Presented pursuant to the Government Resources and Accounts Act 2000 c.20 s.6

UK Trade & Investment Annual Report and Accounts 2005-06

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(For the year ended 31 March 2006)

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Basis of Accounts

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

Background

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

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

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

UK Trade & Investment's Objective

UK Trade & Investment is committed to the following objective:

> To enhance the competitiveness of companies in the UK through overseas trade and investments[1]; and attract a continuing high level of quality foreign direct investment[2].

This objective is underpinned by a Public Service Agreement (PSA) target, which for the Spending Review 04 (SR04) period (2005-06 to 2007-08) is:

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

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

Principal Activities

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

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

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

1 For the purposes of recording costs against objectives, this part of UK Trade & Investment objective is considered to be sub-objective 1

2 For the purposes of recording costs against objectives, this part of UK Trade & Investment objective is considered to be sub-objective 2

Trade Services

- Advice and Support:
  - Helping firms to get started by providing top quality advice and support through a team of local international trade advisers who assist companies in identifying their needs and help in developing an action plan for success in their chosen market; and
  - Helping new and inexperienced exporters to succeed through the highly regarded Passport to Export programme.
- Information and Opportunities:
  - Provision of information ranging from background market and sector research and business opportunities gathered by UK Trade & Investment's overseas network freely available to all, primarily via the www.uktradeinvest.gov.uk website, to fee based tailored information about the opportunities for a specific product in a market; and
  - Provision of specific expertise across a range of sectors in conjunction with stakeholders, to enable businesses to make informed decisions about overseas opportunities.
- Making it Happen:
  - Helping groups of companies attend major international trade shows and British trade missions overseas, through marketing support, producing professionally translated press releases for new and innovative products for inclusion in the overseas trade press;
  - Communicating the breadth of UK expertise to overseas decision makers both by bringing them to the UK for showcasing UK capability and by holding overseas seminars; and
  - Contributing to market access through government-to-government work and helping to coordinate UK industry to facilitate supply chains and other collaboration.

Inward Investment Services

- Promoting the UK generally as a prime location for inward investment;
- Advising potential investors on UK location; national, regional and local incentives; worker availability and skills; details of work permit regulations and immigration law; component suppliers; sub-contractors; and European markets particularly the European Union (EU) and its rules, together with other aspects of the operating environment;
- Arranging visit programmes to enable overseas investors to view at first hand the advantages offered by a UK location;
- Helping to make contacts with key private sector companies and public sector organisations;
- Maintaining dialogue with major investors already in the UK to encourage their successful development and expansion;
- Developing an advocacy role ("A Voice in Government") that seeks to influence better Government policy and regulation so that investors are confident about the UK's future competitiveness in building on their existing UK investments; and
- Developing co-operation between the principal UK bodies engaged in inward investment promotion, through chairmanship of the Committee on Overseas Promotion.

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

UK Trade & Investment deploys around 2,300 whole-time equivalent people, including nearly 1,300 in more than 100 countries in UK embassies, high commissions, consulates and trade offices and over 400 in the English regions. Through its networks and partners within the UK and its staff in the FCO, UK Trade & Investment helps thousands of companies to take their place in the global market, creating wealth and jobs and increasing competitiveness. The foreign direct investment projects, which it brings to the UK also create jobs and bring about the transfer of technology, skills and best practice to help make the UK more competitive.

Sector Advisory Groups

UK Trade & Investment's sectoral work is informed by a series of private sector led Sector Advisory Groups (SAGs). The groups help to determine priority markets, and priority activities within those markets for each sector. SAG chairs and members also support the work of UK Trade & Investment by participating in events at home and overseas. The sectors represented by the SAGs and their current chairs are as follows:

Sector	Chair
Construction	Terry Hill, Chairman, Arup Group Ltd
Airports	Sir Mike Hodgkinson, Chairman, Post Office and Director, Dublin Airport
Environment	Colin Drummond, CEO, Viridor Waste Management Ltd
Sports & Leisure Infrastructure	Martin Harman, Senior Partner, Pinsent Masons
Rail	Haydn Abbott, Chief Executive, Angel Trains Group Ltd
Power	Robert Lane, Partner, CMS Cameron McKenna
Ports	James Sutcliffe, Chairman, John Sutcliffe & Son Ltd and Chief Executive, DCT Gdansk plc
Water	Tony Allum, Chairman, Halcrow Group
Creative	Andrew Yeates, Legal Adviser, Educational Recording Agency
Design	Andrew Summers CMG, Chairman, Brandsmiths
Financial Services	Edward Whitley, Chief Executive, IFSL
Public Private Partnerships	John Davie, Director, Vector Management Ltd
Textiles and Fashion	Brian Whitaker, Chairman, British Apparel and Textile Export Advisory Group
Agriculture	Professor Colin Dennis, Director General, CCFRA
Education and Training	Dominic Savage OBE, Director General, British Educational Suppliers Association
ICT	Gerard Callaghan, Managing Director, The Data Corporation
Healthcare	Chris Francis, Chief Executive Officer, Cardionetics Ltd
Oil and Gas	John Weedon, Commercial Vice President, Kellogg Brown & Root
Automotive	Bob Morgan, Chief Executive, PSM International
Engineering	Peter Mathews CMG, Chairman and Managing Director, Black Country Metals Ltd
Marine	Robert Hill, Managing Director, McMurdo Ltd
Aerospace	Robert Herman-Smith, Consultant, Darchem Engineering Ltd
Performing Arts	Richard Pulford, Chief Executive, Society of London Theatres/Theatre Management Association

The Role of HRH The Duke of York, KG, KCVO, ADC

HRH The Duke of York has been the UK's Special Representative for International Trade and Investment since 1 October 2001. HRH continues to make a significant contribution in this role, undertaking an extensive programme of targeted engagements both in the UK and overseas to promote the interests of UK industry and the UK as a whole. HRH works closely with UK Trade & Investment and the Devolved Administrations in support of their overseas trade and inward investment objectives.

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

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

Auditors

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

The notional cost of providing audit services for 2005-06 was £41,000 (2004-05 £41,000), which was split between the administration costs of the DTI and FCO. See note 22 for further details. There was no auditor remuneration (actual or notional) for non-audit work.

Management Commentary

Main Estimates

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

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

Spring Departmental Report

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

The UK Trade & Investment Departmental Report was published by The Stationery Office in May 2006 (Cm 6825) and is also accessible from www.uktradeinvest.gov.uk. It provides details of the organisation's activities and achievements in 2005-06; plans for 2006-09; information about Spending Reviews and PSA targets; services to customers; human resources; service developments and the UK Trade & Investment expenditure plans for major programmes to 2009.

Progress against the performance indicators that underpin the organisation's PSA target; and progress against efficiency savings targets, agreed as part of the SR04 settlement, are also provided in the 2006 Departmental Report.

Autumn Performance Report

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

Spending Review (SR) 04

As a result of the SR 04 settlement, UK Trade and Investment's resources for the years 2005-2008 were reduced by 12 per cent. SR 04 gave further impetus to UK Trade and Investment's plans to strengthen the English regional network, inward investment and professionalism, whilst slimming down its headquarters operation and re-focusing resources on front line delivery.

Post Balance Sheet Events

There were no post balance sheet events which affected the results for the year. However, in May 2006 the Rt.Hon. Margaret Beckett MP replaced the Rt.Hon. Jack Straw MP as Secretary of State for Foreign and Commonwealth Affairs; the Rt.Hon. Alistair Darling MP replaced the Rt.Hon. Alan Johnson MP as Secretary of State for Trade and Industry; and the Rt.Hon. Ian McCartney MP Minister for Trade, Investment and Foreign Affairs replaced Ian Pearson MP.

Financial Structure

The Chief Executive and Accounting Officer is responsible for all UK Trade & Investment's programme expenditure, including any capital items purchased out of UK Trade & Investment's programme budget. The controls exercised over these resources are reported on by the Accounting Officer in the

Statement on Internal Control. All administration expenditure and capital items other than those purchased from UK Trade & Investment's programme budget during 2005-06 were funded by the DTI or the FCO and remained the responsibility of the Accounting Officers for those departments. The controls the DTI and the FCO exercised over these resources are reported on in the individual Statements on Internal Control in their respective accounts.

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

Going Concern

The balance sheet at 31 March 2006 shows negative taxpayers' equity of £15 million. This reflects the inclusion of liabilities falling due in future years, which are to be financed by drawings from the UK Consolidated Fund. Such drawings will be from grants of Supply approved annually by Parliament to meet UK Trade & Investment's Net Cash Requirement. Under the Government Resources and Accounts Act 2000, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All unspent monies, including those derived from UK Trade & Investment's income, are surrenderable to the Fund.

In common with other government departments, the future financing of UK Trade & Investment's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Liquidity and Currency Risks

UK Trade & Investment has no borrowings and relies primarily on voted funds from Parliament for its cash requirements. It is therefore not exposed to liquidity risk. It has no material deposits and all material assets and liabilities are denominated in sterling so it is not exposed to interest rate risk or to material currency risk. Further disclosures are provided in note 18 to these accounts.

Financial Review

The financial performance of UK Trade & Investment is reported in the financial statements and supporting notes to the accounts, which can be found on pages 21 to 37. The Statement of Operating Costs by Departmental Objective indicates the net programme expenditure incurred in delivering against each of UK Trade & Investment's two sub-objectives. Highlights by sub-objective are shown below.

Resources consumed, by major programmes, in enhancing the competitiveness of companies in the UK through overseas trade and investments, during 2005-06 were as follows (2004-05 figures are shown in brackets):

- £16 million (£19.5 million) was spent to support new and inexperienced exporters through the overseas exhibitions, seminars and vertical missions support scheme. This was in line with the budget of £16 million;
- £15.9 million (£14.7 million) was spent on funding customer-facing staff (International Trade Advisers) delivering international trade support in the Business Links and Chambers of Commerce. The budget for the year was £15.4 million. By utilising some of the savings from other programmes, it was possible to strengthen the regional customer-facing teams to a greater degree than originally planned;
- £13.1 million (£11.5 million) was spent on sector specific export promotional activities in markets and sectors with strong potential for British business. The budget for the year was £12.4 million. Savings generated from other budgets were used to extend sector specific activities, both overseas and in the English regions;
- £6.3 million (£8.5 million) was spent on trade marketing events and publicity. The budget for the year was £6.4 million;
- £5.8 million (£5.2 million) was spent on the Passport to Export programme, aimed at providing practical advice and support to small and medium sized firms, which are new to or inexperienced in exporting at all stages of their export development. The budget for the year was £5.9 million.

To attract a continuing high level of quality foreign direct investment, resources consumed by major programmes during 2005-06 were as follows:

- Grant in Aid for Regional Development Agencies (RDAs) totalled £15.2 million (£13.2 million). This was in line with budget;
- £12.1 million (£9.8 million) was spent on Inward Investment programmes. This included promoting the UK abroad, production of publicity materials and advertising and the budget for the year was £12.1 million.

Outturn Against Estimate

In 2005-06, UK Trade & Investment's net RfR was £100 million and net resource outturn was £95.4 million - a 4.7 per cent underspend. This was largely due to a combination of rescheduling budgets for future years with the aim of achieving a smoother spending profile over the SR04 period, and savings resulting from lower than expected spend on IT projects.

UK Trade & Investment had a net cash requirement of £4.4 million less than Estimate. This was in line with the underspend on resources.

Risk Management

UK Trade & Investment is committed to high standards of corporate governance and ensuring that a robust system of risk management is fully implemented throughout the organisation.

The framework for the management and control of corporate activities has been developed to ensure that all risks to the attainment of UK Trade & Investment's objectives are identified, well managed and monitored. A corporate risk register provides a focus for identified risks and includes "risk owners" at senior management level. Group level operational risk registers are also in place, covering the risks to delivering Group business objectives and the controls in place to reduce the likelihood of these risks occurring and their impact.

The corporate risk register uses a traffic light system to highlight areas of concern to senior management. Risk registers are reviewed regularly to ensure that any new risks are identified and any significant changes to the assessment of likelihood/impact of existing risks are captured.

Strategic Planning

Building on the Chancellor of the Exchequer's 2006 budget statement, UK Trade & Investment will publish a new five year strategy for a step change in the Government's drive to market the UK internationally. This will cover both trade and investment. It will focus on high growth countries of strategic importance, such as China and India; on innovative and research and development intensive businesses; and on promoting London as the world's leading centre for financial and business services. It will also reinforce UK Trade & Investment's purpose: to take a lead role in Government in promoting the UK economy internationally and helping UK business respond to the challenge of globalisation.

The strategy will form the basis of a partnership between relevant Government departments and agencies; Regional Development Agencies and Devolved Administrations; and the private sector bodies active in this field.

In order to deliver this new strategy, UK Trade & Investment will undertake a programme of organisational change with the aim of a fundamental transformation in its effectiveness in marketing the UK. Details of this programme will be published alongside the strategy.

E-Business

UK Trade & Investment is implementing a web-based e-business strategy. Its aim is to transform the delivery of its advice and services to UK exporters, potential exporters and inward investors, and to join up its back office operations. Investments have been made in a new portal web service which became operational in October 2004; a web based customer relationship management system which became operational on a pilot only basis in September 2004 and a workflow management system to manage chargeable research and market support which was operational in nearly 80 markets by March 2006. The portal web service was upgraded with a new reporting capability and an enhanced design during

2005-06. On the pilot CRM system further enhancements were made based on user feedback during 2005-06. Together these systems support the delivery of the UK Trade & Investment corporate plan.

The majority of the e-business programme is being delivered via a Private Finance Initiative (PFI) contract. Details of future commitments under this contract can be found in note 17 to these accounts.

Professional Development Strategy

Professionalism is key to enhancing UK Trade & Investment's customer focus, delivering excellent services and achieving organisational goals. The organisation is committed to the continuous development of knowledge and skills and this is reflected in the Professional Development Strategy. The strategy focuses on customer needs, service delivery, people, change management and diversity. As part of this strategy, in partnership with the Open University Business School, UK Trade & Investment offers a postgraduate qualification for staff in management, trade and investment, using distance-learning techniques. In addition to a suite of core training modules, opportunities are also available for staff to develop leadership and management, client relationship management, and business awareness skills.

Interchange Programmes

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

In 2005-06, 39 people from the private sector worked for UK Trade & Investment as business experts, and 36 public sector staff worked in the private sector.

The interchange programme also provides opportunities for staff in the UK to work in overseas posts, and for locally employed staff overseas to work in the UK. During 2005-06, under the interchange programme, over 30 UK Trade & Investment staff had the opportunity to work overseas and 55 locally employed staff in the overseas network were able to visit the UK.

Employment of Disabled Persons

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

Equal Opportunities

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

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

Investors in People (IiP)

In December 2005 UK Trade and Investment received recognition as an Investor in People Worldwide.

Communications

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

- Our World: a magazine for all UK Trade & Investment staff, with dedicated sections for information on progress against corporate plan, key business messages including the impact of the Spending Review 2004, Strategy 2008, demonstrating UK Trade & Investment's values, plus items on best practice, professionalism and staff moves;
- The new UK Trade & Investment portal website includes a view tailored specifically to encourage knowledge sharing between staff. This is accessible via a password regime and includes a "People Directory" of all UK Trade & Investment staff and partners;
- Access to FCO Firecrest system's global email directory is available in the DTI's email system, available to all Headquarters' (HQ) staff in London and Glasgow via the desktop IT service enabling easier communication with staff based overseas. Some HQ staff also have direct access to an installation of the FCO Firecrest system and e-Grams service;
- Weekly e-bulletin: a weekly email communication containing a synopsis of important global messages across UK Trade & Investment with embedded email and links to the intranet;
- Exchange: UK Trade & Investment's communication feedback programme, which assists managers to share key messages face to face and engage with their staff to elicit feedback to the senior management team;
- Training events, stakeholder workshops and face-to-face meetings.

Corporate Social Responsibility

UK Trade & Investment takes an integrated approach to its environmental and social responsibility, pursuing the government's agenda on environmental, economic and social objectives. UK Trade & Investment aims to deliver on its corporate social responsibility agenda through its global network of staff in over 100 offices overseas and the nine English regions, encouraging UK business trading internationally to take account of their economic, social and environmental impacts as appropriate in their business development. This agenda is achieved through a range of activities: training and support to its staff and customers, enhancing the professionalism of its staff, awareness raising workshops in the UK and in overseas and an e-business suite for online information and advice on how to trade successfully internationally. UK Trade & Investment works closely with its two parent departments in delivering this agenda.

Payment of Suppliers

UK Trade & Investment's terms and conditions of payment require that a supplier's invoice be paid within 30 days or less of acceptance of the relevant goods and services, or the receipt of a valid invoice if that is later. In the year to 31 March 2006 UK Trade & Investment paid 95 per cent (2004-05, 91 per cent) of valid invoices within 30 days.

Corporate Governance

Ministers

During 2005-06 joint ministerial responsibilities were as follows:

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

Secretary of State for Trade and Industry
The Rt. Hon. Patricia Hewitt MP (until May 2005)
The Rt. Hon. Alan Johnson MP (from May 2005)

Portfolio Responsibility:

Minister for Trade and Investment
Douglas Alexander MP (until May 2005)
Ian Pearson MP (from May 2005)

Executive Board

During 2005-06 the composition of UK Trade & Investment's Executive Board was as follows:

Executive Directors:	
Andrew Cahn CMG (from 27 March 2006)	Chairman and Chief Executive, UK Trade & Investment
Sir Stephen Brown KCVO (until 26 December 2005)	Chairman and Chief Executive, UK Trade & Investment
Susan Haird	Deputy Chief Executive and Director Strategy & Corporate Group, UK Trade & Investment Acting Chief Executive from 27 December 2005 to 26 March 2006
Ian Fletcher	Director, International Trade Development Group, UK Trade & Investment
Paul Madden	Director, International Sectors Group, UK Trade & Investment
William Pedder (until 3 March 2006)	Chief Executive, Inward Investment Group, UK Trade & Investment
Steve O'Leary (from 4 March 2006)	Acting Director, Inward Investment Group, UK Trade & Investment
Independent Board Members:	
Peter John Hill	Chief Executive, The Laird Group plc
Claire A Ighodaro	Audit Committee Chair; Member of CIMA appointments committee; non-executive director and audit committee chair, Banking Code Standards Board; national council member, Learning and Skills Council; Independent Board Member, DTI Resources Committee
Bill McGinnis CBE	Chairman, The McAvoy Group; Board Member, Invest NI; non-executive Director, Department for Employment and Learning; board member of the private sector led Management and Leadership Network
Stella J Pirie OBE	Non-executive Director and Chair of audit committee, Avon Rubber plc; non-executive director, Schroder UK Growth Fund plc; non-executive director, Stroud and Swindon Building Society; Chair, UK Trade & Investment International Business Advisory Panel
Barry Stickings CBE	Chairman, UK Chemistry Leadership Council, Biocity Nottingham; founding chair, Innovation East Midlands; Trustee of the Industry and Parliament Trust; vice-president, German-British Chamber of Commerce; non-executive director, Vitalize Health products

The UK Trade & Investment's Board secretariat holds the Executive Board Members' register of interests. Further details can be obtained by writing to Board Secretariat, Bay 1030 Kingsgate House, 66-74 Victoria Street, London, SW1E 6SW.

Audit Committee

During 2005-06 the composition of the UK Trade & Investment Audit Committee was as follows:

Claire A Ighodaro (chair)	Independent Board Member
Barry Stickings CBE	Independent Board Member
Susan Haird	Deputy Chief Executive and Director Strategy & Corporate Group, UK Trade & Investment Acting Chief Executive from 27 December 2005 to 26 March 2006
Adam Jackson	Director, Business Planning and Performance Management, DTI
Tristan Price	Head of Financial Planning & Performance Department, FCO

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

International Business Advisory Panel (IBAP)

During 2005-06 the composition of the IBAP was as follows:

Stella J Pirie OBE (chair)	Independent Board Member
Philippa Allan	Director, Stone the Crows!
James Brathwaite CBE	Chairman, SEEDA
Peter Cheshire	Divisional Director Development, Tate & Lyle plc
John Dunsmure	Managing Director, British Chambers of Commerce
Eamonn Fitzpatrick	Group Chairman, FM Environmental Ltd
Dr John Howell OBE	Chairman, Media Publications Ltd
Graham James OBE	Director, Flexcrete Technologies Ltd
Peter Mathews CMG	Chairman and Managing Director, Black Country Metals Ltd
Maria McCaffery MBE	Chief Executive of the British Wind Energy Association
George Owen	Group Sales Director, Goodridge UK Ltd
Andy Scott	International and UK Operations Director, CBI
Michael Shears CBE	Chairman, Arup Trustees
Neil Vass	Managing Director, Gemini Data Loggers (UK) Ltd
John Winnard	Joint Managing Director, William Santus & Co Ltd
Dominic Jermey OBE	Director of Trade and Investment, British Embassy, Madrid
David Roberts	Head of Global Business Group, FCO
Doug Mahoney	International Trade Director, UK Trade & Investment West Midlands Region

Report on Corporate Governance

UK trade & Investment conducted a review of governance arrangements in 2004-05. The aim of the review was to define the type of Board structure that would be instrumental in delivering the organisation's future role and strategy. As a direct result of this review the current UK Trade & Investment's Executive Board was created in April 2005.

<u>The Work of the Board</u>

The role of the UK Trade & Investment Board is to provide strategic and operational leadership. It contributes to the delivery of the organisation's objectives by providing effective management and scrutiny of key decisions. Matters reserved for Board decision relate to the UK Trade & Investment strategy; key financial allocations; and the robustness of the organisation's risk management systems. There are three sub-committees of the Board. They are the International Business Advisory Panel (IBAP), the Resources and Evaluation Panel (REP) and the Audit Committee.

The UK Trade & Investment Chief Executive chairs the Board, which comprises five executive directors and five independent members. This composition provides the organisation with the right mix of skills required to deliver the organisation's strategy and is well balanced to support objective decision-making. It also exceeds by three the minimum number of independent board members as recommended within the Treasury's "Corporate Governance – Code of Good Practice".

The Board operates within written terms of reference, which are reviewed regularly. It meets regularly and is supported by a dedicated secretariat.

<u>International Business Advisory Panel (IBAP)</u>

The IBAP provides strategic advice to the Board on the design and delivery of integrated trade services and strategic sectoral activity. The work of the panel is designed to deliver a measurable improvement in the business performance of UK Trade & Investment customers, with an emphasis on new to export firms.

The IBAP aims to meet four times a year. Stella Pirie, an Independent Board Member, chairs the panel. The Chief Executive in consultation with the Board appoints its members, including the Chair. Members are drawn from industry, academia and other representative bodies. The panel operates within written terms of reference.

Resources and Evaluation Panel (REP)

The role of the REP is twofold:

- to ensure that all decisions in relation to spending or savings on programmes are supported by adequate prior appraisal; and
- to implement a rolling programme of evaluation to identify the achievements of UK Trade & Investment's programmes and to provide the evidence base for future decision-making.

The REP maximizes the input of the Board to the evaluation of programmes and projects and strengthens the role of evaluation evidence in the policy process. Susan Haird, the UK Trade & Investment Deputy Chief Executive, chairs the REP and is supported by the organisation's Senior Economist Heather Booth di Giovanni.

Audit Committee

The Audit Committee usually meets four times a year. The committee acts in an advisory capacity and brings an independent element into the consideration of audit, risk and other corporate governance matters within the organisation. Two of the five Independent Board Members are members of the committee; Claire Ighodaro who is the independent chair and Barry Stickings. The Members' role is to bring challenge and independence to the Committee's proceedings by advising on risk management, the work of internal audit and the National Audit Office, reviewing the Annual accounts and approving the accounts including the statement on internal control for Accounting Officer sign off.

The Audit Committee's terms of reference are available at www.uktradeinvest.gov.uk.

Independent Board Members

The Board has determined that all of the Independent Board Members are independent in character and judgement and that there are currently no relationships, which could affect the member's judgement when participating in Board decisions.

Senior Official Appointments

The Chief Executive of UK Trade & Investment is appointed by the Prime Minister on the recommendation of the Head of the Home Civil Service and with the agreement of the Ministerial Heads of the two parent departments. The current Chief Executive, Andrew Cahn, is an employee of the DTI and his appointment is for four years. The rules for termination are set out in Chapter 11 of the Civil Service Management Code.

Remuneration

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

Sir Stephen Brown's pay was set by the Prime Minister on the recommendation of the Permanent Secretaries Remuneration Committee. The committee's membership and terms of reference were announced by the then Prime Minister on 9 February 1995 (Hansard, cols: 245-247).

Andrew Cahn's pay is set by the Senior Salaries Review Body for Senior Civil Service pay. He is also eligible for performance bonuses. Bonus payments are determined by the Permanent Secretary of the DTI and the Permanent Under Secretary of the FCO.

The salary of Sir Stephen Brown was paid by the FCO and Andrew Cahn's salary is paid by DTI. The salary of Susan Haird, who was Acting Chief Executive in the interim period after Sir Stephen Brown retired and before Andrew Cahn was appointed, was also paid by the DTI. Details of salary and pension entitlements are included in the annual report and accounts of their respective departments.

During 2005-06 the officials holding the office of Chief Executive received the following remuneration, reflecting the duration of their term in office, (in bandings of £5,000):

	£000
Sir Stephen Brown	100-105
Susan Haird	25-30
Andrew Cahn	0-5

During 2005-06 the independent members of UK Trade & Investment's Executive Board received the following remuneration for their services, (in bandings of £5,000):

	£000
Peter John Hill	5-10
Claire A Ighodaro	5-10
Bill McGinnis CBE	5-10
Stella J Pirie OBE	5-10
Barry Stickings CBE	5-10

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

Audit Information

As Accounting Officer, as far as I am aware there is no relevant audit information of which UK Trade & Investment's auditors are unaware. I have taken all of the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that UK Trade & Investment's auditors are aware of that information.

Andrew Cahn CMG 11 July 2006
Accounting Officer

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 for England and Wales, HM Treasury has directed UK Trade & Investment to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of UK Trade & Investment and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

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

- observe the accounts direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

HM Treasury has appointed the Chief Executive as Accounting Officer of UK Trade & Investment. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding UK Trade & Investment's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Government Accounting.

Statement on Internal Control

Scope of responsibility

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

The purpose of the system of internal control

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

Capacity to handle risk

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

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

The risk and control framework

UK Trade & Investment's risk management framework has been constructed through the development of risk registers for each business group within UK Trade & Investment, in order to ensure that the risks are identified and managed at the operational level, in the first instance. Procedures are in place for ensuring that all aspects of risk management and internal control are regularly reviewed and reported on and for incorporating best practice techniques when reporting risks and identifying appropriate mitigation strategies. Initial evaluations, which are carried out at the operational level, are ratified by senior management.

The group registers are formally reviewed and updated at quarterly intervals and inform the corporate level risk register which reflects all higher level risks and has been used as a management tool by UK Trade & Investment's Audit Committee and the Executive Board. Named senior managers have responsibility for risk ownership. Risk priorities for UK Trade & Investment centre on the e-business programme, finance-related issues, organisational transformation and regional delivery mechanisms.

A risk management policy that forms part of UK Trade & Investment's internal control and corporate governance arrangements has been designed to be consistent with best practice and forms the basis of the risk control framework. Risk assessment and management are built into all operational activities and into the governance arrangements for project and programme management. Levels of risk appetite in relation to the risk themes, which appear in the corporate risk register, have been agreed by senior managers and communicated to staff.

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

The Audit Committee and the Executive Board have also provided valuable advice and guidance on the appropriateness of risk management processes operating within the organisation.

Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within UK Trade & Investment who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. The system of internal control is under constant review, and when specific weaknesses are identified, an action plan is drawn up to address them. Immediate action is taken where the risks are considered to be unacceptable. Action plans are in place to address all of the weaknesses identified during the accounting period, and up to the date of the signing of the 2005-06 Annual Report and Accounts.

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

- An Executive Board which consisted of five independent Directors, and five executive Directors, including myself, who collectively provide leadership and strategic direction including the assessment and management of the principal risks to the organisation and review of key financial data;
- An Audit Committee, which aims to meet four times a year. The committee includes two of the Independent Board Members, with one as chair, and independent members from the organisation's parent departments. The Audit Committee regularly reviews the corporate risk register and advises on the appropriateness of mitigation strategies;
- In order to keep in touch with best practice an official from UK Trade & Investment attends meetings of HM Treasury's Risk Support Group and the DTI's Agencies Risk Management Network in the capacity of Risk Improvement Manager; and
- Assurance provided by my directors who each consider the significant risks they manage, and provide me annually, at the year-end with a written formal assertion covering the effectiveness of the internal controls operating in each of their business groups. Internal Audit, DTI, review these formal assertions and the outcome of this review is reported to the Audit Committee for consideration.

Together, these processes provide me with assurance that appropriate risk management strategies are in place throughout UK Trade & Investment.

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

Andrew Cahn CMG 11 July 2006
Accounting Officer

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

I certify that I have audited the financial statements of UK Trade & Investment for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objective and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the department has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury is not disclosed.

I review whether the statement on pages 16 to 18 reflects the department's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the department's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent mis-statements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the department's affairs as at 31 March 2006 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

14 July 2006

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

Statement of Parliamentary Supply

Summary of Resource Outturn 2005-06

				Estimate			Outturn	2005-06 £000 Net total outturn compared with Estimate: saving/ (excess)	2004-05 £000 Outturn
Request for resources	Note	Gross expenditure	A-in-A	Net total	Gross expenditure	A-in-A	Net total		Net total
1	2	101,454	(1,397)	100,057	96,411	(1,037)	95,374	4,683	99,405
Total resources		**101,454**	**(1,397)**	**100,057**	**96,411**	**(1,037)**	**95,374**	**4,683**	**99,405**

Net Cash Requirement 2005-06

	Note	Estimate	Outturn	2005-06 £000 Net total outturn compared with Estimate: saving/(excess)	2004-05 £000 Outturn
Net cash requirement	3	101,047	96,641	4,406	97,884

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 2005-06 £000		Outturn 2005-06 £000	
	Note	Income	Receipts	Income	Receipts
Total	4	-	-	39	*39*

Explanations of variances between Estimate and outturn are given in note 2 and in the annual report.

The notes on pages 26 to 37 form part of these accounts.

Operating Cost Statement
For the Year Ended 31 March 2006

	Note	2005-06 £000	2004-05 £000
Programme costs			
Request for resources 1			
Staff costs	5	1,958	2,288
Other programme costs	6	94,453	98,174
Income	7	(1,037)	(1,057)
Net operating cost		**95,374**	**99,405**

All income and expenditure are derived from continuing operations.

Statement of Recognised Gains and Losses
For the Year Ended 31 March 2006

	Note	2005-06 £000	2004-05 £000
Total recognised gains/(losses) for the financial year		**-**	**-**

The notes on pages 26 to 37 form part of these accounts.

Balance Sheet
As at 31 March 2006

	Note		2006 £000		2005 £000
Fixed assets					
Tangible assets	8	319		346	
Intangible assets	9	34		43	
			353		389
Debtors falling due after more than one year	10		973		60
Current assets					
Debtors	10	2,573		3,003	
Cash at bank and in hand	11	8,894		1,677	
		11,467		4,680	
Creditors (amounts falling due within one year)	12	(28,227)		(21,739)	
Net current liabilities			(16,760)		(17,059)
Total assets less current liabilities			(15,434)		(16,610)
			(15,434)		**(16,610)**
Taxpayers' equity					
General fund	13		(15,435)		(16,612)
Revaluation reserve	14		1		2
			(15,434)		**(16,610)**

Andrew Cahn CMG
Accounting Officer

11 July 2006

The notes on pages 26 to 37 form part of these accounts.

Cash Flow Statement
For the Year Ended 31 March 2006

	Note	2005-06 £000	2004-05 £000
Net cash outflow from operating activities	15	(96,445)	(97,713)
Capital expenditure and financial investment	15	(196)	(171)
Receipts due to the Consolidated Fund which are outside the scope of the organisation's activities		39	719
Payments of amounts due to the Consolidated Fund		(41)	(717)
Receipts due to Department of Trade and Industry outside the scope of the organisation's activities	11	7,606	-
Financing	15	96,254	95,381
Increase/(decrease) in cash in the period		**7,217**	**(2,501)**

The notes on pages 26 to 37 form part of these accounts.

Statement of Operating Costs by Departmental Objective
For the Year Ended 31 March 2006

OBJECTIVE

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

SUB-OBJECTIVES

			2005-06 £000			2004-05 £000
	Gross	**Income**	**Net**	**Gross**	**Income**	**Net**
Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments	69,050	(1,037)	68,013	77,558	(1,057)	76,501
Sub-objective 2: To attract a continuing high level of quality foreign direct investment	27,361	-	27,361	22,904	-	22,904
Net operating costs	**96,411**	**(1,037)**	**95,374**	**100,462**	**(1,057)**	**99,405**

See note 16.

Administration resources that have been consumed by both the Department of Trade and Industry and the Foreign and Commonwealth Office in meeting UK Trade & Investment's sub-objectives 1 and 2 above are detailed in memorandum note 25 to these accounts.

Notes to the 2005-06 Annual Report and Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2005-06 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP the FReM also requires UK Trade & Investment to prepare two additional primary statements. The Statement of Parliamentary Supply and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The Statement of Operating Cost by Departmental Objective and supporting notes analyse UK Trade & Investment 's income and expenditure by the sub-objectives agreed with ministers.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of UK Trade & Investment for the purpose of giving a true and fair view has been selected. UK Trade & Investment's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

1.2 Basis of Accounting

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

Because Accounting Officer responsibility for the cost of administering UK Trade & Investment's programmes currently remains with one or other of its two parent departments, these accounts report only on the programme activities and resources of UK Trade & Investment in the primary statements and related notes. Indicative administration expenditure and the cost of the associated assets used are included by way of memoranda notes (notes 21 to 25) to the accounts.

1.3 Tangible Fixed Assets

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

Much of the business of UK Trade & Investment is conducted through the offices of the DTI and the FCO. The use of these departments' assets is reflected in appropriate cost allocations which appear as memoranda notes to these accounts (notes 21 to 25). Control and beneficial interest in these tangible fixed assets vests in the DTI and the FCO, who reflect their total value in their respective balance sheets.

1.4 Depreciation

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

IT Assets	3-5 years
Office Machinery	5 years

1.5 Intangible Fixed Assets

Intangible fixed assets are stated at the lower of amortised replacement cost and recoverable amount. The minimum level of capitalisation of an intangible fixed asset is £1,000. Software licences are amortised on a straight line basis over the shorter of the term of the licence and the useful economic life. The amortisation period is normally 5 years.

1.6 Research and Development

Expenditure on research and development is treated as an operating cost in the year in which it is incurred.

1.7 Operating Income

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

1.8 Administration and Programme Expenditure

The operating cost statement shows programme costs only. Programme costs are non-administration costs including payments of grants and other disbursements by UK Trade & Investment, as well as certain staff costs where they relate directly to front-line service delivery. Administration costs are the costs of running UK Trade & Investment as defined under the administrative cost-control regime. UK Trade & Investment is not, however, reporting on its administration costs in its primary statements. See also note 1.2.

1.9 Capital Charge

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

i. cash balances with the Office of the Paymaster General, where the charge is nil; and
ii. balances owed to or due from the Consolidated Fund, where the charge is nil.

During 2005-06 UK Trade & Investment revised the way it calculates the average carrying amount of assets and liabilities. The new approach is based on average monthly net assets, instead of the average of opening and closing balances. Note 6 gives further information.

1.10 Foreign Exchange

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

1.11 Pensions

Staff working for UK Trade & Investment remain the employees of the FCO or the DTI. Past and present employees are covered by the provisions of the Civil Service Pension Schemes. The FCO and the DTI recognise the relevant costs for the year in their respective annual report and accounts. The amounts incurred in respect of those staff working for UK Trade & Investment are shown in note 21 to these accounts.

1.12 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 FReM. Where the balance of the risks and rewards of ownership of the PFI property is borne by the PFI operator the PFI payments are recorded as an operating cost.

1.13 Grants Payable

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

1.14 Value Added Tax

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.15 Comparative Amounts

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

1.16 Third-Party Assets

UK Trade & Investment holds in trust monies belonging to third parties paid in advance to UK Trade & Investment's service provider for a service which has now closed. These monies are not recognised in the accounts, since neither UK Trade & Investment nor government more generally has a direct beneficial interest in them but the value is recorded in note 20.

2. Analysis of Net Resource Outturn by Section

	Outturn						2005-06 £000 Estimate		2004-05 £000
	Other current	Grants	Gross resource expendi-ture	A-in-A	Net total	Net total	Net total outturn compared with Estimate	Prior year outturn
RfR 1: To enhance the competitiveness of companies in the UK through overseas trade and investments; and attract a continuing high level of quality foreign direct investment								
Central Government spending								
A Trade development and promotion and inward investment	81,181	15,230	96,411	(1,037)	95,374	100,057	4,683	99,405
Resource outturn	**81,181**	**15,230**	**96,411**	**(1,037)**	**95,374**	**100,057**	**4,683**	**99,405**

The 4.7 per cent underspend was largely due to a combination of holding back spending until later in the SR04 period and savings resulting from lower than expected spend on IT projects. Detailed explanations of variances are given in the annual report.

3. Reconciliation of Resources to Cash Requirement

	Note	Estimate	Outturn	2005-06 £000 Net total Outturn compared with Estimate: saving/(excess)
Resource outturn		100,057	95,374	4,683
Capital				
Acquisition of fixed assets	8	248	155	93
Accruals adjustments				
Non-cash items	6	(138)	(100)	(38)
Changes in working capital other than cash		880	1,212	(332)
Net cash requirement		**101,047**	**96,641**	**4,406**

4. Analysis of Income Payable to the Consolidated Fund

In addition to appropriations-in-aid the following income relates to UK Trade & Investment and is payable to the Consolidated Fund (cash receipts being shown in italics)

		Forecast 2005-06 £000		Outturn 2005-06 £000	
	Note	Income	Receipts	Income	Receipts
Other amounts collectable on behalf of the Consolidated Fund		-	-	39	*39*
		-	***-***	**39**	***39***

These amounts arise where UK Trade & Investment receives sums which are not part of the ordinary course of continuing business.

5. Numbers and Costs of People Engaged in Delivering UK Trade & Investment's Objective

Most of UK Trade & Investment's employees and staff are funded by either the DTI or the FCO and details are shown in note 21. Contributions to the costs of employing International Business Specialists, seconded from private sector organisations for periods of up to 5 years, are made to the seconding organisations. The organisation also uses consultants for specialist tasks. Details are:

	2005-06	**2004-05**
Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments	24	41
Sub-objective 2: To attract a continuing high level of quality foreign direct investment	16	15
Average whole time equivalent number of International Business Specialists and consultants	40	56
Staff costs (£000)	1,958	2,288

6. Non-Staff Programme Costs

			2005-06 £000			**2004-05 £000** (restated)
Current grants			15,230			13,230
PFI service charges: off-balance sheet contracts		3,009			1,548	
External services		27,442			26,573	
Customer grants		17,506			22,795	
Promotions and publications		11,703			12,773	
Events		10,544			10,030	
Other costs		8,919			11,290	
Non-cash items						
Depreciation	156			147		
Amortisation	9			-		
Revaluation of fixed assets	24			35		
Loss on disposal of fixed assets	2			1		
Cost of capital charge/(credit)	(91)			(526)		
Provision provided for in year	-			278		
		100			(65)	
			79,223			84,944
Non-staff programme expenditure			**94,453**			**98,174**

UK Trade & Investment has revised the way it calculates the average carrying amount of assets and liabilities used to calculate the capital charge, as described in note 1.9, to reflect better the movements in assets and liabilities during the reporting period. Without this change, non-staff programme expenditure would have been £93,989,000.

The comparative figures for other programme costs have been restated to provide more detailed analysis.

7. Income

Operating income

	2005-06 £000	**2004-05 £000**
Fees and charges to external customers for market information reports	964	906
Other charges	32	4
Other allowable	41	147
	1,037	**1,057**

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

			2005-06 £000			2004-05 £000
Service	**Income**	**Full cost**	**Deficit**	**Income**	**Full cost**	**Deficit**
Provision of Overseas Market Information to UK Exporters	964	1,508	(544)	906	1,417	(511)

This information is provided for fees and charges purposes, not for SSAP 25 purposes.

8. Tangible Fixed Assets

	Information technology £000	**Office machinery £000**	**Total £000**
Cost or valuation			
At 1 April 2005	568	168	736
Additions	148	7	155
Disposals	(3)	-	(3)
Revaluations	-	(1)	(1)
Permanent diminution	(96)	-	(96)
At 31 March 2006	**617**	**174**	**791**
Depreciation			
At 1 April 2005	(271)	(119)	(390)
Charge in year	(125)	(31)	(156)
Disposals	1	-	1
Revaluations	-	1	1
Permanent diminution	72	-	72
At 31 March 2006	**(323)**	**(149)**	**(472)**
Net book value at 31 March 2006	**294**	**25**	**319**
Net book value at 31 March 2005	297	49	346
Asset financing			
Owned	294	25	319
Net book value at 31 March 2006	**294**	**25**	**319**

9. Intangible Fixed Assets

	Purchased software licences £000
Cost or valuation	
At 1 April 2005	43
Additions	-
At 31 March 2006	**43**
Amortisation	
At 1 April 2005	-
Charge in year	(9)
At 31 March 2006	**(9)**
Net book value at 31 March 2006	**34**
Net book value at 31 March 2005	43

10. Debtors

Analysis by type

	31 March 2006 £000	31 March 2005 £000
Amounts falling due within one year		
Trade debtors[1]	199	387
VAT	1,334	1,395
Other debtors	10	6
Current part of PFI prepayment	616	896
Other prepayments and accrued income	414	319
	2,573	**3,003**

[1] Included within trade debtors is £1,000 (2004-05 1,000) which will be paid to the Consolidated Fund on receipt.

	31 March 2006 £000	31 March 2005 £000
Amounts falling due after more than one year		
PFI prepayments	940	-
Other prepayments and accrued income	33	60
	973	**60**

Intra-government balances

	Amounts falling due within one year £000		Amounts falling due after more than one year £000	
	31 March 2006	31 March 2005	31 March 2006	31 March 2005
Balances with other central government bodies	1,349	1,404	-	-
Balances with public corporations and trading funds	15	-	-	-
Intra-government balances	1,364	1,404	-	-
Balances with bodies external to government	1,209	1,599	973	60
	2,573	**3,003**	**973**	**60**

11. Cash at Bank and in Hand

	2005-06 £000	2004-05 £000
Balance at 1 April	1,677	4,178
Net change in cash balances	7,217	(2,501)
Balance at 31 March	**8,894**	**1,677**
The following balances at 31 March were held at		
Office of HM Paymaster General	8,769	1,536
Commercial banks	125	141
Balance at 31 March	**8,894**	**1,677**

Included in the balance held at the Office of HM Paymaster General is an amount of £7.6 million which was paid on 31 March 2006 into UK Trade & Investment's bank account instead of into DTI's bank account, due to a mistake on the part of the paying organisation. This amount is shown as Other Creditors in note 12. Without this error the balance at the Office of HM Paymaster General would have been £1.2 million.

12. Creditors

Analysis by type

	31 March 2006 £000	31 March 2005 £000
Amounts falling due within one year		
Trade creditors	5,049	6,381
Other creditors (see note 11)	7,606	-
Accruals and deferred income	14,283	13,680
Amounts issued from the Consolidated Fund for Supply but not spent at year end	1,288	1,675
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund		
Received	-	2
Receivable	1	1
	28,227	**21,739**

Intra-government balances

	Amounts falling due within one year £000	
	31 March 2006	31 March 2005 (restated)
Balances with other central government bodies	14,102	5,237
Balances with local authorities	13	-
Balances with public corporations and trading funds	439	349
Intra-government balances	14,554	5,587
Balances with bodies external to government	13,673	16,151
	28,227	**21,739**

Balances with other government bodies as at 31 March 2005 have been restated following clarification of guidance on what liabilities should be included.

13. General Fund

The general fund represents the total assets less liabilities to the extent that the total is not represented by other reserves and financing items.

		2005-06 £000		2004-05 £000
Balance at 1 April		(16,612)		(13,935)
Net Parliamentary funding				
Drawn down	96,254		95,381	
Deemed Supply	1,675		4,178	
		97,929		99,559
Year end adjustment: Supply creditor		(1,288)		(1,675)
Net transfer from operating activities: net operating cost		(95,374)		(99,405)
Non-cash charges: cost of capital credit		(91)		(526)
Transfer from revaluation reserve		1		1
Adjustment for current investment repaid in year		-		(631)
Balance at 31 March		**(15,435)**		**(16,612)**

14. Reserves

Revaluation reserve

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

	2005-06 £000	2004-05 £000
Balance at 1 April	2	3
Arising on revaluation during the year (net)	-	-
Transfer to general fund of realised element of revaluation reserve	(1)	(1)
Balance at 31 March	**1**	**2**

15. Notes to the Cash Flow Statement

Reconciliation of operating cost to operating cash flows

	Note	2005-06 £000	2004-05 £000
Net operating cost		95,374	99,405
Adjustments for non-cash transactions	6	(100)	65
Increase/(decrease) in debtors	10	483	(732)
Less movements in debtors relating to items not passing through the operating cost statement		-	(1)
(Increase) in creditors	12	(6,488)	(59)
Less movements in creditors relating to items not passing through the operating cost statement		7,176	(2,655)
Use of provisions		-	1,690
Net cash outflow from operating activities		**96,445**	**97,713**

Analysis of capital expenditure and financial investment

	Note	2005-06 £000	2004-05 £000
Tangible fixed asset additions		153	171
Intangible fixed asset additions		43	-
Net cash outflow from investing activities		**196**	**171**

Analysis of capital expenditure and financial investment by request for resources

	Note	Capital expenditure £000
Request for resources 1		196
Net movement in debtors/creditors		(41)
Total 2005-06	8	**155**
Total 2004-05		94

Analysis of financing

	Note	2005-06 £000	2004-05 £000
From the Consolidated Fund (Supply) – current year	13	96,254	95,381
Net financing		**96,254**	**95,381**

Reconciliation of net cash requirement to increase/(decrease) in cash

	Note	2005-06 £000	2004-05 £000
Net cash requirement		(96,641)	(97,884)
From the Consolidated Fund (Supply) – current year	13	96,254	95,381
Amounts due to the Consolidated Fund – received in a prior year and paid over		(2)	-
Amounts due to the Consolidated Fund – received and not paid over		-	2
Receipts due to Department of Trade and Industry	11,12	7,606	-
Increase/(decrease) in cash		**7,217**	**(2,501)**

16. Note to Statement of Operating Costs by Departmental Objective

All programme costs of UK Trade & Investment have been directly attributed to sub-objectives and there has been no apportionment between sub-objectives except for the attribution of the cost of capital credit which has been apportioned on the basis of capital employed where known or the proportion of expenditure where not known. Net average capital employed has been allocated to sub-objectives on the basis of use.

	2005-06 £000		2004-05 £000	
	Net average capital employed	**Cost of capital credit**	**Net average capital employed**	**Cost of capital credit**
Sub-objective 1	(12,787)	(73)	(12,608)	(441)
Sub-objective 2	(3,100)	(18)	(2,430)	(85)
	(15,887)	**(91)**	**(15,038)**	**(526)**

17. Commitments under PFI Contracts

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

ELGAR

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

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

The public facing elements of UK Trade & Investment's new portal and customer relationship management (CRM) system went live on a pilot basis during 2004-05. Managed service charges in respect of these services became payable from October 2004. The service charges for the portal (provision of system, hosting, development and support) and CRM (provision of system, hosting and support) are being paid annually in advance. As a result £240,000 was transferred to the balance sheet as a prepayment for services due to be received in the first six months of 2006-07. Payments for the initial development of the CRM application are being made monthly in arrears.

During 2005-6 further enhancements were made to the public facing element of the Portal and CRM applications. £1,539,000 was recorded in the accounts as paid or payable, of which £1,317,000 has been classified as a prepayment to be amortised over the next three financial years. These prepayments have the effect of reducing charges that would otherwise have been payable to Fujitsu over the life of the contract and are being amortised over the remaining life of the contract on a straight line basis.

The current estimated total capital value for the public web-based services provided under the agreement is £6.6 million (2004-05 £5 million).

Charge to the Operating Cost Statement and Future Commitments

The total amount charged to the operating cost statement in respect of the managed service element of off-balance sheet PFI transactions was £3,009,000 (2004-05 £1,548,000); and the charges to which UK Trade & Investment is committed during 2006-07, analysed by the period during which the commitment expires, is as follows:

	2006-07 £000	2005-06 £000
Expiry within 1 year	-	-
Expiry within 2 to 5 years	3,197	2,726
	3,197	**2,726**

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

18. Financial Instruments

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

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

Liquidity, interest rate and foreign currency risk

Resources voted annually by Parliament finance UK Trade & Investment's net resource and capital requirements. UK Trade & Investment is not therefore exposed to significant liquidity risks. UK Trade & Investment does not access funds from commercial sources and so is not exposed to interest rate risk. UK Trade & Investment's exposure to foreign currency risk is not significant. Foreign currency income is negligible and foreign currency expenditure accounts for less than 2 per cent of total expenditure.

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

Credit risk

At 31 March 2006 UK Trade & Investment had no debtors payable in more than one year (31 March 2005 £nil).

19. Related Party Transactions

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

In addition UK Trade & Investment has had a small number of transactions with other government departments and other central government bodies. Most of these transactions have been with the Department of the Environment, Food and Rural Affairs, the Department for Transport, the Department for Communities and Local Government, the Department for Culture, Media and Sport and the

Department for Education and Skills, through the nine Government Offices for the Regions and their Co-ordinating Unit.

No minister or member of the Executive Board of UK Trade & Investment or other related party has undertaken any material transactions with UK Trade & Investment during the year.

20. Third-Party Assets

In December 2004, UK Trade & Investment closed its Sales Leads Service which was until early in 2002 a chargeable service. Between the time charging ended and closure of the scheme, and despite extensive efforts to trace customers, not all advance payments made for the service had been refunded to customers. In January 2005 UK Trade & Investment's contractor for the service transferred to UK Trade & Investment the outstanding balance of unclaimed monies. These monies are not the organisation's assets and are not included in the accounts. The assets held at the balance sheet date comprised a monetary balance held on deposit in a commercial bank account. The detail is set out in the table below.

	31 March 2006 £000	31 March 2005 £000
Balance held in account	**52**	**50**

Memoranda Notes on Administration Costs and Administration Capital

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

21. Staff Numbers and Related Costs

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

Department of Trade and Industry

Staff costs consisted of:

	2005-06 £000			2004-05 £000
	Total	Permanent staff	Others	Total
Wages and salaries	17,828	16,893	935	19,464
Social security costs	1,385	1,385	-	1,468
Other pension costs	3,193	3,193	-	2,581
	22,406	**21,471**	**935**	**23,513**
Less recoveries for outward secondments	(451)	(451)	-	(287)
Total net costs	**21,955**	**21,020**	**935**	**23,226**

UK Trade & Investment spent £1,958,000 (2004-05 £2,288,000) from its programme budget on International Business Specialists seconded from private sector organisations and consultants (see note 5).

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

	2005-06 WTE			2004-05 WTE
	Total	Permanent staff	Others	Total
Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments	495	444	51	605
Sub-objective 2: To attract a continuing high level of quality foreign direct investment	136	122	14	106
	631	**566**	**65**	**711**

Foreign and Commonwealth Office

Staff costs consisted of:

	2005-06 £000	2004-05 £000
UK staff costs	17,491	21,409
Locally employed staff costs	27,381	23,911
	44,872	**45,320**

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

	2005-06 WTE	**2004-05 WTE**
	Total	Total
Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments	1,086	1,317
Sub-objective 2: To attract a continuing high level of quality foreign direct investment	206	228
	1,292	**1,545**

The Chief Executive of UK Trade & Investment is a member of the Management Boards of both the FCO and the DTI. Details of Sir Stephen Brown's, Andrew Cahn's and Susan Haird's remuneration are shown in the Remuneration Reports of their respective employing departments.

During 2005-06 independent members of the UK Trade & Investment Board received remuneration for their services, paid for from DTI administration. The amounts are shown under Remuneration in the Corporate Governance section of the annual report.

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

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

Benefits under the classic scheme accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. Benefits under the premium scheme accrue at the rate of 1/60th of final pensionable earnings for each year of service. There is no automatic lump sum but members may commute some of their pension to provide a lump sum. Members pay contributions of 3.5 per cent of pensionable earnings. The classic plus scheme is a variation of premium but with benefits in respect of service before 1 October 2002 calculated broadly in line with the classic scheme. All 3 defined benefit schemes provide death in service and dependants' benefits. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill-health retirement).

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

22. Other Administration Costs

Department of Trade and Industry

		2005-06 £000		2004-05 £000
Rentals under operating leases		40		35
Non-cash items				
Apportionment of central overheads attributable to UK Trade & Investment activities	13,191		13,445	
Auditor's remuneration and expenses[a]	21		21	
Depreciation	88		146	
Revaluation of fixed assets	29		(14)	
(Gain) on disposal of fixed assets	-		(32)	
Cost of capital charge	(4)		(7)	
		13,325		13,559
Other expenditure		11,124		10,985
Total administration expenditure DTI		**24,489**		**24,579**

Foreign and Commonwealth Office

		2005-06 £000		2004-05 £000
Rentals under operating leases		10,950		11,374
Non-cash items				
Apportionment of overheads attributable to UK Trade & Investment activities	59,071		49,914	
Auditor's remuneration and expenses[a]	20		20	
Depreciation[b]	21,729		7,463	
Impairment reversal	(6,206)		-	
Cost of capital charge	4,796		5,420	
		79,410		62,817
Other Expenditure		7,346		18,951
Total administration expenditure FCO		**97,706**		**93,142**

[a] There was no remuneration for non-audit work for either department.
[b] During 2005-06 the FCO accelerated its depreciation of furniture assets as, following a change in accounting policy, it is no longer intending to capitalise them. The additional depreciation apportioned to UK Trade & Investment as a result of this change is around £14 million. Had this change not occurred, the total outturn for the year for UK Trade & Investment's FCO administration expenditure would have been in the region of £84 million.

23. Administration Income

Department of Trade and Industry

	2005-06 £000	2004-05 £000
Fees and charges	-	-
Other allowable A-in-A	-	-
	-	**-**

Foreign and Commonwealth Office

The amounts included in the FCO's financial statements which underpin the figures shown in these memoranda notes include apportioned income that is not directly attributable to UK Trade & Investment's activities. FCO income is therefore not identified separately but is included as part of the net figures disclosed in notes 22 and 25.

24. Tangible Fixed Assets: Administration Capital

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

	Department of Trade and Industry £000	Foreign and Commonwealth Office £000	Total £000
Net book value at 31 March 2005	196	-	196
Net book value at 31 March 2006	**99**	**-**	**99**

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

25. Statement of Operating Costs by Departmental Objective: Administration

The statement of operating costs by departmental objective shows programme resources consumed in the meeting of UK Trade & Investment's sub-objectives (see note 1.2). Administration resources consumed by UK Trade & Investment's parent departments in meeting UK Trade & Investment's sub-objectives were as follows:

Department of Trade and Industry

			2005-06 £000			**2004-05 £000**
	Gross	Income	Net	Gross	Income	Net
Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments	38,135	-	38,135	41,250	-	41,250
Sub-objective 2: To attract a continuing high level of quality foreign direct investment	8,309	-	8,309	6,555	-	6,555
Net operating costs DTI	**46,444**	**-**	**46,444**	**47,805**	**-**	**47,805**

Foreign and Commonwealth Office

			2005-06 £000			**2004-05 £000**
	Gross	Income	Net	Gross	Income	Net
Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments	119,845	-	119,845	118,029	-	118,029
Sub-objective 2: To attract a continuing high level of quality foreign direct investment	22,733	-	22,733	20,433	-	20,433
Net operating costs FCO	**142,578**	**-**	**142,578**	**138,462**	**-**	**138,462**

Within DTI and FCO's statement of operating costs by departmental objectives, UK Trade & Investment is included under Objective 1 and Strategic Priority 5 respectively.

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