Presented pursuant to the GRA Act 2000 c.20. s.6(4)

Department of Trade and Industry

Consolidated Resource Accounts 2004-05

LONDON: The Stationery Office
HC 612

05 December 2005
£13.00

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(For the year ended 31 March 2005)

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Contents

ANNUAL REPORT

AIMS AND OBJECTIVES

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

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

AIM

Deliver Prosperity for All by driving up productivity and competitiveness through world-class science and innovation, successful enterprise and business, and fair, competitive markets.

OBJECTIVES

I) SUPPORTING SUCCESSFUL BUSINESS

DTI recognises that business and government have a shared goal in working together to ensure that the right assets for competitiveness are available, failures in the market identified, barriers to growth overcome, and that just as business operates at global and national, sectoral and local levels, so must government. DTI will assist and support UK businesses to raise their productivity, increase enterprise and champion UK businesses in export markets. DTI works in partnership with businesses, England's Regional Development Agencies (RDAs), other Government Departments, the devolved administrations and others.

II) PROMOTING WORLD-CLASS SCIENCE AND INNOVATION

Science and innovation are a vital part of economic growth and development in modern advanced economies. In the knowledge economy, government must do what markets cannot do – promote world-class science and technology and build strong innovation networks. DTI will lead the innovation agenda across government, business and other stakeholders, creating stronger partnerships and networks, developing a higher performing and diverse workforce.

III) ENSURING FAIR MARKETS

Fair and open markets, at home and abroad, and strong competition authorities that are free from political interference, have a central role in raising productivity and delivering prosperity for all. DTI will lead a stronger drive to promote competition and open markets in the EU and worldwide, to simplify regulation and to ensure that individuals can contribute to their full potential.

Liabilities and assets management

The Department manages, on behalf of the Government, the residual liabilities arising from the coal and nuclear industries' past activities and continues to improve the way we manage these obligations.

The way we work

As a Department, our challenge is to ensure we have the right people, with the right skills and support, to deliver the Business Plan and serve our customers most effectively.

SCOPE

The Department publishes an annual Departmental Report covering the work of the previous year including progress made against the Department's aims and objectives. In addition the Department is commissioned twice yearly by the Treasury to self assess itself on progress made against its Public Service Agreement (PSA) objectives[1].

ENTITIES CONSOLIDATED

This Report and Accounts presents the consolidated results for the financial year 2004–05 of the following entities:

- The DTI, including DTI elements of administration expenditure for UK Trade & Investment (UKTI), an entity whose administration costs are shared between DTI and the Foreign and Commonwealth Office (FCO), and shown in their respective resource accounts. UKTI's programme expenditure is presented in its own resource accounts for the year;
- Executive Agencies:
  - — Employment Tribunals Service;
  - — The Insolvency Service;
  - — National Weights and Measures Laboratory;
  - — Small Business Service;
- The Advisory, Conciliation and Arbitration Service (ACAS), a Crown Executive Non-Departmental Public Body (NDPB).

The principal activities undertaken by the Agencies and by ACAS in pursuit of the aims and objectives of the Department are summarised below. Further details of each entity can be found in their respective annual reports and accounts available from The Stationery Office.

Body	**Principal Activities**
The Employment Tribunals Service	Provides administrative support to Employment Tribunals and their appellate body, the Employment Appeals Tribunal.
The Insolvency Service	Deals with compulsory corporate and individual insolvencies in England and Wales, investigates fraud and misconduct in insolvencies and administers the Redundancy Payments Service.
National Weights and Measures Laboratory	Regulates equipment used for trade weighing and measurement, and represents the UK in international discussions of the technical requirements for measuring instruments.
Small Business Service	Works as a strong voice for small business at the heart of Government, develops and maintains a world-class business support service; champions entrepreneurship; and works to reduce the burden of regulation on smaller businesses.
ACAS	Provides an independent and impartial service to prevent and resolve disputes and build harmonious relationships at work, and resources two independent statutory authorities: the Central Arbitration Committee (CAC), which provides voluntary arbitration and exercises judicial arbitration powers; and the Certification Officer who is responsible for ensuring compliance with statutory provisions relating to trade unions and employers' associations.

[1] Further information on the Department's progress against its PSA objectives is contained under the performance section on page 7 of this foreword.

ENTITIES NOT CONSOLIDATED

Public bodies for which the DTI has lead policy responsibility within Government, but which are outside of the accounting boundary as defined by HM Treasury's Resource Accounting Manual, are set out below. All these bodies publish their own annual reports and accounts, detailing their financial activity during the year. These can be obtained from The Stationery Office or the relevant body.

Trading Funds

- Companies House
- The Patent Office

Public Corporations

- British Energy Group plc[1]
- British Nuclear Fuels plc
- British Shipbuilders
- Ofcom[2]
- Royal Mail Holdings plc

Central Government Organisation

- Nuclear Liabilities Fund[3] (also a company limited by shares)

Non-Departmental Public Bodies (NDPBs)

- British Hallmarking Council
- Coal Authority
- Consumer Council for Postal Services - "Postwatch"
- Competition Commission
- Competition Service and Competition Appeal Tribunal
- The Design Council
- Equal Opportunities Commission
- The Financial Reporting Council (FRC)[4] (also a company limited by guarantee)
- Gas and Electricity Consumer Council - "Energywatch"
- Hearing Aid Council
- National Consumer Council (also a company limited by guarantee)
- National Research Development Corporation (a shadow body that does not produce an annual report and accounts)
- Nuclear Decommissioning Authority (NDA)[5] (acting in 'shadow form' only during the year)
- The Regional Development Agencies (RDAs):
  - Advantage West Midlands
  - East Midlands Development Agency
  - East of England Development Agency
  - Northwest Regional Development Agency

[1] On 24 September 2004 the National Accounts Classification Committee (NACC) of the Office for National Statistics (ONS) classified the restructured British Energy as a public non-financial corporation.

[2] Ofcom is responsible to both DTI and DCMS.

[3] The Nuclear Liabilities Fund (previously the Nuclear Generation Decommissioning Fund (NGDF)), which was previously a private company set up on the privatisation of British Energy in 1996, was re-classified during the year to the public sector by the Office of National Statistics (ONS) with retrospective effect to the date of its inception. Policy responsibility for the NLF transferred to the DTI on 14 January 2005. The ONS and Cabinet Office have yet to pronounce which classification of Central Government body NLF falls under.

[4] ONS announced their decision to reclassify FRC to the public sector on 31 October 2004.

[5] NDA was established under the Energy Act 2004. It operated only in "shadow form" during the year from 1 December 2004. It took on its full functions and was officially launched on 1 April 2005.

- One North East
- South East England Development Agency
- South West of England Regional Development Agency
- Yorkshire Forward

- The Research Councils:
  - Biotechnology and Biological Sciences Research Council
  - Council for the Central Laboratory of the Research Councils
  - Economic and Social Research Council
  - Engineering and Physical Sciences Research Council
  - Medical Research Council
  - Natural Environment Research Council
  - Particle Physics and Astronomy Research Council
- Simpler Trade Procedures Board (SITPRO) (also a company limited by guarantee)
- United Kingdom Atomic Energy Authority (UKAEA)

The Department also sponsors the London Development Agency, a local authority body and not an NDPB, which is responsible to the Greater London Authority.

The Secretary of State for Trade and Industry also represents the following non-Ministerial organisations that are outside of the resource accounts boundary and who produce their own accounts:

- Export Credits Guarantee Department (ECGD)
- Office of Fair Trading (OFT)
- Office of Gas and Electricity Markets (Ofgem)
- Postal Services Commission (Postcomm)

In addition, certain non-executive NDPBs, advisory bodies and tribunals which do not produce their own resource accounts, are included in these accounts by way of accounting for the funds paid to them as grant or expenses. Details of these bodies are listed in note 38.

OPERATING AND FINANCIAL REVIEW

The following Operating and Financial Review has been prepared so as to meet the requirements of the Accounting Standards Board's revised Statement 'Operating and Financial Review', published in January 2003, to the extent that it is meaningful and appropriate in the public sector context.

OPERATING REVIEW

Work of the Department during the year

Strategy

The DTI Strategy published in September 2003[1] provided an overarching framework for how the Department will deliver its ambition of Prosperity for All. Building on the strategy, the Department published its five-year programme, 'Creating Wealth from Knowledge' in November 2004 and its Business Plan 2005-08 in February 2005. The five-year programme reaffirms the Department's strategic priorities and sets out how the UK will develop a strong, modern, knowledge based economy, which can meet the challenges posed by rapidly emerging economies and new technologies. The 2005-08 Business Plan gives a high level summary of the key outcomes that the Department plans to achieve over the period 2005-08. The Business Plan sets out how the Department will meet its objectives and priorities for the next three years. The Business Plan also details how the Department will deliver its PSA and efficiency programmes and how it intends to deliver on its main commitments in the five-year programme.

[1] More information on the DTI's strategy can be found on the internet at http://www.dti.gov.uk/about/strategy2003.html

More information on the DTI Strategy and how the Department is implementing it, as well as what it did during 2004–05, is contained in the DTI's 2005 Departmental Report (The Department of Trade and Industry: Departmental Report 2005, Cm 6536).

During 2004–05, the DTI employed just over 10,400 staff, in full time equivalents, organised in four agencies, two trading funds, the joint DTI-FCO organisation, UK Trade & Investment, and in its HQ, the Business, Innovation, Energy, Fair Markets and Services Groups, the Office of Science and Technology, the Strategy Unit, the Legal Services Group, the Shareholder Executive and Ministerial and Parliamentary Support Teams. It also sponsored and worked closely with a number of executive and non-executive non-departmental public bodies (listed on pages 4 to 6 of this foreword), including ACAS (whose financial results are consolidated in these accounts), the seven Research Councils, eight English Regional Development Agencies, the Competition Commission, Equal Opportunities Commission and the UK Atomic Energy Authority.

Performance

The Chancellor of the Exchequer published the Spending Review 2004 White Paper on 12 July 2004, setting out three-year plans (2005-06 to 2007-08) for Government spending. As a result of this spending review, total spending by the Department will be over £850 million higher in 2007-08 than in 2004-05, representing an average real growth rate of 3 per cent a year. There will be large increases to science and innovation budgets, worth £515 million over the SR2004 period. The science budget will increase to £3.5 billion by 2007/08, which recognises the importance that the Department has placed on boosting the science base of the country.

The Department's central aim remains to raise UK productivity and promote prosperity for all. In addition, the Department will play its part in meeting the cross-government targets of efficiency savings highlighted by the Gershon Review (see page 25 : Delivering Efficiency).

Detailed information on the DTI's performance against its Public Service Agreement targets is contained in the 2005 Departmental Report (Cm 6536). The 2005 Departmental Report reported that the Department was on course to deliver 9 of its 12 PSA targets for 2003-06 (PSA target 1 - raising UK productivity, PSA target 2 - relative performance of UK science and engineering base, PSA target 3 - consumers and competition, PSA target 4 - energy and sustainable development, PSA target 7 - improvements in economic performance of the regions, PSA target 8 - e-business, PSA target 10 - increase employment rate of ethnic minorities, PSA target 11 - UK Trade and Investment and PSA target 12 - value for money). Outcomes have been mixed for PSA target 9 - gender equality. PSA target 6 - enterprise society, and PSA target 5 - reduction in trade barriers, were off track.

Updated information on performance will be published in the Department's Autumn Performance Report 2005, due to be published towards the end of the year. Copies of the DTI's Departmental and Autumn Performance Reports can be bought from TSO (The Stationery Office) or found on the DTI website under www.dti.gov.uk/expenditureplan and www.dti.gov.uk/pdfs/DTI_Autumn_Performance_Report_2004.pdf respectively.

Schedule 5 of the Accounts, Consolidated Resources by Departmental Aim and Objectives, on page 39 indicates the net expenditure incurred against each of the DTI objectives. Some of the significant highlights during the year, by reference to objective, are listed below.

Supporting Successful Business:

- Raised national and regional economic performance, working more effectively with the Regional Development Agencies and other Regional bodies.
- The 45 Business Link Operators helped more than 620,000 customers, an increase of 2.7% on the numbers helped during 2003-2004.
- www.businesslink.gov has joined up the services provided by over fifty government departments and agencies and now attracts over 60,000 visits each month.
- Through UKTI, helped 20,000 UK exporters engage with overseas markets.

- The Manufacturing Advisory Service has built on its success of previous years. Since its creation in April 2002 it has dealt with 43,650 enquiries, carried out 9,600 free diagnostic visits and followed up with 2,500 in-depth assignments to address productivity issues.

Promoting World-class Science and Innovation:

- With our partners, invested a further £500 million in modernising research infrastructure, begun to secure long-term financial stability of the UK's research base, and made 400 awards to new academic fellowships.
- Started to implement our Innovation Report, allocating around £80 million to nine key technologies in the third competition of the £320 million Technology Strategy.
- Our five-year programme highlighted our plans to attract and retain global entrepreneurial talent and academic expertise.
- Published the '10 year Science and Innovation Investment Framework' which will ensure that the UK is one of the most competitive locations for science, research, development and innovation.
- Funded a new Resource Centre for women in science, engineering and technology (SET), working with employers to tackle the barriers faced by women entering certain SET professions.

Ensuring Fair Markets:

- Our five-year programme committed us to reducing regulatory burden on business by £1 billion over the period of the programme.
- Championed the better regulation agenda in the EU and continued to lead the debate on consumer and competition policy.
- Published a White Paper on Trade and Investment Policy to set out how the UK can best respond to the opportunities and challenges of globalisation, and how globalisation can work for people worldwide.
- Since its launch in mid 2004, Consumer Direct has dealt with over 180,000 calls from consumers.
- Helped the lowest paid workers by lifting the National Minimum Wage to £4.85 per hour and introduced a minimum wage of £3.00 per hour for those aged 16 –17.
- Implemented Dispute Resolution Regulations, new employment tribunal rules and procedures and a new ACAS Code of Practice, all designed to promote the resolution of employment disputes without recourse to legal action.

Investment for the future

The Department has, in recent years, been changing the way it works in order to develop a clear focus which will allow it to meet the expectations of its key stakeholders. We have already made significant improvements. Strong systems for performance and risk management have been established, with challenge from external independent Board members, clear accountability at Board level, and quarterly reporting on performance against our measures and targets. The DTI Strategy identified how we can further develop our staff and produce a high-performance workplace with a strong focus on delivery. We are committed to serving our customers better and providing the taxpayer with greater value-for-money.

Departmental Strategy and Delivery

In line with the Strategy, the Department is changing the way it works to meet customer needs better. We are focusing on delivery and strengthened project management, and working more closely with other Government departments and partners throughout the UK. We are also working with partners in Europe to create more open fairer markets, leading to greater prosperity, innovation and growth in the UK, the EU and globally. We have shifted resources to priority areas. We are stopping or scaling down less essential work and increasing efficiency in all areas.

In 2005-06 our Departmental Board will monitor most closely the following four programmes:

i. Encouraging innovation in UK businesses through our Innovation Action Plan (which was published as part of the DTI's Innovation Report in December 2003).

ii. Develop and promote strong and effective working relationships with the RDAs to enable policy and delivery to be led at the appropriate level and informed by national, regional and sub-regional needs.

iii. Delivering progress on economic reform to build business & other stakeholder trust through the UK's Presidency of the EU Council.

iv. Support well functioning UK energy markets to ensure the security of energy supply.

The Way We Work

The Department is committed to transforming and continually improving its internal processes and services so that they effectively and efficiently meet the needs of internal customers as well as supporting the delivery of the Department's strategic objectives and priorities.

These strategic priorities are translated, through business planning, into detailed actions for 2005-08, which set out how the DTI will deliver them and provide a basis for managing performance in delivery. During the forthcoming year the Department will:

- Apply the priorities and principles in the Strategy in delivering the objectives in its Business Plan and in its approach to the 2006 Spending Review, which will determine PSA targets and resources for 2006-09.
- Continue to strengthen its analytical capabilities and evidence base and ensure they are effectively used to inform and support strategic and operational decision-making.
- Co-ordinate marketing strategies more effectively, maximising the coherence and cost effectiveness of communications and expenditure, including by programme budget holders.
- Develop and implement a programme to strengthen the DTI's relationships across Whitehall and in the EU on key policy issues which have an impact on the Department's stakeholders.
- Continue to build and refine its framework for developing the Business Plan and managing its delivery, including strengthening engagement with the regions at key stages of the planning and delivery cycle.
- Continue to strengthen its analytical capabilities and evidence base, including from evaluation and appraisal, and ensure they are effectively used to inform and support strategic and operational decision making.
- Continue to ensure the Department has a robust and comprehensive evidence base to underpin and drive the design and delivery of strategic policy.
- Strengthen the streamlined corporate governance arrangements, which provide for effective decision making with strong independent involvement.
- Improve the Department's effectiveness in delivering project outcomes through better allocation of resources to key projects and enhance its credibility through excellent external communications – specifically the provision of high quality and timely service, information and advice.
- Raise staff awareness and understanding of key corporate messages.
- Develop a strategic approach to marketing.
- Ensure that Corporate Stakeholders are satisfied with the level of contact and quality of dialogue and understand the rationale for DTI decisions and actions.
- Restructure Marketing Communications so that it supports better planning and greater central control of marketing activity, allowing savings to be identified.
- Introduce more flexible use of space and new ways of working in the main HQ building to achieve an occupancy rate of 8 desks for 10 staff and take forward the London property strategy.
- Move towards achieving headcount targets by working more efficiently and effectively in all areas, and stopping some things and scaling down others so that we have a sharper focus on the Department's priorities.

e-Government

The Department remains on course to meet the Prime Minister's 2005 electronic service delivery target. 83% of key services are electronically enabled now and 95% will be by the end of December 2005. Although the remaining 5% will not be fully e-enabled by the target date, some level of electronic service will be available. Further details can be found in the 2005 Departmental Report (cm6536) and on the website,at http://www.dti.gov.uk/expenditureplan/report2005/pdfs/expenditure_plan_complete.pdf

Investment and Asset Management

The Department's investment strategy and a detailed analysis of tangible fixed assets including planned new investment, asset disposal plans, Private Finance Initiative (PFI) and Public Private Partnership (PPP) contracts and resource impact relating to assets and investments for DTI, its Agencies and NDPBs within the accounting boundary can be found in the Departmental Investment Strategy (the "DIS")[1]. This document also provides details of the Department's approach to procedures and systems for managing investments and assets and can be found on the Department's website and a summary of the Department's capital expenditure by activity can be found in the 2005 Departmental Report.

Capital Modernisation Fund

The Capital Modernisation Fund (CMF) is aimed at supporting innovative capital projects, through the provision of some or all of the resources they require to proceed. The Fund supports only capital expenditure, and all current costs have to be met by bidders. Up to 2002-03 there were four rounds of the CMF in which the Department secured £278,900,000 in relation to twelve projects. Details of these projects can be found in previous Expenditure Plans Reports. No new DTI projects were allocated funding during 2003-04 or 2004-05 because HM Treasury did not make any further CMF allocations after the 2003 Budget.

Invest to Save Budget

The Invest to Save Budget (ISB) aims to finance projects that demonstrate innovation or improvements in public service delivery. It is a joint venture between HM Treasury and the Cabinet Office and supports projects conducted in partnership between two or more public bodies.

Up to 2003-04 there were six rounds of ISB in which the Department was allocated £18.25m across 11 projects. Details of these projects can be found in previous Departmental reports. The Department has no ISB projects in round seven of ISB.

Other

British Energy plc

During 2004-05 the Department continued to support the proposed restructuring of British Energy Group plc (BE) in accordance with its overriding priorities of nuclear safety and the security of electricity supplies and on the terms set out by the Secretary of State on 28 November 2002. On 22 September 2004 the European Commission (EC) approved the Government's Restructuring Aid to BE. Under EC rules, no further drawings could be made after that date on the Credit Facility which the Government had made available to BE since September 2002. All drawings on the Facility have been repaid with interest by BE. BE successfully completed its restructuring on 14 January 2005.

Under the terms of the restructuring the Government will assist BE in meeting its decommissioning and nuclear liabilities costs as follows:

- Government will meet BE's contracted historic spent fuel liabilities (which are managed by BNFL). It is estimated that the costs to Government will average £186 million per annum (undiscounted at March 2005 prices) for the next 9 years, falling thereafter; and
- Government will underwrite the costs of meeting specific future decommissioning and uncontracted liabilities.

[1] Further information on the DIS can be found on the DTI website www.dti.gov.uk/about/dis.dis-2003-06.htm

As part of the restructuring, British Energy plc cancelled its ordinary and A shares and became a wholly owned subsidiary of British Energy Holdings plc by means of a court approved scheme of arrangement. British Energy plc was then re-registered as a private limited company named British Energy Limited.

As a result of the restructuring, shareholders in British Energy plc were issued with new shares and warrants in British Energy Group plc.

The Nuclear Liabilities Fund (NLF), previously known as the Nuclear Generation Decommissioning Fund (NGDF), has been expanded to assume the financial responsibility for discharging the costs of BE's qualifying decommissioning and uncontracted liabilities. To the extent that the Fund's assets fall short of those liabilities the Government will make up the difference. The NLF is a company limited by shares owned by the Nuclear Trust, with the majority of Trustees being appointed by the Secretary of State and which has retained the assets of the NGDF.

BE will make contributions into the NLF to meet future decommissioning and uncontracted liabilities costs as follows:

- Decommissioning Payments of £20 million per annum (in March 2003 monetary values and indexed to RPI) tapering as stations are scheduled to close;
- £150,000 (in March 2003 monetary values and indexed to RPI) for every tonne of uranium in PWR fuel loaded into the Sizewell B reactor;
- £275 million new 7% BE bonds;
- 65% of its annual free cash flow (the 'cash sweep').

The NLF has the right, under direction from the DTI, to convert the cash sweep, in whole or part, from time to time, into equity (with voting rights limited to the maximum amount which can be held without triggering a mandatory offer under the City Code on Takeovers and Mergers - currently 29.9%). This equity can then be sold to a third party (with full voting rights).

The cash sweep percentage is adjustable (it can rise or fall, but capped between 0% and 65%) to take account of, for example, payments made to shareholders or proceeds from the issue or sale by BE of ordinary shares. As at 31 March 2005 the cash sweep percentage was 64.99%, reflecting the issue of new ordinary shares as a result of warrants being exercised.

The Nuclear Liabilities Fund has been classified by the Office of National Statistics to central government in the public sector; in accordance with accounting standards it is considered to be a subsidiary of DTI. BE has been classified as a public non-financial corporation in accordance with the accounting standards it is considered to be a quasi subsidiary of the NLF and hence of the DTI.

Both BE and NLF fall outside the accounting boundary as defined by HM Treasury's Resource Accounting Manual and their financial results are not, therefore, consolidated within the DTI's Resource accounts.

The only formal investments are the special shares that the DTI holds in the NLF and in BE (see Note 14.5). On 5 May 2004, the Secretary of State announced that following a review of special shares in energy companies, in the light of a European Court of Justice judgment in May 2003, the Government planned to retain special shares in BE but with modified powers. These are the requirements of Ministerial consent for anyone to purchase more than 15% of BE's issued shares, and for the disposal of a nuclear power station by BE. Both of these provisions have been amended to ensure that Government consent can only be refused on grounds of national security.

The financial consequence of the Government's support for British Energy as reflected in these resource accounts are:

- Continuing provision for expenditure (£2.34 billion at 31 March 2005) for BE's historic contracted spent fuel liabilities (see note 22);

- A contingent liability/asset arising from Government's underwriting of the NLF (see note 29); and
- A contingent liability in respect of the indemnities provided to Trustees of the NLF (see note 29).

Royal Mail Holdings plc

Royal Mail Holdings plc is a company that is wholly owned by Government.

At the end of 2002 the Government agreed a new financing package for the Royal Mail mails business. This package, which comprises £1,044 million of debt finance from the Government on commercial terms, provides Royal Mail with the funds it needs to deliver its restructuring programme for its mail business with the aim of returning the company to sustainable profitability. As part of this package the Department agreed to buy two bonds that would be issued by Royal Mail, the values of which are £300 million and £200 million respectively. Royal Mail did not request the purchase of either bond during 2004-05 and the availability of the £200m bond agreement lapsed on 20 March 2005. The availability of the £300m bond has been extended to the 20 March 2006.

The Department has also made available to Post Office Limited, through an agreement reached on 17 October 2003, a revolving loan facility of up to £1.15 billion. This is to help the company fund its working capital requirements in light of the migration of state benefits payments to a system of direct payment, alongside a Government commitment that benefit recipients will still be able to collect their benefit, in cash and in full, from post office branches. Post Office Limited began utilising this facility on 1 December 2003. The availability of the facility runs until 30 March 2010 and any outstanding loans must be repaid by 31 March 2010.

The Department has also continued to provide funds to support Post Office Ltd's restructuring of the urban post office network, an exercise which is now nearing completion.

National Physical Laboratory

In July 1998 the Department entered into a PFI project agreement with Laser (Teddington II) Limited for the provision of scientific accommodation services and related support services for the National Physical Laboratory (NPL) at Teddington. The contract was to run for a period of 25 years after which the facilities would revert to the Department.

During construction of the facilities, Laser encountered a number of technical difficulties that significantly delayed completion and increased costs to a level that threatened the project's viability. In July 2004 Laser approached the Department with a proposal that an agreed termination of the PFI project represented the best available option for resolving these difficulties. On 20 December 2004 DTI agreed with Laser and their lenders to the termination of the PFI project.

The Department now intends to complete the new facilities through conventional procurement. It is estimated that works will be complete by March 2007. Further detail is contained in Note 13.3.

Machinery of Government Changes During 2004-05

On 14 June 2004 the Shareholder Executive transferred from the Cabinet Office to the DTI. The transferred functions were merged with units within the Department dealing with postal services, the UKAEA and British Nuclear Fuels plc (BNFL) to form an enlarged Executive dealing with the Government's shareholdings in publicly owned companies.

FINANCIAL REVIEW

Funding and content of the main financial statements

As a Government Department, the DTI is accountable to Parliament for its expenditure. Parliamentary approval for its spending plans is sought through Supply Estimates presented to the House of Commons, specifying the estimated expenditure and asking for the necessary funds to be voted. The Department then draws down voted funds in year from the Consolidated Fund as required.

The Estimates are structured by "Requests for Resources" (RfR) and include a formal description ("ambit") of the services to be financed under each RfR. Voted money cannot be used to finance services that do not fall within the ambit of the RfR.

DTI has three Requests for Resources: RfR 1, for Trade and Industry expenditure; RfR 2, for Science expenditure; and RfR3 in respect of the UKAEA Superannuation Schemes. *Schedule 1*, which is the main Parliamentary control schedule, reports the Outturn against the Estimates for RfR 1 and RfR 2. A separate Resource Account for RfR 3 is produced and published each year and is available from The Stationery Office and on the DTI website.

Schedule 2, the Operating Cost Statement, shows the resources consumed by the Department during the year, comprising administration and programme expenditure, net of Departmental income. This Schedule also includes the statement of recognised gains and losses. *Schedule 3*, the Balance Sheet, shows the assets, liabilities and taxpayers' equity of the Department at year-end.

Schedule 4, the Cash Flow Statement, analyses the net cash flow from operating activities, identifies how much was spent by the Department on capital expenditure and investment, records what Consolidated Fund Extra Receipts were collected and paid over to HM Treasury and shows the funding that the Department drew down from the Consolidated Fund to finance its activities during the year. The balance of these cash movements is the Department's net requirement for cash during 2004–05, which is also reported on Schedule 1.

Schedule 5, Resources by Departmental Aim and Objectives, breaks down the total resources consumed against each of the main objectives under the Department's one Aim.

2004-05 Outturns against Estimate

Schedule 1 shows underspends against the Estimates of £1,057 million for RfR1 (Trade and Industry programmes) and £117 million for RfR2 (Science programmes). The respective underspends in 2003-04 were £1,848 million and £100 million.

The main reasons for the underspend on RfR 1 are the larger than expected reductions in the values of the Nuclear and Coal Health provisions and lower than anticipated funding to the Regional Development Agencies.

The underspend on RfR2 is largely explained by three factors. For Science Research Investment Fund (SRIF), there was a £54 million underspend brought about by the profile of actual expenditure not aligning with the budget so that expenditure will slip to 2005-06. A further £48 million underspend was caused by a slippage in the capital expenditure and other programmes of some Research Councils. Finally, there was slippage on project spend against the Joint Infrastructure Fund (JIF) programme causing a further underspend of £11 million.

Note 11 to these Accounts – Analysis of net resource outturn and net operating cost by function – is the other source of comparison of outturns against budgets and shows the variances in more detail than Schedule 1.

Provisions

The Department manages for Government the residual liabilities arising from the coal and civil nuclear industries' past activities. These are long-term commitments and represent, in financial terms, the most significant part of the Department's budget.

Coal provisions

These relate to former British Coal liabilities, which transferred to the Department under the Coal Industry Act 1994.

Health claims make up by far the largest proportion of this expenditure and are expected to have cost a total of around £7.5 billion (undiscounted) over time before they are fully discharged. The forecast is very vulnerable to assumptions like the level of disability of outstanding claims and the timing of individual awards made. The recent implementation of an optional risk offer process in the lung disease scheme has increased the uncertainty of the financial outcome. The amounts included in these accounts reflect the best available estimate of the size of these liabilities at the time, however, the confidence levels remain very wide

The Department also has a responsibility to provide either solid fuel or a cash alternative to over 120,000 beneficiaries. Approximately three quarters of these have opted for the cash alternative at an average of around £280 per annum, compared with the average annual solid fuel cost to the Department of around £700 per beneficiary. The number of beneficiaries is decreasing at around 6% per year and therefore the liability will continue for several decades. The provision is based on standard female mortality rates and includes an assumption of beneficiaries continuing to switch their entitlement from solid fuel to cash.

The other non-health provision mostly represents the Department's estimated liability in restoration of contaminated former coalfield sites.

Expenditure in 2004-05 on all coal liabilities came to £930 million (£958 million in 2003-04). Note 21 provides more detail.

Nuclear provisions – UKAEA and BNFL

The Department funds the costs of UKAEA's programme of decommissioning and clean up to environmentally restore its nuclear sites. The costs of the restoration programme are covered by a provision of £4,398 million. During the year payments totalling £289 million (2003-04 £306 million) were made to reduce the liability. See note 22 for more detail.

The Department has undertaken to pay by instalments an agreed sum to Magnox Electric Ltd towards the cost of decommissioning and clean up of nuclear facilities and sites. Magnox Electric is owned by BNFL. The undertaking is covered by a provision of £7,342 million. No payments were made to reduce the liability during the year because the first instalment is not due until 2008. See note 22.2 for more details.

Since 1st April 2005 the Department's commitments to fund nuclear clean have been managed by the Nuclear Decommissioning Authority (NDA). For further information on the NDA please see the section on events since the end of the financial year on page 23.

Nuclear provisions – BE

The DTI has financial responsibility for British Energy's historic contracted spent fuel liabilities, which are managed by BNFL.

A provision is shown in the accounts, at note 22.3, at a discounted total value of £2,340 million. It is estimated that the costs to Government will be £186 million a year (undiscounted at March 2005 prices) for the next 9 years. Costs are then expected to fall each year thereafter until the liability is extinguished in 2032.

Investments

The Department holds a number of investments, both fixed and current asset, the total valuation of which as at 31 March 2005 was £5,719 million (£5,586 million in 2003-04). The most significant investment is that in the reserves of two closed pension schemes for the former employees of the British Coal Corporation and the Department's entitlement to half of declared surpluses on the two schemes.

The future value of income streams resulting from the specific support to the aerospace industry provided through Launch Investment have a reduced value at 31 March 2005.

Further details of investments are shown at notes 14 and 18 to the accounts.

ACAS Compensation Payments

During 2004-05 ACAS, an entity consolidated into the Department's Consolidated Resource Account, made compensation payments to six employees in relation to the termination of their employment. In each case the payments went beyond those that ACAS employees, or former employees, are contractually entitled to receive. Payments of this type require the prior approval of HM Treasury under Section 18 of Government Accounting. This is because they are classified as 'special payments' and in exceeding contractual entitlements are considered to be contentious.

Under the terms of ACAS' Financial Memorandum[1] relating to compensation payments ACAS should first have referred details of each of the proposed payments to the DTI as the sponsoring Department. Had the DTI supported ACAS' proposals then they would have sought the necessary approval, on behalf of ACAS, from HM Treasury.

ACAS did not regard these payments as novel or contentious and mistakenly believed they had the delegated authority to make such payments without reference to the DTI or HM Treasury. ACAS, therefore, did not refer the payments to DTI in accordance with their Financial Memorandum[1].

The Treasury, after considering the circumstances of each case, refused to grant retrospective approval for the payments ACAS had made. As a consequence of this, the Comptroller and Auditor General qualified his audit opinion on the ACAS 2004-05 financial statements due to the inclusion of the irregular expenditure arising from the unauthorised compensation payments.

The Comptroller and Auditor General concluded that the circumstances giving rise to the qualification of ACAS' financial statements did not require him to qualify his opinion on the Department's consolidated resource account. For more information on the circumstances giving rise to the qualification of ACAS' financial statements see ACAS' Annual Report and Accounts for 2004-05 (HC 87 Session 2005-06).

Going Concern

The balance sheet at 31 March 2005 shows negative Taxpayers' Equity of £12,715 million (2003-04 £13,931 million). This reflects the inclusion of liabilities falling due in future years, which are to be financed mainly by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament, to meet DTI'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 moneys, including those derived from the Department's income, are surrendered at year-end to the Fund.

In common with other Government departments, the future financing of DTI's liabilities is to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. There is no reason to believe that future approvals will not be forthcoming. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

[1] The Financial Memorandum is the document issued by the Secretary of State for Trade and Industry which sets out the accounting and other rules governing the use of funds provided by Parliament for ACAS' activities.

Further Information

More detailed information on the performance of the Department in 2004–05, along with its future plans, can be found in Department of Trade and Industry: Departmental Report 2005 (CM 6536), which is also available on the internet at:
http://www.dti.gov.uk/expenditureplan/report2005/pdfs/expenditure_plan_complete.pdf

CORPORATE GOVERNANCE

Ministers

The responsibilities of the Ministers with responsibility for Trade and Industry as at 31 March 2005 were as follows:

Secretary of State for Trade and Industry, Minister for Women and Equality and e-Minister in the Cabinet	The Rt Hon Patricia Hewitt, MP
Minister of State for Energy and E-Commerce	Mike O'Brien, MP
Minister of State for Industry and the Regions and Deputy Minister for Women and Equality	The Rt Hon Jacqui Smith, MP
Minister of State for Trade and Investment and Foreign Affairs	Douglas Alexander, MP
Parliamentary Under-Secretary of State for Science and Innovation	Lord Sainsbury of Turville
Parliamentary Under-Secretary of State for Construction, Small Business and Enterprise	Nigel Griffiths, MP
Parliamentary Under-Secretary of State for Employment Relations, Consumers and Postal Services	Gerry Sutcliffe, MP

In addition, the following also held Ministerial responsibility during 2004-05:

Minister of State for Energy, E-Commerce and Postal Services (to 13 September 2004)	Stephen Timms, MP
Minister of State for Employment Relations, Industry and the Regions (to 13 September 2004)	Alan Johnson, MP
Minister of State for International Trade and Investment (to 13 September 2004)	The Rt Hon Baroness Symons of Vernham Dean
Minister of State for Energy and Construction (to 13 September 2004)	Brian Wilson, MP

The remuneration of Ministers, which is determined in accordance with the provisions of the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991, is detailed further in note 2.3 to these accounts.

Permanent Head of the Department

The permanent head of the DTI is the Permanent Secretary. Sir Robin Young KCB, retired as Permanent Secretary on 28 February 2005. Dr Catherine Bell as Interim Permanent Secretary replaced him on 1 March 2005. Sir Brian Bender KCB, has been appointed as Permanent Secretary of the Department as from 3 October 2005. The Civil Service Management Code governs the Permanent Secretary's appointment, including length of time of the appointment.

Note 2 to these accounts provides details of salaries and pension entitlements in respect of the Permanent Secretary and the other most senior members of the Department.

Departmental Boards and Committees

During 2004, the DTI reviewed its high level processes and the way in which business is handled and decisions are made to improve the governance and effectiveness of the Department. The new corporate governance structure builds on existing bodies and practices to:

- Clarify the roles of the boards and the relationships between them;
- Make greater use of independent board members (IBMs) to challenge, advise and increase transparency;
- Use committees to consider options and refine information before presentation to the board; and
- Push decision making down the organisation.

The DTI's corporate governance structure comprises a Strategy Board and an Executive Board with 5 sub-Committees: the Permanent Secretary's Committee; the Resources Committee; the DTI Audit Committee; the Performance Monitoring Committee; and the Investment Committee.

Also reporting to the Executive Board are four Group Boards: the Business and Innovation Groups Board; the Energy Group Board; the Fair Markets Group Board; and the Legal Services Group Board. These reflect the main strategic areas of the Department and further strengthen the delivery of the Department's objectives through the effective management of its resources. Group Boards are chaired by the relevant Director General and members include senior officials as well as between two and six independent members per Board.

Members of all these Boards and Committees, with the following exceptions, are civil servants appointed in accordance with the Civil Service Code and their remuneration is determined in accordance with Cabinet Office guidelines, which take into account the recommendations of the Senior Salaries Review Body. The exceptions are: the IBMs, the Secretary of State and Ministers.

The IBMs are appointed for an initial term of two or three years with the possibility of a second similar term. Remuneration is based on a flat-rate annual honorarium plus reimbursement of reasonable expenses.

Those members of the DTI's Boards and Committees who are also civil servants are, by the terms of that employment, precluded from holding any company directorships or other significant interests that may conflict with their management responsibilities. The IBMs are required to declare any personal or business interests which may, or may be perceived to, influence their judgement and are asked on a regular basis to keep this updated.

Strategy Board

The Strategy Board's role is to provide the Secretary of State with advice on the Department's strategic direction.

The members of the Strategy Board as of 31 March 2005 and during the year were:

Secretary of State for Trade and Industry and Minister for Women (Chair)	The Rt Hon Patricia Hewitt, MP
Minister of State for E- Commerce, Energy and Competitiveness	Mike O'Brien, MP
Minister of State for Industry, Regions, Deputy Minister Women and Equality	The Rt Hon Jacqui Smith, MP
Minister of State for Trade, Investment and Foreign Affairs	Douglas Alexander, MP
Parliamentary Under-Secretary of State for Small Business and Enterprise	Nigel Griffiths, MP
Parliamentary Under-Secretary of State for Employment Relations, Competition and Consumers.	Gerry Sutcliffe, MP
Parliamentary Under-Secretary of State for Science and Innovation	Lord Sainsbury of Turville
Interim Permanent Secretary	Dr Catherine Bell
Permanent Secretary	Sir Robin Young (until 28 February 2005)
Independent members	Mair Barnes CBE *(Non-Executive Director, Scottish Power, Patientline Ltd, Woolworths Holdings Ltd (South Africa) and GWR Group Plc)*
	Dr Martin Read *(Group Chief Executive of Logica CMG, Non-Executive Director of Boots Plc and British Airways. Member of the Council of Southampton University)*

Paul Gates OBE
(Deputy General Secretary, Community)
Dr John Hood
(Vice Chancellor of the University of Oxford)
Rana Talwar
(Chairman, Sabre Capital Worldwide, Non-Executive Director of Pearson Plc, Fortis SV and NA and of Schlumerger Limited)
and:
Sir Richard Sykes – appointment ended June 2004
(Rector, Imperial College London)
Tony Cooper – appointment ended June 2004
(Joint General Secretary, Prospect)

And all members of the Executive Board (see below).

Executive Board

The Executive Board's role is to set the Department's strategic aims, agree the Business Plan, ensure resources are in place to deliver the Department's objectives and monitor performance against these objectives.

The Members of the Executive Board as of 31 March 2005 and during the year were:

Permanent Secretary	Sir Robin Young (until 28 February 2005)
Interim Permanent Secretary (Chair)	Dr Catherine Bell
Chief Executive, UK Trade & Investment	Sir Stephen Brown
Independent members	Crawford Gillies *(Managing Director Europe, Bain & Company Inc)* Mary McAnally *(Former Managing Director, Meridian Broadcasting Ltd; Board Member, South East England Development Agency; Chairman, Sport England South East)* Fields Wicker-Miurin *(Executive Director, Leaders Quest)* Dr Brian Woods-Scawen *(Member of the Committee on Standards in Public Life and Chairman of Culture West Midlands)*
Director General, Services Group	David Evans
Director, Strategy	Geoff Dart
Director, Finance Resource Management	Adam Jackson
Director General, Business Group	Mark Gibson
Chief Executive of Shareholder Executive	Richard Gillingwater
Director General, Fair Markets Group	Edmund Hosker
Director General, Innovation Group	David Hughes
Director General, Legal Services	Anthony Inglese
Director General, Energy Group	Joan MacNaughton
Director General, Research Councils	Sir Keith O'Nions
Chief Economic Adviser and Director General, Economics	Vicky Pryce

Also attending:

Chief Scientific Officer and Head of the Office of Science and Technology	Prof Sir David King

Permanent Secretary's Committee

The purpose of the Permanent Secretary's Committee, established in July 2004, is to consider selected high-level business planning and management issues, key SCS performance issues (including acting as the SCS Pay Committee twice a year when two independent members will also be present), and to agree the Department's honours recommendations.

The members of the Permanent Secretary's Committee as of 31 March 2005 and during the year were:

Permanent Secretary	Sir Robin Young (until 28 February 2005)
Interim Permanent Secretary (Chair)	Dr Catherine Bell
Independent members (for SCS Pay Committee only)	Fields Wicker-Miurin
	Mary McAnally
Director General, Services Group	David Evans
Chief Executive, UK Trade & Investment	Sir Stephen Brown
Director, Strategy	Geoff Dart*
Director General, Business Group	Mark Gibson
Chief Executive, Shareholder Executive	Richard Gillingwater
Director General, Fair Markets Group	Edmund Hosker
Director General, Innovation Group	David Hughes
Director General, Legal Services	Anthony Inglese
Director General, Energy Group	Joan MacNaughton
Director General, Research Councils	Sir Keith O'Nions
Director of People Deployment and Development	Howard Ewing*
Chief Economic Adviser and Director General, Economics	Vicky Pryce
Director of Human Resources and Change Management	Shirley Pointer**

* Excluding SCS issues and SCS Pay Committee
** Excluding Honours

Resources Committee

The purpose of the Resource Committee, established in July 2004, is to handle crosscutting operational matters and to recommend to the Executive Board strategies and policies for DTI's HR, IT, finance, etc. The committee will appraise business cases for expenditure on internal DTI operations. The Committee also co-ordinates the implementation of change and efficiency initiatives in respect of "enabler functions".

The members of the Resources Committee as of 31 March 2005 and during the year were:

Director General, Legal Services (Chair)	Anthony Inglese
Director General, Services Group	David Evans
Director, Strategy	Geoff Dart
Director, Finance Resource Management	Adam Jackson
Deputy Director General, Innovation Group	Rolande Anderson
Group Director, Transdepartmental Science & Technology	Jeremy Clayton
Head of Business Relations 2	David Hendon
Director, Corporate Law and Governance	Bernadette Kelly
Head of Energy Strategy Unit	Paul McIntrye
Deputy Chief Executive and Director of Strategy & Corporate Group	Susan Haird
Chief Executive, Insolvency Service	Desmond Flynn

Independent members	Claire Ighodaro *(National Council Member of the Learning and Skills Council, non-executive director of the Banking Code Standards Board, Non-Executive director of the UK Trade & Investment Board, and Chairman of the Open University Audit Committee)* Jean Irvine OBE *(Independent consultant and Non-Executive Director, formerly a Director of the Post Office)* Lesley James CBE *(Non-Executive Director of Selfridges plc, the West Bromwich Building Society, Care UK plc and Queens Moat Houses plc. Also a member of the TUC Partnership Institute Advisory Board)* David Weymouth *(Corporate Responsibility Director for the Barclays Group)*

Audit Committee

The DTI Audit Committee's purpose is to assist and advise the Department's Accounting Officer on internal control, audit and financial accounts issues. In order to discharge these responsibilities the Committee met four times in 2004-2005.

Membership of the DTI Audit Committee as of 31 March 2005 and during the year was:

Independent Chair	Crawford Gillies
Director General, Business Group	Mark Gibson
Director General, Legal Services	Anthony Inglese
Head of Energy Market Unit	Claire Durkin
Independent members	Barry Rourke *(Chairman, Threshold Housing and Support)* Julia Unwin OBE *(Deputy Chair of the Food Standards Agency, Chair of the Committee of Reference overseeing the group of ethical investment funds provided by Friends Provident and F & C)* Dr Brian Woods-Scawen Steve Wills *(Ernst and Young)*

The Director of Finance and Resource Management Directorate, the Director of Internal Audit and a Director of the National Audit Office also normally attend meetings of the Committee.

Performance Monitoring Committee

The role of the Committee, established in July 2004, is to appraise emerging objective delivery plans and business cases, especially proposed measures, targets and risk management plans. The Committee reports quarterly to the Executive Board on the performance of these plans, ensuring that underperformance is investigated and that corrective action is planned and followed through. The Committee sets the evaluation programme and contributes to the annual business planning process.

Membership of the Performance Monitoring Committee as of 31 March 2005 and during the year was:

Chief Economic Adviser and Director General, Economics (Chair)	Vicky Pryce
Director, Strategy	Geoff Dart
Director, Finance Resource Management	Adam Jackson
Deputy Chief Executive and Director of Strategy & Corporate Group	Susan Haird
Director, Space and Director General, BNSC	Colin Hicks
Head of DTI British Energy Team	Paul McIntyre
Deputy Director General, Regions	Katharine Elliott
Director, Legal Services	Mike Thomas
Director, Science & Engineering Base Group, OST	John Neilson
Deputy Director General, Innovation Group	Rolande Anderson
Director of Innovation Economics, Innovation Group	Mark Beatson
Director, Consumer & Competition Policy	David Saunders
Independent members	Mike Jeans *(Independent Management Consultant & Non-Executive Director)*
	Janet Soo-Chung *(Chief Executive, South West Sheffield Primary Care Trust)*
	Hon Barbara Thomas *(Chairman, United Kingdom Atomic Energy Authority)*

Investment Committee

The role of the Investment Committee, established in July 2004, is to provide the Secretary of State and the Executive Board with independent strategic advice on business cases for major outward facing programme investment proposals, before expenditure is committed.

Membership of the Investment Committee as of 31 March 2005 and during the year was:

Independent Chair	Fields Wicker-Miurin
Independent members	Rosamund Blomfield-Smith *(Independent Consultant and Non-Executive Director of British Empire Securities plc and The Engineering Business)*
	Jim Brathwaite CBE (Chair, SEEDA)
	Sandy Muirhead *(Joint Managing Partner, Phoenix Equity Partners Ltd)*
	Caroline Whitfield *(Founder Rapid Access Technology Partners)*
	Richard Maudslay) *(Non-Executive Director of Dominick Hunter Group plc, the N G Bailey Organisation Ltd and Hardy & Greys Ltd)*

Also in attendance are:

Chief Economic Advisor and Director General, Economics	Vicky Pryce
Director of Performance and Evaluation	Brian Titley
Director of Finance and Resource Management	Adam Jackson
HM Treasury representative	John Kingman

EVENTS SINCE THE END OF THE FINANCIAL YEAR

MG Rover

The MG Rover Group (including MG Rover and Powertrain) had been holding discussions with the Shanghai Automotive Industrial Corporation (SIAC) of China to agree a joint venture that would have secured the long-term future of the Group. The Group went into administration on Friday 8 April 2005 before the negotiations could be completed.

To give the Group extra time to conclude the discussions and thereby maintain the MG Rover Group as a viable business, the Department made two loans to the Group, totalling £6.5 million, via the Administrators on 13 April 2005. The loans are to be repaid on completion of the joint venture agreement, or at such time as the Administrators disperse of the assets, but within six months of drawdown at the very latest. It is now clear that this will not be repaid in full and the majority of the £6.5 million will have to be written off.

Management of Civil Nuclear Liabilities

A new public body, the Nuclear Decommissioning Authority (NDA), was formally established under the Energy Act 2004 on 1 April 2005 as scheduled. The NDA will ensure that the government's civil nuclear legacy, which previously was the responsibility of BNFL and UKAEA, will be cleaned up safely, securely, cost effectively and in ways that protect the environment. The NDA will provide strategic direction for this work across the UK. The cost of discharging the legacy was estimated to be around £50 billion (undiscounted) over the next century. A priority of the NDA in its first year is to review these estimates and the assumptions behind them and to reduce uncertainty. Better definition of the legacy is expected to lead to an increase in the estimate of liabilities in the short run. The NDA is being funded through a mixture of commercial income and grant in aid, with a total budget of some £2 billion a year (see note 32).

The Energy Act 2004 also made provision for the restructuring of BNFL. This took place on 1 April 2005, and as part of this restructuring BNFL introduced a £575 million debenture to the benefit of the DTI, paying 7.5% interest, with interest payments starting in December 2006.

Coal Health compensation schemes

The Department is working with the Serious Fraud Office which is investigating a potential fraud in relation to the Department's Coal Health schemes. Independently Ministers have put in place an external review of the efficiency of the schemes claims handling process and controls against fraud. **The review will be conducted under the following terms of reference**:

"To review the integrity of the administration of the scheme for dealing with coal health claims; and to identify any specific measures needed to improve the administration of the scheme; to consider whether there are adequate safeguards in place to prevent, detect and pursue fraud whilst ensuring the fair and timely settlement of claims; and to make recommendations accordingly to Ministers and/or the Accounting Officer."

This is expected to report in the autumn of 2005.

Ministerial Changes

Following a General Election in May 2005 the following ministerial changes were made to the Department as of 9 May 2005.

Secretary of State for Trade and Industry	The Rt Hon Alan Johnson, MP (from 9 May 2005)
Minister of State for Industry and the Regions	The Rt Hon Alun Michael, MP (from 9 May 2005)
Parliamentary Under-Secretary of State for Employment Relations & Consumer Affairs	Gerry Sutcliffe, MP (from 9 May 2005)
Parliamentary Under-Secretary of State for Trade (also holds Ministerial Office in the FCO)	Ian Pearson, MP (from 9 May 2005)

Parliamentary Under-Secretary of State for Energy	Malcolm Wicks, MP (from 9 May 2005)
Parliamentary Under-Secretary of State for Competitiveness	Barry Gardiner, MP (from 9 May 2005)
Parliamentary Under-Secretary of State for Women and Equality (reporting to the Rt Hon Tessa Jowell MP, Minister for Women, on women's issues)	Meg Munn, MP (from 9 May 2005)

PUBLIC INTEREST and OTHER

Payment of Suppliers

The Department's policy is to comply with the Better Payment Practice Code, which includes the Late Payments of Commercial Debts (Interest) Act 1998. The Department's standard terms and conditions for the supply of goods or services specify payment within 30 days, or other agreed credit terms, of receipt of goods or services or valid invoice, whichever is the later. In 2004-05, the core Department paid 87.3% of undisputed invoices within the credit term (89.6% in 2003-04), and is currently working with relevant staff and suppliers to improve this rate. The consolidated Department paid 92.6% of undisputed invoices within the credit term (92.8% in 2003-04).

During 2004-05 the Department paid a total of £31,609 to suppliers for the late payment of invoices.

Employees

Investors in People

The Department attaches great importance to managing, developing and training its staff in accordance with the principles of "Investors in People" (IiP). DTI headquarters achieved IiP recognition in November 1999. Successful reviews against the subsequently revised Standard were undertaken in September 2002 and again in 2003. The Department is currently working towards re-accreditation in September 2006.

Diversity and Equality

The Department's Equal Opportunities Policy aims to ensure that no eligible job applicant or employee receives less favourable treatment on grounds of age, disability, gender, race, colour, nationality, marital status, sexual orientation, religion, belief, religious affiliation, lifestyle or because they work a different working pattern. An annual report on Diversity in the DTI is published to provide people with information on progress on diversity issues, including meeting benchmarks for representation at all levels set out in its action programmes on racial equality, widening opportunities for women, disability and sexual orientation.

Advisory groups for racial equality, women's issues, disability and sexual orientation continued to advise and support the Permanent Secretary on equality issues within the Department during the year. The Department continues to provide advice and specialist adaptations and equipment to its staff with disabilities and to promote part time and flexible working patterns.

During the year the Department provided disability training for managers and continued its support towards the National Mentoring Programme for ethnic undergraduates. The Department also arranged for sponsored research around Age Discrimination and launched an 'Unlocking Potential' conference focusing on lesbian, bisexual and gay issues.

Provision of information to, and consultation with, employees

The DTI has a communications strategy in place and uses a range of channels to communicate with its staff and raise awareness and understanding of key corporate messages across the whole Department including: 'DTI News', the staff magazine; a DTI Intranet which provides a personalised view of information across the whole of the DTI; an electronic filing system that allows staff to share knowledge and information on all work-related issues; and a web site that informs on speeches, PQs, press lines to take and ministerial briefings; as well as an ongoing series of training events, stakeholder workshops, and face to face meetings.

The Whitley Council and its sub-Committees met regularly during 2004-05. In addition, as part of its commitment to good employment relations and to working in partnership, DTI's management met frequently with Departmental Trade Union Side representatives.

Delivering Efficiency

DTI's five-year Strategy and Business Plan sets out how the Department will strengthen its focus on delivery and provide value for money. An Efficiency Programme has developed a new business model for the Department to enable delivery of the DTI Strategy efficiently and effectively. The vision is of a smaller, simpler and more responsive core Department focused on its national policy making and influencing role. DTI services to customers will be delivered by contractors, partners or agencies from regional locations.

During 2004-05 the DTI has:

- Introduced more flexible use of space and new ways of working in the main HQ building to achieve an occupancy rate of eight desks for ten staff and taken forward its London property strategy, vacating accommodation in three buildings by May 2005;
- Achieved its requirement from the 2004 Spending Review to relocate 85 posts from Central London by 2007-08 (chiefly through the relocation of its finance processing function from London to Billingham and HR posts moving to Cardiff);
- Moved towards achieving headcount targets by working more efficiently and effectively in all areas, and stopping some things and scaling down others so that we have a sharper focus on the Department's priorities;
- Published our Efficiency Technical Note 5 setting out our plans to achieve the efficiency target agreed in the 2004 Spending Review;
- Developed a more flexible, project based approach to policy making through the introduction of the Project Pool (PP). The PP brings together a core team of policy development staff who will work on priority projects across the Department delivering more efficient project working; and
- Rationalised the policy support function through the implementation of the Response Centre (RC). The RC receives and responds to external correspondence on behalf of the Department – with a target of handling 80% of this correspondence without having to refer to policy officials.

To help meet its headcount targets, the Department launched an early severance scheme in September 2004 as a result of which a total of 442 staff took or will be taking voluntary early severance or retirement between January and December 2005.

During 2005-06 the DTI will continue work to reduce staff numbers in DTI HQ by 1,010 by 2007-08 and deploy people more flexibly in line with priorities and based on effective project management.

Auditors

These Financial Statements have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The audit opinion is on pages 32 to 33. The notional cost to the Department of the external audit of the core account by the National Audit Office for the C&AG was £190,000 (2003-04 - £185,000).

The NAO also completed other work relating to core department activities. The main areas of work where subsequent reports were published by the Public Accounts Committee during 2004-05 or subsequently were as follows:

- A report on Risk Management – Nuclear Liabilities of British Energy plc was published in February 2004. The report concluded that, whilst the Department had clearly identified the risks to the taxpayer arising from British Energy's nuclear liabilities, it had not monitored and managed those risks sufficiently closely to ensure that the taxpayer was well protected. [PAC report HC354 issued 9 September 2004].

- The report on the UK's Civil Space Activities, published in March 2004, pointed to the many strengths of the programme but also identified scope for the Department to identify and analyse further opportunities for productive investment in space and to continue to develop risk management of space programmes. [PAC report HC47 published 9 June 2005].
- The Cambridge-MIT Institute Report, also published in March 2004, noted that the project was innovative with considerable potential for long term success. The report was also able to draw out findings and issues for other departments to consider when assessing and managing innovative projects. [PAC report HC502, published 24 June 2004].
- The report, examining arrangements with Regional Development Agencies overseen by the DTI (Success in the Regions, published in November 2003), had its PAC hearing during the year. The report noted the tension between the RDAs need to respond flexibly to regional issues and the constraints of government departments to deliver and implement national policies. [PAC report HC 592, published 7 December 2004].

During 2004-05, the NAO also published reports on:

- DTI's financial support for Post Offices, published in February 2005. The report concluded that DTI has put in place sound arrangements to monitor Royal Mail's performance. DTI should develop aspects of the arrangements, for example to ensure that in negotiating the final financial support there is a strong incentive for the Post Office to reduce costs.
- Renewable Energy, published in February 2005. The report concluded that the DTI has put in place a number of measures aimed at achieving the target 2010 target for production of electricity from renewable sources.

In addition, the NAO is currently engaged on work in the following main areas:

- DTI's support for Small Businesses
- The Department's financial support for the restructuring of British Energy and its management of the financial risks to the taxpayer since the completion of restructuring in January 2005.
- A review of the circumstances around the award, operation and subsequent termination of the PFI contract for laboratory services provided to the National Physical Laboratory, Teddington.
- Examination of the part played by DTI and other public bodies in helping to support MG Rover, in particular in the period leading up to its administration and the efforts to mitigate the initial impact of the collapse on the local economy following administration.

Sir Brian Bender, KCB

Principal Accounting Officer and Permanent Secretary

31 October 2005

Statement of Accounting Officer’s Responsibilities

Under the Government Resources and Accounts Act 2000, the Department 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 the Department, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

HM Treasury has appointed the Permanent Secretary of the Department as Accounting Officer of the Department with responsibility for preparing the Department'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 HM Treasury, and in particular to:

a. Observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

b. Make judgements and estimates on a reasonable basis;

c. 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;

d. Prepare the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department’s assets, are set out in the Accounting Officer’s Memorandum, issued by HM Treasury and published in *Government Accounting*.

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Department of Trade & Industry'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 .

Although I was not in post during the accounting period for the 2004-05 Statement on Internal Control, my predecessor, the Chairman of the Audit Committee and the Head of Internal Audit have advised me about the control environment that operated in the Department up to the approval of the annual report and accounts.

The Department's ambition is Prosperity for All, by raising productivity and competitiveness by supporting successful business, ensuring fair markets and promoting world-class science and innovation. In pursuit of this vision, I am advised and supported by:

- The Department's Strategy Board. This is now chaired by the Secretary of State and includes all DTI Ministers, all Executive Board Members and five Independent Board Members. The Strategy Board advises the Secretary of State on the strategic direction of the Department and meets three times a year.
- The Department's Executive Board which I chair and comprises the Department's Directors General; Chief Executive UKTI; Director of Strategy, Director of Finance & Resource Management and four Independent Board Members. The Board meets monthly and sets the Department's strategic aims, agrees the Business Plan, ensures resources are in place to deliver the Departments objectives and monitors performance and the management of risk against those objectives.
- The following 5 Committees whose governance work supports the role of the Boards:
  - Audit Committee;
  - Investment Committee;
  - Performance Monitoring Committee;
  - Resources Committee (established July 2004); and
  - Permanent Secretary's Committee.
- The Secretariat who advise the boards and the committees as to their responsibilities, manage agendas, take minutes, follow up on decisions and action points.

My predecessor worked with Ministers and DTI top management through the Strategy Board, Executive Board, other meetings and correspondence. Ministers were involved in the management of risks at a strategic level, considering major factors that could prevent DTI objectives being achieved.

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 the Department of Trade and Industry 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

The Executive Board has continued to take a lead in embedding risk management in the organisation. A revised risk management policy was developed during the course of the year and has now been formally approved and made available to staff. This sets out the Department's risk management framework and defined roles and responsibilities for managing risk throughout the organisation.

The Board has also been engaged in the identification of the main corporate risks, which have been reviewed on a quarterly basis throughout 2004-05. A further risk workshop was held with members of the Board in June 2005. This identified five key external and five key internal risks that the Board now debate on a monthly basis. The Board plan to hold a more formal review of the key risks every six months.

The Department has become more cognisant of the need to manage the aggregate level of risk it faces. Risks arising from the vigorous pursuit of efficiency gains combined with inherent operational risks are recognised on the Executive Board risk register and mitigating actions are monitored by the Board on a regular basis.

The Department has also developed tools and techniques to help articulate its risk appetite and both Executive and Group Boards have debated the topic. This has resulted in the development of a Risk Appetite narrative for Services Group and a joint narrative for the Business and Innovation Groups. Other Groups in the Department are now considering the approach.

Risk Management has also been integrated into the Department's planning and reporting systems. For example, the Department's balanced scorecard includes reports on the risks associated with the delivery of the Department's operational objectives and PSA targets. The scorecard also provides for monitoring of progress toward PSA targets and, in cases where achievement is prejudiced, identification of whether shortfall is due to internal control issues or external factors. The Performance Management Committee reviews the scorecard on a quarterly basis and brings significant issues to the attention of the Executive Board. Outside of this regular reporting framework, mechanisms are in place which allow for escalation to the Executive Board of any material new risks identified or of any risks that have changed materially in status since the last regular report. Furthermore, all key projects in the Department are subject to Gateway Review, which includes an assessment of the key risks they face.

Guidance is available to all staff on risk management through the Risk Management Intranet site. In addition to a risk management policy, specific guidance is available on undertaking risk self-assessment which includes guidance on applying risk management as an integral part of the Department's Business Planning process. Risk management workshops are available to all staff and practical guidance on its application has been incorporated into a wide range of DTI training courses. These courses cover all ranges of staff in the Department and are tailored to be appropriate to their authority and duties.

The Department has also sought to integrate and embed risk management within individual performance management and personal development processes. This has resulted in a revision to the Personal Achievement Plan template for 2005-06 that incorporates risk management within it. This means that consideration of risks and development of plans to manage them will be an integral part of the individual performance management process for all DTI management and staff.

The risk and control framework

The risk management framework for the Department operates through the initial identification of risks, as part of the business planning process, that threaten achievement of the Department's objectives. These risks are then evaluated in terms of impact and probability. Consideration is then given to the actions required to effectively manage each risk. This process establishes the level of residual risk against which the Department is exposed which is monitored over time.

Ownership for each risk is assigned to a named individual. Assurance that risk mitigation activities are appropriate is obtained through regular management reviews and Internal Audits of the key activities undertaken in the Department. In order to further embed best practice in risk handling and to ensure a consistent interpretation of the acceptable extent of residual risk, the Department is exploring actively ways in which it might quantify and communicate its risk appetite across the organisation.

Throughout 2004-05 the Department's Risk Support Team has worked with colleagues to embed risk identification and assessment into the early stages of key decision-making processes such as Business Planning and Performance Management, policy-making and project management. The Risk Support Team has also undertaken risk workshops with some of our partners to consider jointly the risks we face around delivery and to identify appropriate mitigating actions.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department 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 results of my review of the effectiveness of internal control by the Executive Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The effectiveness of the system of internal control is reviewed by my Directors General who each provides me with a Statement on Risk Management & Internal Control & Corporate Governance Representation for their Group informed by returns they themselves received from their Heads of Management Units. The Chairman of the Audit Committee and the Director of Internal Audit review each Statement & Representation with the relevant Director General.

The Department's Agencies and consolidated NDPBs also conduct a review of the effectiveness of internal control in preparing a Statement on Internal Control for their Resource Accounts. A similar process is applied to that in the Department and the signed statements from each Chief Executive form part of the Department's overall assurance on internal control.

The Department also has arrangements, tailored to each particular situation, for monitoring those sponsored bodies which are not consolidated into the Departmental Resource Accounts but where these bodies participate in the delivery of DTI objectives. Monitoring arrangements are in place as needed for other bodies where the DTI has lead policy within Government.

The Audit Committee provides independent advice on internal control issues. It also serves as a risk committee and advises the Board on embedding risk management within the organisation. The Audit Committee advises on the Internal Audit work programme. I receive progress reports from the Chairman after each Audit Committee. The Chairman also sits as an Independent Board Member on the Executive Board.

Internal Audit operates to standards defined in the Government Internal Audit Manual. Their audit programme is focused around the Department's key risks and they submit regular reports on the adequacy and effectiveness of internal control together with recommendations for improvement. The Director of Internal Audit provides me with an Annual Report, which contains an independent opinion on the adequacy and effectiveness of internal control.

There were no significant internal control issues during the course of 2004-05. Where weaknesses in the control environment were identified, action to strengthen control has been taken or is planned.

The 2003-04 review of the effectiveness of internal control highlighted some control issues where further improvement was required. The following progress has been made:

- Steps have been taken to ensure effective matrix working is applied when delivery objectives are dependent upon the action of more than one Group as shown by the merger of the Innovation and Business Group Boards. This has helped to address some of the difficulties that have arisen in managing and reporting on administrative budgets by Group and programme budgets by objective.
- Services Group has undertaken a programme of work to improve the quality of information provided by corporate information systems and to make them user-friendlier. The Department has established standard reporting templates for the Groups to report financial information. The review of financial information is now a standing agenda item at the monthly meetings of the Executive Board.

The awareness and application of risk management continues to improve across the Department. Our review of the effectiveness of internal control did, however, highlight a number of priority areas where further improvement is required during 2005-06. These are as follows:

- The need to refine the processes by which the Department prioritises its activities in the face of tight resource constraints and new pressures impacting the organisation;
- The need to further develop processes by which resources can be transferred quickly to meet emerging priorities or new risks facing the Department;
- The need to identify and implement good practice in managing risks with our partners; and
- The need to consider risk fully when making decisions so that it increases the likelihood of the correct option being chosen.

Other Matters Relevant to My Statement

In light of investigations by the Police and the Serious Fraud Office into allegations of fraud in connection with the Coal Health Compensation Schemes, an independent review is being conducted into the integrity of the administration of the schemes. The review is seeking to identify any specific measures needed to improve the administration of the schemes; and consider whether there are adequate safeguards in place to prevent, detect and pursue fraud whilst ensuring the fair and timely settlement of claims and make recommendations accordingly to Ministers and/or myself.

During the year ACAS made six payments totalling £56,000 to former employees, which were not in accordance with HM Treasury Authority. The requirements of ACAS's Financial Memorandum were breached and irregular expenditure was incurred as a result.

In the case of this breach ACAS is ensuring that all future payments in this category are referred to the Department for approval in accordance with the Financial Memorandum.

On a wider perspective ACAS is currently reviewing its delegated authorities and seeking clarification from the Department regarding delegations contained in the Financial Memorandum. Following this clarification a new internal Accounting memo will be issued to communicate clear delegations throughout the organisation.

The Department has also made its Agencies and NDPBs aware of the need to comply with DAO(GEN) 11/05 which lays out the conditions under which staff may be paid personalised settlements when they leave employment in the public service.

There are no significant internal control problems in the Department's Agencies and NDPBs that impact on the Department's Resource Accounts.

Sir Brian Bender, KCB

Principal Accounting Officer and Permanent Secretary

31 October 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 34 to 92 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, stocks and current asset investments and the accounting policies set out on pages 40 to 44.

Respective responsibilities of the Accounting Officer and Auditor

As described on page 27, 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 26 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 misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 28 to 31 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 misstatement, 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.

Fundamental uncertainty relating to Coal Health and UKAEA Nuclear Provisions

In forming my opinion I have taken note of the disclosures made in the financial statements concerning the uncertainties in the likely costs in respect of coal health provisions totalling £3.0 billion (note 21) and in respect of UKAEA nuclear liabilities totalling £4.4 billion (note 22). It is not possible to quantify reliably the impact on the Department's future financial results of the settlement of these liabilities. My opinion is not qualified in this respect.

Opinion

In my opinion:

- The financial statements give a true and fair view of the state of affairs of the Department of Trade and Industry 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.

As noted on page 15, I have qualified my opinion on the ACAS Account 2004-05 on the grounds that the financial statements included irregular expenditure of £56,000 arising from compensation payments made to six employees in relation to the termination of their employment. This account, together with my certificate and report, was certified on 2 November 2005 (HC 87, Session 2005-06). Although the ACAS account is consolidated within the Department's Resource Account, I have concluded that the amount involved is not sufficiently significant in the context of the Department's total expenditure to require me to qualify my opinion on the DTI's Resource Account for the year ended 31 March 2005.

John Bourn

Comptroller and Auditor General

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

29 November 2005

The maintenance and integrity of the Department's website is the responsibility of the Accounting Officer, the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

SCHEDULE 1

CONSOLIDATED SUMMARY OF RESOURCE OUTTURN

for the year ended 31 March 2005

		2004-05							2003-04
		Estimate			Outturn				(re-stated)
		Gross Expenditure	A-in-A	NET TOTAL	Gross Expenditure	A-in-A	NET TOTAL	Net total Outturn compared with Estimate -Saving/ (excess)	Prior-Year Outturn
	Note	£000	£000	£000	£000	£000	£000	£000	£000
Request for Resources 1 *(Trade and Industry)*	11	4,293,780	(1,844,876)	2,448,904	3,236,451	(1,844,876)	1,391,575	1,057,329	7,016,463
Request for Resources 2 *(Science)*	11	2,581,888	(1,066)	2,580,822	2,463,829	(263)	2,463,566	117,256	2,300,825
Total Resources		**6,875,668**	**(1,845,942)**	**5,029,726**	**5,700,280**	**(1,845,139)**	**3,855,141**	**1,174,585**	**9,317,288**
Non-Operating-Cost A-in-A	6			**19,068,733**			**8,882,930**	**10,185,803**	**966,005**
Net Cash Requirements				**7,149,661**			**5,947,723**	**1,201,938**	**5,543,814**

SUMMARY OF INCOME PAYABLE TO THE CONSOLIDATED FUND

In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics)

		Forecast 2004-05		Outturn 2004-05	
		Income	*Receipts*	Income	*Receipts*
	Note	£000	*£000*	£000	*£000*
Total	5	**481,894**	**481,894**	**636,142**	**618,692**

Explanation of the variation between Estimate and Outturn (net total resources):

The underspend on RfR1 is the result of the substantial decreases in the level of provisions, especially those related to nuclear decommissioning and coal health liabilities. The variance against Estimate (which allowed for an increase in these provisions) amounted to an underspend of approximately £800 million. Details of these decreases are disclosed in notes 21 and 22 to the Resource Account. In addition, the amount of grant in aid paid to the Regional Development Agencies was £230 million less than Estimate

Explanation of the variation between Estimate net cash requirement and requirement and Outturn (net cash requirement):

The large variance arose because the Department was required to budget for the full potential amount of short-term working capital support for Royal Mail Holdings (estimated at £1 billion) but by year end the support had been largely repaid. The lower than expected cash funding to RDAs is also reflected in this variance.

The notes on pages 40 to 92 form part of these accounts.

Reconciliation of Resources to Cash Requirement

	Note	2004-05 Estimate £000	2004-05 Outturn £000	Net total Outturn compared with Estimate -Saving/ (excess) £000
Net Total Resources		**5,029,726**	**3,855,141**	**1,174,585**
Capital				
Acquisition of fixed assets	10	56,127	41,048	15,079
On balance sheet PFI	10	-	-	-
Investments and loans	14.6, 18.2	20,035,530	9,331,133	10,704,397
Non Operating Cost A-in-A:				
Investments and loans	6.2	(19,059,481)	(8,882,930)	(10,176,551)
Proceeds from fixed asset disposals	6.2	(9,252)	-	(9,252)
Accruals adjustments:				
Non-cash items	3, 4	(579,813)	156,668	(736,481)
Changes in working capital other than cash	15	69,000	(64,379)	133,379
Changes in creditors falling due in more than one year	20	-	26,952	(26,952)
Use of Provisions	21, 22 & 23	1,607,824	1,484,231	123,593
Capitalised dilapidation provision by Agency	13	-	(141)	141
Net Cash Requirement (Schedule 4)		**7,149,661**	**5,947,723**	**1,201,938**

The notes on pages 40 to 92 form part of these accounts.

SCHEDULE 2

CONSOLIDATED OPERATING COST STATEMENT

for the year ended 31 March 2005

	Note	2004-05 £000	2004-05 £000	2003-04 (re-stated) £000	2003-04 (re-stated) £000
Administration Costs					
Staff costs	2	195,283		286,673	
Other administration costs	3	186,514		292,953	
Gross Administration Costs			**381,797**		**579,626**
Operating income	6		**14,483**		**133,157**
Net Administration Costs			**367,314**		**446,469**
Programme Costs					
Request for Resources 1					
Staff Costs	2	106,959		22,324	
Expenditure	4	2,982,121		8,572,409	
Less: income					
- EU funding (acting as agent)	6	38		2,542	
- EU funding (negative public expenditure)	6	1		-	
- Other (including CFERS)	6	1,880,702		1,863,443	
		1,208,336		**6,728,748**	
Request for Resources 2					
Staff Costs		-		-	
Expenditure	4	2,445,012		2,284,242	
Less: income (including CFERs)	6	589		375	
		2,444,423		**2,283,867**	
Net Programme Costs	4		**3,652,759**		**9,012,615**
NET OPERATING COST	8, 9		**4,020,073**		**9,459,084**
NET RESOURCE OUTTURN	8		**3,855,141**		**9,317,288**

All income and expenditure is derived from continuing operations.

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 31 March 2005

	2004-05 £000	2003-04 £000
Net gain/(loss) on revaluation of fixed assets and investments (note 24)	107,874	1,135,762
Recognised gains and losses for the financial year	**107,874**	**1,135,762**

There are no prior period adjustments that need to be reflected in the Statement of Recognised Gains and Losses.

The notes on pages 40 to 92 form part of these accounts.

SCHEDULE 3

CONSOLIDATED BALANCE SHEET

as at 31 March 2005

	Note	31 March 2005 £000	31 March 2005 £000	31 March 2004 £000	31 March 2004 £000
Fixed Assets					
Intangible fixed assets	12	698		747	
Tangible assets	13	176,630		147,314	
Investments	14	3,682,323		4,030,209	
			3,859,651		**4,178,270**
Debtors (amounts falling due after more than one year)	17		**226**		**6,983**
Current Assets					
Stocks	16	2179		2,641	
Debtors (amounts falling due within one year)	17	302,727		248,569	
Investments	18	2,037,194		1,556,000	
Cash at bank and in hand	19	473,265		476,293	
		2,815,365		2,283,503	
Less: Creditors (amounts falling due within one year)	20	977,045		881,707	
Net Current Assets			**1,838,320**		**1,401,796**
Total Assets less Current Liabilities			**5,698,197**		**5,587,049**
Less: Creditors (amounts falling due after more than one year)	20		574,159		601,111
Less: Provisions for liabilities and charges:					
Coal	21	3,467,285		4,608,847	
Nuclear	22	14,079,618		14,065,878	
Other	23	292,061		242,515	
			17,838,964		18,917,240
Total Net Liabilities			**(12,714,926)**		**(13,931,302)**
Taxpayers' Equity					
General fund	25		(15,909,459)		(17,463,282)
Revaluation reserves	24		3,194,533		3,531,980
			(12,714,926)		**(13,931,302)**

These accounts were approved on 31 October 2005.

Sir Brian Bender, KCB
Principal Accounting Officer and Permanent Secretary

The notes on pages 40 to 92 form part of these accounts.

SCHEDULE 4

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2005

	Note	2004-05	2003-04 (re-stated)
		£000	£000
Net cash outflow from operating activities [a]		**(5,442,789)**	**(5,371,239)**
Capital expenditure and financial investment [b]		**(487,832)**	**(60,234)**
Receipts due to Consolidated Fund which are outside the scope of Departmental activities		**601,589**	**594,349**
Payments of amounts due to the Consolidated Fund		**(588,085)**	**(720,473)**
Financing [c]		**5,914,089**	**5,804,011**
(Decrease) / increase in cash in the period		**(3,028)**	**246,414**
a) Reconciliation of operating cost to operating cash flows			
Net operating costs	Schedule 2	4,020,073	9,458,187
Adjust for non-cash transactions	3 & 4	562,482	483,522
Adjust for non-cash expenditure funded by the NIF	38.2	(186,436)	(210,902)
Adjust for Movements in Working Capital other than Cash	15	(58,699)	341,598
Adjust for non-cash increases in provisions net of reductions	21,22,23	(405,814)	(6,040,345)
Movements in creditors due in more than 1 year	20	26,952	700
Adjust for cash utilisation of provisions	21,22,23	1,484,231	1,338,479
Net cash outflow from operating activities		**5,442,789**	**5,371,239**
b) Analysis of capital expenditure and financial investment			
Intangible fixed asset additions	12	509	470
Tangible fixed asset additions (excl. PFI)	13	39,120	19,432
Proceeds on disposal of fixed assets		-	(112)
Loans redeemed from Post Office Ltd	18.2	(8,830,000)	(885,000)
Other investments redeemed	14.6	(18,360)	(1,046)
Launch investment receipts	6.2	(34,570)	(29,847)
Loans made to Post Office Ltd	18.2	9,300,000	935,000
Investments to other bodies	14.6	31,133	71,337
National Loans Fund (NLF) Loans on-lent to Royal Mail Holdings plc		-	-
Redemption of NLF loan from Royal Mail Holdings plc		-	(50,000)
Net cash outflow from investing activities		**487,832**	**60,234**
c) Analysis of financing and reconciliation to the net cash requirement			
From the Consolidated Fund (Supply) current year [1]		5,914,089	5,854,011
Repaid to the NLF in respect of Royal Mail Holdings plc		-	(50,000)
Advances from the Contingencies Fund in relation to support for NDA		500	-
Repayments to the Contingencies Fund in relation to support for NDA		(500)	-
Advances from the Contingencies Fund in relation to support for British Energy		-	211,800
Repayments to the Contingencies Fund in relation to support for British Energy		-	(211,800)
Net Financing		**5,914,089**	**5,804,011**
(Increase) / decrease in Cash	19	**3,028**	**(246,414)**
Net cash flows other than financing		**5,917,117**	**5,557,597**
Adjustments for payments and receipts not related to supply:			
Balance due to Other Government Departments (Cabinet Office) in respect of functions transferred (Shareholder Executive) under Machinery of Government changes		-	897
Amounts due to the Consolidated Fund received in prior year and paid over		(163,089)	(227,769)
Amounts due to the Consolidated Fund received in current year and not paid over	20	193,695	163,089
NLF Loan on-lent to Royal Mail Holdings plc		-	50,000
NLF Loans – interest received from Royal Mail Holdings plc	6.1	29,170	29,170
NLF Loans – interest paid to NLF (note 4)		(29,170)	(29,170)
Net cash requirement	Schedule 1	**5,947,723**	**5,543,814**

[1] Amount of supply actually issued to support the net cash requirement in 2004-05 was £5,914,089,000.00.
The notes on pages 40 to 92 form part of these accounts.

SCHEDULE 5

Consolidated Resources by Departmental Aim and Objectives

for the year ended 31 March 2005

The Department's aim is to increase competitiveness and scientific excellence in order to generate higher levels of sustainable growth and productivity in a modern economy. Resources consumed by Departmental Objectives in support of that aim are shown below:

	2004-05			2003-04 (re-stated)		
	Gross	Income	Net	Gross	Income	Net
Objectives:	£000	£000	£000	£000	£000	£000
I Supporting Successful Business	3,082,819	(1,690,381)	1,392,438	3,868,257	(1,824,856)	2,043,401
II Promoting World-Class Science And Innovation	2,472,366	(852)	2,471,514	2,300,856	(407)	2,300,449
III Ensuring Fair Markets	360,701	(204,580)	156,121	5,289,488	(174,254)	5,115,234
Net Operating Cost	**5,915,886**	**(1,895,813)**	**4,020,073**	**11,458,601**	**(1,999,517)**	**9,459,084**

Notes:

1. The amounts included within Objective III for the Department's responsibility to ensure efficient management of residual liabilities and assets arising from coal and nuclear industries' past activities are:

	2004-05			2003-04		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
Ensure Efficient Management Of Liabilities And Assets [1]	(488,989)	(10,724)	(499,713)	2,652,955	(12,159)	2,640,796
Objective III (Net Of These Figures)	849,690	(193,856)	655,834	2,636,533	(162,095)	2,474,438
	360,701	**(204,580)**	**156,121**	**5,289,488**	**(174,254)**	**5,115,234**

The notes on pages 40 to 92 form part of these accounts.

[1] The fall in Objective III expenditure and negative expenditure shown for "Efficient Management of Liabilities and Assets" is attributable to the movement in provisions, and particularly the change in discount rate from 1 April 2003, which caused 2003-04 expenditure to be inflated.

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 the most appropriate to the particular circumstances of the Department for the purposes of giving a true and fair view has been selected. The particular accounting policies adopted by the Department are described below. They 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 certain fixed and current assets, as described in paragraphs 1.3, 1.4, 1.5 and 1.6.

1.2 Basis of consolidation

These accounts comprise a consolidation of the core Department and those entities that fall within the departmental boundary as defined in the Resource Accounting Manual (Section 1.5) issued by HM Treasury and includes non-voted expenditure in relation to the Redundancy Payments Scheme. Transactions between entities included in the consolidation are eliminated.

A list of all those entities within the departmental boundary is given in the Report at page 4.

1.3 Tangible fixed assets

Title to freehold land and buildings shown in the accounts is held as follows:

i. Property on the departmental estate, title to which is held by the Department;
ii. Property held by the Office of the Deputy Prime Minister in the name of the Secretary of State.

Freehold land and buildings are re-stated at current cost using professional valuations every five years and appropriate indices in intervening years. Other tangible assets have been stated at current cost using appropriate indices.

The core Department's capitalisation threshold is £1,000, except in the cases of furniture, where all expenditure in one year is pooled and capitalised, and IT hardware where all expenditure is capitalised. The thresholds in the consolidated bodies range from £1,000 to £3,000.

1.4 Intangible fixed assets

Purchased computer software licences are capitalised as intangible fixed assets in the accounts of some of the Department's consolidating bodies. These are revalued each year using relevant published indices. Software licences are amortised over the shorter of the term of the licence and the useful economic life.

1.5 Depreciation

Freehold land is not depreciated.

The Department has a number of non-operational heritage assets held for historical and cultural association alone and these have been recorded in the Register of Assets at nil book value and are therefore not subject to depreciation.

Assets under construction are not depreciated until the asset is brought into use by the Department.

Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other tangible fixed assets by equal instalments over their estimated useful lives, after allowance for residual value. Useful lives are as follows:

Freehold buildings	50 years or estimated useful life if shorter
Historical leasehold land and buildings	Residual Term of the Lease
Leasehold improvements	Shorter of estimated remaining useful life or outstanding term of lease
Office machinery and equipment	5 years
Computer equipment	3 - 10 years
Scientific equipment	10 - 50 years
Telecommunication equipment	5 - 10 years
Furniture, fixtures and fittings	7 years
Plant and machinery	7 - 10 years
Motor Vehicles	2 - 10 years
Antique furniture	Shorter of estimated remaining useful life or 50 years

For Furniture, fixtures and fittings, an asset pool is maintained. Replacements on a one-to-one basis for assets in the pool are charged direct to the Operating Cost Statement in the year of replacement. Major enhancements or additions to the pool are capitalised as assets.

1.6 Investments

Fixed asset investments include the Department's entitlement to investment reserves in the British Coal Staff Superannuation Scheme (BCSSS) and the Mineworkers' Pension Scheme (MPS). These are held at market value advised by Government Actuary's Department (GAD). Fixed asset investments in shares and Public Dividend Capital (PDC) are stated at historical cost, less any provision for impairment.

Launch Investment is reviewed annually at a management valuation based on the discounted value of future income streams. Where the valuation exceeds historical cost, increases in valuation are taken to the revaluation reserve and are released to the General Fund as investments are realised. Any permanent diminution in value is written off against any previous upward revaluations and then to the Operating Cost Statement. The Government's standard discount rate of 3.5% is applied.

Other investments are shown at market value at the balance sheet date, unless this cannot be readily ascertained, in which case they are stated at historical cost, less any provision for impairment.

Current asset investments are stated at market value at the balance sheet date.

1.7 Stocks and work in progress

Stocks and work in progress are valued as follows:

- Stocks of finished goods and goods for resale are valued at cost or, where materially different, current replacement cost. A net realisable valuation is used only when they either cannot or will not be used;
- Work in progress is valued at the lower of cost and net realisable value.

1.8 Provisions

In accordance with FRS12, the Department makes provision for liabilities and charges where, at the balance sheet date, a legal or constructive liability exists (i.e. a present obligation from past events exists), where the transfer of economic benefits is probable and a reasonable estimate can be made.

Where the time value of money is material, the Department discounts the provision to its present value using a discount rate of 3.5%, the Government's standard rate. Each year the financing charges in the Operating Cost Statement include the adjustments to amortise one year's discount and restate liabilities to current price levels. The change in price levels is calculated using the HM Treasury's annual GDP deflator or, where it is available, the relevant actual change in prices rate.

1.9 Research and development

Expenditure on research and development is charged to the Operating Cost Statement in the year in which it is incurred. Fixed assets acquired for use in research and development are depreciated over the life of the associated research project, or according to the asset category if the asset is to be used for subsequent production work.

1.10 Operating income

Operating income is income that relates directly to the operating activities of the Department and agencies. It comprises, principally, fees and charges for services provided, on a full cost basis, to external customers and public sector repayment work. It also includes other income such as that from investments. It includes both income appropriated-in-aid and income collected by the Department on behalf of HM Treasury on an agency basis and payable to the Consolidated Fund. This income is known as Consolidated Fund Extra Receipts (CFERs).

The Department is required to identify those CFERs that are negative public expenditure (amounts used to reduce the amount of expenditure the Department would otherwise have to spend) and those revenue CFERs that relate to the recovery of costs recorded in the Operating Cost Statement, or to returns on investments. These types of CFERs are credited to the Operating Cost Statement as income to the Department. The remaining CFERs are not included in the Department's Operating Cost Statement and are accounted for through the balance sheet accounts of cash and creditors.

1.11 Administration and programme expenditure and income

The Operating Cost Statement is analysed between administration and programme costs. Administration costs reflect the costs of running the Department, as defined under the administration cost-control regime, together with the associated operating income. Income is analysed in the notes between that which, under the regime, is allowed to be offset against gross administrative costs in determining the out-turn against the administration cost limit, and that operating income which is not. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department.

1.12 Grants payable

Grants payable are recognised in the period in which the grant recipient carries out the activity that creates an entitlement to grant. Recognition of entitlement varies according to the details of individual schemes and the terms of the offers made. Unpaid and unclaimed grants are charged to the Operating Cost Statement on the basis of estimates of claims not received and are included in accruals in the balance sheet.

1.13 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the Government's standard rate of 3.5% in real terms on all assets less liabilities, except for:

- Donated assets, and cash balances with the Office of the Paymaster General (OPG), where the charge is nil;
- The Department's investments in the trading funds (Companies House and the Patent Office) where the charge is equal to 3.5% of the trading fund's underlying net assets, and the public corporations (BNFL, British Shipbuilders and Royal Mail) where the charge is 8% of the public corporation's underlying net assets;
- Amounts due from, or due to be surrendered to, the Consolidated Fund, where the credit will be at a nil rate.

1.14 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, except where rates do not fluctuate significantly in which case an average rate for a period is used. Monetary assets and liabilities denominated in foreign currency at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the Operating Cost Statement.

1.15 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) as described at note 2. The defined benefit elements of the schemes are un-funded and are non-contributory except in respect of dependents' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the Department recognises the contributions payable for the year.

1.16 Early departure costs

The Department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when the early retirement programme has been announced and is binding on the Department. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Civil Service Superannuation Vote. The amount provided in these accounts is shown gross of any such payments.

1.17 Taxation

The Department is exempt from income and corporation tax by way of its Crown exemption.

Value Added Tax (VAT) is accounted for in the accounts, in that amounts are shown net of VAT except:

- Irrecoverable VAT is charged to the Operating Cost Statement, and included under the heading relevant to the type of expenditure;
- Irrecoverable VAT on the purchase of an asset is included in the capitalised purchase cost of the asset.

The net amount due to, or from, HM Customs and Excise in respect of VAT is included within debtors and creditors within the Consolidated Balance Sheet.

1.18 Schedules 1 and 5

The information contained in Schedules 1 and 5 and associated notes are based on the Request for Resources information that forms part of the Parliamentary approval processes. In Schedule 5 costs have been attributed directly where possible and then apportioned on the basis of programme spend within each Request for Resource and function.

1.19 Leases

Rentals due under operating leases are charged to the Operating Cost Statement over the lease term on a straight-line basis, or on the basis of actual rentals payable where this fairly reflects the usage. Future payments, disclosed at note 28 'Commitments under Operating Leases', are not discounted.

1.20 Inter-Departmental transfers of functions: Restatement of prior year comparators

In accordance with the Resource Accounting Manual, where functions are transferred between Government Departments, the results and cash flows of the combining entities are brought into account from the start of the financial year in which the transfer occurs. Prior-year comparative figures are re-stated to show the effect as if the transfer had occurred one year earlier.

1.21 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 Resource Accounting Manual. Where the balance of risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating cost. Where the Department has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract. Where at the end of the PFI contract a property reverts to the Department, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising the unitary charge each year.

Where the balance of risks and rewards of ownership of the PFI property is borne by the Department, the property is recognised as a fixed asset and the liability to pay for it is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

1.22 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, the Department 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 the Department 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 Resource Accounting Manual 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.

1.23 Third-party assets

The Department holds, as custodian or trustee, certain cash balances at commercial banks belonging to third parties. These are not recognised in the accounts since neither the Department nor Government more generally has a direct beneficial interest in them.

2. Staff numbers and costs

2.1 Staff costs

	2004-05					2003-04 (re-stated*)
	Total	Permanently-employed staff	Other	Ministers	Special Advisers	Total
	£000	£000	£000	£000	£000	£000
Wages and Salaries	246,848	232,200	14,099	202	347	260,725
Social security costs	22,115	19,092	2,994	19	10	17,787
Other pension costs	34,876	34,616	260	-	-	32,203
Sub total	**303,839**	**285,908**	**17,353**	**221**	**357**	**310,715**
Less: Recoveries in respect of outward secondments	(1,600)	(1,600)	-	-	-	(1,718)
TOTAL NET COSTS	**302,239**	**284,308**	**17,353**	**221**	**357**	**308,997**

None of these costs were charged to capital expenditure.

The Principal Civil Service Pension Schemes (PCSPS) to which most of the Department's employees are members are un-funded multi-employer defined benefit schemes, but the Department is unable to identify its share 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)

For 2004-05, employers' contributions of £34,876,000 were payable to the PCSPS (2003-04: £32,195,000) at rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. These rates have changed for 2005-06. The new rates are in the range 16.2 to 18.5 per cent of pensionable pay and they will be based on revalorised salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £110,000 (2003-04: £43,210) were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. There were no contributions due to the partnership pension providers at the balance sheet date, nor were there any contributions prepaid at that date.

In 2004–05, 4 persons (2003-04: 0 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £5,821 (2003–04: £nil).

2.2 Average number of persons employed

The average number of whole-time equivalent persons employed during the year is shown in the table below. These figures include those working in the Department as well as in agencies and other bodies included within the consolidated Departmental resource account.

	2004-05					2003-04 (re-stated*)
	Total	Permanently-employed staff	Other	Ministers	Special Advisers	Total
Objective	Numbers					
I	2,788.0	2,378.0	407.0	2.0	1.0	1,599.0
II	587.5	518.5	67.0	1.0	1.0	812.5
III	5,500.5	4,994.5	501.0	4.0	1.0	6,218.5
TOTAL	**8,876.0**	**7,891.0**	**975.0**	**7.0**	**3.0**	**8,630.0**

* 2003-04 amounts in tables 2.1 and 2.2 have been re-stated for the Machinery of Government change transferring the Shareholder Executive to DTI from the Cabinet Office. The 2003-04 figures include temporay and contract staff for the core department only.

2.3 Salary and pension entitlements for Ministers of the Department:

The salary and pension entitlements of the Ministers of the Department of Trade and Industry for the year ending 31 March 2005 were as follows:

2004-05	1	2	3	4	5	6
	Ministerial salary received	Real increase in pension at age 65	Total accrued pension at 65 at 31/03/05	CETV at 31/03/04	CETV at 31/03/05	Real increase in CETV after adjustment for contributions, inflation and changes in market investments
	£	£000	£000	£000	£000	£000
Secretary of State						
Rt Hon Patricia Hewitt, MP	73,361	0-2.5	5-10	74	81	7
Ministers of State						
Stephen Timms, MP (to 13 Sept 2004)	22,047[1]	0-2.5	5-10	45	53	5
Jacqui Smith, MP	37,796	0-2.5	0-5	24	31	5
Mike O'Brien, MP (permission to disclose not obtained)	-	-	-	-	-	5
Douglas Alexander*, MP (from 13 Sept 2004)	-	-	-	-	-	-
Parliamentary Under-Secretaries of State						
Lord Sainsbury of Turville**	-	-	-	-	-	-
Nigel Griffiths, MP	28,688	0-2.5	0-5	23	31	4
Gerry Sutcliffe, MP	28,688	0-2.5	0-5	27	35	4
2003-04						
Secretary of State						
Rt Hon Patricia Hewitt, MP	71,433	0-2.5	5-10	52	74	13
Ministers of State						
Alan Johnson, MP (to 13 June 2003)	9,264[2]	0-2.5	0-5	26	28	1
Brian Wilson, MP (to 13 June 2003)	7,514[3]	0-2.5	0-5	49	53	2
Baroness Symons of Vernham Dean* (to 13 June 2003)	-	-	-	-	-	-
Stephen Timms, MP	37,055	0-2.5	0-5	35	45	5
Jacqui Smith, MP (from 16 June 2003)	29,541[4]	0-2.5	0-5	19	24	3
Mike O'Brien*, MP (from 16 June 2003)	-	-	-	-	24	-
Parliamentary Under-Secretaries of State						
Lord Sainsbury of Turville**	-	-	-	-	-	-
Nigel Griffiths, MP	28,125	0-2.5	0-5	16	23	4
Melanie Johnson, MP (to 13 June 2003)	7,031[5]	0-2.5	0-5	19	21	1
Gerry Sutcliffe, MP (from 16 June 2003)	21,272[6]	0-2.5	0-5	20	27	3

* Salary and pension details can be found in the Departmental resource accounts for 2004-05 of the Foreign and Commonwealth Office.
** Lord Sainsbury elects not to draw a Ministerial salary and so is not a member of the Parliamentary Contribution Pension Fund.

[1] Figure quoted is for the period 13 Sept 2004 to 31 March 2005. The full year equivalent is £37,796.
[2] & [3] Figure quoted is for the period 1 April 2003 to 13 June 2003. The full year equivalent is £37,055.
[4] Figure quoted is for the period 16 June 2003 to 31 March 2004. The full year equivalent is £37,055.
[5] Figure quoted is for the period 1 April 2003 to 13 June 2003. The full year equivalent is £28,125.
[6] Figure quoted is for the period 16 June 2003 to 31 March 2004. The full year equivalent is £28,125.

Notes:

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This presentation is based on payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£57,485, 2003–04 £56,358) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures above.

Ministerial pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutory based (made under Statutory Instrument SI 1993 No 3253, as amended).

Those Ministers who are members of Parliament are also entitled to an MP's pension under the PCPF. The arrangements for Ministers provide benefits on an 'average salary' basis with either a 1/50th or 1/40th accrual rate, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 but Ministers, in common with all other employees of the PCPF, can opt to increase their accrual rate from 15 July 2001, or retain the former 1/50th accrual rate and the lower rate of employee contribution.

Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office on or after age 65. Pensions are increased annually in line with changes in the Retail Prices Index. Members pay contributions of 6% of their ministerial salary if they have opted for the 1/50th accrual rate. Those members who have opted for the 1/40th accrual rate are required to pay an increased contribution. The rate was increased from 9% to 10% from 1 April 2004. There is also an employer contribution paid by the Exchequer representing the balance of cost. This is currently 24% of the ministerial salary.

The Cash Equivalent Transfer Value (CETV)

Columns 4 & 5 of the above table show the cash equivalent transfer value (CETV) of the member's pension benefits accrued at the beginning and end of the reporting period. A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Column 6 reflects the real increase in the value of the CETV. It takes account of the increase in accrued pension due to inflation, any contributions paid by the Minister and is calculated using common market valuation factors for the start and end of the period.

Benefits in kind

None of the Ministers received any benefits in kind from the Department during the year.

2.4 Salary and pension entitlements for the senior managers of the Department:

The salary and pension entitlements of the most senior members of the Department of Trade and Industry were as follows:

2004-05	1 Salary including performance pay	2 Real increase in pension and related lump sum at age 60	3 Total accrued pension at age 60 at 31/03/05 and related lump sum	4 CETV at 31/03/04	5 CETV at 31/03/05	6 Real increase in CETV after adjustment for inflation and changes in market investment factors
	£000	£000	£000	£000	£000	£000
Sir Robin Young [6]	155-160	0 - 2.5 plus 2.5 - 5 lump sum	55 - 60 plus 175 - 180 lump sum	974	1,045	25
Dr Catherine Bell	125-130	2.5 - 5 plus 7.5 - 10 lump sum	45 - 50 plus 135 - 140 lump sum	674	766	37
Sir Stephen Brown [1]	-	-	-	-	-	-
Mark Gibson	120-125	2.5 - 5 plus 5 - 7.5 lump sum	40 - 45 plus 120 - 125 lump sum	586	669	46
Stephen Haddrill	115-120	0 - 2.5 plus 2.5 - 5 lump sum	30 - 35 plus 95 - 100 lump sum	444	494	19
David Hughes	170-175	0 - 2.5	25-30	307	354	21
Anthony Inglese	120-125	0 - 2.5 plus 2.5 - 5 lump sum	40 - 45 plus 130 - 135 lump sum	669	736	22
Professor Sir David King [2]	-	-	-	-	-	-
Joan MacNaughton	115-120	0 - 2.5 plus 5 - 7.5 lump sum	45 - 50 plus 140 - 145 lump sum	732	795	22
Vicky Pryce	155-160	0 - 2.5 plus 2.5 - 5 lump sum	0 - 5 plus 5 - 10 lump sum	32	56	16
David Evans (from 1 March 2005)	5-10 (110-115 full year equivalent)	0 - 2.5 plus 0 - 2.5 lump sum	40 - 45 plus 105 - 110 lump sum	687[4]	690	13
Edmund Hosker (from 24 March 2005)	0-5 (110-115 full year equivalent)	0 - 2.5 plus 5 - 7.5 lump sum	30 - 35 plus 90 - 95 lump sum	411[4]	412	22
Sir Keith O'Nions [3]	105-110 (140-145 full year equivalent)	0 - 2.5 plus 2.5 - 5 lump sum	40 - 45 plus 125 - 130 lump sum	733	779	13
Richard Gillingwater [5] (from 14 June 2004)	-	-	-	-	-	-

(cont'd)

2003-04	1	2	3	4	5	6
	Salary including performance pay	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 at 31/03/04 and related lump sum	CETV at 31/03/03	CETV at 31/03/04	Real increase in CETV after adjustment for inflation and changes in market investment factors
	£000	£000	£000	£000	£000	£000
Sir Robin Young	150-155	2.5 - 5 plus 7.5 - 10 lump sum	55 - 60 plus 165 - 170 lump sum	880	974	75
Dr Catherine Bell	115-120	0 - 2.5 plus 5 - 7.5 lump sum	40 - 45 plus 125 - 130 lump sum	598	674	46
Sir Stephen Brown[1]	-	-	-	-	-	-
Richard Carden (to 30 June 2003)	30 - 35 (120-125 full year equivalent)	-	-	-	-	-
Mark Gibson	110-115	0 - 2.5 plus 5 - 7.5 lump sum	35 - 40 plus 90 - 95 lump sum	523	586	47
Stephen Haddrill	110-115	0 - 2.5 plus 5 - 7.5 lump sum	30 - 35 plus 90 - 95 lump sum	399	444	35
David Hughes	150-155	20 - 25	20 - 25	17	307	-
Anthony Inglese	110-115	0 - 2.5 plus 5 - 7.5 lump sum	40 - 45 plus 120 - 125 lump sum	606	669	47
Professor Sir David King[2]	-	-	-	-	-	-
Joan MacNaughton	115-120	0 - 2.5 plus 5 - 7.5 lump sum	40 - 45 plus 130 - 135 lump sum	657	732	50
Vicky Pryce	145-150	0 - 2.5 plus 2.5 - 5 lump sum	0 - 5 plus 5 - 10 lump sum	11	32	19
Sir John Taylor (to 31 December 2003)	95-100 (130-135 full year equivalent)	0 - 2.5 plus 7.5 - 10 lump sum	0 - 5 plus 5 - 10 lump sum	-	-	-
Sir Keith O'Nions[3] (from1 January 2004)	-	-	-	-	-	-

1 Salary and pension disclosure can be found in the Departmental resource accounts for 2004-05 of the Foreign and Commonwealth Office.
2 On secondment – amounts disclosed are amounts paid to the parent organisation under the contract for services of the secondee.
3 Salary details are for 12 July onwards. Prior to 12 July, on loan from the Ministry of Defence for one day a week.
4 CETV at 1 March 2005 and 24 March respectively.
5 On secondment from Cabinet Office. Salary and pension disclosures can be found in the resource accounts for that Department.
6 Sir Robin Young stepped down as Accounting Officer on 28 February 2005.

Note: The information relates only to the senior managers of the core department. Similar information relating to the Chief Executives and senior managers of the executive agencies and other bodies within the consolidation boundary is given in the separate accounts of those bodies.

Notes:

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Staff Pensions

Pension benefits are provided through the Civil Service Pension (CSP) 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 Price Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder arrangement with a significant employer contribution (partnership pension account).

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement). There were no employer contributions to partnership pension accounts during the year.

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk.

The Cash Equivalent Transfer Value (CETV)

Columns 4 & 5 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period.

Column 6 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Benefits in kind

None of the senior managers of the Department received any benefits in kind during the year.

2.5 Staff Debtors

At 31 March 2005 1,523 (31 March 2004 – 1,817) employees of the Department and its Agencies were in receipt of advances of travel and housing loans, repayable to the employer. The staff debtor amount is disclosed at note 17.

3 Non-staff administration costs

	2004-05		2003-04 (re-stated)	
	£000	£000	£000	£000
Rentals under operating leases:				
Accommodation		36,520		82,531
Hire of office equipment		1,722		1,800
Other operating leases		731		652
PFI service charges:				
Off-balance sheet contracts		24,723		22,159
Research and development expenditure		4		1
Non-cash items:				
Auditors' remuneration and expenses (Note a below):				
Audit fees – core Department audit work	190		185	
Audit fees – consolidated entities	89		109	
Depreciation of tangible fixed assets	8,516		14,446	
Amortisation of intangible fixed assets	13		281	
Loss / (profit) on the disposal of fixed assets	40		4,047	
Downward revaluation of tangible fixed assets	1,077		778	
Provision for early departure and other costs:			25,261	
Provided in year	27,463			
Unwinding 1 year's discount on provision	677			
Movement in bad debt provision	(8,041)		(2,808)	
Cost of capital charge	4,455		4,423	
Disposal of net assets of the Radiocommunications Agency	-		26,841	
Other Agency notional costs	1,617		(633)	
		36,096		72,930
Audit Fees – consolidated entities		-		24
Other expenditure *(Notes b and c below)*		76,141		96,333
Travel and Subsistence		10,577		16,523
Total administration costs		**186,514**		**292,953**

Notes:

(a) The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General. There were no fees in respect of non-audit work.

(b) A breakdown of the 'Other expenditure' total above is as follows:

	2004-05	2003-04 (re-stated)
	£000	£000
Agencies	24,098	7,420
IT support	36,108	27,377
Training and other staff costs	11,242	14,650
Professional Services	1,988	12,975
Net gain on foreign exchange	(9)	
Other	2,714	33,911
	76,141	**96,333**

(c) Other expenditure includes an annual fee plus expenses for the independent members of the Department's Executive and Strategy Boards – see pages 18 and 19 of the Report for details. The total payments for the year to each person were in the following ranges:

Independent member	Fees and expenses
Paul Gates	0 -5k*
Dr John Hood	0 -5k*
Dr Martin Read	0 -5k*
Rana Talwar	0 -5k*
Mair Barnes	5 -10k*
Tony Cooper	0 -5k**
Richard Sykes	0 -5k**
Mary McAnnally	10 -15k***
Crawford Gillies	10 -15k****
Dr Brian Woods Scawen	0 -5k*****
Fields Wicker-Miurin	10-15k******

* Includes fees and expenses paid for independent membership of the Strategy Board

** Includes fees and expenses paid for independent membership of the Strategy Board until their appointment ended in June 2004

*** Includes fees and expenses paid for independent membership of the Executive Board & Strategy Board

**** Includes fees and expenses paid for independent membership of the Executive Board & Strategy Board and ex-officio Chair of the Audit Committee

***** Includes fees and expenses paid for independent membership of the Executive Board & Audit Committee.

****** Includes fees and expenses paid for independent membership of the Executive Board & Strategy Board and ex-officio Chair of the Investment Committee

Non-cash costs summary:

The total for non-cash costs in Note 3 (non-staff administration costs) and Note 4 (programme costs) is as follows:

	2004-05		2003-04	
	£000	£000	£000	£000
Auditors' fees	279		294	
Depreciation / Amortisation	11,161		(43,985)	
Loss / (profit) on the disposal of fixed assets	74		30,888	
Revaluation / Impairments	(16,356)		18,301	
Bad debt provision movement	(7,868)		(2,808)	
Cost of Capital charge	(551,389)		(485,579)	
Other Agency notional costs	1,617		(633)	
Non-cash transactions (as per Schedule 4)		(562,482)		(483,522)
Provisions (as per Schedule 4)		405,814		6,040,345
Total (as per Schedule 1)		**(156,668)**		**5,556,823**

4. Net programme costs

	2004-05		2003-04	
	£000	£000	£000	£000
Current grants and other current expenditure		4,267,560		3,965,972
Capital grants		511,652		578,743
Interest on National Loans Fund (NLF) Loan on-lent to Royal Mail Holdings plc		29,170		29,170
Net gain on foreign exchange		(42)		
Other Expenditure		811,509		798,873
ACAS Audit fees		48		-
Non-cash items:				
Provision costs				
Unwinding 1 year's discount	660,104		-	
Other movements in provisions	(282,430)		6,015,084	
Depreciation of tangible fixed assets	2,358		-	
Amortisation of intangible assets	274		-	
Loss on disposal of fixed assets	34		-	
Downward revaluation of fixed assets	214		-	
Impairment of investment in British Shipbuilders	21,000		-	
Amortisation of 1 year's discount (Launch Investment – see note 14.7)	(74,473)		(58,712)	
Downward revaluation of investments	35,826		17,523	
Movement in bad debt provision	173		-	
Cost of capital charge	(555,844)		(490,002)	
		(192,764)		5,483,893
Programme expenditure		**5,427,133**		**10,856,651**
Less: Programme income (see note 6)	(1,837,649)		(1,768,083)	
Interest payable on NLF loan	(29,170)		(29,170)	
		(1,866,819)		(1,797,253)
Less: CFERs credited to the Operating Cost Statement (see note 1.10)		(14,511)		(69,107)
Net programme costs		**3,545,803**		**8,990,291**

5. Analysis of income payable to the Consolidated Fund

In addition to appropriations in aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Forecast 2004-05		Outturn 2004-05	
	Income	***Receipts***	Income	***Receipts***
	£000	£000	£000	£000
Operating income and receipts – excess A-in-A	-	-	6,993	*6,993*
Non-operating income and receipts – excess A-in-A	-	-	-	-
Total excess A-in-A	-	-	6,993	*6,993*
Other operating income and receipts not classified as A-in-A	345,986	*75,750*	14,511	*17,799*
Other non-operating income and receipts not classified as A-in-A	4	*4*	-	-
Other amounts collectable on behalf of the Consolidated Fund	135,904	*406,140*	614,638	*593,900*
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total	**481,894**	***481,894***	**636,142**	***618,692***

5.1 Reconciliation of analysis of income payable to the Consolidated Fund

	£000
In year cash amounts collected on behalf of Consolidated Fund (note 5)	593,900
Prior year cash collected for operating income not classified as A in A	7,689
Total cash collected as per Sch 4	**601,589**

A breakdown of the significant amounts of CFER income is as follows:

	2004-05	2003-04
	£ m	£m
Coal pension surplus releases	328	391
Launch investment levies received	98	80
Petroleum licences	68	41
Universal banking contributions	34	38
Companies House late filing penalties	31	30
OFCOM Wireless Telegraphy Act	49	-
Other	7	14
Total	**615**	**594**

6. Income and appropriations-in-aid

6.1 Operating income

2004-05

	A-in-A	Income outside of the supply process	Payable to the Consolidated fund	Total
	£000	£000	£000	£000
Operating income, analysed by classification and activity, is as follows:				
Administration income:				
- allowable within admin cost limit	39	-	-	39
- other fees and charges external customers	14,444	-	-	14,444
- other fees and charges other Departments	-	-	-	-
Total Administration Income	**14,483**	**-**	**-**	**14,483**
Programme income:				
- Dividend from Trading Funds	30,000	-	5,336	35,336
- Interest from Trading Funds	-	-	414	414
- Interest from Post Office Ltd	-	-	6,875	6,875
- Interest from Ofcom	-	-	1,300	1,300
- Interest on National Loans Fund Loan on-lent to Royal Mail Holdings plc	-	29,170	-	29,170
- From OGDs for RDAs	1,569,278	-	-	1,569,278
- Other	238,332	-	586	238,918
- EU funding	39	-	-	39
	1,837,649	29,170	14,511	1,881,330
Consolidated Fund Extra Receipts	-	-	-	-
Total Programme Income	**1,837,649**	**29,170**	**14,511**	**1,881,330**
Total Operating Income	**1,852,132**	**29,170**	**14,511**	**1,895,813**

2003-04

	A-in-A	Income outside of the supply process	Payable to the Consolidated fund	Total
	£000	£000	£000	£000
Operating income, analysed by classification and activity, is as follows:				
Administration income:				
- allowable within admin cost limit	4,519	-	-	4,519
- other fees and charges external customers	128,637	-	-	128,637
- other fees and charges other Departments	1	-	-	1
Total Administration Income	**133,157**	**-**	**-**	**133,157**
Programme income:				
- Dividend and interest from Trading Funds and Nationalised Industries	30,000	-	13,989	43,989
- interest on National Loans Fund Loan on-lent to Royal Mail Holdings plc	-	29,170	-	29,170
- From OGDs for RDAs	1,624,842	-	-	1,624,842
- other	110,699	-	55,118	165,817
- EU funding	2,542	-	-	2,542
	1,768,083	**29,170**	**69,107**	**1,866,360**
Consolidated Fund Extra Receipts	-	-	-	-
Total Programme Income	**1,768,083**	**29,170**	**69,107**	**1,866,360**
Total Operating Income	**1,901,240**	**29,170**	**69,107**	**1,999,517**

Appropriations-in-aid represent income due to the Department that can be retained for offset against other public expenditure. This contrasts with Consolidated Fund Extra Receipts (CFERs), which are collected by the Department on an agency basis on behalf of HM Treasury.

Operating income not appropriated-in-aid (i.e. transferred to the Consolidated Fund) is analysed for resource budget purposes between that included in public expenditure and that which is not (see note 11).

An analysis of income from services with full costs in excess of £1 million provided to external and public sector customers can be found in the published accounts of the Department's On-vote Agencies and ACAS.

6.2 Non-operating appropriations-in-aid

	2004-05	2003-04
	£000	£000
Principal repayments of voted loans	8,848,360	941,863
Launch investment income	29,728	29,747
Movement in Launch Investment Debtors	4,842	
Proceeds from sales of fixed assets	-	111
	8,882,930	**971,721**

7. Administration cost limits (see also note 1.11)

The outturn shown against administration cost limits is as follows:

	2004-05		2003-04	
	Outturn	Limits	Outturn	Limits
	£000	£000	£000	£000
Request for Resources 1 & 2	**367,314**	**397,413**	**404,354**	**434,693**

8. Reconciliation of net operating cost to control total and net resource outturn

	2004-05	2003-04 (re-stated)
	£000	£000
Net Operating Cost	4,020,073	9,459,084
Non-supply expenditure and income, including income scored as Consolidated Fund Extra Receipts (CFERs)	14,511	69,107
Non-supply expenditure funded by the National Insurance Fund (Sch 4)	(186,436)	(210,903)
BCSSS Net Funding*	-	-
Surplus A-in-A to be surrendered as CFER (RfRs 1 & 2)	6,993	-
Net Resource Outturn	**3,855,141**	**9,317,288**

*BCSSS Net funding:

	2004-05	2003-04
	£000	£000
BCSSS Income	(10,000)	(10,000)
BCSSS Expenditure	10,000	10,000
Total	-	-

Net Operating Cost is the total of expenditure and income appearing in the Operating Cost Statement (Schedule 2). Net Resource Outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Department's Supply Estimate. The outturn against the Estimate is shown in the Summary of Resource Outturn (Schedule 1).

9. Analysis of net operating cost by spending body

	2004-05		2003-04 (re-stated)
	Budget	**Outturn**	**Outturn**
Spending body:	£000	£000	£000
Core Department	4,794,650	3,886,716	9,348,142
Advisory, Conciliation and Arbitration Service	46,780	46,231	46,139
Employment Tribunals Service	64,828	68,769	69,485
Insolvency Service	1,977	498	22,629
National Weights and Measures Laboratory	214	(177)	2,015
Radiocommunications Agency	-	-	(48,690)
Small Business Service	18,100	18,036	19,364
	4,926,549	4,020,073	9,459,084

(Note: The Radiocommunications Agency (RA) ceased to exist on 28 December 2003 when its functions transferred to Ofcom. There is therefore no budget or outturn for RA for 2004-05)

10. Analysis of capital expenditure, financial investment and associated A-in-A.

	2004-05				2003-04			
	Fixed Assets	Loans etc	A-in-A	Net total	Fixed Assets	Loans etc	A-in-A	Net total
	£000	£000	£000	£000	£000	£000	£000	£000
RfR1								
Additions	41,048	31,133	-	72,181	19,902	71,337	-	91,239
Royal Mail Group	-	9,300,000	-	9,300,000	-	935,000	-	935,000
PFI	-	-	-	-	23,577	-	-	23,577
RfR 2	-	-	-	-	-	-	-	-
Total	**41,048**	**9,331,133**	**-**	**9,372,181**	**43,479**	**1,006,337**	**-**	**1,049,816**

11. Analysis of net resource outturn and net operating cost by function and reconciliation to Operating Cost Statement

2004-05
RfR1 – Trade and Industry programmes

		Admin	Other current	Grants	Gross Resource Expenditure	A-in-A	Net Total	Estimate	Net total compared with Estimate
		£000	£000	£000	£000	£000	£000	£000	£000
A	Commercial Best Practice and Enterprise	-	59,736	467,493	527,229	(9,619)	517,610	484,316	(33,294)
B	Maximising Potential in the Workplace	27,500	111,396	46,449	185,345	(2,622)	182,723	133,097	(49,626)
C	Finance for Investment	-	86,224	128,301	214,525	(11,555)	202,970	103,253	(99,717)
D	Strengthening Regional Economies	-	205	1,367,909	1,368,114	(1,286,652)	81,462	323,821	242,359
E	Knowledge transfer and Innovation	767	192,661	82,011	275,439	(16,440)	258,999	174,020	(84,979)
F	Security of Energy Supply	-	5,781	17,646	23,427	(16,468)	6,959	26,474	19,515
G	Sustainability of the Environment	-	34,483	24,455	58,938	(1,425)	57,513	86,765	29,252
H	Free and Fair World Markets	34,621	365	5,728	40,714	(287)	40,427	46,741	6,314
I	Consumers and Competition	-	37,747	57,957	95,704	(12,081)	83,623	83,804	181
J	Corporate Activity Framework	10,576	189,078	2,072	201,726	(190,846)	10,880	8,810	(2,070)
K	Assets and Liabilities	-	(201,710)	(227,252)	(428,962)	(16,411)	(445,373)	528,672	974,045
L	Nuclear Security and Export Control	-	3,773	50,831	54,604	(32)	54,572	52,825	(1,747)
M	Activities in Support of all Objectives	289,515	600	196	290,311	(3,558)	286,753	341,522	54,769
N	Current Grants to the London Development Agency	-	-	157,500	157,500	(106,880)	50,620	38,749	(11,871)
O	Capital Grants to the London Development Agency	-	-	171,837	171,837	(170,000)	1,837	16,035	14,198
	Total Request for Resources 1	**362,979**	**520,339**	**2,353,133**	**3,236,451**	**(1,844,876)**	**1,391,575**	**2,448,904**	**1,057,329**

Functions, denoted by letters above, represent the disaggregating of Requests for Resources for control purposes and Parliamentary approval. They do not correspond to Departmental objectives for the management of activities.

- For an analysis of A-in-A, see note 6.
- For an explanation of variation between Estimates and Outturn, see Schedule 1.

11. (cont'd) Analysis of net resource outturn and net operating cost by function and reconciliation to Operating Cost Statement

2004-05

RfR 2 – Science programmes

	Admin	Other current	Grants	Gross Resource Expenditure	A-in-A	Net Total	Estimate	Net total compared with Estimate
	£000	£000	£000	£000	£000	£000	£000	£000
A Research Councils Pension Scheme	-	-	42,332	42,332	-	42,332	43,206	874
B The Royal Society	-	-	31,156	31,156	-	31,156	31,045	(111)
C The Royal Academy of Engineering	-	-	5,600	5,600	-	5,600	5,600	-
D OST Initiatives	-	-	7,295	7,295	-	7,295	8,198	903
E Knowledge Transfer and Innovation	-	-	83,774	83,774	-	83,774	64,960	(18,814)
F CMIT	-	-	17,849	17,849	-	17,849	14,000	(3,849)
G Foresight LINK Awards	-	-	1,662	1,662	-	1,662	2,000	338
H Science Research Investment Fund	-	-	206,268	206,268	-	206,268	260,570	54,302
I Administration Costs SEB	8,689	(8,538)	-	151	(121)	30	4,860	4,830
J Administration Costs TSTG	10,129	-	-	10,129	(142)	9,987	7,950	(2,037)
K BBSRC	-	-	276,582	276,582	-	276,582	275,582	(1,000)
L ESRC	-	-	104,074	104,074	-	104,074	112,860	8,786
M EPSRC	-	-	490,000	490,000	-	490,000	490,000	-
N MRC	-	-	380,919	380,919	-	380,919	414,799	33,880
O NERC	-	-	308,584	308,584	-	308,584	309,814	1,230
P PPARC	-	-	290,852	290,852	-	290,852	300,000	9,148
Q CCLRC	-	-	101,496	101,496	-	101,496	114,063	12,567
R CCLRC – Diamond Synchrotron	-	-	80,410	80,410	-	80,410	85,140	4,730
S Animals (Scientific Procedures) Act fees	-	-	105	105	-	105	175	70
T Joint Infrastructure Fund	-	-	24,591	24,591	-	24,591	36,000	11,409
Total Request for Resources 2	**18,818**	**(8,538)**	**2,453,549**	**2,463,829**	**(263)**	**2,463,566**	**2,580,822**	**117,256**
Total Resource Outturn (RfR 1 & 2)	**381,797**	**511,801**	**4,806,682**	**5,700,280**	**(1,845,139)**	**3,855,141**	**5,029,726**	**1,174,585**
Non-Supply Expenditure	-	-	215,606	215,606	(29,170)	186,436		
Non-A-in-A Operating Income	-	-	-	-	(14,511)	(14,511)		
Excess A- in- A	-	-	-	-	(6,993)	(6,993)		
Net Operating Cost	**381,797**	**511,801**	**5,022,288**	**5,915,886**	**(1,895,813)**	**4,020,073**		

11. (cont'd) Analysis of net resource outturn and net operating cost by function and reconciliation to Operating Cost Statement

2003-04 RfR1 – Trade and Industry programmes (re-stated)

	Admin	Other current	Grants	Gross Resource Expenditure	A-in-A	Net Total	Estimate	Net total compared with Estimate
	£000	£000	£000	£000	£000	£000	£000	£000
A Promotion of enterprise innovation and increased productivity and associated running costs	129,239	504,919	1,865,803	2,499,961	(1,446,879)	1,053,082	978,189	(74,893)
B Measures relating to individual industries and related programmes	-	6,606	(49,929)	(43,323)	(1,571)	(44,894)	48,804	93,698
C Legal and regulatory framework and markets and associated running costs	319,073	(476,064)	104,204	(52,787)	(93,963)	(146,750)	611,206	757,956
D Net Expenses related to Coal provisions	-	280,960	855,496	1,136,456	(2,100)	1,134,356	2,052,076	917,720
E British Coal Corporation external finance	-	-	2,869	2,869	-	2,869	403	(2,466)
F Other expenditure related to the coal industry	-	27	25,800	25,827	(10,074)	15,753	16,966	1,213
G Modernisation of the Post Office network	-	-	69,258	69,258	-	69,258	102,000	32,742
H Net controlled agencies and suppliers of Departmental Central Services	79,335	-	-	79,335	(51,483)	27,852	(1,819)	(29,671)
I ERDF and other community programmes (including Leader Network)	-	-	-	-	(291)	(291)	(6,350)	(6,059)
J Other European Community expenditure	-	-	-	-	-	-	1	1
K Loans to and repayments from Trading Funds	-	-	-	-	(30,000)	(30,000)	-	30,000
L UKTI Administration Costs	35,365	-	-	35,365	(167)	35,198	37,767	2,569
M Support for Local Authorities	-	-	317,372	317,372	(250,081)	67,291	2	(67,289)
N Expenses relating to nuclear provisions	-	3,956,141	838,969	4,795,110	-	4,795,110	4,986,414	191,304
O Privatisation expenses and refunds of pension adjustments	-	-	36,356	36,356	(2,284)	34,072	37,967	3,895
P Petroleum licensing and royalties	-	-	15,872	15,872	(12,315)	3,557	1	(3,556)
Q Transfer of pension liabilities to PCSPS	-	-	-	-	-	-	-	-
R EC Programmes receipts	-	-	-	-	-	-	-	-
Total Request for Resources 1	**563,012**	**4,272,589**	**4,082,070**	**8,917,671**	**(1,901,208)**	**7,016,463**	**8,863,627**	**1,847,164**

11. (cont'd) Analysis of net resource outturn and net operating cost by function and reconciliation to Operating Cost Statement

2003-04 RfR2 – Science programmes

	Admin	Other current	Grants	Gross Resource Expenditure	A-in-A	Net Total	Estimate	Net total compared with Estimate
	£000	£000	£000	£000	£000	£000	£000	£000
A Research Councils Pension Scheme	-	29,740	-	29,740	-	29,740	31,040	1,300
B The Royal Society	-	-	29,355	29,355	-	29,355	29,245	(110)
C The Royal Academy of Engineering	-	-	5,270	5,270	-	5,270	5,270	-
D OST Initiatives	-	-	2,518	2,518	-	2,518	6,192	3,674
E Knowledge Transfer	-	-	33,753	33,753	-	33,753	74,012	40,259
F CMIT	-	-	15,020	15,020	-	15,020	14,000	(1,020)
G Foresight LINK Awards	-	-	2,966	2,966	-	2,966	5,000	2,034
H Science Research Investment Fund	-	-	262,229	262,229	-	262,229	250,000	(12,229)
I Administration Costs SEB	6,558	(10,231)	-	(3,673)	(35)	(3,708)	4,860	8,568
J Administration Costs TSTG	10,056	-	-	10,056	3	10,059	7,880	(2,179)
K BBSRC	-	-	268,075	268,075	-	268,075	268,075	-
L ESRC	-	-	91,264	91,264	-	91,264	94,584	3,320
M EPSRC	-	-	425,000	425,000	-	425,000	425,000	-
N MRC	-	-	409,932	409,932	-	409,932	430,058	20,126
O NERC	-	-	284,057	284,057	-	284,057	288,661	4,604
P PPARC	-	-	281,506	281,506	-	281,506	281,506	-
Q CCLRC	-	-	76,659	76,659	-	76,659	101,593	24,934
R CCLRC - Diamond Synchrotron	-	-	33,309	33,309	-	33,309	39,300	5,991
S Animals - Scientific Procedures Act	-	-	190	190	-	190	175	(15)
T Joint Infrastructure Fund	-	-	43,631	43,631	-	43,631	44,000	369
- Nuclear Fusion	-	-	-	-	-	-	-	-
Total Request for Resources 2	16,614	19,509	2,264,734	2,300,857	(32)	2,300,825	2,400,451	99,626

RfR 1 and RfR 2 programmes total (restated):

	Admin	Other current	Grants	Gross Resource Expenditure	A-in-A	Net Total	Estimate	Net total compared with Estimate
Total Resource Outturn (RfR 1 & 2)	**579,626**	**4,292,098**	**6,346,804**	**11,218,528**	**(1,901,240)**	**9,317,288**	**11,264,078**	**1,946,790**
Non-Supply Expenditure	-	-	240,073	240,073	(29,170)	210,903		
Non-A-in-A Operating Income	-	-	-	-	(69,107)	(69,107)		
Net Operating Cost	**579,626**	**4,292,098**	**6,586,877**	**11,458,601**	**(1,999,517)**	**9,459,084**		

12. Intangible Fixed Assets

	Software Licences	Total
	£000	£000
Cost or valuation at 1.04.04	1,174	1,174
Additions[1]	509	509
Disposals	(130)	(130)
Transfers	-	-
Revaluation	(7)	(7)
at 31.03.05	**1,546**	**1,546**
Amortisation at 1.04.04	427	427
Charge	287	287
Disposals	(117)	(117)
Transfers	-	-
Revaluation	251	251
at 31.03.05	**848**	**848**
Net book value		
at 31.03.05	**698**	**698**
at 31.03.04	**747**	**747**

[1] The total for additions during 2004-05, £509,000, was financed entirely by cashflows in year (see Schedule 4)

13. Tangible Fixed Assets

	Land	Buildings	Leasehold Improve-ments	Office Machinery & Equipment	Computer & Telecomm Equipment	Scientific Equipment	Furniture, Fixtures & Fittings	Motor Vehicles	Plant & Machinery	Assets under Construct-ion	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation											
at 1.04.04	10,805	103,900	22,353	1,508	10,001	-	21,825	42	3,119	11,426	184,979
Additions [1]	-	12,914	5,843	155	1,584	167	607	-	74	19,195	40,539
Disposals	-	(98)	-	(74)	(803)	(5)	(172)	-	(17)	-	(1,169)
Transfers	(132)	132	6,022	-	-	-	-	-	-	(6,022)	-
Revaluation	268	(1,029)	647	33	(899)	1,165	(1,168)	1	(1,106)	-	(2,088)
at 31.03.05	**10,941**	**115,819**	**34,865**	**1,622**	**9,883**	**1,327**	**21,092**	**43**	**2,070**	**24,599**	**222,261**
Depreciation											
at 1.04.04	72	10,196	6,079	1,072	6,389	-	12,023	27	1,807	-	37,665
Charge	14	3,312	2,595	163	2,128	74	2,363	8	217	-	10,874
Disposals	-	(98)	-	(70)	(826)	-	(98)	-	(16)	-	(1,108)
Transfers	-	-	-	-	-	-	-	-	-	-	-
Revaluation	(6)	527	104	133	(1,233)	632	(1,322)	1	(636)	-	(1,800)
at 31.03.05	**80**	**13,937**	**8,778**	**1,298**	**6,458**	**706**	**12,966**	**36**	**1,372**	**-**	**45,631**
Net book value											
at 31.03.05	**10,861**	**101,882**	**26,087**	**324**	**3,425**	**621**	**8,126**	**7**	**698**	**24,599**	**176,630**
at 31.03.04	**10,733**	**93,704**	**16,274**	**436**	**3,612**	**-**	**9,802**	**15**	**1,312**	**11,426**	**147,314**
Asset financing:											
Owned	10,861	101,882	26,087	324	3,425	621	8,126	7	698	24,599	176,630
On-balance sheet PFI	-	-	-	-	-	-	-	-	-	-	-
Net book value at 31.03.05	**10,861**	**101,882**	**26,087**	**324**	**3,425**	**621**	**8,126**	**7**	**698**	**24,599**	**176,630**

[1] The total for additions during 2004-05, £40,539 shown above is broken down as follows:

	£000	
Fixed asset additions (cash) tangible assets	39,120	(Schedule 4)
Financed by increase in creditors	1,278	(note 15)
Financed by capitalisation of dilapidation provision in the Agency	141	(Schedule 1)
	40,539	

13.1 Net book value of land and building comprises:

	31 March 2005		31 March 2004 (re-stated)	
	£000	£000	£000	£000
	Land	*Buildings*	*Land*	*Buildings*
Freehold:	10,165	101,882	9,978	93,047
Long Leasehold:	696	-	755	656
Short Leasehold:	-	-	-	-
	10,861	**101,882**	**10,733**	**93,703**

DTI has the following freehold properties:

a. The Core Store, which was revalued on 31 March 2003 by Donaldsons, independent Chartered Surveyors, on the basis of open market value without the benefit of planning consent;

b. Wrest Park, which has been let on a 999 year lease and has an agreed nominal book value;

c. The National Physical Laboratory (NPL) site at Teddington. The site includes a number of properties which have been scheduled for demolition, pending the construction of the new NPL building under a PFI project. Accordingly, these properties have been included on the balance sheet at nil value. The land and building occupied by the National Weights and Measures Laboratory and British Maritime Technology were valued by Powis Hughes, independent Chartered Surveyors, in October 2003 on a basis of open market value. Further information on the NPL PFI project and valuation for the new NPL building is given under note 13.3;

d. The Employment Tribunals Service's freehold land and buildings were revalued on 31 March 2003 by Donaldsons, independent Chartered Surveyors, on the basis of existing use value.

All professional valuations have been made in accordance with Royal Institute of Chartered Surveyors guidance.

Other tangible assets have been revalued at 31 March 2005 by reference to appropriate current cost indices.

13.2 Heritage Assets

13.2.1 Operational Heritage Assets:

The following listed buildings are used for operational purposes and have been valued on a commercial basis. They are included in the values for buildings, above.

- At the National Physical Laboratory in Teddington:

  Bushy House, including The Clock House, the Conservatory and Garden Temple

- Occupied by the Silsoe Research Institute (part of the Biotechnology and Biological Sciences Research Council):

  Wrest Park, Silsoe, Bedfordshire.

  Wrest Park is recorded at a nominal value in the DTI's accounts. The full value is included in the balance sheet of the Biotechnology and Biological Sciences Research Council.

- Used by the Employment Tribunals Service:

  Employment Appeals Tribunal Court buildings at 52-56 Melville St, Edinburgh.

13.2.2 Non-Operational Heritage Assets:

The Department has a number of non-operational heritage assets held for historical and cultural association alone. These are recorded in the Register of Assets at nil book value, in accordance with guidance in HM Treasury's *Resource Accounting Manual*, which excludes museum collections, and other national archives existing at 31 March 2000 from the requirement of valuation.

The following non-operational heritage assets are located at the National Physical Laboratory (NPL) at Teddington:

- 'Newton's Apple Tree';
- National Physical Laboratory museum and archives, including some UK primary standard weights and measures.

13.3 National Physical Laboratory - Private Finance Initiative (PFI) project

In July 1998 the Department entered into a PFI project agreement with Laser (Teddington II) Limited for the provision of scientific accommodation services and related support services for the National Physical Laboratory (NPL) at Teddington. The contract was to run for a period of 25 years after which the facilities would revert to the Department.

The new accommodation, in 16 modules, includes 400 laboratory spaces with demanding operating requirements in respect of temperature, vibration, humidity, gases and power supplies. In addition there are 400 support spaces including offices, canteen, storage, workshops, library, meeting rooms and reception area.

The accommodation was delivered in phases, with modules being capitalised upon completion and handover at a value based on the sum paid by the PFI contractor to the Design & Building Contractor.

As this was a PFI project, in addition to capitalising the asset value, a corresponding liability was created as each module was handed over. In addition a prepayment of £8.8m offset payments in a straight line over the life of the liability.

The final modules were handed over early in 2004-05.

During construction of the facilities, Laser encountered a number of technical difficulties that significantly delayed completion and increased costs to a level that threatened the project's viability. In July 2004 Laser approached the Department with a proposal that an agreed termination of the PFI project represented the best available option for resolving these difficulties.

On 20 December 2004 DTI agreed with Laser and their lenders to the termination of the PFI project with a termination payment of £75m, based upon the principles of the termination provisions of the project agreement. Following this termination payment, net liabilities of £73m on DTI's balance sheet were extinguished.

In addition to the termination payment of £75m, payments to Laser during 2004-05 totalled £9.45m (2003-04: £9.9m), being £0.45m capital repayment, £7.1m finance charge and £1.9m associated service charges (2003-04: £0.4m, £7.4m and £2.1m respectively).

On termination of the PFI agreement DTI stepped into Laser's sub-contract for associated services and payments of £0.8m in respect of the associated services charges were made directly to Laser's sub-contractor in respect of the operation of the building from 21 December 2004 to 31 March 2005.

The building has been valued by King Sturge LLP in accordance with the RICS Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. As at 31 March 2005 its value, on a depreciated replacement cost basis, was assessed to be £102.35m. It will be necessary though to incur additional costs, including commissioning costs, to make the building perform to the specifications in the original PFI project agreement. It is estimated that these will be £17m and accordingly a value of £85.35m has therefore been assigned. This compares with a net book value at 31 March 2004 under the PFI arrangements of £76.7m.

The Department now intends to complete the new facilities through conventional procurement. It is estimated that works will be complete by March 2008.

14 Fixed Asset Investments

	2004-05	2003-04
	£000	£000
BCSSS Investment Reserve	938,187	845,400
MPS Investment Reserve	487,406	432,000
	1,425,593	**1,277,400**
Ordinary shares	50	50
Public Dividend Capital	22,214	43,214
Other investments and loans	582,851	581,739
Launch Investments	1,651,615	2,127,806
	3,682,323	**4,030,209**

14.1 BCSSS and MPS Investment Reserves

	Value at 1 April 2004	Additions	Disposals	Revaluation	Value at 31 March 2005
	£000	£000	£000	£000	£000
BCSSS Investment Reserve	845,400	-	(18,039)	110,826	938,187
MPS Investment Reserve	432,000	-	(939)	56,345	487,406
	1,277,400	**-**	**(18,978)**	**167,171**	**1,425,593**

The Department's investments in the Investment Reserves of the two pension schemes for the former employees of the British Coal Corporation, the Mineworkers Pension Scheme (MPS) and the British Coal Staff Superannuation Scheme (BCSSS) are derived from the unallocated share of surplus attributed to British Coal at the privatisation of the industry in 1994. The Investment Reserves exist as sub-funds and are available to maintain the benefits of scheme members. To the extent the Investment Reserves are not required to meet deficits, they will be paid to the Department over a period of at least 25 years on the advice of each scheme's actuary. Discussion on a possible extension of this timing is currently taking place between the Department and the Coal Pension Trustees.

The two schemes are subject to triennial valuations. The next valuation dates are 30 September 2005 for the MPS and 31 March 2006 for the BCSSS. Actuarial valuations are carried out by 'The Scheme Actuary', defined in the scheme provisions as the Government Actuary (GAD) and only the defined Actuary can undertake the scheme and fund valuations after consulting both the Trustees and the Guarantor on the actuarial assumptions to be used.

Interim figures between the triennial assessments are management valuations. The Department has estimated the change in the valuation of the investments during 2004-05, based on statements provided by the Schemes and updated interim valuations provided by the Scheme Actuary (GAD).

The accounts of the two pension schemes can be obtained from Coal Pension Trustee Services, 1 Hussar Court, Hillsborough Barracks, Penistone Road, Sheffield, South Yorkshire, S6 2GZ.

14.2 Ordinary Shares

	Value at 1 April 2004	Additions	Disposals	Revaluation	Value at 31 March 2005
	£000	£000	£000	£000	£000
Royal Mail Holdings plc shares	50	-	-	-	50
BNFL plc shares	-	59	-	-	59
	50	**59**	**-**	**-**	**109**

The Government owns 100% of the shares in Royal Mail Holdings plc. The Secretary of State for Trade & Industry owns 49,999 ordinary shares and the Treasury Solicitor holds one ordinary share. The Secretary of State for Trade and Industry also owns one Special Share, relating to certain areas for which Special Shareholder consent is required – see Note 14.5. The ordinary shares are shown at historical cost less any provision for impairment.

In addition to the above, the Department holds 50,000 ordinary shares in BNFL at a nominal value of £1 each. These were fully impaired in 2001-02 as a result of the Secretary of State announcing to the House of Commons, on 28 November 2001, that due to a review of its Intermediate Level Waste Strategy, the liabilities of BNFL exceeded its assets.

The shares in BNFL, now British Nuclear Group Sellafield Limited, were transferred to British Nuclear Group Limited on 1 April 2005 by Nuclear Transfer Scheme executed on behalf of the Secretary of State for Trade and Industry under Section 39 of the Energy Act 2004. There was no consideration for the transfer.

On 17 March 2005, £59,000 of share capital was injected into a new company, BNFL plc which was created to hold those parts of BNFL that did not pass to the Nuclear Decommissioning Authority (NDA), including the British Nuclear Group Ltd.

14.3 Public Dividend Capital (PDC)

	Value at 1 April 2004	Additions	Disposals	Revaluation	Value at 31 March 2005
	£000	£000	£000	£000	£000
British Shipbuilders	21,000	-	-	(21,000)	-
Companies House	15,889	-	-	-	15,889
Patent Office	6,325	-	-	-	6,325
	43,214	**-**	**-**	**(21,000)**	**22,214**

The British Shipbuilders PDC is shown at the historical cost of £1,598,339,000 less provisions for full impairment of £1,598,339,000. Of this impairment, £21,000,000 was accounted for in 2004-05 as a result of British Shipbuilders balance sheet showing a net liability position. An impairment £1,548,339,000 was accounted for in 1998-99 and a further £29,000,000 in 1999-2000. These impairments have been subject to the parliamentary reporting process as required by Government Accounting rules.

14.4 Share of net assets and results of bodies outside the consolidation boundary

The Department is required to disclose, for each investment which represents an interest in a subsidiary undertaking, an associate or joint venture which falls outside the Departmental consolidation boundary, the Department's share of the net assets and results of those bodies. This information is summarised below.

	British Energy	NLF	British Shipbuilders	Patent Office	Companies House	BNFL	Royal Mail plc
	£m	£m	£m	£m	£m	£m	£m
Assets	4,934	795	22	125	54	25,209	5,883
Liabilities	(3,884)	(795)	(25)	(22)	(7)	(28,432)	(3,498)
Net Assets	1,050	-	(3)	103	47	(3,223)	2,385
Turnover	313	4.2	-	54	57	2,364	8,956
Surplus/profit (deficit/loss) for the year	23	(6.3)	(11)	12	2	(344)	235

Notes:

- The restructuring of BE was completed on 14 January 2005, from this date the NLF is considered to be a 100% subsidiary of the Department and BE is a 65% quasi-subsidiary of the NLF and hence of the Department. These percentages have been applied to the appropriate figures for each body to arrive at the disclosures above.
- NLF information is extracted from their audited annual accounts for 2004-05 with turnover and loss estimated for the part period from 14 January 2005.
- British Energy information is from the British Energy Group Plc's audited accounts for the period to 31 March 2005, which reflects the results of the Group from the restructuring effective date of 14 January 2005.
- For the purposes of this note intra-company transactions and balances have not been cancelled. Therefore BE's liabilities include amounts for the historic contracted spent fuel costs, which are also recognised in these accounts and BE assets contain receivables from the NLF and Government.
- Patent Office and Companies House information is derived from their annual accounts for 2004-05.
- Royal Mail plc information is derived from their annual accounts for the year ended 27 March 2005.
- British Shipbuilders information is derived for the 2003-04 annual accounts, as their 2004-05 information is not available.

14.5 Special Shares

In addition, the Secretary of State holds one Special Share in each of the entities listed below. The list is a summary and does not purport to be a comprehensive record of the terms of each respective shareholding. Further details can be obtained from the annual report and financial statements of each body.

Body in which Share is held and type and value of share	**Terms of Shareholding**
Royal Mail Holdings plc £1 Special Rights Preference Share	● Created in January 2001; ● It may be redeemed at any time by the shareholder; ● The consent of the shareholder is required for a number of things, including: – Appointing the Chairman of the company, and the remainder of the Board (after consulting the Chairman); – Setting (and approving any material changes in) the remuneration packages of the Directors; – Borrowing in excess of certain pre-set limits (as agreed with the Treasury); – Adopting and implementing the company's strategic plan; – Disposing of substantial assets of the business or any "relevant subsidiaries" or substantial parts of the business of such subsidiaries; – Voluntary winding-up of any subsidiary; – Varying certain of the company's articles of association, including the rights of the special shareholder.
British Aerospace plc £1 Special Rights Preference Share	● Created in 1985 (but subsequently amended); ● No time limit; ● Provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company; ● Requires a simple majority of the Board and the Chief Executive to be British; ● Requires any Executive Chairman to be British and, if both the Chairman and Deputy Chairman are non-executives, requires at least one of them to be British.
British Energy Group plc £1 Special Share, British Energy Holdings plc £1 Special Share,	● British Energy Group plc and British Energy Holdings plc Special Shares created on 13 January 2005; ● The Special Shares are held jointly by the Secretary of State for Trade and Industry and the Secretary of State for Scotland; ● The consent of the Special Shareholder, which can only be refused on grounds of national security, is required for: - anyone to purchase more than 15% of British Energy issued shares; and - the disposal of a nuclear power station by British Energy.
British Energy Generation Ltd £1 Special Share, and British Energy Ltd £1 Special Share	● British Energy Generation Ltd Special Share created in 1996 is held solely by the Secretary of State for the DTI. His consent is required for the disposal of any of the nuclear power stations owned by it; ● British Energy Limited (formerly British Energy plc) Special Share created in 1996 is held by the Secretaries of State for Trade and Industry and for Scotland. However the company has no significant assets or liabilities as a result of the restructuring scheme, which came into effect on 14 January 2005.
Nuclear Liabilities Fund Ltd. £1 Special Rights Redeemable Preference Share	● Created in 1996; ● Secretary of State for Trade and Industry has a special 'A' share (there is also a 'B' share held by British Energy); ● Only with the consent of the special shareholder's can: - any of the provisions in the Memo of Association or Articles of Association be changed; - the share capital or the rights attached thereto be altered; - the company create or issue share options; - the 'B' Special Shareholder or any of the Ordinary Shareholders dispose or transfer any of their rights in their shares; - the company pass a members voluntary winding-up resolution; - the company recommend, declare or pay a dividend; - the company create, issue or commit to give any loan capital; - the company issue a debenture; - the company change its accounting reference date.

Body in which Share is held and type and value of share	Terms of Shareholding
UK Nirex Ltd £1 Special Share	• Created in November 1985; • Special Shareholder's approval required for the disposal of or the granting of, any interest in any land in respect of which a nuclear licence has been granted under the Nuclear Installations Act 1965 whether or not the licence remains in force. Any such approval can be granted subject to conditions; • Rights attached to the Special Share can only be changed by the written consent of the holder; • This special share was redeemed on 31 March 2005 (see note below table).
Rolls Royce Group plc £1 Special Rights Non-voting Redeemable Preference Share	• Created in 1987 (but subsequently amended); • No time limit; • Provides for a 15% limit on any individual foreign shareholding, or group of foreign shareholders acting in concert, in the company; • Requires a simple majority of the Board, including the Chief Executive and any Executive Chairman, to be British; • Allows the appointment of a non-British Non-Executive Chairman; • Provides for a veto over the material disposal of assets; • Provides for a veto of any voluntary winding up.

On 13 May 2003, the European Court of Justice (ECJ) found that the UK Government's special share held by the Secretary of State for Transport in British Airport Authorities restricted the free movement of capital within the single European market. Following this ruling the Department decided to evaluate its special shares to ensure that they complied with EC law and continued to be in the public interest. As a result of this review, the Department decided that the special share in National Grid Transco should be redeemed. The Government had concluded that the current legal and regulatory framework now provides adequate protection of the public policy objectives, which the special share was initially set up to cover. The share was subsequently redeemed on 5 May 2004.

The special share in UK Nirex Ltd was redeemed on 31 March 2005. On 1 April 2005 UK Nirex Ltd was acquired by a company limited by guarantee (CLG). The Secretary of State for Trade and Industry has become a member of this company - Nirex CLG Ltd, set up as a holding company for UK Nirex Ltd, which has passed into public ownership, with no share capital and no share certificates. The DTI shares control of the CLG on an equal basis with the one other member, the Secretary of State for the Environment, Food and Rural Affairs (DEFRA). The members can appoint Directors of UK Nirex Ltd and exercise control over this wholly owned subsidiary through an agreed Business Plan and Operational Guidelines, which accompany the Memorandum and Articles of Association of UK Nirex Ltd. The DTI investment in the purchase of shares from the selling shareholders was £100, with DEFRA providing £100 for the other 50% ownership.

14.6 Other investments and loans

	Value at 1 April 2004	Additions	Redemption	Revaluation	Value at 31 March 2005
	£000	£000	£000	£000	£000
Loans:					
Patent Office	2,329	-	(167)	-	2,162
Companies House	1,153	-	(384)	-	769
NLF Loans on-lent to Royal Mail	500,000	-	-	-	500,000
Other	47,992	-	(17,809)	-	30,183
Investments:					
UK High Technology Fund	16,594	-	-	(683)	15,911
Regional Venture Capital Fund	10,072	20,075	-	(4,957)	25,190
Early Growth Fund	3,599	5,849	-	(3,779)	5,669
Phoenix Fund	-	5,150	-	(2,242)	2,908
	581,739	**31,074**	**(18,360)**	**(11,661)**	**582,792**

Loans to Patent Office, Companies House and Royal Mail disclosed above are valued at historical cost.

The investments held by the DTI in UK High Technology Fund, Regional Venture Capital Fund, Early Growth Fund and Phoenix Fund are shown at market value as at 31 December, updated with management valuations to 31 March.

14.7 Launch Investments

	2004-05	2003-04
	£000	£000
Balance b/f at 1 April	**2,127,806**	**1,677,475**
Change arising on revaluation	(423,402)	501,292
Amortisation of one year's discount	74,473	58,712
Repayments	-	138
Income	(127,262)	(109,811)
Balance c/f at 31 March	**1,651,615**	**2,127,806**

The Department provides specific support to the aerospace industry through Launch Investment. The Department regularly revises its forecasts of sales of the aircraft and engines covered by the Department's portfolio of Launch Investment contracts. These forecasts in turn determine forecasts of income and hence the value of the portfolio as a whole. The asset value of the Launch Investment portfolio at 31 Match 2005 remains considerably in excess of its historic value. However, the management valuation of the future income streams at 31 March 2005 has reduced to £1,652 million (31 March 2004 - £2,128 million). Developments in aerospace markets have caused the Department to revise some of these forecasts downward, leading to the reduced valuation presented.

15. Movements in Working Capital Other Than Cash

	2004-05			2003-04		
	Non-operating movements	Operating movements	Total	Non-operating movements	Operating movements	Total
	£000	£000	£000	£000	£000	£000
Increase/(Decrease) in stocks and work-in-progress (see note 16)	-	(462)	(462)	-	(441)	(441)
Increase/(Decrease) in debtors (see note 17)	17,449	29,952	47,401	(19,515)	29,016	9,501
(Increase)/Decrease in creditors falling due within 1 year (see note 20)	(14,421)	(80,917)	(95,338)	(179,309)	249,625	70,316
Net (decrease)/increase in working capital other than cash	**3,028**	**(51,427)**	**(48,399)**	**(198,824)**	**278,200**	**79,376**
Adjustments:						
CFER movements	23,614	-	23,614	(64,706)	-	(64,706)
Launch Investment	-	4,842	4,842	-	46,744	46,744
Movement in PFI creditors	-	-	-	23,577	-	23,577
RPS debtors	-	(7,474)	(7,474)	-	(816)	(816)
Add back CFER OCS debtors	4,401	-	4,401	7,689	-	7,689
Movement in supply underspend	(33,634)	-	(33,634)	311,094	-	311,094
Tangible fixed assets	1,278	-	1,278	-	-	-
RadioComms debtor transfer	-	-	-	16,451	-	16,451
3G Licence deferred income	-	(2,451)	(2,451)	(67,439)	42,435	(25,004)
Other	-	(1)	(1)	6,204	(6,204)	-
Movement in bad debt provision	-	(7,868)	(7,868)	(2,807)	-	(2,807)
NLF loan	-	-	-	(50,000)	-	(50,000)
Excess A-in-A	6,993	-	6,993	-	-	-
Total working capital movements (Schedules 1 & 4)	**5,680**	**(64,379)**	**(58,699)**	**(18,761)**	**360,359**	**341,598**

Movements in the Department's working capital are split between 'Non-operating movements' and 'Operating movements'. The former includes balances arising from the collection and subsequent surrender to HM Treasury of Consolidated Fund Extra Receipts. They are therefore excluded from calculation of the Department's own working capital balances.

16. Stocks and Work-in-Progress

	2004-05	2003-04
	£000	£000
Goods for resale	**2,179**	**2,641**

17. Debtors

	2004-05	2003-04
	£000	£000
Amounts falling due within one year:		
HM Customs and Excise (VAT)	23,670	28,156
Trade debtors	59,615	44,658
Other debtors*	123,876	88,269
Prepayments and accrued income	92,778	84,288
Staff debtors	2,788	3,198
	302,727	**248,569**
Amounts falling due after more than one year:		
Trade debtors	1	-
Prepayments and accrued income	225	6,983
	226	**6,983**
Total debtors	**302,953**	**255,552**

*Included in the amount for 'Other debtors' above is £43,474k (2003-04: £26,024k) that will be due to the Consolidated Fund once the debts are collected.

18. Current Asset Investments

	2004-05	2003-04
	£000	£000
BCSSS debtors	641,527	720,300
MPS debtors	875,667	785,700
	1,517,194	1,506,000
Post Office Ltd	520,000	50,000
	2,037,194	**1,556,000**

18.1 Coal Pension Investments

	Value at 1 April 2004	Revaluation Increase	Release of Previous Revaluation Gain	Value at 31 March 2005
	£000	£000	£000	£000
BCSSS debtors	720,300	74,227	(153,000)	641,527
MPS debtors	785,700	264,967	(175,000)	875,667
	1,506,000	**339,194**	**(328,000)**	**1,517,194**

In addition to the Fixed Asset Investment in the two pension schemes of the former employees of British Coal, as referred to at note 14.1, the Department is entitled to half of any surpluses declared by the two closed pension schemes on the basis of three yearly valuations by the Schemes' actuary (the Government Actuary), which are accounted for as a current asset investment. The Department has estimated the change in the valuation of the investments during 2004-05, based on statements provided by the Schemes and updated interim valuations provided by the Scheme Actuary (GAD).

18.2 Royal Mail Holdings plc and Post Office Ltd

	Value at 1 April 2004	Additions	Redemptions	Value at 31 March 2005
	£000	£000	£000	£000
Post Office Ltd	50,000	9,300,000	(8,830,000)	520,000
	50,000	**9,300,000**	**(8,830,000)**	**520,000**

As explained on page 12 of the Foreword to these Accounts, the Department has made available to Post Office Limited, through an agreement reached on 17 October 2003, a revolving loan facility to help the company fund its working capital requirements in light of the migration of state benefits payments to a system of direct payment, alongside a Government commitment that benefit recipients will still be able to collect their benefit, in cash and in full, from post office branches. Post Office Limited began utilising this facility on 1 December 2003. The availability of the facility runs until 30 March 2010 and any outstanding loans must be repaid by 31 March 2010.

18.3 Ordinary Shares

	Value at 1 April 2004	Additions	Disposals	Revaluation	Value at 31 March 2005
	£000	£000	£000	£000	£000
British Energy plc £1 Ordinary Shares	31	-	-	(31)	-
British Energy plc A Shares	2	-	-	(2)	-
Less: Matching year-end creditor	(33)	-	-	33	-
Total	**-**	**-**	**-**	**-**	**-**
British Energy Holdings plc Shares	-	25	(25)	-	-
British Energy Holdings plc Warrants	-	33	(33)	-	-
Total	**-**	**58**	**(58)**	**-**	**-**

The shares held at 1 April 2004 represented a residual holding by the Government to meet liabilities for bonus shares not identified in a 1999 bonus share issue for holders of shares from the original privatisation of British Energy. The shares were held solely to meet that liability. As part of the restructuring and relisting of British Energy on 14 January 2005, these shares were replaced with 9,720 new shares and 20,412 warrants. Given the bonus share liability had passed, the Government elected not to take up their allocation and as such received payment of £24,761 from the sale of the ordinary shares and £33,031 from the sale of the warrants. This amount was paid directly to HM Treasury. At 31 March 2005, the Department had no shareholdings in the company and the obligation for bonus share liabilities had passed.

19. Cash at Bank and in Hand

	2004-05	2003-04
	£000	£000
Balance at 1 April	476,293	229,879
Net cash (outflow)/ inflow:	(3,028)	246,414
Balance at 31 March	**473,265**	**476,293**
The following balances at 31 March are held at:		
OPG	432,724	459,356
Cash at commercial banks and imprest accounts	40,250	16,874
Cash floats	291	63
	473,265	**476,293**
The balance at 31 March comprises:		
Amounts issued from the Consolidated Fund for supply but not spent at year end	279,570	313,204
Consolidated Fund Extra Receipts received in year and due to be paid to the Consolidated Fund	193,695	163,089
	473,265	**476,293**

20. Creditors

	2004-05	2003-04
	£000	£000
Amounts falling due within one year:		
Trade creditors	27,880	28,930
Other taxation & social security	464	518
Other creditors	168,484	133,391
Accruals and deferred income	263,479	216,551
Amounts issued from the Consolidated Fund but not spent at year-end	279,570	313,204
CFER payable to the Consolidated Fund - received	193,695	189,113
- receivable	43,473	-
	977,045	**881,707**
Amounts falling due after more than one year:		
National Loan Fund Loan on-lent to Royal Mail Holdings plc	500,000	500,000
Trade creditors	21,988	93,623
Accruals and deferred income	52,171	7,488
	574,159	**601,111**

21. Provisions for Liabilities and Charges - Coal

	Health-Related Provisions			Other Provisions		
	COPD	**VWF**	**Other**	**Con. Fuel**	**Other**	**Total**
	£000	£000	£000	£000	£000	£000
At 1 April 2004	**2,841,466**	**729,622**	**606,424**	**359,015**	**72,320**	**4,608,847**
Financing charges:						
Changes in price levels	71,037	18,241	15,161	8,975	1,808	115,222
Amortisation of one year's discount	99,451	25,537	21,225	12,565	2,531	161,309
Increase/(decrease) in Provision	(443,542)	10,203	(70,178)	7,132	8,003	(488,382)
Expenditure in year	(566,602)	(188,100)	(122,700)	(48,928)	(3,381)	(929,711)
At 31 March 2005	**2,001,810**	**595,503**	**449,932**	**338,759**	**81,281**	**3,467,285**

The time scale over which it is estimated the discounted costs will need to be incurred, is as follows at 31 March 2005:

	2004-05	2003-04
	£billion	£billion
Within 1 year	1.2	1.0
Between 2 to 5 years	2.1	2.8
Beyond 5 years	0.2	0.8
Total	**3.5**	**4.6**

Provisions have been made for liabilities relating to British Coal employees.

21.1 Health-Related Provisions

Health claims make up by far the largest proportion of coal provision expenditure. Responsibility for these compensation claims relating to personal injuries suffered by former British Coal mineworkers transferred to the Department on 1 January 1998 by a restructuring scheme under the Coal Industry Act 1994.

While the provision amounts are based on the best available estimate, they are sensitive to the number of claims received and the size of individual awards made. An accelerated take up of offers would bring expenditure forward, whereas delays in offers being accepted would cause expenditure to slip into future years.

Chronic Obstructive Pulmonary Disease (COPD)

Liabilities arise from claims relating to respiratory diseases such as emphysema and chronic bronchitis, caused by exposure to mine dust and fumes. The expected discounted liability over the next 5 years is £2 billion (2003-04: £2.84 billion), the undiscounted amount being £2.12 billion (2003-04: £3.16 billion). This scheme closed on 31 March 2004 and no further claims are being accepted.

Vibration White Finger (VWF)

Liabilities arise from claims relating to damage caused by the prolonged use of vibratory tools. The expected claims total to a discounted amount of around £0.6 billion over the next 3 years (2003-04: £0.73 billion). The corresponding undiscounted amount is £0.62 billion (2003-04: £0.77 billion). This scheme is also now closed to new claims.

Other Health Provisions

This provision incorporates other injury-related compensation claims such as deafness, accidents and miscellaneous diseases. It also covers payments under British Coal's Pneumoconiosis Compensation Scheme and associated administration costs of managing the health claims.

The undiscounted amount of these provisions is £0.49 billion (2003-04: £0.68 billion).

21.2 Other Provisions

Concessionary Fuel

The Department has a responsibility to provide either solid fuel or a cash alternative to over 120,000 beneficiaries. Approximately three quarters of these have opted for the cash alternative at an average of around £280 per annum, compared with the average annual solid fuel cost to the Department of around £700 per beneficiary. The number of beneficiaries is decreasing at around 6% per year and therefore the liability will continue for several decades. The provision is based on standard female mortality rates and includes an assumption of beneficiaries continuing to switch their entitlement from solid fuel to cash.

Site Restoration and Other

This includes provision to meet some of the costs of restoring the heavily contaminated site at The Avenue coke-works, near Chesterfield. It is a derelict 240-acre site, which passed to English Partnerships in 1996, as part of a group of 56 properties no longer required for coal purposes. The Memorandum of Understanding between British Coal and English Partnerships states that British Coal would reimburse the minimum costs necessary to meet statutory environmental standards. The Department has inherited this liability from British Coal. The Avenue is one of four sites on which this liability has been called and the discounted level of this provision at 31 March 2005 is £64.2 million (2003-04: £53.6 million). The deadline for this liability has now passed and therefore no new liabilities can arise in the future.

Also included under this heading are provisions relating to costs for the administration of non-health related liabilities and indemnities issued at privatisation.

22. Provisions for Liabilities and Charges - Nuclear

	UKEA Decommissioning	BNFL	British Energy	Total
	£000	£000	£000	£000
At 1 April 2004	**4,820,900**	**6,876,431**	**2,368,547**	**14,065,878**
Financing charges:				
Changes in price levels	120,523	216,993	75,701	413,217
Amortisation of one year's discount	168,732	240,675	82,899	492,306
Increase/(decrease) in provision	(423,522)	7,594	(2,543)	(418,471)
Expenditure in year	(288,500)	-	(184,812)	(473,312)
At 31 March 2005	**4,398,133**	**7,341,693**	**2,339,792**	**14,079,618**

22.1 United Kingdom Atomic Energy Authority (UKAEA) Decommissioning Provision

By virtue of a letter of understanding with the UKAEA, the Department has agreed to cover the cost of the liabilities arising from programmes associated with the decommissioning of radioactive plant and facilities, storing, processing and eventually disposal of radioactive waste, and of reprocessing, or in other ways, managing nuclear fuels and nuclear materials. It is expected that the cost of £4.4 billion (discounted at 3.5% and expressed in 2004-05 money values) will be incurred mostly within the next 60 years.

Calculation of the liabilities is based on the technical assessments of the processes and methods likely to be used in the future to carry out the work. Estimates are derived using the latest technical knowledge and commercial information available and take account of current legislation, regulations and government policy. Summary figures are built up by aggregating detailed estimates for individual liabilities. Allowance is also made for infrastructure costs, which are an appropriate share of running costs and other overhead costs attributable to plant and buildings. The calculation is re-assessed annually. Since much of the work will not be done until well into the future, there is considerable uncertainty as to the likely costs.

The time scale over which it is estimated the discounted costs will need to be incurred is as follows:

	2004-05	2003-04
	£billion	£billion
Within 1 year	0.3	0.3
Between 2 to 5 years	1.0	1.2
Beyond 5 years	3.1	3.3
Total	**4.4**	**4.8**

The latest estimate of the undiscounted cost of dealing with the UKAEA's nuclear liabilities and thus the Department's liability is as follows:

	2004-05	2003-04
	£billion	£billion
Costs of liabilities on UKAEA sites	5.9	7.1
UKAEA liabilities on BNFL sites	1.8	1.9
Total	**7.7**	**9.0**

After allowing for financing charges and expenditure during the year, the decrease in the undiscounted liabilities estimate is due to changes in decommissioning and waste management strategies and the revision of cost estimates.

22.2 British Nuclear Fuels plc (BNFL)

There is an agreement between the Secretary of State for Trade and Industry and Magnox Electric plc, a wholly owned subsidiary of BNFL, whereby the Secretary of State has undertaken to pay Magnox Electric plc £3.7 billion together with interest at a rate of 4.5% above inflation on the outstanding balance. The payments commence in the year ending 31 March 2008 and cease in the year ending 31 March 2116. The total undiscounted liability is approximately £28.2 billion (2003-04: £27.3 billion) with the corresponding discounted amount at 3.5% being £7.3 billion (2003-04: £6.9 billion).

The time scale over which the discounted costs will need to be incurred is:

	2004-05	2003-04
	£billion	£billion
Within 1 year	-	-
Between 2 to 5 years	1.6	1.1
Beyond 5 years	5.7	5.8
Total	**7.3**	**6.9**

The terms of the Undertaking provide for a review of Magnox liabilities every five years starting on 1 April 2003. Potential adjustments to the outstanding amount may also occur:

(a) Where the actions taken by persons or bodies external to BNFL (referred to as an "event") cumulatively increase the discounted value of Magnox liabilities by more than £250 million (in which circumstances the Secretary of State has discretion to vary the amounts of the undertaking or the payment schedule);

(b) Where there is an adjustment to the provisions as a result of downward revisions in the estimate of the cost of Magnox liabilities (in which circumstances clawback arrangements exist to reduce the Secretary of State's liability).

Reductions in provisions falling within b) above will be shared between the Secretary of State and BNFL (via adjustment of the outstanding amount of the undertaking) on a sliding scale with the maximum reduction in the undertaking being £800 million escalated by 2.5% above inflation from April 1998.

22.3 British Energy

The provision relates to British Energy's contracted historic spent fuel liabilities and is based on a schedule of cash flows for the period 2004 to 2032, agreed between the Department and BNFL whereby costs each year are estimated to be £186 million (undiscounted at March 2005 prices) for the next 9 years. Amounts are then expected to fall each year thereafter. The total undiscounted liability is approximately £3.17 billion.

The provision is included in the accounts at a discounted total value of £2.34 billion. The time scale over which the discounted costs will need to be incurred is:

	2004-05	**2003-04**
	£billion	£billion
Within 1 year	0.2	0.2
Between 2 to 5 years	0.7	0.7
Beyond 5 years	1.4	1.5
	2.3	**2.4**

23. Provisions for Liabilities and Charges - Other

	SFLG	**UKAEA Other**	**Early Retirement**	**Other**	**Total**
	£000	£000	£000	£000	£000
At 1 April 2004	**128,905**	**56,488**	**19,605**	**37,517**	**242,515**
Financing charges:					
Change in price levels	3,223	1,412	484	-	5,119
Amortisation of one year's discount	4,512	1,977	677	-	7,166
Increase / (decrease) in provisions	101,573	(13,258)	27,075	3,079	118,469
Expenditure during year	(58,431)	(7,200)	(7,675)	(7,902)	(81,208)
At 31 March 2005	**179,782**	**39,419**	**40,166**	**32,694**	**292,061**

23.1 Small Firms Loan Guarantee (SFLG)

The SFLG is the Department's main instrument for supporting debt finance for business. By providing a Government backed guarantee, the scheme exists to enable lenders to assist small business with viable business proposals to gain access to finance where they lack security, or credit history.

The provision is based on the expected value of defaults of all outstanding loans and has been discounted at the Treasury rate of 3.5%. The undiscounted liability is £190 million (2003-04: £136 million), which is expected to be utilised over the next eight years.

23.2 UKAEA Other Provisions

The figures as at 1 April 2004 reflect provisions relating to Restructuring and Environmental Remediation (HERP). Restructuring costs cover the continuing annual payments for staff who took early retirement primarily before the privatisation of AEAT in 1996 and will continue until they reach retirement age.

Environmental Remediation costs cover the treatment of chemical contamination of the groundwater at the UKAEA's Harwell site. This provision, valued at £13.2 million as at 1 April 2004, was transferred to the UKAEA decommissioning provision during the year. This transfer is recorded in the increase/(decrease) in provisions figure.

23.3 Early Retirement

The Early Retirement Provision has increased from £19.6m to £40.1m in the year as a result of providing for the future costs of staff departing under a voluntary early retirement or severance scheme that was run in the year (more detail is on page 25 of the Foreword to these Accounts). As a result of the scheme, a total of 442 staff took or will be taking voluntary early severance or retirement between January and December 2005.

The provision is required in order to meet pension enhancement and severance costs for staff departing under this scheme, with the liabilities extending for up to 6.67 years.

23.4 Other

This relates to a range of liabilities arising from the Department's normal business. It includes agency provisions arising through consolidation and provisions for various other Departmental programmes and administration costs.

24. Revaluation Reserves

	Tangible Fixed Asset	Launch Investment	Coal Pensions	Total
	£000	£000	£000	£000
Balance at 1 April 2004	**13,798**	**795,467**	**2,722,715**	**3,531,980**
Arising on revaluation during year	745	(423,402)	506,365	83,708
CFERS realised	-	(97,534)	-	(97,534)
Disposals	-	-	(18,978)	(18,978)
Transfer to General Fund	(809)	-	-	(809)
Transfer to Operating Cost Statement	2	24,164	-	24,166
Coal Pensions – surplus released	-	-	(328,000)	(328,000)
Balance at 31 March 2005	**13,736**	**298,695**	**2,882,102**	**3,194,533**

The Fixed Asset Revaluation Reserve reflects the unrealised element of the cumulative balance of indexation and the revaluation adjustments of tangible fixed assets (excluding donated assets) (see note 13).

The Launch Investment Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to Launch Investment (see note 14.7).

The Coal Pensions Reserve reflects the cumulative balance of revaluation adjustments of the fixed and current asset investments in pension schemes of former employees of British Coal (see notes 14 and 18 for more detail).

25. Reconciliation of Net Operating Cost to changes in the General Fund

	2004-05	2003-04 (re-stated)
	£000	£000
Net Operating Cost for the year (Schedule 2)	(4,020,073)	(9,459,084)
Income not appropriated-in-aid payable to the Consolidated Fund	(14,511)	(69,107)
Non-supply expenditure funded by the National Insurance Fund	186,436	210,903
Surplus A-in-A to be surrendered to the Consolidated Fund	(6,993)	-
	(3,855,141)	**(9,317,288)**
Net Parliamentary funding:		
Drawn down	5,914,089	5,854,011
Deemed supply	313,204	2,110
Transfer from Cabinet Office in respect of Shareholder Executive	-	897
	6,227,293	5,857,018
Transfer to General Fund in respect of realised element of Revaluation Reserve	809	1,829
Consolidated Fund creditor for unspent cash	(279,570)	(313,204)
Non-cash charges:		
Cost of capital net credit (see notes 3 and 4)	(551,389)	(485,579)
Deferred Income 3G licence fee	2,451	1,557
Radiocommunications Agency – assets and liabilities	-	10,445
Auditor's remuneration	279	294
Other Agency Notional Costs	1,617	(633)
Increase in RPS debtor	7,474	816
Net increase/(decrease) in General Fund	**1,553,823**	**(4,244,745)**
General Fund at 1 April	**(17,463,282)**	**(13,218,537)**
General Fund at 31 March	**(15,909,459)**	**(17,463,282)**

26. Capital Commitments

	2004-05	2003-04
	£000	£000
Contracted capital commitments (excluding VAT) for which no provision has been made	**5,228**	**720**

27. Other Commitments

In addition to commitments under leases and PFI contracts, as at 31 March 2005 the Department was committed to making the following payments during the next year in respect of subscriptions to international bodies:

	2004-05	2003-04
	£000	£000
Expiry within 1 year	-	-
Expiry within 2 to 5 years	826	607
Expiry over 5 years	67,660	49,912
Total	**68,486**	**50,519**

27.1 Bodies to whom subscriptions are included in the amounts disclosed above are:

		Commitment due to expire within 1 year	within 2 to 5 years	over 5 years	Total
Organisation	Note	£000	£000	£000	£000
European Space Agency	a	-	-	30,000	30,000
International Atomic Energy Agency	b	-	-	14,063	14,063
World Trade Organisation	c	-	-	4,536	4,536
Organisation for the Prohibition of Chemical Weapons	d	-	-	16,125	16,125
Universal Postal Union	e	-	-	1,000	1,000
International Energy Agency	f	-	-	990	990
Bureau International des Poids et Mesures (BIPM)	g	-	614	-	614
Nuclear Energy Agency	h	-	-	500	500
European Energy Charter	i	-	-	338	338
UNIDROIT	j	-	-	79	79
Organisation Internationale de Metrologie Legale (OIML)	k	-	36	-	36
Organisation for Economic Co-operation and Development, Steel Committee	l	-	-	26	26
UN Convention on Law of the Sea Membership	m	-	117	-	117
EUROMET	n	-	5	-	5
Hallmarking Convention	o	-	-	3	3
International Lead & Zinc Study Group (ILZSG)	p	-	18	-	18
International Nickel Study Group (INSG)	q	-	36	-	36
Total		**-**	**826**	**67,660**	**68,486**

Notes:

a) *The European Space Agency (ESA)* carries out civil space programmes for its Member States, including the UK. DTI contributions cover part of the Agency's general budget, which is, under the ESA Convention, mandatory for all Member States, who share it in proportion to net national income at factor cost. The UK contribution is shared between DTI and the Research Councils, which also take part in the programmes of the Agency, broadly in proportion to their shares in the total UK funding of the Agency. In 2004-05, the Research Councils concerned were PPARC and NERC. DTI contributions also cover the UK's share of those individual "optional" programmes of the Agency to which the UK has committed funding, which are directed towards industrial and commercial objectives.

b) The *International Atomic Energy Agency (IAEA)* serves as the world's central intergovernmental forum for scientific and technical co-operation in the nuclear field, and as the international inspectorate for the application of nuclear safeguards and verification measures covering civilian nuclear programmes. The UK's subscription payment to the IAEA Regular Budget is a legal commitment pursuant to our ratification of the IAEA Statute. The amount of the subscription has increased over previous years due to the inclusion of the IAEA Technical Co-operation Fund.

c) The DTI is responsible for the payment of the UK's annual contribution to the *World Trade Organization (WTO)*, which deals with the global rules of trade between nations. Its main function is to ensure that international trade flows as smoothly, predictably and freely as possible. As a member of the WTO the UK, like other members, has a legal commitment to pay a contribution to the cost of running the WTO Secretariat, which is based in Geneva. The UK's share is calculated on the basis of our international trade in relation to the total international trade of all WTO members.

d) The *Organisation for the Prohibition of Chemical Weapons (OPCW)* undertakes the implementation on the international level of the provisions of the Chemical Weapons Convention (CWC). The UK's subscription payment to the OPCW Regular Budget is a legal commitment pursuant to our ratification of the CWC.

e) The *Universal Postal Union (UPU)* is the United Nations Agency, which is the primary forum for co-operation between postal service providers. The UK's membership of the UPU enables its national postal service operator, Royal Mail, to participate in the worldwide network of postal operators, to enter into agreements for the exchange of international mail, and to exchange and develop experiences of best practice in postal operations. The annual subscription for UPU membership is paid by the DTI, with some 60% of the total subsequently recovered from Royal Mail.

f) The *International Energy Agency (IEA)* is the energy forum for 26 member countries whose Governments are committed to taking joint measures to meet oil supply emergencies and to share energy information, co-ordinate energy policies and co-operate in the development of rational energy programmes. The main objectives of the OECD's IEA, based in Paris, are to prepare for and take action in the event of severe oil disruptions, assist the co-ordination of the energy policies of its member countries, and encourage good practice in energy policy worldwide. The UK's subscription supports these objectives.

g) The *Bureau International des Poids et Mesures'* mandate is to provide the basis for a single, coherent system of measurements throughout the world, traceable to the international System of Units (SI). The annual subscription has been payable since the Government signed up to the Metre Convention circa 1888.

h) DTI pays the UK's annual contribution to the *Nuclear Energy Agency (NEA)* on behalf of a number of Departments and Agencies that participate in the NEA's work. The NEA is an internationally recognised non-promotional organisation providing a forum for addressing and disseminating information on technical scientific and economic issues affecting nuclear energy globally.

i) The DTI is responsible for the UK's subscription to *The European Energy Charter*, which strives towards open, efficient, sustainable and secure energy markets and promotes a constructive climate conducive to energy interdependence on the basis of trust between nations. The main aim of the Energy Charter Treaty is to liberalize energy trade, transit and investment in/between its (mainly Eurasian) signatory countries, an aim which the UK strongly supports.

j) The DTI pays an annual contribution towards the running of the *International Institute for the Unification of Private Law (UNIDROIT)*. UNIDROIT is an independent intergovernmental organisation with its seat in Rome. Its purpose is to study needs and methods for modernising, harmonising and co-ordinating private and in particular commercial law as between States and groups of States.

k) The *International Organisation of Legal Metrology (OIML)* promotes the global harmonisation of legal metrology procedures. It provides its members with metrological guidelines for the elaboration of national and regional requirements concerning the manufacture and use of measuring instruments for legal metrology application. The payment is made on behalf of the National Weights and Measures Laboratory and is a requirement of their international legal metrology role.

l) The *Organisation for Economic Co-Operation and Development (OECD) Steel Committee* is the international forum established to discuss steel industry issues such as production trends, trade flows and issues, market developments and environmental issues. DTI provides funding as a contribution to the work of the Committee, which is attended by both OECD and non- OECD members.

m)Following on from the UK's accession to the *United Nations Convention on the Law of the Sea*, the UK has a legal commitment to provide a proportion of the running costs of the Convention. The total UK contribution is shared between those Departments with a significant interest in the Convention.

n) *EUROMET* is a cooperative voluntary organisation between the national metrology institutes (NMIs) in the EU including the European Commission, EFTA and EU Accession States. The objective of EUROMET is to promote the coordination of metrological activities and services with the purpose of achieving higher efficiency. EUROMET was formally established by the signing of a Memorandum of Understanding (MOU) by participating States in Madrid, Spain on 23 September 1987 to become operative from 1 January 1988. DTI makes an annual payment on behalf of the National Physical Laboratory which is a requirement of their international metrology role.

o) The UK is a member of the *Convention on the Control and Marking of Articles of Precious Metals (Hallmarking Convention)*, which facilitates the cross border trade of independently marked precious metal articles. The UK recognises Convention hallmarks from 12 member countries. Goods marked with Convention hallmarks can be imported and sold in the UK without the need for additional UK hallmarking

p) The DTI is responsible for annual payments to *The International Lead & Zinc Study Group*, a UN-affiliated group set up to bring transparency to the global lead and zinc markets. The Group's HQ is based in London. The UK as a major producer of lead and consumer of both lead and zinc has strong industry support for its continuing membership of this Group.

q) The *International Nickel Study Group (INSG)* is an autonomous, intergovernmental organisation established in 1990. Membership comprises nickel producing, consuming and trading countries. The DTI makes payments to cover the UK annual membership fee for this UN affiliated Group, based in The Hague.

Since the end of the 2003-04 financial year, payments previously paid to certain organisations have ceased for the reasons stated below:

- Following a review of membership to international study groups, DTI concluded that the *Copper Study Group* was providing poor value for money and that subscription payments should be terminated. This decision had the full agreement of UK industry and the FCO.
- A decision was made to stop further contributions towards the *International Cotton Advisory Committee* as the UK no longer manufactures cotton. The only UK interest in this area is through the Liverpool Cotton Exchange, an international body which regulates cotton contracts.

28. Commitments under Operating Leases

At 31 March 2005 the Department was committed to making the following payments during the next year in respect of operating leases:

	2004-05			2003-04		
For the consolidated Department:	**Land and Buildings**	**Other**	**Total**	**Land and Buildings**	**Other**	**Total**
	£000	£000	£000	£000	£000	£000
Leases expiring:						
Within 1 year	732	223	955	2,663	593	3,256
Within 2 to 5 years	3,867	946	4,813	2,432	1,792	4,224
After 5 years	51,172	38,274	89,446	47,581	33,610	81,191
	55,771	**39,443**	**95,214**	**52,676**	**35,995**	**88,671**
For the Core Department (excluding consolidated entities):						
	£000	£000	£000	£000	£000	£000
Leases expiring:						
Within 1 year	139	38	177	-	219	219
Within 2 to 5 years	87	357	444	836	1,138	1,974
After 5 years	38,281	32,076	70,357	34,291	29,016	63,307
	38,507	**32,471**	**70,978**	**35,127**	**30,373**	**65,500**

Included in the above is a lease for the supply of services under the ELGAR contract, which is treated as an operating lease under the PFI guidance, issued by HM Treasury.

The ELGAR PFI contract covers the provision of a wide range of information systems and services to the Department, including infrastructure management, IT development, business process re-engineering, consultancy advice and technology refresh. The contract was awarded in November 1998 for a period of 10 years, extendable for up to a further 5 years. The contract is now set to expire on 31 March 2014. The amount of contract payments, including the PFI service charge, charged as operating expenses in 2004-05 amounted to £32 million (2003-04: £37m) and the estimated cumulative capital value of the scheme is £20 million. Over the 9 remaining years of the contract, payments may amount to £265 million. The DTI has a responsibility to pay termination charges should the Department exercise its break option before the agreed service end date. These amount to £84 million, comprising £16 million for the core service (including Matrix core of £7 million), £26 million for Matrix and an additional £42 million for other (extended) services.

In addition, UK Trade and Investment (UKTI) and the Insolvency Service (INSS), which are bodies whose results are consolidated into these accounts, also have contracts with ELGAR for the provision of IT services. Details can be found in the separate resource accounts of these bodies.

29. Contingent Liabilities disclosed under FRS 12 requirements

Basis of Recognition	Description
Coal Industry Act 1994	Any liabilities of British Coal in respect of industrial injury to its former employees between 1947 and 31 December 1994, the timing and amounts of which are uncertain at this time. The liabilities arise through the various health claims that have been made by former and current employees of British Coal. The uncertainty is due to two factors: a) the nature of any injury; and b) whether the courts decide that compensation is due. Given recent history, the fact that the burden of proof rests with the plaintiff and that the compensation level is determined on a case-by-case basis, there is a high level of uncertainty relating to either the amount of the payments due or whether they are likely to be paid. This uncertainty is also referred to in the Coal Provisions note (note 21). Over time, it is likely that a more accurate estimate of the expected costs to be borne by the Department will become available.
British Energy	There are a number of contingent liabilities that arise from the Department's support for British Energy referred to elsewhere in these accounts, as follows: (i) *Uncontracted and Decommissioning Liabilities* Under the terms of British Energy's solvent restructuring which was successfully completed on 14 January 2005, the Department has assumed responsibility for uncontracted and decommissioning liabilities to the extent that the Nuclear Liabilities Fund (NLF, formerly the Nuclear Generation Decommissioning Fund) is insufficient to meet liabilities as they fall due. Once the NLF has discharged all liabilities for which it is responsible any surplus remaining in the Fund would go to the Department. There is a high level of uncertainty relating to possible future cash flows which the Department might need to make. This is dependent on BE's estimates for the costs of meeting their decommissioning and uncontracted liabilities which may be revised year on year and on the contributions from BE. In particular the BE cash sweep payment is difficult to forecast as it is dependent upon the performance of the company. As such it is hard to quantify whether this represents a contingent liability or asset. On the basis of DTI's current estimate of the assets available to the NLF to meet its liabilities (£4.0 billion) and BE's estimate for decommissioning and uncontracted liabilities (£1.6 billion) there is a contingent asset of £2.4billion. (ii) *Trustee Indemnities* Indemnities have been given to the 3 trustees of the NLF appointed by the Secretary of State. Indemnities have also been given to the 2 trustees of the NLF appointed by British Energy; these indemnities can only be used following failed recourse to an indemnity given by British Energy.
Nuclear	The Department has a range of civil nuclear liabilities arising through its association with UKAEA and BNFL as well as ensuring that the Government complies with its obligations under the various international nuclear agreements and treaties. The amount and timing of this overarching liability is not quantifiable. In addition, the Government has had to provide temporary indemnity to British Nuclear Insurers to cover terrorism risks.
EC Directives relating to Structural Funds	There is a risk that the EC may seek recovery from the Department of grants paid under various ERDF Community Initiative Programmes arising from our quantification of the financial impact of irregularities found in two of the seven Community Initiative Programmes which the Department is responsible for. The eventual liability that might crystallise is still uncertain and is dependent upon the EC's formal notification of its decision on the matter. However, five of the seven Community Initiative Programmes have now been closed reducing to a minimal the exposure to the Department.

Basis of Recognition	Description
Health and Safety	Claims have been lodged by a number of employees and ex-employees for compensation for industrial injury or disease allegedly arising from a period of employment at one or other of the former research establishments of the DTI. The timing and amount of this liability is not quantifiable.
Postal Services Act 2000	As part of the Royal Mail financing package, the Department agreed on 20 December 2002 to buy two bonds issued by Royal Mail, the values of which are £300 million and £200 million respectively. Royal Mail did not request the purchase of either bond in 2004-05. The availability of the £300m bond agreement runs until 20 March 2006 (its availability period was extended by one year on 15 October 2004). The availability of the £200m bond agreement lapsed on the 20 March 2005. Terms of the agreement state that Royal Mail must request the transaction at least six months in advance (as the Department must gain Parliamentary approval before purchasing the bonds because the funds would come from DTI supply which is voted by Parliament) and that the bond must be utilised in full. If the Department were to purchase the remaining bond, it would mature on 20 March 2009. The terms of a bond purchase have been agreed on a commercial basis. The Department has also made available to Post Office Limited, through an agreement reached on 17 October 2003, a revolving loan facility of up to £1.15 billion. This is to help the company fund its working capital requirements in light of the migration of state benefits payments to a system of direct payment, alongside a Government commitment that benefit recipients will still be able to collect their benefit, in cash and in full, from post office branches. Post Office Limited began utilising this facility on 1 December 2003. The agreement allows for the company to have up to 30 concurrent loans out at any one time with loan periods which can be one day or longer. The availability of the facility ends on 30 March 2010 and any outstanding loans must be repaid by 31 March 2010. The proposal for a Working Capital package was given EU State Aid clearance in May 2003.
CCLRC decommissioning costs	From 1 April 2003, the CCLRC took over responsibility for the United Kingdom's (UK's) subscriptions to the Institut Laue Langevin (ILL) and the European Synchrotron Radiation Facility (ESRF) from the Engineering and Physical Sciences Research Council (EPSRC). As a consequence of this, the CCLRC inherited the UK's share of the likely decommissioning costs of these facilities to be met in future years. As there has been no past obligating event, as CCLRC does not have singular control over the decommissioning of these facilities and as the timing and amount of the decommissioning costs cannot be known with any certainty and therefore, in accordance with FRS12, these decommissioning costs have been treated as a contingent liability. The estimated value of the contingent liability at 31 March 2005 is £51.9 million (ILL £45.3 million and ESRF £6.6 million); 2003-04 £48.7 million (ILL £42.1 million and ESRF £6.6 million).
CAMEO project	On 13 June 2003 the DTI signed an Agreement under the Elgar PFI contract for IT services for a new financial system (CAMEO) for The Insolvency Service. The cost to The Service was £17,787,200 to be paid in 10 annual installments from the date of delivery. The milestone date for delivery for User Acceptance Testing was 4 May 2004 but this was not met. In December 2004 The Service, having lost confidence in the prospect of delivery of the project, told the PFI provider that it no longer wished to proceed with CAMEO and that the PFI provider should withdraw from the project. The PFI provider has written to The Service claiming £15,389,379 which claim has not been accepted. Separately they have also made a proposal to restart the project and, to that end, The Service has agreed to undertake, on a without prejudice basis, a joint project review. No provision has been made in these accounts in respect of the claim although £1,192,992 paid during 2004-05 in respect of development work not included in the original Agreement has been treated as expenditure in these accounts.

30. Contingent Liabilities not required to be disclosed under FRS 12 but included for parliamentary reporting and accountability.

30.1 Quantifiable

The Department has entered into the following quantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the definition of FRS 12 since the likelihood of a transfer of economic benefit in settlement is too remote.

	1 April 2004	Increase in year	Crystallised in year	Expired in year	31 March 2005
	£000	£000	£000	£000	£000
Local Network indemnities	73,433	-	-	(5,820)	67,613
Callable capital subscription for the Common Fund for Commodities	1,960	-	-	-	1,960
Paid in capital subscription for the Common Fund for Commodities	2,240	-	-	-	2,240
UK share of CERN liabilities	41,200	24,800	-	-	66,000
Back-end costs for decommissioning nuclear facilities for Research Councils	3,500	-	-	(3,500)	-
BBSRC bank guarantee	800	6,300	-	-	7,100
PPARC decommissioning costs	-	1,900	-	-	1,900
Total	**123,133**	**33,000**	**-**	**(9,320)**	**146,813**

30.2 Unquantifiable

The Department has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the definition of FRS 12 since the likelihood of a transfer of economic benefit in settlement is too remote.

Statutory Guarantees

- Assurances and guarantees relating to British Shipbuilders;
- Home Shipbuilding Credit Guarantee Scheme;
- Guarantees given to meet any deficits in the funds of British Coal Corporation Pensions;
- A guarantee has been given to the Financial Reporting Council that if the amount held in the Legal costs fund falls below £1m in any year, an additional grant will be made to cover legal costs subsequently incurred in that year;

Statutory Indemnities

- Indemnity in respect of National Grid Company’s liabilities re the interconnector linking England and France;
- Indemnities given to UKAEA by the Secretary of State to cover certain indemnities given by UKAEA to carriers and British Nuclear Fuels Plc against certain claims for damage caused by nuclear matter in the course of carriage;
- Indemnities equivalent to those given to civil servants under the Civil Service Management Code have been given to persons appointed to the Board of the Office of Fair Trading, including the Chairman;
- Indemnities equivalent to those given to Board members of Non-Departmental Public Bodies (NDPBs) have been given to members of the nine Regional Committees of Postwatch (the Consumer Council for Postal Services);
- Indemnities given to Bankers of the Insolvency Services against certain liabilities arising in respect of non-transferable "account payee" cheques due to insolvent estates and paid into the Insolvency Service’s account.

- The Police Information Technology Organisation (Home Office) provides DTI with access to data from the Police National Computer (PNC). The DTI has indemnified the police against any liabilities which they might incur as a result of providing that access;

Letters of Comfort

- Letter of comfort to AEA Technology re joint European project for underground gasification of coal;

Other

- British Aerospace liabilities immediately prior to privatisation;
- Statutory Liability for third party claims in excess of the operator's liability in the event of a nuclear accident in the UK;
- Further Incidents/Accidents Insurance claims for exposure to ionising radiation pursued outside the existing UKAEA insurance scheme;
- Liabilities relating to the issue of licences to operators of satellites and other space objects;
- European Patent Office (EPO): The UK as one of the contracting states has a potential liability under Article 40 of the European Patent Convention of 1973;
- The UK, as a contracting state to the Patent Co-operation Treaty of 1970, has a potential liability under Article 57 of the Treaty;
- Liabilities arising from the operation of satellites by various Research Councils;
- The British Geological Survey, a constituent part of NERC, has received notice of a claim being made against it by a number of people in Bangladesh;
- Outstanding claims under the Enemy Property Claim scheme are still being considered.

31. Related Party Transactions

The Department is the parent of the Advisory, Conciliation and Arbitration Service (ACAS), the Employment Tribunals Service (ETS), the Insolvency Service (INSS), the National Weights and Measures Laboratory (NWML), and the Small Business Service (SBS) and sponsors Companies House and the Patent Office (trading funds) and Royal Mail Holdings plc, British Shipbuilders, BNFL and OFCOM. In addition British Energy is considered to be a quasi-subsidiary of the Department. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

None of the board members, key managerial staff or other related parties has undertaken any material transaction with the Department during the year. David Hughes, Director General for the Department's Innovation Group and therefore a member of the Executive Board, was also a member of the Council of the Engineering and Physical Sciences Research Council (EPSRC) during 2004-05. EPSRC is one of the NDPBs sponsored by the Department (see page 6 of the Foreword to these accounts).

The Department has had a small number of transactions with other Government Departments and other central government bodies.

In addition the Department acts as guarantor for the Mineworkers Pension Scheme (MPS) and the British Coal Staff Superannuation Scheme (BCSSS). These schemes have been disclosed as Fixed Asset Investments in the accounts with a corresponding debtor arising from surpluses in the respective funds being shown as Current Asset Investments. The Government, through the Secretary of State, appoints five of the MPS's Committee of Management. Of these five, two are also members of the BCSSS Committee of Management. There were no transactions between the Department and Coal Pension Trustee Services Ltd, a jointly owned venture of the MPS and the BCSSS.

32. Post Balance Sheet Events

The Nuclear Decommissioning Authority (NDA) was established as a result of the Energy Act 2004 to secure the operation, decommissioning and clean up of designated nuclear sites.

On 1 April 2005 specified BNFL assets and liabilities transferred to the NDA under the Act. BNFL now operates these sites under site management and operations contracts with the NDA. The Energy Act 2004 intended that the NDA would take full responsibility for the decommissioning and clean up of BNFL's UK nuclear sites. However on 1 December 2004 the European Commission announced that they had instigated a State Aid Review. Transitional arrangements have been put in place until this review has been completed. These arrangements ensure no new funds are made available to the NDA and that no advantage be conferred to BNFL during the transitional period. Whilst the legal responsibility for the nuclear provisions lies with BNFL during the transitional period, the ultimate responsibility for clean up rests with the NDA and therefore, although the provisions will continue to be recognised by BNFL during this time, they will also need to be reflected in the NDA's financial statements.

In view of this the DTI will continue to recognise the BNFL related provision (see note 22.2) on its balance sheet at least until the European Commission State Aid Review is completed.

Although the Energy Act did not prescribe any legal transfer of liabilities or assets from UKAEA, the NDA's purpose of securing the operation, decommissioning and cleaning up, of designated nuclear sites also covers some of the UKAEA's civil nuclear legacy. The NDA directors believe that the purpose of the NDA therefore also creates a constructive obligation in respect of the liabilities to decommission and clean up UKAEA's nuclear sites. Consequently, the NDA's 2005-06 financial statements will also reflect these liabilities.

It is anticipated, therefore, that upon the transfer of financial responsibility for the UKAEA nuclear liability to the NDA, there will no longer be a need for the DTI to recognise this liability on its balance sheet. The DTI will treat this as a transfer of functions under FRS6.

33. Accountability notes

Losses shown are recorded on an accruals basis, as required by Government Accounting reporting requirements in resource accounts.

	£000
Losses	
Total (46 cases)	**2,647**
In the 2004-05 year, one case of £2,201k was recorded relating to the cancellation of the NPL PFI contract. See Note 13.3. No other individual losses exceeded £100,000	
Special Payments	
Total (9 cases)	**173**
No individual cases of special payments exceeded £100,000	
As explained on page 15 of the Annual report ACAS made irregular compensation payments to six former employees, amounting to £56,000 in relation to the termination of their employment. Whilst the circumstances of each case were different, the payments went beyond those that ACAS employees, or former employees, are contractually entitled to receive. As such they are deemed to be 'special payments' for which ACAS should have obtained Treasruy approval in advance of making the payments. The Treasury refused to issue retrospective approval for these payments. This expenditure is recorded in RfR1, subhead H, free and fair world markets (see note 11).	

34. Financial Instruments

FRS13, *Derivatives and Other Financial Instruments*, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Due to the largely non-trading nature of its activities and the way in which Government Departments are financed, the Department 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 FRS13 mainly applies. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

The Department's financial instruments comprise of cash, loans, investments, public dividend capital, provisions, trade debtors, and trade creditors. Details of these can be found in the relevant notes.

34.1 Liquidity, Interest Rate and Foreign Currency risk

Resources voted annually by Parliament finance the Department's net revenue resource requirements and its capital expenditure and there is therefore no exposure to significant liquidity risks. The Department does not access funds from commercial sources and so is not exposed to significant interest rate risk.

The Department had insignificant exposure to foreign currency risk during the year. Foreign currency income was negligible and foreign currency expenditure was a very small percentage of total expenditure.

There is no material difference between the fair values and book values of the Group's financial instruments.

Short-term debtors and creditors have been excluded from the above disclosures, as allowed by FRS13.

35. Change in discount rate for 2004-05

With effect from 1 April 2005, HM Treasury has directed that the Department should discount cash flows relating to long-term liabilities at 2.2% in real terms, down from the rate used in 2004-05 of 3.5% in real terms. This change to the discount rate will be treated as an estimating change, as required by HM Treasury and in accordance with FRS18, and as such will be applied to the Operating Cost Statement as a charge in 2005-06. There is no effect on the 2004-05 accounts.

If the new discount rate had been implemented in 2004-05, the table below shows the closing balances on the Department's provisions, together with the resulting additional charge to the Operating Cost Statement (Schedule 2):

	Closing balance 2004-05:		**Charge to the Operating Cost Statement as a direct result of the change in discount rate**
	Using 2.2% (new) discount rate	**Using 3.5% (old) discount rate**	
	£ billion	£ billion	£ billion
Nuclear Provisions	18.1	14.1	4.0
Coal Provisions	3.7	3.6	0.1
Other Provisions	0.3	0.3	0.0
Total	**22.1**	**18.0**	**4.1**

There is no change to the discount rate applied to the Department's investments or to the cost of capital charges on Departmental assets.

36. Third-party assets

The following are balances on accounts held in DTI's name at commercial banks but which are not DTI monies. They are held or controlled for the benefit of third parties and are not included in DTI's Resource Accounts.

	2004-05	2003-04
	£000	£000
Bank balances	**15,774**	**260,561**

37. Machinery of Government changes during 2004-05

The Cabinet Office responsibility for the Shareholder Executive transferred to the DTI as from 14 June 2004. The Shareholder Executive acts as the Government's centre of expertise on corporate finance and governance, and applies professional expertise in order to enhance the way Government manages its shareholdings in wholly or partially Government owned businesses. The Executive also includes the Industrial Development Unit, which is responsible for the appraisal and negotiation of financial assistance to companies in the UK. The financial effect of this on DTI's Accounts is to increase the Gross expenditure for Objective I in Schedule 5 by £3.4 million.

38. Additional Entities within the Departmental Boundary

In addition to ACAS and the Executive Agencies listed on page 4 of the Report, the following non-executive NDPBs, advisory bodies and tribunals are covered by these accounts by way of including in the reported results the funds paid to them as grant or expenses. These bodies do not produce their own resource accounts:

Advisory Committee on Carbon Abatement Technologies	Measurement Advisory Committee
Age Advisory Group	Motorsport Development Board*
Agriculture & Environment Biotechnology Commission	National Network Forum
Better Payment Practice Group	National Policy Forum for Start-ups
Bioscience Leadership Council	Office of Manpower Economics
Broadband Stakeholder Group	Over-indebtedness Advisory Group
Central Arbitration Committee	Persons Hearing Consumer Credit Licensing Appeals
Commission for Equality and Human Rights Task Force	Persons Hearing Estate Agents Appeals
Copyright Tribunal	PILOT - the Right course for Oil and Gas success
Council for Science and Technology	Regional Industrial Development Boards
Employment Appeal Tribunal	Renewables Advisory Board
Employment Tribunal Implementation Group	Small Business Council
Employment Tribunals	Small Business Investment Taskforce
Environmental Innovations Advisory Group	Strategy for Women in SET Implementation Group
Ethnic Minority Business Forum	Sustainable Energy Policy Advisory Board
Fuel Poverty Advisory Group	Technology Strategy Board*

Industrial Development Advisory Board	UK Nanotechnology Applications Strategic Advisory Group
Information Age Partnership	UK National Authority Advisory Group
Insolvency Practitioners Tribunal	Women's National Commission
Intellectual Property Advisory Committee	Women's Enterprise Panel*
Low Pay Commission	Women and Work Commission*
Manufacturing Forum*	Work and families: Human Resources Advisory Group*
Materials Innovation and Growth Team*	

* denotes a new body set up during 2004-05

The following bodies were disbanded during 2004-05:

- Aerospace Committee
- Business Incubation Fund Investment Panel
- CSR Academy Steering Group
- Data base Market Strategy Group
- Distributed Generation Co-ordinating Group

38.1 The Insolvency Service

The Insolvency Service receives monies, in accordance with Section 403 of the Insolvency Act 1986, from the realisation of assets in bankruptcies and company liquidations. The sums received are held by the Secretary of State. Interest earned on balances is surrendered to HM Treasury in accordance with Section 405 of the Insolvency Act. Amounts so received are excluded from these accounts as they are outside the voted Supply and are subject to a different financial control framework. Further details are available in the Published Accounts of the Insolvency Service.

38.2 The Redundancy Payments Service

The Department is responsible for the approval and processing of claims under the Redundancy Payment Scheme, which is financed from the National Insurance Fund. Claims processed under the Scheme fall into two categories: RP1 (which covers redundancy pay, holiday pay and arrears of pay) and RP2 (pay in lieu of notice). The average payment for RP1 during the 2004-05 year was £1,644 (2003-04: £2,392). An average amount of £764 was paid during 2004-05 for RP2 (2003-04: £809).

There is an associated income related to this scheme arising from two sources:

- Solvent Recovery - where monies are recovered over a period of up to three years from companies, setting up a standing order, that are continuing to trade but would not be able to do so if they had to meet the full costs of redundancy payments at that time;
- Insolvent Recovery - the Department becomes a creditor receiving a dividend if there are sufficient funds on the winding up of the company.

Expenditure in 2004-05 totalled £216 million (2003-04: £238 million) against income of £29 million (2003-04: £27 million).

39. 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	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other central government bodies	95,705	-	(741,223)	-
Balances with local authorities	580	-	(1,634)	-
Balances with NHS Trusts	19	-	1	-
Balances with public corporations and trading funds	1,944	-	(89)	(500,000)
Balances with bodies external to government	204,479	226	(234,100)	(74,159)
At 31 March 2005	302,727	226	(977,045)	(574,159)

Information for 31 March 2004 is not provided as the Department's information systems did not support this format of disclosure in 2003-04.

Further Information:

Name	Address	ISBN of Annual Accounts
The Stationery Office	PO Box 29, Norwich, NR3 1GN	
The National Weights and Measures Laboratory	Stanton Avenue, Teddington, Middlesex TW11 0JZ	
The Employment Tribunals Services	Ground Floor Victory House, 30-34 Kingsway, London, WC2B 6EX	
The Insolvency Service	PO Box 203, 21 Bloomsbury Street, London, WC1B 3QW	
Advisory, Conciliation and Arbitration Service	Brandon House, 180 Borough High Street, London, SE1 1LW	Not available
Small Business Service	Kingsgate House, 66 – 74 Victoria Street, London, SW1E 6SW St Mary's House, c/o Moorfoot, Sheffield, S1 4PQ Website: www.sbs.gov.uk	

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
01/06, 184206

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