	96,614
Total resources	102,701	(1,604)	101,097	100,462	(1,057)	99,405	1,692	96,614
Net cash requirement	-	-	104,887	-	-	97,884	7,003	93,857

Summary of income payable to the Consolidated Fund (£000s)

In addition to appropriations-in-aid, the following income relates to the department and is payable to the Consolidated Fund

	Note	Forecast 2004-05		Outturn 2004-05	
		Income	Receipts	Income	Receipts
Total	5	-	-	642	719

Reconciliation of Resources to Cash Requirement (£000s)

	Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/ (excess)
Net total resources		101,097	99,405	1,692
Capital				
Acquisition of fixed assets	7,8	248	171	77
Investments		-	-	-
Non-operating A-in-A				
Proceeds of fixed asset disposals		-	-	-
Accruals adjustments				
Non-cash items	3	(138)	65	(203)
Changes in working capital other than cash	9	1,990	(3,447)	5,437
Changes in creditors falling due after more than one year		-	-	-
Use of provision	14	1,690	1,690	-
Net cash requirement (Schedule 4)		104,887	97,884	7,003

The notes on pages 24 to 39 form part of these accounts.

SCHEDULE 2**Operating Cost Statement for the year ended 31 March 2005 (£000s)**

	Note	2004-05	2003-04 (restated)
Programme costs			
Request for resources 1			
Staff costs	2	2,288	2,002
Expenditure	3	<u>98,174</u>	<u>95,887</u>
		100,462	97,889
Less: income	4	<u>(1,057)</u>	<u>(1,275)</u>
Net programme costs		<u>99,405</u>	<u>96,614</u>
Net operating cost		<u>99,405</u>	<u>96,614</u>
Net resource outturn		<u>99,405</u>	<u>96,614</u>

All income and expenditure are derived from continuing operations

**Statement of Recognised Gains and Losses
For the Year Ended 31 March 2005 (£000s)**

	Note	2004-05	2003-04
Net gain on revaluation of tangible fixed assets	16	-	2
Actuarial loss on pension scheme liabilities	14	<u>-</u>	<u>(150)</u>
Total recognised gains and (losses) for the financial year		<u>-</u>	<u>(148)</u>

The notes on pages 24 to 39 form part of these accounts.

SCHEDULE 3**Balance Sheet as at 31 March 2005 (£000s)**

	Note	31 March 2005	31 March 2004
Fixed assets			
Tangible assets	7	346	478
Intangible assets	8	<u>43</u>	<u>-</u>
		389	478
Debtors falling due after more than one year	10	60	167
Current assets			
Debtors	10	3,003	3,628
Current investments	11	-	709
Cash at bank and in hand	12	<u>1,677</u>	<u>4,178</u>
		4,680	8,515
Creditors (amounts falling due within one year)	13	<u>(21,739)</u>	<u>(21,680)</u>
Net current assets		<u>(17,059)</u>	<u>(13,165)</u>
Total assets less current liabilities		(16,610)	(12,520)
Creditors (amounts falling due after more than one year)		-	-
Provisions for liabilities and charges	14	<u>-</u>	<u>(1,412)</u>
		<u>-</u>	<u>(1,412)</u>
		<u>(16,610)</u>	<u>(13,932)</u>
Taxpayers' equity			
General fund	15	(16,612)	(13,935)
Revaluation reserve	16	<u>2</u>	<u>3</u>
		<u>(16,610)</u>	<u>(13,932)</u>

Sir Stephen Brown KCVO
Accounting Officer

29 November 2005

The notes on pages 24 to 39 form part of these accounts.

SCHEDULE 4**Cash Flow Statement for the year ended 31 March 2005 (£000s)**

	Note	2004-05	2003-04
Net cash outflow from operating activities^(a)		(97,713)	(93,763)
Capital expenditure and financial investment^(a)		(171)	(94)
Receipts due to the Consolidated Fund which are outside the scope of the organisation's activities		719	-
Payments of amounts due to the Consolidated Fund^(a)		(717)	-
Financing	15	95,381	97,406
(Decrease)/increase in cash in the period		<u>(2,501)</u>	<u>3,549</u>

^a See tables below

Reconciliation of operating cost to operating cash flows

Net operating cost		99,405	96,614
Adjustments for non-cash transactions	3	65	(820)
Adjustments for movements in working capital other than cash	9	(3,447)	(4,024)
Use of provisions	14	1,690	1,993
Net cash outflow from operating activities		<u>97,713</u>	<u>93,763</u>

Analysis of capital expenditure and financial investment

Intangible fixed-asset additions ²	6, 8	-	-
Tangible fixed-asset additions ²	6, 7	171	94
Net cash outflow from investing activities		<u>171</u>	<u>94</u>

Analysis of financing and reconciliation to the net cash requirement

From Consolidated Fund (Supply) - current year ¹		95,381	97,406
From Consolidated Fund		95,381	97,406
Net financing		95,381	97,406
Decrease/(increase) in cash	12	2,501	(3,549)
Net cash flows other than financing		97,882	93,857
Adjustment for payments and receipts not related to Supply			
Amounts due to the Consolidated Fund - received in a prior year and paid over		-	-
Amounts due to the Consolidated Fund - received and not paid over		2	-
Net cash requirement (Schedule 1)		<u>97,884</u>	<u>93,857</u>

1. Amount of grant actually issued to support the net cash requirement = £95,381,000.00.
2. The difference between the amount included as additions in the fixed asset Notes 7 and 8 and the amount included as additions in the cash flow statement relates to assets received into service but not paid for at 31 March and assets paid for in year but received into service in the prior financial year.

The notes on pages 24 to 39 form part of these accounts.

SCHEDULE 5**Resources by Departmental Objectives for the year ended 31 March 2005 (£000s)****OBJECTIVE**

To enhance the competitiveness of companies in the UK through overseas trade and investments; and ensure a continuing high level of quality foreign direct investment.

SUB-OBJECTIVES

	2004-05			2003-04		
	Gross	Income	Net	Gross	Income	Net
Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments	77,558	(1,057)	76,501	77,164	(1,275)	75,889
Sub-objective 2: To ensure a continuing high level of quality foreign direct investment	22,904	-	22,904	20,725	-	20,725
Net operating costs	<u>100,462</u>	<u>(1,057)</u>	<u>99,405</u>	<u>97,889</u>	<u>(1,275)</u>	<u>96,614</u>

See Note 17.

Administration resources that have been consumed by both the Department of Trade and Industry and the Foreign and Commonwealth Office in meeting UK Trade & Investment's sub-objectives 1 and 2 above are detailed in memorandum Note 30 to these accounts.

The notes on pages 24 to 39 form part of these accounts.

Notes to the 2004-05 Resource Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2004-05 Resource Accounting Manual (RAM) issued by HM Treasury. The accounting policies contained in the RAM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where the RAM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of UK Trade & Investment for the purpose of giving a true and fair view has been selected. UK Trade & Investment's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

1.2 Basis of Accounting

These accounts cover all activities for which the Chief Executive of UK Trade & Investment has Principal Accounting Officer responsibility. They cover all income, expenditure, gains, losses, assets, liabilities and cash flows which do not appear in the resource accounts of either of the two parent departments, the Department of Trade and Industry (DTI), and the Foreign and Commonwealth Office (FCO).

As a result of the fact that Accounting Officer responsibility for administering UK Trade & Investment's programmes currently remains with one or other of its two parent departments, these accounts report only on the programme activities and resources of UK Trade & Investment in Schedules 1 to 5. Indicative administration expenditure and the cost of the associated assets used are included by way of memoranda notes (Notes 26 to 30) to the accounts.

1.3 Tangible Fixed Assets

Tangible fixed assets purchased by UK Trade & Investment, and where the risks and rewards of ownership lie with UK Trade & Investment, are stated at the lower of replacement cost and recoverable amount. The minimum level of capitalisation of a tangible fixed asset is £1,000 except for IT assets where the threshold is nil. Only those assets purchased by UK Trade & Investment from its programme budget since 1 April 2000 appear in the balance sheet. All tangible fixed assets are restated to current value each year on the basis of depreciated replacement cost using published Office of National Statistics indices appropriate to the category of asset.

Much of the business of UK Trade & Investment is conducted through the offices of the DTI and the FCO. The use of these departments' assets is reflected in appropriate cost allocations which subsequently appear as memoranda notes to these accounts (Notes 26 to 30). Control and beneficial interest in these tangible fixed assets vests in the DTI and the FCO, who reflect their total value in their respective balance sheets.

1.4 Depreciation

Tangible fixed assets are depreciated at rates calculated to write them down to their estimated residual value on a straight line basis over their estimated useful lives. Assets are normally depreciated over the following periods:

IT Assets	3-5 years
Office Machinery	5 years.

1.5 Intangible Fixed Assets

Intangible fixed assets are stated at the lower of replacement cost and recoverable amount. The minimum level of capitalisation of an intangible fixed asset is £1,000. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

1.6 Research and Development

Expenditure on research is not capitalised. Expenditure on development in connection with a product or service which is to be supplied on a full cost recovery basis is capitalised if it meets those criteria specified in SSAP 13. Other development expenditure is capitalised if it meets the criteria specified in the RAM which are adapted from SSAP 13 to take account of the central government context. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. No development expenditure has been capitalised and recorded in the balance sheet.

1.7 Operating Income

Operating income is income which relates directly to the operating activities of UK Trade & Investment. It principally comprises fees and charges for services provided to external customers. It includes not only income appropriated in aid of the Estimate but also any income to the Consolidated Fund which in accordance with the RAM should be treated as operating income. Operating income is stated net of VAT.

1.8 Administration and Programme Expenditure

The Operating Cost Statement shows programme costs only. Programme costs are non-administration costs including payments of grants and other disbursements by UK Trade & Investment, as well as certain staff costs where they relate directly to service delivery. Administration costs are the costs of running UK Trade & Investment as defined under the administrative cost-control regime. UK Trade & Investment is not, however, reporting on its administration costs in Schedules 1 to 5. See also Note 1.2.

1.9 Capital Charge

A charge, reflecting the cost of capital utilised by UK Trade & Investment is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities, except for:

- i. cash balances held by the Office of the Paymaster General (OPG), where the charge is nil; and
- ii. balances owed to or due from the Consolidated Fund, where the charge is nil.

1.10 Foreign Exchange

Transactions which are undertaken in the UK and are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of the transaction. Current assets and liabilities denominated in foreign currency are translated into sterling at the date on which they are recorded in the accounts, on average no more than 30 days prior to the balance sheet date. UK Trade & Investment does not have the authority to undertake exchange rate risk management (hedging) and as a consequence all gains or losses on exchange differences are charged direct to the operating cost statement during the period in which they occur.

1.11 Pensions

Staff working for UK Trade & Investment remain the employees of the FCO or the DTI. The pensions of past and present employees are the responsibility of those departments under the provisions of the Civil Service Pension Schemes.

The FCO and the DTI recognise the expected cost of these elements over the period during which they benefit from employees' services by payment to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. The FCO and the DTI recognise the contributions payable for the year in their respective resource accounts. The amounts paid in respect of those staff working for UK Trade & Investment are shown in Note 26 to these accounts. Liability for payment of future benefits is a charge on the PCSPS.

Staff who work for the China Britain Business Council (CBBC), whilst not directly employed by UK Trade & Investment, had their pension liabilities funded from UK Trade & Investment programme budgets through a scheme analogous to the defined benefit PCSPS. UK Trade & Investment maintained a provision to cover these liabilities. During 2004-05 CBBC staff and pensioners transferred from this scheme to the PCSPS and the provision was used to fund the bulk transfer payment.

1.12 Early Departure Costs

UK Trade & Investment does not directly employ any of its staff, and it is not required to meet early departure costs. These are met either by the DTI or the FCO, depending on which department is the employer of the staff concerned.

UK Trade & Investment was required to meet the additional cost of benefits payable to staff who worked in the Area Advisory Groups (AAGs) and retired early when the groups were closed in 2000 and 2001. UK Trade & Investment provided for these costs when the AAGs entered into contractual agreements with the early retirees and created a corresponding provision for future payments. However, during 2004-05 this provision was written back as the bulk transfer payment to the PCSPS in 2003-04 covered early departure costs as well as pensions.

1.13 Provisions

UK Trade & Investment provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 3.5 per cent).

1.14 Private Finance Initiative (PFI) Transactions

PFI transactions have been accounted for in accordance with Technical Note No 1 (Revised), entitled "How to Account for PFI Transactions", as required by the RAM. Where the balance of the risks and rewards of ownership of the PFI property is borne by the PFI operator the PFI payments are recorded as an operating cost.

1.15 Grants Payable

Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. Grants related to activity occurring over a specific time period (usually a financial year) are recorded as expenditure for that period.

1.16 Value Added Tax

Most of the activities of UK Trade & Investment are outside the scope of VAT and in general output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.17 Comparative Amounts

Comparative amounts are restated where necessary to conform to current presentation.

1.18 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, UK Trade & Investment discloses for Parliamentary reporting and accountability purposes certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by departmental Minute prior to UK Trade & Investment entering into the arrangement;
- all items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the RAM to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

1.19 Third-Party Assets

UK Trade & Investment holds in trust monies belonging to third parties paid in advance to UK Trade & Investment's service provider for a service which has now closed. These monies are not recognised in the accounts, since neither UK Trade & Investment nor government more generally has a direct beneficial interest in them.

2. Numbers and Costs of People Engaged in Delivering UK Trade & Investment's Objectives

Most of UK Trade & Investment's employees and staff are funded by either the DTI or the FCO and details are shown in Note 26. Contributions to the costs of employing Export Promoters, seconded from private sector organisations for periods of up to 5 years, are made to the seconding organisations. The organisation also uses consultants for specialist tasks. Details are :

	2004-05	2003-04 (restated)
Average whole time equivalent number of Export Promoters and consultants	56	44
Staff costs (£000s)	2,288	2,002

Prior year figures have been restated. The restatement resulted from a review of the types of staff to be shown in the accounts, following clarification of the guidance contained in the Resource Accounting Manual.

3. Non-Staff Programme Costs

	2004-05		2003-04 (restated)	
	£000	£000	£000	£000
Current grants			13,230	
PFI service charges				
Off-balance sheet contracts		1,548		512
Other costs		83,461		81,625
Non-cash items				
Depreciation	147			116
Revaluation of fixed assets	35			34
Loss on disposal of fixed assets	1			-
Use of short term deposits	-			178
Foreign exchange loss	-			52
Provisions				
Provided in year	278			794
Unwinding of discount on provisions	-			75
Cost of capital charge/(credit)	(526)			(429)
		(65)		820
Other programme costs			84,944	82,957
Non-staff programme expenditure			98,174	95,887

4. Programme Income and Appropriations-in-Aid*Operating income*

2004-05

	Resource	Reconciliation to Operating Cost Statement				Operating
	Outturn					Cost
	A-in-A	Transfer of Estimate cover from other departments	Netted off gross expenditure in sub-head	Payable to Consolidated Fund	Transactions between requests for Resources	Income
	£000	£000	£000	£000	£000	
Programme income:						
Fees and charges to external customers for market information reports	906	-	-	-	-	906
Other charges	4	-	-	-	-	4
Other allowable	147	-	-	-	-	147
Total	1,057	-	-	-	-	1,057

	2003-04					Operating Cost Statement
	Resource Outturn	Reconciliation to Operating Cost Statement			Income	
		Transfer of Estimate cover from other departments	Netted off gross expenditure in sub-head	Payable to Consolidated Fund		
A-in-A £000	£000	£000	£000	£000	£000	
Programme income:						
Fees and charges to external customers for market information reports	879	-	-	-	-	879
Other charges	42	-	-	-	-	42
Other allowable	354	-	-	-	-	354
Total	1,275	-	-	-	-	1,275

An analysis of income from services provided to external customers is as follows:

	Income	2004-05 Full Cost	Deficit
	£000	£000	£000
Service	906	1,417	(511)
Provision of Overseas Market Information to UK Exporters			
	Income	2003-04 Full Cost	Deficit
	£000	£000	£000
Service	879	1,377	(498)
Provision of Overseas Market Information to UK Exporters			

5. Analysis of Income Payable to the Consolidated Fund

In addition to appropriations-in-aid the following income relates to UK Trade & Investment and is payable to the Consolidated Fund.

	Forecast 2004-05		Outturn 2004-05	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating income and receipts – excess A-in-A	-	-	-	-
Non-operating income and receipts – excess A-in-A	-	-	-	-
Subtotal	-	-	-	-
Other operating income and receipts not classified as A-in-A	-	-	-	-
Other non-operating income and receipts not classified as A-in-A	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund (Note 11)	-	-	642	719
Total	-	-	642	719

6. Analysis of Capital Expenditure, Financial Investment and Associated Appropriations-in-Aid

	2004-05			2003-04		
	Capital expenditure	Capital A-in-A	Net Total	Capital expenditure	Capital A-in-A	Net Total
	£000	£000	£000	£000	£000	£000
Request for Resources 1	94	-	94	236	-	236
Net capital expenditure	94	-	94	236	-	236

7. Tangible Fixed Assets

	Information technology	Office machinery	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2004	575	171	746
Additions	51	-	51
Disposals	-	(2)	(2)
Reclassifications	4	(4)	-
Revaluations	-	3	3
Permanent diminution	(62)	-	(62)
At 31 March 2005	568	168	736
Depreciation			
At 1 April 2004	(184)	(84)	(268)
Charge in year	(114)	(33)	(147)
Disposals	-	1	1
Reclassifications	-	-	-
Revaluations	-	(3)	(3)
Permanent diminution	27	-	27
At 31 March 2005	(271)	(119)	(390)
Net book value at 31 March 2005	297	49	346
Net book value at 31 March 2004	391	87	478
Asset financing			
Owned	297	49	346
Net book value at 31 March 2005	297	49	346

The difference between the amounts included as additions in the fixed assets note and the amount included as additions in the cash flow statement (Schedule 4) relates to assets received into service but not paid for at 31 March and assets paid for in year but received into service in the prior financial year.

8. Intangible Fixed Assets

Purchased software licences

	<u>£000</u>
Cost or valuation	
At 1 April 2004	-
Additions	<u>43</u>
At 31 March 2005	<u>43</u>
Amortisation	
At 1 April 2004	-
Charge in year	-
At 31 March 2005	<u>-</u>
Net book value at 31 March 2005	<u>43</u>
Net book value at 31 March 2004	<u>-</u>

The difference between the amount included as additions in the intangible fixed assets note and the amount included as additions in the cash flow statement (Schedule 4) relates to assets received into service but not paid for at 31 March.

9. Movement in Working Capital other than Cash

The movements in working capital used in the reconciliation of resources to cash requirement (Schedule 1) and in the cash flow statement (Schedule 4) comprise:

	<u>2004-05</u>	<u>2003-04</u>
	<u>£000</u>	<u>£000</u>
(Decrease) in stocks and work-in-progress	-	(36)
(Decrease) in debtors	(732)	(633)
(Decrease) in current investment	(709)	(217)
(Increase) in creditors falling due within one year	<u>(59)</u>	<u>(7,059)</u>
	(1,500)	(7,945)
Adjustments: movement in working capital not related to net operating costs		
Amounts due to the Consolidated Fund	(2,501)	3,549
Amounts receivable that will be due to the Consolidated Fund when received	(77)	13
Adjust for short term deposits	709	217
Adjust for debtor interest receivable	(1)	-
Movement in working capital related to the acquisition of tangible fixed assets	<u>(77)</u>	<u>142</u>
Net (decrease) in working capital other than cash	<u>(3,447)</u>	<u>(4,024)</u>

10. Debtors

	31 March 2005		31 March 2004	
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:				
Trade debtors ¹	387		554	
ODPM (formerly DTLR) in respect of Exports Construction Centre	-		107	
VAT	1,395		1,397	
Other debtors	6		12	
DTI debtor	-		191	
Current part of PFI prepayment	896		878	
Other prepayments and accrued income ²	<u>319</u>		<u>489</u>	
		<u>3,003</u>		<u>3,628</u>
Amounts falling due after more than one year:				
PFI prepayments	-		167	
Other prepayments and accrued income	<u>60</u>		<u>-</u>	
		<u>60</u>		<u>167</u>
Total		<u><u>3,063</u></u>		<u><u>3,795</u></u>

¹ Included within trade debtors is £1,000 (2003-04 nil) which will be paid to the Consolidated Fund on receipt.

² Other prepayments and accrued income include grants repayable under the Overseas Project Fund totalling £nil (2003-04 £50,000). Repayable grants include a premium, which is calculated at a flat rate as a proportion of the grant. The premium is not considered to be interest and is treated as an operating appropriation-in-aid.

11. Current Investments

	2004-05	2003-04
	<u>£000</u>	<u>£000</u>
Balance at 1 April	709	926
Interest earned	-	13
Disbursements	-	(178)
Exchange rate movements	-	(52)
Repayments	<u>(709)</u>	<u>-</u>
Balance at 31 March	<u><u>-</u></u>	<u><u>709</u></u>
Of which, interest accrued which will be paid to the Consolidated Fund when received	-	78

During 2002-03 UK Trade & Investment recognised £1,201,000 as short term deposits in respect of balances administered on UK Trade & Investment's behalf by three multilateral development agencies and used to support the introduction of UK consultants to agency work. Due to a change in policy, the balance of these funds was returned to UK Trade & Investment and surrendered to the Consolidated Fund during 2004-05.

12. Cash at Bank and in Hand

	2004-05	2003-04
	<u>£000</u>	<u>£000</u>
Balance at 1 April	4,178	629
Net change in cash balances	<u>(2,501)</u>	<u>3,549</u>
Balance at 31 March	<u>1,677</u>	<u>4,178</u>
The following balances at 31 March were held at		
Office of HM Paymaster General	1,536	3,934
Commercial banks	<u>141</u>	<u>244</u>
Balance at 31 March	<u>1,677</u>	<u>4,178</u>
The balance at 31 March comprised		
Cash due to be paid to the Consolidated Fund		
Amounts issued from the Consolidated Fund for Supply but not spent at year end	1,675	4,178
Consolidated Fund Extra Receipts received and due to be paid to the Consolidated Fund	<u>2</u>	<u>-</u>
Balance at 31 March	<u>1,677</u>	<u>4,178</u>

13. Creditors

	31 March 2005	31 March 2004
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year		
Trade creditors	6,160	5,215
Other creditors	-	1
DTI creditor	221	-
Accruals	13,680	12,208
Amounts issued from the Consolidated Fund for Supply but not spent at year end	1,675	4,178
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund		
Received	2	-
Receivable	<u>1</u>	<u>78</u>
Total	<u>21,739</u>	<u>21,680</u>

14. Provisions for Liabilities and Charges

	31 March 2005			31 March 2004		
	Early departure costs	Pension liabilities	Total	Early departure costs	Pension liabilities	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balance at 1 April	118	1,294	1,412	136	2,250	2,386
Actuarial gains and losses	-	-	-	-	150	150
Provided in year	-	396	396	-	794	794
Provisions not required written back	(118)	-	(118)	-	-	-
Unwinding of discount	-	-	-	-	75	75
Provisions utilised in year	<u>-</u>	<u>(1,690)</u>	<u>(1,690)</u>	<u>(18)</u>	<u>(1,975)</u>	<u>(1,993)</u>
Balance at 31 March	<u>-</u>	<u>-</u>	<u>-</u>	<u>118</u>	<u>1,294</u>	<u>1,412</u>

Early retirement and pension commitments covered staff who worked for Area Advisory Groups (AAGs), which are now closed, and staff who work for the China Britain Business Council (CBBC). Whilst not directly employed by UK Trade & Investment, their pensions were funded from UK Trade & Investment programme budgets through schemes analogous to the Principal Civil Service Pension Schemes (PCSPS) classic, premium, and classic plus. During 2003-04 UK Trade & Investment transferred its remaining four AAG pension schemes to the PCSPS. In 2004-05 the PCSPS confirmed that the transfer also covered estimated early retirement payments so this provision has been written back. During 2004-05 UK Trade & Investment transferred members of the CBBC scheme to the PCSPS leaving no outstanding pension liabilities. CBBC is responsible for paying employer's contributions to the PCSPS. This forms part of the annual grant made by UK Trade & Investment to CBBC.

In June 2004, the Government Actuary's Department carried out a full actuarial valuation of the CBBC scheme as at 31 March 2004.

The main financial assumptions used at the beginning of the period and at the balance sheet date are:

	At 31 March 2005	At 31 March 2004	At 31 March 2003
The inflation assumption	N/A	2.50%	3.40%
The rate of increase in salaries	N/A	4.00%	4.90%
The rate of increase for pensions in payment and deferred pensions	N/A	2.50%	3.40%
The rate used to discount scheme liabilities	N/A	6.10%	7.00%

Changes during the year were:

	<u>2004-05</u>	<u>2003-04</u>		
	£000	£000		
Current service cost	-	80		
Past service costs	-	-		
Gains and losses on any settlements and curtailments	396	705		
Interest cost (unwinding of discount)	-	75		
	<u>2004-05</u>	<u>2003-04</u>	<u>Percentage</u>	<u>Percentage</u>
	<u>£000</u>	<u>£000</u>	<u>of scheme</u>	<u>of scheme</u>
	<u>liabilities</u>	<u>liabilities</u>	<u>of scheme</u>	<u>of scheme</u>
Experience gains and losses arising on the scheme liabilities	-	91	-	7
Effects of changes in the demographic and financial assumptions	-	59	-	5
Total actuarial gain or loss	<u>-</u>	<u>150</u>	<u>-</u>	<u>12</u>

The present value of the scheme liabilities based on the accounting assumptions used is £nil (2003-04 £1,294,000) and the resulting deficit is £nil (2003-04 £1,294,000). The movements during the period in the pension scheme liabilities are analysed below:

	<u>2004-05</u>	<u>2003-04</u>
	£000	£000
Present value of scheme liabilities at 1 April	1,294	2,250
Current service cost	-	80
Employee contributions	-	9
Loss on settlements and curtailments	396	705
Interest cost (unwinding of discount)	-	75
Actuarial losses	-	150
Less benefits paid	<u>(1,690)</u>	<u>(1,975)</u>
Present value of scheme liabilities at 31 March	<u>-</u>	<u>1,294</u>

15. Reconciliation of Net Operating Cost to Changes in the General Fund

	2004-05		2003-04	
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Net operating cost for the year (Schedule 2)		(99,405)		(96,614)
Income not appropriated in aid payable to Consolidated Fund		-		-
		(99,405)		(96,614)
Parliamentary funding				
Drawn down	95,381		97,406	
Deemed Supply	<u>4,178</u>		<u>629</u>	
		99,559		98,035
Transfer to general fund of realised element of revaluation reserve (see Note 16)		1		-
Adjustment for current investment repaid in year (Note 11)		(631)		-
Actuarial loss on pension scheme liabilities		-		(150)
Consolidated Fund creditor for cash unspent		(1,675)		(4,178)
Non-cash charges:				
Cost of capital credit	<u>(526)</u>		<u>(429)</u>	
		(526)		(429)
Net (decrease) in general fund		(2,677)		(3,336)
General fund at 1 April		(13,935)		(10,599)
		<u>(16,612)</u>		<u>(13,935)</u>
General fund at 31 March (Schedule 3)		<u>(16,612)</u>		<u>(13,935)</u>

The general fund balance is analysed between pension liabilities and other as required by FRS17:

	2004-05	2003-04
	<u>£000</u>	<u>£000</u>
Pension liability	-	(1,294)
Other amounts	<u>(16,612)</u>	<u>(12,641)</u>
General fund at 31 March	<u>(16,612)</u>	<u>(13,935)</u>

16. Reserves

	2004-05	2003-04
	<u>£000</u>	<u>£000</u>
Revaluation Reserve		
Balance at 1 April	3	1
Arising on revaluation during the year (net)	-	2
Transfer to general fund of realised element of revaluation reserve (see Note 15)	(1)	-
	<u>2</u>	<u>3</u>
Balance at 31 March	<u>2</u>	<u>3</u>

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

17. Note to Schedule 5

All programme costs of UK Trade & Investment have been directly attributed to sub-objectives and there has been no apportionment between sub-objectives except for the attribution of the cost of capital credit which has been apportioned on the basis of capital employed where known or the proportion of expenditure where not known. The breakdown of average capital employed during the year, including working capital, together with the related cost of capital credit is as follows:

	2004-05		2003-04	
	Net average capital employed	Cost of capital credit	Net average capital employed	Cost of capital credit
	£000	£000	£000	£000
Sub-objective 1	(12,608)	(441)	(10,182)	(356)
Sub-objective 2	<u>(2,430)</u>	<u>(85)</u>	<u>(2,082)</u>	<u>(73)</u>
	<u>(15,038)</u>	<u>(526)</u>	<u>(12,264)</u>	<u>(429)</u>

18. Capital Commitments

There were no capital commitments in existence at the balance sheet date.

19. Commitments under PFI Contracts

UK Trade & Investment has entered into the following off-balance sheet PFI contract.

ELGAR

UK Trade & Investment's headquarters utilises the DTI's ELGAR contract with UNITAS to deliver key e-business projects to support services to customers and staff. In the DTI, ELGAR covers the provision of a wide range of information systems and services including IT infrastructure management, IT development, business process re-engineering, consultancy advice and technology refresh. Under this agreement UNITAS was also contracted to develop projects identified as part of UK Trade & Investment's e-business strategy, which was first published in November 2000.

UK Trade & Investment's agreement under the contract for its e-business projects started during 2000-01 and is due to expire in 2009-10.

The public facing elements of UK Trade & Investment's new portal and customer relationship management (CRM) system went live on a pilot basis during 2004-05. Managed service charges in respect of these services became payable from October 2004. The service charges for the portal (provision of system, hosting, development and support) and CRM (provision of system, hosting and support) are being paid annually in advance. As a result £728,000 was transferred to the balance sheet as a prepayment for services due to be received in the first six months of 2005-06. Payments for development of the CRM application are being made monthly in arrears.

UNITAS developed UK Trade & Investment's previous public website (Gateway). The elements of the contract relating to Gateway ended with the introduction of the new portal. During 2004-05 an additional £328,000 was charged to the operating cost statement in respect of amortisation of outstanding amounts following the termination of the contract.

The current estimated total capital value for the public web-based services provided under the agreement is £5 million (2003-04 £3 million).

Charge to the Operating Cost Statement and Future Commitments

The total amount charged to the operating cost statement in respect of the managed service element of off-balance sheet PFI transactions was £1,548,000 (2003-04 £512,000); and the payments to which UK Trade & Investment is committed during 2005-06, analysed by the period during which the commitment expires, is as follows:

	<u>2005-06</u>	<u>2004-05</u>
	<u>£000</u>	<u>£000</u>
Expiry within 1 year	-	-
Expiry within 2 to 5 years	<u>2,726</u>	<u>2,350</u>
	<u><u>2,726</u></u>	<u><u>2,350</u></u>

The charge to the operating cost statement for 2004-05 was lower than expected, as the new developments went live later in the financial year than planned.

Overseas Market Introduction Service (OMIS)

During 2004-05 the hosting and support for OMIS transferred from UNITAS to the Office of E-Government (Knowledge Network). As a result of earlier prepayments to UNITAS under the ELGAR contract for the initial development of OMIS £167,000 remains on the balance sheet at the end of 2004-05 and will be amortised over the next financial year. These prepayments had the effect of reducing charges that would otherwise have been payable to UNITAS and are being amortised over the expected remaining life of the initial development on a straight-line basis. During the accounting period £550,000 was charged to the operating cost statement in respect of amortisation.

20. Contingent Liabilities

UK Trade & Investment had no contingent liabilities at 31 March 2005 under FRS 12, nor any contingent liabilities not required to be disclosed under FRS 12, but which would otherwise have been included in these accounts for the purposes of Parliamentary reporting and accountability.

21. Related Party Transactions

UK Trade & Investment is a joint operation between the DTI and the FCO. These bodies are regarded as related parties with which UK Trade & Investment has had various material transactions during the year.

In addition UK Trade & Investment has had a small number of transactions with other government departments and other central government bodies. Most of these transactions have been with the Department of the Environment, Food and Rural Affairs, the Department for Transport, the Office of the Deputy Prime Minister, the Department for Culture, Media and Sport and the Department for Education and Skills, through the nine Government Offices for the Regions and their Co-ordinating Unit.

Until November 2004, UK Trade & Investment had an advisory board. The majority of its members were independent board directors, appointed because of their knowledge of and interest in UK Trade & Investment's activities. They played no part in the operational decision making processes of the organisation. As representatives of their respective businesses, they could potentially be in receipt of assistance available through UK Trade & Investment's schemes, through its global network of assistance afforded to UK companies, or they may have entered into a contractual relationship for the supply of goods and services.

During 2004-05 Business Link Wessex, whose Chief Executive Jacky Stevens was a member of the Board and the Audit Committee Chairman, received £763,000 from UK Trade & Investment for International Trade Advisers in Dorset, Hampshire and the Isle of Wight. No amounts were included in creditors falling due within one year on the balance sheet as at 31 March 2005.

David Brown KB who was a member of the Board, is a Director of Intellect – a trade association in receipt of financial support for overseas exhibitions. During 2004-05 grants paid and payable to Intellect by UK Trade & Investment amounted to £1,165,000, of which £1,063,000 relates to participant grants, which are passed onto those companies participating in the overseas events. The remaining £102,000 relates to sponsor grants payable to Intellect for administering the events. There were payments of £92,000 for other research and sponsorship activities, bringing total expenditure for the year to £1,257,000. No amounts were included in creditors falling due within one year on the balance sheet at 31 March 2005.

No minister, member of the Management Committee, or key manager of UK Trade & Investment or other related party has undertaken any material transactions with UK Trade & Investment during the year.

22. 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 an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments are financed, UK Trade & Investment is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. Generally financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing UK Trade & Investment in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months from the balance sheet date have been omitted from the disclosures below.

Liquidity, interest rate and foreign currency risk

Resources voted annually by Parliament finance UK Trade & Investment's net resource and capital requirements. UK Trade & Investment is not therefore exposed to significant liquidity risks. UK Trade & Investment does not access funds from commercial sources and so is not exposed to interest rate risk. UK Trade & Investment's exposure to foreign currency risk is not significant. Foreign currency income is negligible and foreign currency expenditure accounts for less than 8 per cent of total expenditure.

There is no material difference between the fair values and book values of UK Trade & Investment's financial instruments.

Credit risk

At 31 March 2005 UK Trade & Investment had no debtors payable in more than one year (31 March 2004 £nil).

23. Third-Party Assets

In December 2004, UK Trade & Investment closed its Sales Leads Service which was until early in 2002 a chargeable service. Between the time charging ended and closure of the scheme, and despite extensive efforts to trace customers, not all advance payments made for the service had been refunded to customers. In January 2005 UK Trade & Investment's contractor for the service transferred to UK Trade & Investment

the outstanding balance of unclaimed monies. These monies are not the organisation's assets and are not included in the accounts. The assets held at the balance sheet date comprised a monetary balance held on deposit in a commercial bank account. The detail is set out in the table below.

	<u>31 March 2005</u>	<u>31 March 2004</u>
	£000	£000
Balance held in account	<u>50</u>	<u>-</u>

24. Intra-Government Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balances with other central government bodies	1,404	-	1,920
Balances with public corporations and trading funds	-	-	102
Balances with bodies external to government	<u>1,599</u>	<u>60</u>	<u>19,717</u>
Balance at 31 March 2005	<u>3,003</u>	<u>60</u>	<u>21,739</u>

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balances with other central government bodies	1,711	-	4,277
Balances with public corporations and trading funds	-	-	377
Balances with bodies external to government	<u>1,917</u>	<u>167</u>	<u>17,026</u>
Balance at 31 March 2004	<u>3,628</u>	<u>167</u>	<u>21,680</u>

25. Post Balance Sheet Events

There were no post balance sheet events which affected the results for the year.

Memoranda Notes on Administration Costs and Administration Capital

Indicative administration expenditure and the cost of the associated assets used are included by way of the following memoranda notes (see also Note 1.2).

26. Staff Numbers and Related Costs

Staff working for UK Trade & Investment remain the employees of either the DTI or the FCO.

Department of Trade and Industry

Staff costs consisted of:

	Total	2004-05 Permanently employed staff	Others	2003-04 Total
	£000	£000	£000	£000
Wages and salaries	19,464	18,163	1,301	19,497
Social security costs	1,468	1,468	-	1,411
Other pension costs	2,581	2,581	-	2,468
Subtotal	23,513	22,212	1,301	23,376
Less recoveries in respect of outward secondments	(287)	(287)	-	(168)
Total net costs	23,226	21,925	1,301	23,208

UK Trade & Investment spent £2,288,000 (2003-04 £2,002,000) from its programme budget on Export Promoters seconded from private sector organisations and consultants (see Note 2).

The average number of whole-time equivalent persons employed during the year was as follows:

	Total	2004-05 Permanently employed staff	Others	2003-04 Total
	WTE	WTE	WTE	WTE
Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments	605	569	36	616
Sub-objective 2: To ensure a continuing high level of quality foreign direct investment	106	98	8	87
Total	711	667	44	703

Foreign and Commonwealth Office

Staff costs consisted of:

	<u>2004-05</u>	<u>2003-04</u>
	£000	£000
UK staff costs	21,409	23,245
Locally employed staff costs	<u>23,911</u>	<u>30,886</u>
	<u><u>45,320</u></u>	<u><u>54,131</u></u>

The average number of whole-time equivalent persons employed during the year was as follows:

	Total	2004-05 Permanently employed staff	Others	2003-04 Total
	<u>WTE</u>	<u>WTE</u>	<u>WTE</u>	<u>WTE</u>
Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments	1,317	1,293	24	1,467
Sub-objective 2: To ensure a continuing high level of quality foreign direct investment	<u>228</u>	<u>224</u>	<u>4</u>	<u>135</u>
Total	<u><u>1,545</u></u>	<u><u>1,517</u></u>	<u><u>28</u></u>	<u><u>1,602</u></u>

The Chief Executive of UK Trade & Investment is a member of the Management Boards of both the FCO and the DTI. Details on his remuneration can be found in the accounts of the FCO.

During 2004-05 none of the external members of the UK Trade & Investment Board received any remuneration for their services.

The remuneration of Ministers with responsibility for UK Trade & Investment is reported in the resource accounts of their respective ministerial departments.

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).

Benefits under the classic scheme 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. Members pay contributions of 1.5 per cent of pensionable earnings. Benefits under the premium scheme accrue at the rate of 1/60th of final pensionable earnings for each year of service. There is no automatic lump sum but members may commute some of their pension to provide a lump sum. Members pay contributions of 3.5 per cent of pensionable earnings. The classic plus scheme is a variation of premium but with benefits in respect of service before 1 October 2002 calculated broadly in line with the classic scheme. All 3 defined benefit schemes provide death in service and dependants' benefits. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

The PCSPS is an unfunded multi-employer defined benefit scheme and the FCO and the DTI are unable to identify their shares of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

27. Other Administration Costs**Department of Trade and Industry**

	2004-05		2003-04	
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Rentals under operating leases				
Hire of office equipment		35		28
Non-cash items				
Apportionment of central overheads attributable to UK Trade & Investment activities	13,445		12,998	
Auditor's remuneration and expenses ^(a)	21		21	
Depreciation	146		323	
Revaluation of fixed assets	(14)		(17)	
(Gain)/loss on disposal of fixed assets	(32)		19	
Cost of capital charge	(7)		4	
		13,559		13,348
Other expenditure		<u>10,985</u>		<u>11,664</u>
Total administrative expenditure DTI		<u><u>24,579</u></u>		<u><u>25,040</u></u>

Foreign and Commonwealth Office

	2004-05		2003-04	
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Rentals under operating leases				
		11,374		10,762
Non-cash items				
Apportionment of overheads attributable to UK Trade & Investment activities	49,914		44,029	
Auditor's remuneration and expenses ^(a)	20		20	
Depreciation	7,463		6,941	
Cost of capital charge	5,420		4,499	
		62,817		55,489
Other Expenditure		<u>18,951</u>		<u>23,461</u>
Total administrative expenditure FCO		<u><u>93,142</u></u>		<u><u>89,712</u></u>

^(a) There was no remuneration for non-audit work for either department.

28. Administration Income**Department of Trade and Industry**

	2004-05	2003-04
	<u>£000</u>	<u>£000</u>
Administration income		
Fees and charges	-	-
Other allowable A-in-A	-	-
Total	<u><u>-</u></u>	<u><u>-</u></u>

Foreign and Commonwealth Office

The amounts included in the FCO's financial statements which underpin the figures shown in these memoranda notes include apportioned income that is not directly attributable to UK Trade & Investment's activities. FCO income is therefore not identified separately but is included as part of the net figures disclosed in Notes 27 and 30.

29. Tangible Fixed Assets: Administration Capital

Administration capital tangible fixed assets used in the delivery of UK Trade & Investment's objective by parent department were as follows:

	<u>Department of Trade and Industry</u>	<u>Foreign and Commonwealth Office</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Net book value at 31 March 2004	297	-	297
Net book value at 31 March 2005	196	-	196

The FCO has not purchased administration capital tangible fixed assets for the sole purpose of delivering UK Trade & Investment's objectives.

30. Schedule 5: Administration

Schedule 5 shows programme resources consumed in the meeting of UK Trade & Investment's sub-objectives (see Note 1.2). Administration resources consumed by UK Trade & Investment's parent departments in meeting UK Trade & Investment's sub-objectives were as follows:

Department of Trade and Industry

	<u>2004-05</u>			<u>2003-04</u>		
	<u>Gross</u>	<u>Income</u>	<u>Net</u>	<u>Gross</u>	<u>Income</u>	<u>Net</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments	41,250	-	41,250	42,823	-	42,823
Sub-objective 2: To ensure a continuing high level of quality foreign direct investment	6,555	-	6,555	5,425	-	5,425
Net operating costs DTI	47,805	-	47,805	48,248	-	48,248

Foreign and Commonwealth Office

	<u>2004-05</u>			<u>2003-04</u>		
	<u>Gross</u>	<u>Income</u>	<u>Net</u>	<u>Gross</u>	<u>Income</u>	<u>Net</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments	118,029	-	118,029	131,721	-	131,721
Sub-objective 2: To ensure a continuing high level of quality foreign direct investment	20,433	-	20,433	12,122	-	12,122
Net operating costs FCO	138,462	-	138,462	143,843	-	143,843

Within DTI and FCO's Schedule 5, UK Trade & Investment is reflected as Objective D and 2 respectively.

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