

Presented pursuant to the Government Resources and Accounts Act 2000 c.20 s.6(4)

# UK Trade & Investment Annual Report and Accounts 2006-07

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# UK Trade & Investment Annual Report and Accounts 2006-07

(For the year ended 31 March 2007)

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## Annual Report

### 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 organisation was renamed UK Trade & Investment (UKTI) in October 2003.

UKTI has lead responsibility within government for trade and investment services. It brings together the work of the Department for Business, Enterprise and Regulatory Reform (BERR), whose sponsorship functions in respect of UKTI were formerly exercised by the Department of Trade and Industry (DTI)<sup>1,2</sup> and the Foreign and Commonwealth Office (FCO). UKTI supports companies in the UK doing business internationally and overseas enterprises seeking to locate in the UK.

Since its inception UKTI's Chief Executive and Accounting Officer has been accountable only for the programme resources voted directly to the department by Parliament. The administration costs associated with the delivery of UKTI's programmes are reported in the Memorandum Notes on Administration Costs and Administration Capital, pages 47 to 50. The administration costs are paid for by both BERR<sup>3</sup> and the FCO, out of funding voted to them by Parliament, and remain the responsibility of their respective Accounting Officers.

### UK Trade & Investment's Objective

UKTI is committed to the following objective:

To enhance the competitiveness of companies in the UK through overseas trade and investments<sup>4</sup>; and attract a continuing high level of quality foreign direct investment<sup>5</sup>:

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 UKTI'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 BERR.

### The new UK Trade & Investment Strategy

The 2006 Budget announced a new five-year strategy for a step-change in the Government's drive to market internationally the strengths of the UK economy. UKTI was given responsibility for co-ordinating and driving this forward, and published its plans for delivering its new Strategy as "Prosperity in a Changing World", in July 2006. This explains the rationale for UKTI's new

1 The DTI ceased to exist on 28 June 2007, as part of a series of machinery of government changes see [www.pm.gov.uk](http://www.pm.gov.uk).

2. See Post Balance Sheet Events Note 21

3. In this document, the relevant UKTI sponsoring department is referred to as the DTI where the context refers to past events or circumstances and as BERR where the context relates to events or circumstances which postdate the recent changes in departmental responsibilities.

4. For the purpose of recording costs against objectives, this part of UKTI's objective is considered to be sub-objective 1.

5. For the purpose of recording costs against objectives, this part of UKTI's objective is considered to be sub-objective 2.

Strategy and what it aims to achieve, and sets out the course for UKTI for the next five years. It gives outline details of the work streams that are taking forward and delivering the new Strategy.

“Prosperity in a Changing World” is available at [www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk).

The new Strategy gives UKTI an enhanced role across both trade development and inward investment, for leading and joining up active marketing of the UK economy internationally as a place to do business in and with. It commits the organisation to working in partnership across Government and with business to deliver maximum value; and focuses UKTI resources on the customers and markets with the greatest potential, and where it services add the most value.

### ***Marketing the UK economy internationally***

Marketing the UK’s business strengths as a world-class source of products and services, partnership and business location is central to UKTI’s new Strategy.

In March 2007 UKTI launched a new compelling message, promoting the UK as a “Springboard for Global Growth”. It draws on the UK’s many strengths to develop an overarching message that will support the UK in competing effectively in the global marketplace, bringing together a unique combination of success, ambition, confidence, creativity and potential.

For inward investors this compelling message positions the UK as an investment multiplier, truly globalising companies and upgrading the value of their investment. For UK internationalising companies, it means the UK economy provides them with a successful launch onto the global stage, helping them become partners of choice around the world.

The new compelling message has received strong backing from the business community and is now being brought to life with marketing material that is bold and confident and captures the essence of the UK economy’s offering. The accompanying hooks of *Hit the world running* and *Fast track to the world* are the first to be used to reflect the energy and dynamism of the UK economy, as well as its ability to become the catalyst that helps business prosper.

This message is not a UKTI message – it is for the UK as a whole, for all those engaged in promoting the UK as an investment location and a trading partner around the world. UKTI staff will promote this compelling message both in the UK and overseas, to our key stakeholders and service delivery partners as much as to business customers overseas and at home.

Active marketing of the City of London and UK financial services sector. Financial and related business services across the UK represent over 12 per cent of GDP. As financial markets become increasingly international there is increased competition from other financial centres. Following the 2006 Budget Statement, UKTI was charged (in consultation and partnership with the City) with the development, co-ordination and executive delivery of a new strategy for promoting the City of London and the UK’s financial services sector, in order to give the highest profile to all of the resources and expertise that the UK can offer this sector in a global economy.

### ***Working in partnership across Government and with business***

To maximise impact in marketing the UK business environment, UKTI will continue to work in partnership with the nine English Regional Development Agencies (RDAs), the Devolved Administrations in Northern Ireland, Scotland and Wales, and other Government departments, as well as other national bodies including Visit Britain and the British Council, and trade associations and other business organisations. This co-ordinated approach will enable UKTI to leverage the total public funding associated with trade and investment, to increase the impact of its activity and deliver better value to the taxpayer.

Development of sector marketing strategies. Through 2007, in-depth marketing strategies for specific sectors will be developed, following extensive consultation with business and private sector partners. These strategies will be supported by high quality promotional material, to target

high value business sectors and individual companies with core messages about relevant UK strengths, and assist UK companies in selling themselves overseas.

### ***Focusing on where we can make the most difference***

#### *High growth markets*

Building strong trade and investment links with high growth markets is strategically important to the UK's future economic wellbeing. India and China are already in the top ten largest economies in the world, and are forecast to increase their shares of global output over the next ten years. These and other high growth markets present significant opportunities for UK business. There is also good economic evidence that firms secure most value if they enter high growth markets at an early stage.

UKTI has identified a priority list of 16 high growth markets, based on an assessment of the relative importance of different markets for UK business and the value of committing further resources in these markets. They are Brazil, China, India, Indonesia, Malaysia, Mexico, Qatar, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Thailand, Turkey, United Arab Emirates and Vietnam. More than £5 million of UKTI's resources in its overseas network is being moved to these markets from more mature markets which remain vital to the UK, but where barriers to doing business are lower. The increased focus on high growth markets aims to deepen the UK's trade and economic relationships with these countries, to ensure that UK companies are best placed to make the most of the business opportunities on offer.

A key feature of UKTI's new Strategy is differentiation: the services for companies in China or India will be different from those in France or the United States. In high growth markets UKTI offers more support in dealing with other governments and overcoming barriers to trade, both formal and informal. In more developed markets it focuses relatively more effort in helping UK-based companies access key local contacts and sources of information, and identifying inward investment projects.

#### *Greater focus on high value and innovative sectors*

Successful internationalisation by innovative companies contributes to UK productivity and prosperity. There are strong links between companies' innovation performance and overseas activity.

Success in selling overseas increases investment in innovation, and can enable innovative businesses to meet growth objectives that would not be possible in the UK market alone. There is evidence that innovative UK companies tend to derive greater benefit from UKTI support across a range of measures, and that benefits to the UK from inward investment projects are greater when the project involves more R&D or other innovation activity.

#### *Implementing an international R&D strategy*

UKTI is putting greater focus on overseas-owned R&D intensive companies, innovative inward investors and foreign entrepreneurs with innovative technology. A new core of R&D specialists will work with R&D intensive overseas-owned to establish opportunities for doing R&D – or doing more R&D – in the UK. These specialists will then work with appropriate partners, including staff from UKTI and BERR, companies, universities and other researchers, to find the best solutions. They will also work in support of R&D intensive UK companies to help them grow their international business.

The R&D programme was announced as part of UKTI's new Strategy. The need for the Programme was based on evidence that overseas companies view the UKTI positively as an R&D centre, but do not have sufficient detail of the available opportunities, or on how to enter the market. UKTI will work alongside companies and put together tailored propositions that will help them link to the best sources of UK R&D expertise. Private sector R&D specialists have been

contacted through Pera Group, to identify where the cutting edge business research relevant to the targeted company is being done.

The Global Partnerships Programme is an existing UKTI inward investment programme which has become part of the R&D Programme. It is open to innovative and technology-led companies from overseas that are willing to share new technology in order to build a business with a UK partner.

A Strategy Implementation Programme was put in place to deliver the new Strategy and the organisational changes in UKTI that will support this. A Programme Board, chaired by Susan Haird (UKTI's Deputy Chief Executive) and including representatives from the FCO, DTI and HM Treasury, met monthly from September 2006 to oversee progress. From April 2007 this Board has developed into a new Performance Management Group, to support the Executive Board in detailed operational monitoring and oversight of the Strategy.

## **Principal Activities**

UKTI works with a wide range of customers and in particular helps:

- New and inexperienced exporters, generally the 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, UKTI provides a range of services to its customers, including:

### ***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 UKTI's overseas network freely available to all, primarily via the [www.uktradeinvest.gov.uk](http://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;
  - 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 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.

UKTI 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.

UKTI deploys in the region of 2,200 full-time equivalent people, including around 1,300, mainly FCO staff, in more than 100 countries in UK embassies, high commissions, consulates and trade offices and over 900 working in the UK. Of these, just under 500 people, mainly BERR staff, are in London and Glasgow and just over 400 people are based in International Trade Teams in the English regions. Through its networks and partners within the UK and its staff in the FCO, UKTI 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**

UKTI’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 UKTI by participating in events at home and overseas. The sectors represented by the SAGs and their current chairs are as follows:

| <b>Sector</b>                   | <b>Chair</b>   |
|---------------------------------|--|
| Construction                    | Terry Hill<br>Chairman<br>Arup Group Plc                                     |
| Airports                        | Sir Mike Hodgkinson<br>Chairman<br>Post Office, and Director, Dublin Airport |
| Environment                     | Colin Drummond<br>CEO<br>Viridor Waste Management Ltd                        |
| Sports & Leisure Infrastructure | Martin Harman<br>Senior Partner<br>Pinsent Masons                            |
| Rail                            | Haydn Abbott<br>Chief Executive<br>Angel Trains Group Ltd                    |

|                                    |   |
|------------------------------------|---|
| Power                              | Robert Lane,<br>Partner<br>CMS Cameron McKenna LLP                                  |
| Ports                              | James Sutcliffe<br>Chairman<br>John Sutcliffe & Son Ltd                             |
| Water                              | Tony Allum<br>Chairman<br>Halcrow Group   |
| Creative Export Group              | Andrew Yeates<br>Legal Adviser<br>Educational Recording Agency                      |
| Design Partners                    | Andrew Summers CMG<br>Chairman<br>Brandsmiths                                       |
| Financial Services                 | Roy S Leighton<br>Chairman<br>Nymex Europe Limited                                  |
| Public Private Partnerships*       | John Davie<br>Director<br>Vector Management Ltd                                     |
| Textiles and Fashion               | Brian Whitaker<br>Chairman<br>British Apparel and Textile Export Advisory Group     |
| Agriculture                        | Professor Colin Dennis<br>Director General<br>CCFRA                                 |
| Education and Training             | Dominic Savage OBE<br>Director General<br>British Educational Suppliers Association |
| ICT                                | Mike Short<br>Vice President<br>Telefónica O2 Europe plc                            |
| Healthcare                         | Chris Francis   |
| Oil and Gas                        | John Weedon<br>Commercial Vice President<br>Kellogg Brown & Root                    |
| Biotechnology &<br>Pharmaceuticals | Kevin Cox<br>Director<br>Avecia Biologics   |
| Advanced Engineering               | Peter Mathews CMG<br>Chairman and Managing Director<br>Black Country Metals Ltd     |
| Marine                             | Robert Hill<br>Managing Director<br>McMurdo Ltd                                     |

\* From September 2007 this will be reconstituted as a sub group of the Financial Services Advisory Group

### **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 UKTI and the Devolved Administrations in support of their overseas trade and inward investment objectives.

UKTI meets part of the Duke of York's overseas expenses.

Details of HRH The Duke of York's engagements are available at [www.thedukeofyork.org](http://www.thedukeofyork.org)

## **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 UKTI 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](http://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 UKTI Departmental Report was published by The Stationery Office in May 2007 (Cm 7101) and is also accessible from [www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk). It provides details of the organisation's activities and achievements in 2006-07; plans for 2007-08; information about Spending Reviews and PSA targets; services to customers; human resources; service developments and the UKTI expenditure plans for major programmes to 2008.

Progress against the performance indicators that underpin the organisation's PSA target, and progress against efficiency savings targets, agreed as part of the Spending Review 2004 (SR04) settlement, and is 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 UKTI Autumn Performance Report will be published later this year.

### ***Spending Review (SR04)***

As a result of the SR04 settlement, UKTI's resources for the years 2005-2008 were reduced by 12 per cent. SR04 gave further impetus to UKTI'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.

### ***Financial Structure***

The Chief Executive, as Accounting Officer, is responsible for all UKTI's programme expenditure, including any capital items purchased out of UKTI'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 UKTI's programme budget during 2006-07 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 (now BERR) have provided UKTI's Accounting Officer with details of administration expenditure and administration capital items for inclusion as memoranda notes in these accounts. These memoranda notes are not covered by the Comptroller and Auditor General's opinion on pages 28 to 29.

The Comptroller and Auditor General issued a report on UKTI's 2002-03 Accounts in which he commented on the progress being made to establish mechanisms to allow the UKTI Accounting Officer to assume effective control over the administration resources deployed on UKTI activities in addition to the programme resources. Such a change in responsibilities would allow UKTI to account for all the resources consumed in the pursuit of UKTI's objectives in the financial statements.

During 2006-07 UKTI management, in conjunction with the Treasury, the FCO and the NAO, re-examined the current Accounting Officer arrangements and the barriers to producing a consolidated set of financial statements reflecting all of the resources consumed in providing UKTI's services. These discussions confirmed that, in light of the underlying business processes, the current Accounting Officer responsibilities were appropriate. It was accepted that the costs and effort involved in moving to a position where the UKTI Accounting Officer would account for all the UKTI's resources would not be justified in the light of the benefits that would be obtained.

### ***Going Concern***

The balance sheet at 31 March 2007 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 (the Fund). Such drawings will be from grants of Supply approved annually by Parliament to meet UKTI'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 UKTI's income, are surrenderable to the Fund.

In common with other government departments, the future financing of UKTI'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. There is no reason to believe that future approvals will not be forthcoming. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### ***Liquidity and Currency Risks***

UKTI 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 UKTI is reported in the financial statements and supporting notes to the accounts, which can be found on pages 30 to 46. The Statement of Operating Costs by Departmental Objective, page 34, indicates the net programme expenditure incurred in delivering against each of UKTI'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 2006-07 were as follows (2005-06 figures are shown in brackets):

- £17.6 million (£15.9 million) was spent on funding customer-facing activity (International Trade Teams) delivering international trade support in the English regions. The budget for the year was £17.1 million. By utilising some of the savings from other programmes, it was possible to strengthen the regional customer-facing teams, who support business by advising how trading internationally could help grow their business;
- £11.8 million (£13.1 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 £11.8 million;
- £10.5 million (£16.0 million) was spent to support new and inexperienced exports through overseas exhibitions, seminars and mission support schemes. The budget for the year was £9.2 million. Savings generated from other budgets were used to support more business than

originally planned, to meet higher than expected demand for the new Trade Access Programme (TAP);

- £6.1 million (£5.8 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. The budget for the year was £5.9 million. Savings from other budgets allowed increased spending on this programme;
- £5.7 million (£6.3 million) was spent on trade marketing events and publicity. The original budget for the year was £5.0 million. The change in organizational strategy led to an increase in marketing activity, and hence an increase to the marketing expenditure. Savings were found elsewhere in UKTI to fund this increased spending.

To attract a continuing high level of quality foreign direct investment, resources consumed by major programmes during 2006-07 were as follows:

- Grant in Aid for Regional Development Agencies (RDAs) totalled £17.2 million (£15.2 million). This was in line with budget;
- £14.9 million (£12.1 million) was spent on Inward Investment programmes. This included marketing the UK abroad, production of publicity materials and advertising. The original budget for the year was £13.4 million. A change in organizational strategy led to an increase in marketing activity, and hence an increase to the marketing expenditure, with savings being found elsewhere in UKTI to fund this increased spending.

### ***Outturn Against Estimate***

In 2006-07 UKTI's net RfR was £95.3 million and net resource outturn was £94.1 million – a 1.3% underspend. This was largely due to a delay to the rollout of the Research & Development programme, which was initiated part way through the financial year as a result of a change in UKTI's strategy, announced in the 2006 Budget.

### ***Reconciliation of resource expenditure between Estimates, Accounts and Budgets***

|   | 2006-07 Provision<br>£000 |
|---|---------------------------|
| <b>Net Resource Outturn (Estimates)</b>                     | <b>95,329</b>             |
| <i>Adjustments to remove:</i>                               |                           |
| Provision voted for earlier years                           | -                         |
| <i>Adjustments to additionally include:</i>                 |                           |
| Non-voted expenditure in the OCS                            | -                         |
| Consolidated Fund Extra Receipts in the OCS                 | -                         |
| Other adjustments   | -                         |
| <b>Net Operating Cost (Accounts)</b>                        | <b>95,329</b>             |
| <i>Adjustments to remove:</i>                               |                           |
| Capital grants to local authorities                         | -                         |
| Capital grants financed from the Capital Modernisation Fund | -                         |
| European Union income and related adjustments               | -                         |
| Voted expenditure outside the budget                        | -                         |
| <i>Adjustments to additionally include:</i>                 |                           |
| other Consolidated Fund Extra Receipts                      | -                         |
| resource consumption of non departmental public bodies      | -                         |
| unallocated resource provision                              | -                         |
| Other adjustments   | -                         |
| <b>Resource Budget Outturn (Budget) of which</b>            | <b>95,329</b>             |
| Departmental Expenditure Limits (DEL)                       | 95,329                    |
| Annually Managed Expenditure (AME)                          | -                         |

## ***Risk Management***

UKTI 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 significant risks to the attainment of UKTI'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***

The Chancellor of the Exchequer's 2006 Budget Statement, announced a new strategy for a step-change in the Government's drive to market internationally the strengths of the UK economy. UKTI was given responsibility for co-ordinating and driving this forward. This responsibility also reinforced UKTI'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.

UKTI published its plans for delivering its new Strategy as "Prosperity in a Changing World" in July 2006. This explains the rationale for UKTI's new Strategy and what it aims to achieve, and sets the course for its role and resource deployment for the next five years. Further information on the new Strategy "Prosperity in a Changing World" is available at [www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk) and in the Departmental report 2007 (Cm7101).

## ***E-Business***

UKTI's e-Business Strategy introduced a number of new systems 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.

UKTI's Trade Portal Website ([www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk)) provides a single web gateway to personalised information including sector and country profiles, event details, contacts for and advice to new exporters and information about UKTI services. UK business can sign up to receive value-added Business Opportunities and detailed sector-in-country reports.

The Customer Relationship Management (CRM) system aims to provide staff worldwide with a single, secure web-based system to record and find details of our customer contacts (organisations and individuals) and share these between teams; track our interactions and relationships with them, giving us a more comprehensive single view of the customer for the first time; help us to manage the work we undertake on their behalf; and help to measure our activities and performance. During 2007-08 CRM will be deployed to 48 overseas markets and also English regions and customer facing HQ operations staff.

UKTI's Trade Portal Website and CRM system are delivered via a Private Finance Initiative (PFI) contract. Details of future commitments under this contract can be found in note 17 to these accounts.

UKTI's Overseas Market Introduction Service (OMIS) delivers the majority of trade development focused chargeable services worldwide to UKTI's customers. The service enables our International Trade Advisors and Posts to support UK customers towards an effective entry into new markets. OMIS provides an adaptable service of consistent quality, including a mix of pre-visit research and advice, and support for market visits. There are 84 UKTI Markets using online OMIS and we plan to migrate the remaining 18 markets where UKTI has a presence onto the OMIS system during the first quarter of 2007-08.

After a successful pilot, UKTI's Business Information Management (BIM) system, the new information management system developed by the Online and Research Team in Marketing Group, went live in March 2007. BIM is a searchable online database which brings together much of UKTI's knowledge and expertise. It allows frontline staff, whether in the UK or overseas, instant access to the latest sectoral content, newsletters, information sheets, case studies and UK comparative position documents.

Together these systems support the delivery of the UKTI Five Year Strategy – "Prosperity in a Changing World".

### ***Professional Development Strategy***

The launch of "Prosperity in a Changing World" in August 2006 demanded a programme of recruitment and training to ensure that UKTI is best placed to meet the needs of its clients. An independent survey, commissioned in early September 2006, was conducted across the global network to identify the knowledge and skills needed to deliver business success. The survey was completed in March 2007 and a new programme will be delivered in 2007-08.

Learning and development priorities for 2006-07 have focused on delivery of a suite of core interventions that have contributed to the change process through a range of opportunities, including the UKTI Diploma in Management, Trade & Investment in partnership with the Open University Business School.

### ***Interchange Programmes***

UKTI promotes interchange of staff between the FCO and BERR, 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 2006-07, 25 people from the private sector worked for UKTI as business experts, and 32 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 2006-07, 16 staff had the opportunity to work overseas as part of the Overseas Attachment Training Programme and 55 locally employed staff in the overseas network were able to visit the UK.

### ***Equal Opportunities***

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

UKTI 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. UKTI 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.

### ***Employment of Disabled Persons***

UKTI does not recruit or employ staff directly. It deploys staff drawn from the FCO and BERR. 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.

**Investors in People (IIP)**

In December 2005 UKTI received recognition as an Investor in People world wide. The recognition is valid until December 2008. The process to gain re-validation will be put in hand during 2007-08.

**Communications**

UKTI 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 UKTI staff, with dedicated sections for information on progress against corporate plan, key business messages including the impact of the Spending Review 2004, UKTI New Strategy, demonstrating UKTI's values, plus items on best practice, professionalism and staff moves;
- UKTI's portal website includes a view tailored specifically to encourage knowledge sharing between staff. This is accessible via a password regime and includes corporate, human resources and training material, as well as a "People Directory" of all UKTI staff and partners;
- Access to FCO Firecrest system's global email directory is available in BERR'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 UKTI with embedded email and links to the intranet;
- Exchange: UKTI'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**

UKTI takes an integrated approach to its environmental and social responsibility, pursuing the government's agenda on environmental, economic and social objectives. UKTI aims to deliver on its corporate social responsibility agenda through its global network of staff in over 100 markets 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. UKTI works closely with its two parent departments in delivering this agenda.

**Corporate Governance****Ministers**

During 2006-07 joint ministerial responsibilities were as follows:

Secretary of State for Foreign and Commonwealth Affairs  
The Rt. Hon. Jack Straw MP (to 4 May 2006)  
The Rt. Hon. Margaret Beckett MP (from 5 May 2006)

Secretary of State for Trade and Industry  
The Rt. Hon. Alan Johnson MP (to 4 May 2006)  
The Rt. Hon. Alistair Darling MP (from 5 May 2006)

Portfolio Responsibility:

Minister for Trade and Investment

Ian Pearson MP (to 4 May 2006)  
 Ian McCartney MP (from 5 May 2006)

### **Executive Board**

During 2006-07 the composition of UKTI's Executive Board was as follows:

#### *Executive Directors:*

|  |  |
|--|--|
| Andrew Cahn CMG                          | Chairman and Chief Executive, UKTI             |
| Susan Haird                              | Deputy Chief Executive, UKTI                   |
| Ian Fletcher                             | Managing Director, International Group, UKTI   |
| Dominic Jermy OBE (from 5 February 2007) | Managing Director, Sectors Group, UKTI         |
| Steve O'Leary (to 30 June 2006)          | Acting Director, Inward Investment Group, UKTI |
| Brian Shaw (from 3 July 2006)            | Managing Director, Business Group, UKTI        |
| Danny Lopez (from 24 July 2006)          | Managing Director, Marketing Group, UKTI       |
| Ed Quilty (from 1 November 2006)         | Director, Finance and Business Planning        |

#### *Independent Board Members:*

|                     |  |
|---------------------|--|
| Peter John Hill     | Chief Executive, The Laird Group plc   |
| Claire A Ighodaro   | Past President of CIMA; non-executive Director of the Banking Code Standards Board (BCSB); Council Member of the Open University and the National Learning and Skills Council; Trustee of the British Council; Independent Board Member of BERR; Audit Committee Chair for UKTI, Open University and BCSB. |
| 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, UKTI International Business Advisory Panel  |
| Barry Stickings CBE | 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   |

*In addition, the following were also Board members during 06-07:*

|  |   |
|--|---|
| Paul Madden (to 15 December 2006)                          | Managing Director, Sectors Group, UKTI        |
| Duarte Figueira (from 18 December 2006 to 2 February 2007) | Acting Managing Director, Sectors Group, UKTI |

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

### **Audit Committee**

During 2006-07 the composition of the UKTI Audit Committee was as follows:

|                               |   |
|-------------------------------|---|
| Claire A Ighodaro<br>(Chair)  | Independent Board Member                                    |
| Barry Stickings CBE           | Independent Board Member                                    |
| Susan Haird                   | Deputy Chief Executive, UKTI                                |
| Adam Jackson (to 4 June 2006) | Director, Business Planning and Performance Management, DTI |

|   |  |
|---|--|
| Mark Clarke (from 5 June to 13 November 2006) | Director General, Finance and Strategy, BERR             |
| Curtis Juman (from 14 November 2006)          | Director, Finance and Strategy, BERR                     |
| Tristan Price (to 1 May 2006)                 | Head of Financial Planning & Performance Department, FCO |
| Jonathan Knott (from 2 May 2006)              | Head of Financial Planning & Performance Department, FCO |

The Directors of Internal Audit of the FCO and BERR, and the Director of Audit at the National Audit Office with responsibility for auditing UKTI's accounts also attend Committee meetings.

### ***International Business Advisory Panel (IBAP)***

The final meeting and formal closure of the IBAP took place in October 2006. Until then the composition of the IBAP, during 2006-07, was as follows:

|                            |   |
|----------------------------|---|
| Stella J Pirie OBE (chair) | Independent Board Member                                  |
| Philipa 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                | Bun Consulting  |
| Andy Scott                 | 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 Jermy OBE          | Director of Trade and Investment, British Embassy, Madrid |
| David Roberts              | Head of Sustainable Development & Business Group, FCO     |
| Doug Mahoney               | International Trade Director, UKTI West Midlands Region   |

### ***Report on Corporate Governance***

UKTI 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 UKTI's Executive Board ("the Board") was created in April 2005. Over the summer of 2006, UKTI created a new organisational structure that reflects the new Strategy's priorities, this has led to the creation of a Marketing Group and the appointment of a Marketing Director.

#### ***The Work of the Board***

The role of the UKTI Executive 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 UKTI 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 UKTI Chief Executive chairs the Board, which comprises seven 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.

#### *International Business Advisory Panel (IBAP)*

The IBAP was closed during 2006-07.

It provided strategic advice to the Board on the design and delivery of integrated trade services and strategic sectoral activity. Its work was designed to help UKTI deliver a measurable improvement in the business performance of its Trade & Investment customers.

The final meeting and formal closure of the IBAP took place in October 2006.

#### *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 UKTI'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, UKTI's Deputy Chief Executive, chairs the REP and is supported by the organisation's senior Economist, Heather Booth di Giovanni.

#### *Audit Committee*

The Audit Committee (the Committee) met four times this 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 Committee's terms of reference are available at [www.uktradeinvest.gov.uk](http://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 UKTI 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 BERR and his appointment is for four years. The rules for termination are set out in Chapter 11 of the Civil Service Management Code.

#### **Public Interest**

##### ***Payment of Suppliers***

UK Trade & Investment's policy is to comply with the Better Payment Practice Code, which includes the Late Payments of commercial Debts (Interest) Act 1988. UKTI standard terms and conditions for the supply of goods and services specify payment within 30 days, or other agreed

credit terms, of receipt of goods or services or valid invoice, whichever, is the later. In 2006-07, UKTI paid 96% of undisputed invoices within the credit term (95% in 2005-06).

### ***Auditors***

These financial statements have been audited, under the Government Resources and Accounts Act 2000, the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The audit opinion is on pages 28 to 29. The notional cost to UKTI of the external audit of their resource account by the National Audit Office for the C&AG was £45,000 (2005-06 - £41,000), which was split between the administration costs of the DTI and FCO. See memoranda notes for further details. There was no auditor remuneration (actual or notional) for non-audit work.

### ***Disclosure of Audit Information***

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

## Remuneration Report

### *Remuneration Policy*

A remuneration report has been included for transparency. UKTI has no Remuneration Committee.

The remuneration of BERR and FCO staff working for UKTI is met from the administration resource controlled by these sponsoring departments. These costs are reported under Memoranda Note 1 on page 47.

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

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

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

Further information about the work of the review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

### *Service Contracts*

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

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

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).

### *Salary and pension entitlements*

The following sections provide details of the remuneration and pension interests of the Ministers and most senior officials of UKTI.

**Ministers**

During 2006-07 joint ministerial responsibilities were as follows:

Secretary of State for Foreign and Commonwealth Affairs  
The Rt. Hon. Margaret Beckett MP (from 5 May 2006)  
The Rt. Hon. Jack Straw MP (to 4 May 2006)

Secretary of State for Trade and Industry  
The Rt. Hon. Alistair Darling MP (from 5 May 2006)  
The Rt. Hon. Alan Johnson MP (to 4 May 2006)

Portfolio Responsibility:

Minister for Trade and Investment  
Ian McCartney MP (from 5 May 2006)  
Ian Pearson MP (to 4 May 2006)

The details of Ministers' salary, pension and benefits are not disclosed in these accounts, and can be found in the respective 2006-07 resource accounts of the FCO and the DTI.

**Audited  
Remuneration**

| Officials  | 2006-07<br>Salary                          | 2006-07<br>Benefit in kind<br>(to nearest<br>£100) | 2005-06<br>Salary                            |
|--|--|--|--|
|  | £000                                       |  | £000   |
| <i>Chairman and Chief Executive</i><br>Andrew Cahn CMG <sup>1</sup><br>(from 27 March 2006)    | 180-185                                    |  | 0-5<br>180-185 full<br>year equivalent)      |
| <i>Chairman and Chief Executive</i><br>Sir Stephen Brown <sup>2</sup><br>(to 25 December 2005) |  |  | 100-105<br>(130-135 full<br>year equivalent) |
| <i>Deputy Chief Executive</i><br>Susan Haird <sup>1</sup>                                      | 115-120                                    |  | 110-115 <sup>3</sup>                         |
| <i>Director</i><br>Ian Fletcher <sup>1</sup>   | 100-105                                    |  | 90-95  |
| <i>Director</i><br>Brian Shaw <sup>1</sup><br>(from 3 July 2006)                               | 85-90<br>(120-125 full year<br>equivalent) |  |  |
| <i>Director</i><br>Danny Lopez <sup>1</sup><br>(from 24 July 2006)                             | 60-65<br>(85-90 full year<br>equivalent)   |  |  |
| <i>Director</i><br>Ed Quilty <sup>1</sup><br>(from 1 November 2006)                            | 25-30<br>(65-70 full year<br>equivalent)   |  |  |
| <i>Director</i><br>Dominic Jermy OBE <sup>2</sup><br>(from 5 February 2007)                    | 10-15<br>(80-85 full year<br>equivalent)   |  |  |

|   |  |  |
|---|--|--|
| <i>Acting Director</i><br>Duarte Figueira <sup>1</sup><br>(from 18 December 2006 to 2<br>February 2007) | 10-15<br>(80-85 full year<br>equivalent) |  |
| <i>Director</i><br>Paul Madden <sup>2</sup><br>(to 15 December 2006)                                    | 55-60<br>(80-85 full year<br>equivalent) | 18,300                                       |
| <i>Acting Director</i><br>Steve O'Leary <sup>1</sup><br>(to 30 June 2006)                               | 15-20<br>(75-80 full year<br>equivalent) | 70-75  |
| <i>Director</i><br>William Pedder <sup>1</sup><br>(to 3 March 2006)                                     |  | 145-150<br>(150-155 full<br>year equivalent) |

1. Salary paid by the Department for Trade & Industry

2. Salary paid by the Foreign and Commonwealth Office

3. Susan Haird acted as Chief Executive from 27 December 2006 to 26 March 2007, and the amount shown as salary is inclusive of the remuneration received as acting Chief Executive.

## Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This presentation is based on payments made by the FCO or the DTI.

## Pension Benefits

| Officials   | Accrued pension at age 60 as at 31/03/07 and related lump sum | Real increase in pension and related lump sum at age 60 | CETV at 31/03/07 | CETV at 31/03/06 | Real increase in CETV |
|---|---|---|------------------|------------------|-----------------------|
|   | £000  | £000  | £000             | £000             | £000                  |
| <i>Chairman and Chief Executive</i><br>Andrew Cahn CMG <sup>1</sup><br>(from 27 March 2006) | 35-40   | 0-2.5   | 661              | 611              | 24                    |
| <i>Deputy Chief Executive</i><br>Susan Haird <sup>1</sup>                                   | 40-45<br>plus<br>120-125<br>lump sum                          | 0-2.5<br>plus<br>0-2.5<br>lump sum                      | 834              | 793              | 13                    |
| <i>Director</i><br>Ian Fletcher <sup>1</sup>  | 25-30<br>plus<br>80-85<br>lump sum                            | 0-2.5<br>plus<br>0-2.5<br>lump sum                      | 414              | 391              | 12                    |
| <i>Director</i><br>Brian Shaw <sup>1</sup><br>(from 3 July 2006)                            | 0-5   | 0-2.5   | -                | 18               | 15                    |
| <i>Director</i><br>Danny Lopez <sup>1</sup><br>(from 3 July 2006)                           | 3   |   |                  |                  |                       |

|   |                                    |                                    |     |     |    |
|---|------------------------------------|------------------------------------|-----|-----|----|
| <i>Director</i><br>Ed Quilty <sup>1</sup><br>(from 1 November 2006)                                     | 15-20<br>plus<br>55-60<br>lump sum | 0-2.5<br>plus<br>0-2.5<br>lump sum | 299 | 286 | 9  |
| <i>Director</i><br>Dominic Jermy OBE <sup>2</sup><br>(from 5 February 2007)                             | 10-15<br>plus<br>30-35<br>lump sum | 0-2.5<br>plus<br>5-7.5<br>lump sum | 116 | 92  | 22 |
| <i>Acting Director</i><br>Duarte Figueira <sup>1</sup><br>(from 18 December 2006 to<br>2 February 2007) | 15-20<br>plus<br>45-50<br>lump sum | 0-2.5<br>plus<br>0-2.5<br>lump sum | 231 | 239 | 6  |
| <i>Director</i><br>Paul Madden <sup>2</sup> (to 15<br>December 2006)                                    | 25-30<br>plus<br>75-80<br>lump sum | 0-2.5<br>plus<br>2.5-5<br>lump sum | 407 | 385 | 14 |
| <i>Acting Director</i><br>Steve O'Leary <sup>1</sup><br>(to 30 June 2006)                               | 30-35<br>plus<br>90-95<br>lump sum | 0-2.5<br>plus<br>2.5-5<br>lump sum | 621 | 656 | 9  |

1. Salary is paid by the Department of Trade and Industry

2. Salary is paid by the Foreign and Commonwealth Office

3. Opted out of Civil Service Pension arrangements

### Civil Service Pensions

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

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach 60, or immediately on ceasing to be an active member of the scheme if they are already 60.

Further details about the CSP arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

### **Cash Equivalent Transfer Values**

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

### **Real increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### **Fees paid to Independent Board Members**

Below are the annual fees plus expenses paid to the independent members of the UK Trade & Investment Executive Board. The total payments for the year to each person were in the following ranges.

|                     | £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 |

*Andrew Cahn CMG*  
Accounting Officer

18 July 2007

## Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 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 judgments 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

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 achievements 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 for Business, Enterprise and Regulatory Reform (BERR) 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 Secretary of State for Foreign & Commonwealth Affairs. 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 BERR 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 2007 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 BERR'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 2006-07 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 seven executive Directors, including me, 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 risk management framework and gets assurance from management on the appropriateness of mitigation strategies;
- A Strategy Implementation Programme Board was established to oversee progress in delivering the workstreams that were announced in July 2006, in Prosperity in a changing world. The Board met monthly until March 2007 and considered risks to each workstream and to delivery of the Strategy as a whole, advising the Executive Board on management of these risks as necessary. A Performance Management Group succeeded the Strategy Programme Board in 2007/08.

- Strategy risk management was supported by two risk management workshops, in April and September. A risk register was set up for the Strategy and this developed a new format over the period. The Audit Committee considered this new format in February and May 2007 and agreed with management's recommendation that it should replace the current format for UKTI's Group and Corporate risk registers in 2007/08
- 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 BERR'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.

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 BERR and the FCO, which operate to the Government Internal Audit Standards. They submit reports after each assignment, which include recommendations for improvement. The Head of Internal Audit for UK Trade & Investment issues 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.

There were no significant internal control issues during the course of 2006-07. Where weaknesses in the control environment were identified, action to strengthen control has taken place or is planned. This includes follow up to the loss of a payment for a promotional event in Hong Kong in March 2004, where part of the explanation for this rests with weaknesses in some aspects in the control environment in UKTI's operation in Hong Kong and in London. This weakness has been actioned on, and the follow up, planned as part of UKTI's internal audit programme for 2007/08, will focus on providing assurance that appropriate lessons have been learnt.

*Andrew Cahn CMG*  
Accounting Officer

18 July 2007

## **The Certificate 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 2007 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 Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Accounting Officer and auditor**

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration 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 and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Financial Review, is consistent with the financial statements. 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.

In addition, I report to you 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 regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Department's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers 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 certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinions**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by 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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the

expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

### Audit 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 2007, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information given in the Annual Report, which comprises the Financial Review, is consistent with the financial statements.

### Audit Opinion on Regularity

In my opinion, 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  
23 July 2007

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

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

## Statement of Parliamentary Supply

### Summary of Resource Outturn 2006-07

| Request for resources  | Note | Estimate          |                |               | Outturn           |                |               | 2006-07<br>£000   | 2005-06<br>£000 |
|------------------------|------|-------------------|----------------|---------------|-------------------|----------------|---------------|---|-----------------|
|                        |      | Gross expenditure | A-in-A         | Net total     | Gross expenditure | A-in-A         | Net total     | Net total outturn compared with Estimate: saving/(excess) | Outturn         |
| 1                      | 2    | 97,159            | (1,830)        | 95,329        | 95,764            | (1,676)        | 94,088        | 1,241   | 95,374          |
| <b>Total resources</b> |      | <b>97,159</b>     | <b>(1,830)</b> | <b>95,329</b> | <b>95,764</b>     | <b>(1,676)</b> | <b>94,088</b> | <b>1,241</b>  | <b>95,374</b>   |

### Net Cash Requirement 2006-07

|                      | Note | Estimate | Outturn | 2006-07<br>£000   | 2005-06<br>£000 |
|----------------------|------|----------|---------|---|-----------------|
|                      |      |          |         | Net total outturn compared with Estimate: saving/(excess) | Outturn         |
| Net cash requirement | 3    | 98,588   | 94,158  | 4,430   | 96,641          |

### 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).

|       | Note | Forecast 2006-07<br>£000 |          | Outturn 2006-07<br>£000 |          |
|-------|------|--------------------------|----------|-------------------------|----------|
|       |      | Income                   | Receipts | Income                  | Receipts |
| Total | 4    | -                        | -        | 3                       | 3        |

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

## Operating Cost Statement

### For the Year Ended 31 March 2007

|                                |      | 2006-07<br>£000 | 2005-06<br>£000 |
|--------------------------------|------|-----------------|-----------------|
|                                | Note |                 |                 |
| <b>Programme costs</b>         |      |                 |                 |
| <b>Request for resources 1</b> |      |                 |                 |
| Staff costs                    | 5    | 1,290           | 1,958           |
| Other programme costs          | 6    | 94,474          | 94,453          |
| Income                         | 7    | (1,676)         | (1,037)         |
| <b>Net operating cost</b>      |      | <b>94,088</b>   | <b>95,374</b>   |

All income and expenditure are derived from continuing operations.

## Statement of Recognised Gains and Losses

### For the Year Ended 31 March 2007

|  | Note | 2006-07<br>£000 | 2005-06<br>£000 |
|--|------|-----------------|-----------------|
| <b>Loss arising on the revaluation of fixed assets</b> |      | (1)             | -               |

*The notes on pages 35 to 46 form part of these accounts.*

## Balance Sheet

### As at 31 March 2007

|  |      |          | 2007<br>£000    |          | 2006<br>£000    |
|--|------|----------|-----------------|----------|-----------------|
|  | Note |          |                 |          |                 |
| <b>Fixed assets</b>                                    |      |          |                 |          |                 |
| Tangible assets  | 8    | 324      |                 | 319      |                 |
| Intangible assets                                      | 9    | 30       |                 | 34       |                 |
|  |      |          | 354             |          | 353             |
| <b>Debtors falling due after more than one year</b>    | 10   |          | 608             |          | 973             |
| <b>Current assets</b>                                  |      |          |                 |          |                 |
| Debtors  | 10   | 2,217    |                 | 2,573    |                 |
| Cash at bank and in hand                               | 11   | 2,405    |                 | 8,894    |                 |
|  |      | 4,622    |                 | 11,467   |                 |
| <b>Creditors (amounts falling due within one year)</b> | 12   | (21,005) |                 | (28,227) |                 |
| <b>Net current liabilities</b>                         |      |          | (16,383)        |          | (16,760)        |
| <b>Total assets less current liabilities</b>           |      |          | (15,421)        |          | (15,434)        |
|  |      |          | <b>(15,421)</b> |          | <b>(15,434)</b> |
| <b>Taxpayers' equity</b>                               |      |          |                 |          |                 |
| General fund   | 13   |          | (15,421)        |          | (15,435)        |
| Revaluation reserve                                    | 14   |          | -               |          | 1               |
|  |      |          | <b>(15,421)</b> |          | <b>(15,434)</b> |

Andrew Cahn CMG  
Accounting Officer

18 July 2007

Authorised for issue on 24 July 2007

The notes on pages 35 to 46 form part of these accounts.

## Cash Flow Statement

### For the Year Ended 31 March 2007

|   |             | <b>2006-07</b> | <b>2005-06</b> |
|---|-------------|----------------|----------------|
|   |             | <b>£000</b>    | <b>£000</b>    |
| Net cash outflow from operating activities  | Note 15.1   | (93,958)       | (96,445)       |
| Capital expenditure and financial investment  | 15.2        | (201)          | (196)          |
| Receipts due to the Consolidated Fund which are outside the scope of the organisation's activities  | 4           | 3              | 39             |
| Payments of amounts due to the Consolidated Fund  | 4           | (3)            | (41)           |
| Receipts due to Department of Trade and Industry outside the scope of the organisation's activities | 11          | (7,606)        | 7,606          |
| Financing   | 15.4        | 95,276         | 96,254         |
| <b>Increase/(decrease) in cash in the period</b>  | <b>15.5</b> | <b>(6,489)</b> | <b>7,217</b>   |

*The notes on pages 35 to 46 form part of these accounts.*

## Statement of Operating Costs by Departmental Objective For the Year Ended 31 March 2007

### 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

|   | 2006-07       |                |               | 2005-06       |                |               |
|---|---------------|----------------|---------------|---------------|----------------|---------------|
|   | Gross         | Income         | Net           | Gross         | Income         | Net           |
| Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments | 65,085        | (1,676)        | 63,409        | 69,050        | (1,037)        | 68,013        |
| Sub-objective 2: To attract a continuing high level of quality foreign direct investment                      | 30,679        | -              | 30,679        | 27,361        | -              | 27,361        |
| <b>Net operating costs</b>  | <b>95,764</b> | <b>(1,676)</b> | <b>94,088</b> | <b>96,411</b> | <b>(1,037)</b> | <b>95,374</b> |

See note 16.

Administration resources that have been consumed by both the DTI and the FCO in meeting UKTI's sub-objectives 1 and 2 above are detailed in memorandum note 5 to these accounts.

## Notes to the 2006-07 Accounts

### 1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2006-07 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 UKTI 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 UKTI'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 UKTI for the purpose of giving a true and fair view has been selected. UKTI'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 UKTI has Principal Accounting Officer (AO) 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 then Department of Trade and Industry (DTI), and the Foreign and Commonwealth Office (FCO).

Because AO responsibility for the cost of administering UKTI's programmes currently remains with one or other of its two parent departments, these accounts report only on the programme activities and resources of UKTI 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 to the accounts (pages 47 to 50).

#### 1.3 Tangible Fixed Assets

Tangible fixed assets purchased by UKTI, and where the risks and rewards of ownership lie with UKTI, 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 UKTI is conducted through the offices of BERR (previously DTI) and the FCO. The use of these departments' assets is reflected in appropriate cost allocations which appear as memoranda notes to these accounts. Control and beneficial interest in these tangible fixed assets vest in BERR 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 UKTI. 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 UKTI, as well as certain staff costs where they relate directly to front-line service delivery. Administration costs are the costs of running UKTI as defined under the administrative cost-control regime. UKTI 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 UKTI 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.

## 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. UKTI 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 UKTI are employees of either the FCO or BERR. Past and present employees are covered by the provisions of the Civil Service Pension Schemes. The FCO and BERR recognise the relevant costs for the year in their respective annual report and accounts. The amounts incurred in respect of those staff working for UKTI are shown in the memoranda notes 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**

UKTI holds in trust monies belonging to third parties paid in advance to UKTI's service provider for a service which has now closed. These monies are not recognised in the accounts, since neither UKTI nor government more generally has a direct beneficial interest in them but the value is recorded in note 23.

## 2. Analysis of Net Resource Outturn by Section

|   | Outturn          |               |                                       |                |               | 2006-07<br>£000<br>Estimate |  | 2005-06<br>£000          |
|---|------------------|---------------|---------------------------------------|----------------|---------------|-----------------------------|--|--------------------------|
|   | Other<br>current | Grants        | Gross<br>resource<br>expendi-<br>ture | A-in-A         | Net total     | Net total                   | Net total<br>outturn<br>compared<br>with<br>Estimate | Prior<br>year<br>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 |                  |               |                                       |                |               |                             |  |                          |
| <i>Central Government spending</i>  |                  |               |                                       |                |               |                             |  |                          |
| A Trade development and promotion and inward investment   |                  |               |                                       |                |               |                             |  |                          |
|   | 78,534           | 17,230        | 95,764                                | (1,676)        | 94,088        | 95,329                      | 1,241  | 95,374                   |
| <b>Resource outturn</b>   | <b>78,534</b>    | <b>17,230</b> | <b>95,764</b>                         | <b>(1,676)</b> | <b>94,088</b> | <b>95,329</b>               | <b>1,241</b>   | <b>95,374</b>            |

The 1.3 per cent underspend was largely due to a delay to the rollout of the Research & Development programme, which was initiated part way through the financial year as a result of a change in UKTI's strategy, announced in the 2006 Budget. Detailed explanations of variances are given in the annual report.

## 3. Reconciliation of Resources to Cash Requirement

|  | Note | Estimate      | Outturn       | 2006-07<br>£000<br>Net total<br>Outturn<br>compared with<br>Estimate:<br>saving/(excess) |
|--|------|---------------|---------------|--|
| Resource outturn                           |      | 95,329        | 94,088        | 1,241  |
| Capital                                    |      |               |               |  |
| Acquisition of fixed assets                | 8,9  | 248           | 176           | 72   |
| Accruals adjustments                       |      |               |               |  |
| Non-cash items                             | 6    | (108)         | (117)         | 9  |
| Changes in working capital other than cash |      | 3,119         | 11            | 3,108  |
| <b>Net cash requirement</b>                |      | <b>98,588</b> | <b>94,158</b> | <b>4,430</b>   |

The difference between the estimated change in working capital and the outturn was mainly due to additional cash requested in anticipation of paying more creditors, which did not materialise.

## 4. Analysis of Income Payable to the Consolidated Fund

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

|  | Forecast 2006-07<br>£000 |          | Outturn 2006-07<br>£000 |          |
|--|--------------------------|----------|-------------------------|----------|
|  | Income                   | Receipts | Income                  | Receipts |
| Other amounts collectable on behalf of the Consolidated Fund | -                        | -        | 3                       | 3        |
|  | -                        | -        | 3                       | 3        |

These amounts arise where UKTI receives sums which are not part of the ordinary course of continuing business.

## 5. Numbers and Costs of People Engaged in Delivering UKTI's Objective

Most personnel engaged on UKTI business are employees of either BERR or the FCO and details are shown in memoranda note 1. 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:

|   | 2006-07 | 2005-06 |
|---|---------|---------|
| Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments | 19      | 24      |
| Sub-objective 2: To attract a continuing high level of quality foreign direct investment                      | 6       | 16      |
| Average whole time equivalent number of International Business Specialists and consultants                    | 25      | 40      |
| Staff costs (£000)  | 1,290   | 1,958   |

## 6. Non-Staff Programme Costs

|  | 2006-07<br>£000 | 2005-06<br>£000 |
|--|-----------------|-----------------|
| Current grants                                   | 17,230          | 15,230          |
| PFI service charges: off-balance sheet contracts | 3,255           | 3,009           |
| External services                                | 29,379          | 27,442          |
| Customer grants                                  | 11,898          | 17,506          |
| Promotions and publications                      | 11,701          | 11,703          |
| Events   | 11,611          | 10,544          |
| Other costs                                      | 9,283           | 8,919           |
| Non-cash items                                   |                 |                 |
| Depreciation                                     | 152             | 156             |
| Amortisation                                     | 9               | 9               |
| Revaluation of fixed assets                      | 13              | 24              |
| Loss on disposal of fixed assets                 | -               | 2               |
| Cost of capital (credit)                         | (57)            | (91)            |
|  | 117             | 100             |
|  | 77,244          | 79,223          |
| <b>Non-staff programme expenditure</b>           | <b>94,474</b>   | <b>94,453</b>   |

## 7. Income

### Operating income

|   | 2006-07<br>£000 | 2005-06<br>£000 |
|---|-----------------|-----------------|
| Fees and charges to external customers for market information reports | 1,440           | 964             |
| Other charges   | 100             | 32              |
| Other allowable   | 136             | 41              |
|   | <b>1,676</b>    | <b>1,037</b>    |

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

| Service  | 2006-07<br>£000 |           |         | 2005-06<br>£000 |           |         |
|--|-----------------|-----------|---------|-----------------|-----------|---------|
|  | Income          | Full cost | Deficit | Income          | Full cost | Deficit |
| Provision of Overseas Market Information to UK Exporters | 1,440           | 2,220     | (780)   | 964             | 1,508     | (544)   |

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

## 8. Tangible Fixed Assets

|  | Information<br>technology<br>£000 | Office<br>machinery<br>£000 | Total<br>£000 |
|--|-----------------------------------|-----------------------------|---------------|
| <b>Cost or valuation</b>               |                                   |                             |               |
| At 1 April 2006                        | 617                               | 174                         | 791           |
| Additions                              | 169                               | 2                           | 171           |
| Disposals                              | -                                 | -                           | -             |
| Revaluations                           | (57)                              | (8)                         | (65)          |
| Permanent diminution                   | -                                 | -                           | -             |
| <b>At 31 March 2007</b>                | <b>729</b>                        | <b>168</b>                  | <b>897</b>    |
| <b>Depreciation</b>                    |                                   |                             |               |
| At 1 April 2006                        | (323)                             | (149)                       | (472)         |
| Charge in year                         | (137)                             | (15)                        | (152)         |
| Disposals                              | -                                 | -                           | -             |
| Revaluations                           | 44                                | 7                           | 51            |
| Permanent diminution                   | -                                 | -                           | -             |
| <b>At 31 March 2007</b>                | <b>(416)</b>                      | <b>(157)</b>                | <b>573</b>    |
| <b>Net book value at 31 March 2007</b> | <b>313</b>                        | <b>11</b>                   | <b>324</b>    |
| Net book value at 31 March 2006        | 294                               | 25                          | 319           |
| <b>Asset financing</b>                 |                                   |                             |               |
| Owned                                  | 313                               | 11                          | 324           |
| <b>Net book value at 31 March 2007</b> | <b>313</b>                        | <b>11</b>                   | <b>324</b>    |

## 9. Intangible Fixed Assets

|  | Purchased software licences<br>£000 |
|--|-------------------------------------|
| <b>Cost or valuation</b>               |                                     |
| At 1 April 2006                        | 43                                  |
| Additions                              | 5                                   |
| <b>At 31 March 2007</b>                | <b>48</b>                           |
| <b>Amortisation</b>                    |                                     |
| At 1 April 2006                        | (9)                                 |
| Charge in year                         | (9)                                 |
| <b>At 31 March 2007</b>                | <b>(18)</b>                         |
| <b>Net book value at 31 March 2007</b> | <b>30</b>                           |
| Net book value at 31 March 2006        | 34                                  |

## 10. Debtors

### Analysis by type

|  | 31 March 2007<br>£000 | 31 March 2006<br>£000 |
|--|-----------------------|-----------------------|
| <b>Amounts falling due within one year</b> |                       |                       |
| Trade debtors <sup>1</sup>                 | 204                   | 199                   |
| VAT  | 1,104                 | 1,334                 |
| Other debtors                              | 2                     | 10                    |
| Current part of PFI prepayment             | 645                   | 616                   |
| Other prepayments and accrued income       | 262                   | 414                   |
|  | <b>2,217</b>          | <b>2,573</b>          |

<sup>1</sup> Included within trade debtors is £1,000 (2005-06 1,000) which will be paid to the Consolidated Fund on receipt.

|   | 31 March 2007<br>£000 | 31 March 2006<br>£000 |
|---|-----------------------|-----------------------|
| <b>Amounts falling due after more than one year</b> |                       |                       |
| PFI prepayments                                     | 608                   | 940                   |
| Other prepayments and accrued income                | -                     | 33                    |
|   | <b>608</b>            | <b>973</b>            |

### ***Intra-government balances***

|   | Amounts falling due within<br>one year<br>£000 |               | Amounts falling due after<br>more than one year<br>£000 |               |
|---|--|---------------|---|---------------|
|   | 31 March 2007                                  | 31 March 2006 | 31 March 2007   | 31 March 2006 |
| Balances with other central government bodies       | 1,111  | 1,349         |   | -             |
| Balances with public corporations and trading funds | 12   | 15            | -   | -             |
| Intra-government balances                           | 1,123  | 1,364         |   | -             |
| Balances with bodies external to government         | 1,094  | 1,209         | 608   | 973           |
|   | <b>2,217</b>                                   | <b>2,573</b>  | <b>608</b>  | <b>973</b>    |

## **11. Cash at Bank and in Hand**

|   | 2006-07<br>£000 | 2005-06<br>£000 |
|---|-----------------|-----------------|
| Balance at 1 April                              | 8,894           | 1,677           |
| Net change in cash balances:                    | (6,489)         | 7,217           |
| <b>Balance at 31 March</b>                      | <b>2,405</b>    | <b>8,894</b>    |
| The following balances at 31 March were held at |                 |                 |
| Office of HM Paymaster General                  | 2,212           | 8,769           |
| Commercial banks                                | 193             | 125             |
| <b>Balance at 31 March</b>                      | <b>2,405</b>    | <b>8,894</b>    |

Included in the bank balance, as at 31 March 2006, held at the Office of HM Paymaster General is an amount of £7.6 million which was paid into UKTI's bank account instead of into DTI's bank account. The amount was repaid to the DTI during 2006-07.

## **12. Creditors**

### ***Analysis by type***

|  | 31 March 2007<br>£000 | 31 March 2006<br>£000 |
|--|-----------------------|-----------------------|
| <b>Amounts falling due within one year</b>                                     |                       |                       |
| Trade creditors  | 5,670                 | 5,049                 |
| Other creditors  | -                     | 7,606                 |
| Accruals and deferred income   | 12,929                | 14,283                |
| Amounts issued from the Consolidated Fund for Supply but not spent at year end | 2,405                 | 1,288                 |
| Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund       | -                     | -                     |
| Received   | -                     | -                     |
| Receivable   | 1                     | 1                     |
|  | <b>21,005</b>         | <b>28,227</b>         |

**Intra-government balances**

|   | Amounts falling due within one year |               |
|---|-------------------------------------|---------------|
|   | £000                                | £000          |
|   | 31 March 2007                       | 31 March 2006 |
| Balances with other central government bodies       | 6,028                               | 14,102        |
| Balances with local authorities                     | 2                                   | 13            |
| Balances with public corporations and trading funds | 63                                  | 439           |
| Intra-government balances                           | 6,093                               | 14,554        |
| Balances with bodies external to government         | 14,912                              | 13,673        |
|   | <b>21,005</b>                       | <b>28,227</b> |

**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.

|  | 2006-07<br>£000 | 2005-06<br>£000 |
|--|-----------------|-----------------|
| Balance at 1 April   | (15,435)        | (16,612)        |
| Net Parliamentary funding                                  |                 |                 |
| Drawn down   | 95,276          | 96,254          |
| Deemed Supply  | 1,288           | 1,675           |
|  | 96,564          | 97,929          |
| Year end adjustment: Supply creditor                       | (2,405)         | (1,288)         |
| Net transfer from operating activities: net operating cost | (94,088)        | (95,374)        |
| Non-cash charges: cost of capital credit                   | (57)            | (91)            |
| Transfer from revaluation reserve                          |                 | 1               |
| <b>Balance at 31 March</b>                                 | <b>(15,421)</b> | <b>(15,435)</b> |

**14. Reserves****Revaluation reserve**

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

|   | 2006-07<br>£000 | 2005-06<br>£000 |
|---|-----------------|-----------------|
| Balance at 1 April  | 1               | 2               |
| Arising on revaluation during the year (net)                        | (1)             | -               |
| Transfer to general fund of realised element of revaluation reserve | -               | (1)             |
| <b>Balance at 31 March</b>  | <b>-</b>        | <b>1</b>        |

**15. Notes to the Cash Flow Statement****15.1 Reconciliation of operating cost to operating cash flows**

|  |      | 2006-07<br>£000 | 2005-06<br>£000 |
|--|------|-----------------|-----------------|
| Net operating cost   | Note | 94,088          | 95,374          |
| Adjustments for non-cash transactions  | 6    | (117)           | (100)           |
| Increase/(decrease) in debtors   | 10   | (721)           | 483             |
| Decrease/(Increase) in creditors   | 12   | 7,222           | (6,488)         |
| Less movements in creditors relating to items not passing through the operating cost statement |      | (6,514)         | 7,176           |
| <b>Net cash outflow from operating activities</b>  |      | <b>93,958</b>   | <b>96,445</b>   |

**15.2 Analysis of capital expenditure and financial investment**

|   | 2006-07<br>£000 | 2005-06<br>£000 |
|---|-----------------|-----------------|
| Tangible fixed asset additions                    | 196             | 153             |
| Intangible fixed asset additions                  | 5               | 43              |
| <b>Net cash outflow from investing activities</b> | <b>201</b>      | <b>196</b>      |

**15.3 Analysis of capital expenditure and financial investment by request for resources**

|                                   |      | Capital<br>expenditure<br>£000 |
|-----------------------------------|------|--------------------------------|
|                                   | Note |                                |
| Request for resources 1           |      | 201                            |
| Net movement in debtors/creditors |      | (25)                           |
| <b>Total 2006-07</b>              | 8,9  | <b>176</b>                     |
| Total 2005-06                     |      | 155                            |

**15.4 Analysis of financing**

|  |      | 2006-07<br>£000 | 2005-06<br>£000 |
|--|------|-----------------|-----------------|
|  | Note |                 |                 |
| From the Consolidated Fund (Supply) – current year | 13   | 95,276          | 96,254          |
| <b>Net financing</b>                               |      | <b>95,276</b>   | <b>96,254</b>   |

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

|   |       | 2006-07<br>£000 | 2005-06<br>£000 |
|---|-------|-----------------|-----------------|
|   | Note  |                 |                 |
| Net cash requirement  |       | (94,158)        | (96,641)        |
| From the Consolidated Fund (Supply) – current year                            | 13    | 95,276          | 96,254          |
| Amounts due to the Consolidated Fund – received in a prior year and paid over |       | -               | (2)             |
| Receipts due to Department of Trade and Industry                              | 11,12 | (7,607)         | 7,606           |
| <b>Increase/(decrease) in cash</b>  |       | <b>(6,489)</b>  | <b>7,217</b>    |

**16. Note to Statement of Operating Costs by Departmental Objective**

All programme costs of UKTI 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.

|                 | 2006-07<br>£000                 |                           | 2005-06<br>£000                 |                           |
|-----------------|---------------------------------|---------------------------|---------------------------------|---------------------------|
|                 | Net average<br>capital employed | Cost of capital<br>credit | Net average<br>capital employed | Cost of capital<br>credit |
| Sub-objective 1 | (11,090)                        | (40)                      | (12,787)                        | (73)                      |
| Sub-objective 2 | (4,174)                         | (17)                      | (3,100)                         | (18)                      |
|                 | <b>(15,264)</b>                 | <b>(57)</b>               | <b>(15,887)</b>                 | <b>(91)</b>               |

## 17. Commitments under PFI Contracts

UKTI has entered into the following off-balance sheet PFI contract.

### **ELGAR**

UKTI's headquarters utilises BERR's ELGAR contract with Fujitsu to deliver key e-business projects to support services to customers and staff. In BERR, 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 UKTI's e-business strategy, which was first published in November 2000.

UKTI'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 UKTI'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 2007-08. Payments for the initial development of the CRM application are being made monthly in arrears.

During 2006-07 further enhancements were made to the public facing element of the Portal and CRM applications. £137,990 was recorded in the accounts as paid or payable, of which £72,939 has been classified as a prepayment to be amortised over the next two 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 £6.62 million (2005-06 £6.60 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 £3,255,000 (2005-06 £3,009,000); and the charges to which UKTI is committed during 2007-08, analysed by the period during which the commitment expires, is as follows:

|                            | <b>2007-08</b> | <b>2006-07</b> |
|----------------------------|----------------|----------------|
|                            | <b>£000</b>    | <b>£000</b>    |
| Expiry within 1 year       | -              | -              |
| Expiry within 2 to 5 years | 3,315          | 3,197          |
|                            | <b>3,315</b>   | <b>3,197</b>   |

## 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, UKTI 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 UKTI 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 UKTI's net resource and capital requirements. UKTI is not therefore exposed to significant liquidity risks. UKTI does not access funds from commercial sources and so is not exposed to interest rate risk. UKTI'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 UKTI's financial instruments.

At 31 March 2007 UKTI had no debtors payable in more than one year (31 March 2006, £nil).

## 19. Related Party Transactions

UKTI is a joint operation between BERR and the FCO. These bodies are regarded as related parties with which UKTI has had various material transactions during the year.

In addition UKTI 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 UKTI or other related party has undertaken any material transactions with UKTI during the year.

## 20. Contingent Liabilities disclosed under FRS 12

There are no Contingent Liabilities

## 21. Post Balance Sheet Events

UKTI has identified a loss in 2007-08 which relates to a payment, of £25,000, for a promotional event in Hong Kong in March 2004. Funds released by UKTI to pay its share of the costs were retained by an intermediary and not forwarded to the intended recipient. Subsequent efforts to recover this money have been unsuccessful, and UKTI is obliged to now pay the intended recipient. A payment of £25,000 will be made in 2007-08 and this will be recorded as a loss.

Following a Ministerial Statement by the Prime Minister, on 28 June 2007, the DTI ceased to exist. A new department was formed, the Department for Business, Enterprise and Regularity Reform (BERR), which took over from the DTI its sponsorship responsibilities in relation to UKTI.

This new Department is responsible for creating the conditions for business success, developing deeper and more effective engagement with business, with the ability to promote the competitiveness agenda across critical areas of Government policy and will provide support for a new Business Council for Britain. Through UKTI, jointly with the FCO, the Department will be responsible for supporting companies doing business internationally and overseas enterprises seeking to locate in the UK.

## 22. Date of Authorisation for issue of the Resource Accounts

The date of dispatch to HM Treasury is considered to be the issue date of the entity's resource accounts. For these 2006-07 UKTI Resource Accounts the issue date is 24 July 2007.

## 23. Third-Party Assets

In December 2004, UKTI 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 UKTI's contractor for the service transferred to UKTI 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 2007<br>£000 | 31 March 2006<br>£000 |
|--------------------------------|-----------------------|-----------------------|
| <b>Balance held in account</b> | <b>53</b>             | <b>52</b>             |

The commercial bank account was closed, after the year-end, and the balance of cash was received by UKTI in April 2007 and was paid to the Consolidated Fund.

## Memoranda Notes on Administration Costs and Administration Capital

These memoranda notes are not covered by the Comptroller and Auditor General's opinion on pages 28 to 29.

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).

### 1. Staff Numbers and Related Costs

Staff working for UKTI are employees of either BERR (formerly DTI) or the FCO.

#### Department of Trade and Industry

Staff costs consisted of:

|   |               |                    | 2006-07<br>£000 | 2005-06<br>£000 |
|---|---------------|--------------------|-----------------|-----------------|
|   | Total         | Permanent<br>staff | Others          | Total           |
| Wages and salaries                      | 17,424        | 16,533             | 891             | 17,828          |
| Social security costs                   | 1,379         | 1,379              | -               | 1,385           |
| Other pension costs                     | 3,268         | 3,268              | -               | 3,193           |
|   | <b>22,071</b> | <b>21,180</b>      | <b>891</b>      | <b>22,406</b>   |
| Less recoveries for outward secondments | (309)         | (309)              | -               | (451)           |
| <b>Total net costs</b>                  | <b>21,762</b> | <b>20,871</b>      | <b>891</b>      | <b>21,955</b>   |

UKTI spent £1,290,000 (2005-06 £1,958,000) from its programme budget on International Business Specialists seconded from private sector organisations and consultants (see note 5).

The average numbers of whole-time equivalent persons employed during the year are shown in the table below. These are based on figures supplied by the then DTI to the Office for National Statistics (ONS) in accordance with ONS guidance, "Guide to Official Statistics 2000 edition Chapter 17.2. The numbers are as follows:

|   |            |                    | 2006-07<br>WTE | 2005-06<br>WTE |
|---|------------|--------------------|----------------|----------------|
|   | Total      | Permanent<br>staff | Others         | Total          |
| Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments | 383        | 359                | 24             | 495            |
| Sub-objective 2: To attract a continuing high level of quality foreign direct investment                      | 172        | 154                | 18             | 136            |
|   | <b>555</b> | <b>513</b>         | <b>42</b>      | <b>631</b>     |

#### Foreign and Commonwealth Office

Staff costs consisted of:

|                              | 2006-07<br>£000 | 2005-06<br>£000 |
|------------------------------|-----------------|-----------------|
| UK staff costs               | 17,251          | 17,491          |
| Locally employed staff costs | 28,744          | 27,381          |
|                              | <b>45,995</b>   | <b>44,872</b>   |

The average numbers of whole-time equivalent persons employed during the year are shown in the table below. These are based on figures supplied by the FCO to the Office for National

Statistics (ONS) in accordance with ONS guidance, "Guide to Official Statistics 2000 edition Chapter 17.2. The numbers are as follows:

|   | 2006-07<br>WTE | 2005-06<br>WTE |
|---|----------------|----------------|
|   | Total          | Total          |
| Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments | 1,022          | 1,086          |
| Sub-objective 2: To attract a continuing high level of quality foreign direct investment                      | 237            | 206            |
|   | <b>1,259</b>   | <b>1,292</b>   |

The Chief Executive of UKTI is a member of the Management Boards of both the FCO and BERR. Details of Andrew Cahn's remuneration is shown in the Remuneration Report (pages 20 to 21).

During 2006-07 independent members of the UKTI Board received remuneration for their services, paid for from the DTI administration budget. The amounts are shown in the Remuneration Report (page 23).

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

## 2. Other Administration Costs

### Department of Trade and Industry

|   | 2006-07<br>£000 |        | 2005-06<br>£000 |
|---|-----------------|--------|-----------------|
| Rentals under operating leases  | 29              |        | 40              |
| Non-cash items  |                 |        |                 |
| Apportionment of central overheads attributable to UKTI activities <sup>(c)</sup> | 12,189          | 13,191 |                 |
| Auditor's remuneration and expenses <sup>(a)</sup>                                | 25              | 21     |                 |
| Depreciation  | 63              | 88     |                 |
| Revaluation of fixed assets   | 6               | 29     |                 |
| Loss on disposal of fixed assets  | 2               | -      |                 |
| Cost of capital charge (credit)   | 1               | (4)    |                 |
|   | 12,286          |        | 13,325          |
| Other expenditure   | 9,030           |        | 11,124          |
| <b>Total administration expenditure DTI</b>                                       | <b>21,345</b>   |        | <b>24,489</b>   |

### Foreign and Commonwealth Office

|   | 2006-07<br>£000 |         | 2005-06<br>£000 |
|---|-----------------|---------|-----------------|
| Rentals under operating leases  | 10,982          |         | 10,950          |
| Non-cash items  |                 |         |                 |
| Apportionment of overheads attributable to UKTI activities <sup>(c)</sup> | 46,230          | 59,071  |                 |
| Auditor's remuneration and expenses <sup>(a)</sup>                        | 20              | 20      |                 |
| Depreciation <sup>(b)</sup>   | 9,431           | 21,729  |                 |
| Impairment / (Reversal)   | 3,264           | (6,206) |                 |
| Cost of capital charge  | 5,770           | 4,796   |                 |
|   | 64,715          |         | 79,410          |
| Other Expenditure <sup>(c)</sup>  | 17,502          |         | 7,346           |
| <b>Total administration expenditure FCO</b>                               | <b>93,199</b>   |         | <b>97,706</b>   |

<sup>(a)</sup> There was no remuneration for non-audit work for either department.

<sup>(b)</sup> 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 UKTI as a result of this change is around £14 million. Had this change not occurred, the total outturn for the year for UKTI's FCO administration expenditure would have been in the region of £84 million.

<sup>(c)</sup> The method and calculation of overhead apportionment and other expenditure is outside the scope of responsibilities of the Chief Executive and Accounting Officer.

### 3. Administration Income

#### Department of Trade and Industry

|                        | 2006-07<br>£000 | 2005-06<br>£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 UKTI's activities. FCO income is therefore not identified separately but is included as part of the net figures disclosed in memorandum notes 2 and 5.

### 4. Tangible Fixed Assets: Administration Capital

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

|  | Department of<br>Trade and<br>Industry<br>£000 | Foreign and<br>Commonwealth<br>Office<br>£000 | Total<br>£000 |
|--|--|---|---------------|
| Net book value at 31 March 2006        | 99   | -   | 99            |
| <b>Net book value at 31 March 2007</b> | <b>29</b>                                      | <b>-</b>                                      | <b>29</b>     |

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

### 5. Statement of Operating Costs by Departmental Objective: Administration

The statement of operating costs by departmental objective shows programme resources consumed in the meeting of UKTI's sub-objectives (see page 34). Administration resources consumed by UKTI's parent departments in meeting UKTI's sub-objectives were as follows:

#### Department of Trade and Industry

|   | 2006-07<br>£000 |          |               | 2005-06<br>£000 |          |               |
|---|-----------------|----------|---------------|-----------------|----------|---------------|
|   | Gross           | Income   | Net           | Gross           | Income   | Net           |
| Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments | 35,601          | -        | 35,601        | 38,135          | -        | 38,135        |
| Sub-objective 2: To attract a continuing high level of quality foreign direct investment                      | 7,506           | -        | 7,506         | 8,309           | -        | 8,309         |
| <b>Net operating costs DTI</b>  | <b>43,107</b>   | <b>-</b> | <b>43,107</b> | <b>46,444</b>   | <b>-</b> | <b>46,444</b> |

#### Foreign and Commonwealth Office

|   | 2006-07<br>£000 |          |                | 2005-06<br>£000 |          |                |
|---|-----------------|----------|----------------|-----------------|----------|----------------|
|   | Gross           | Income   | Net            | Gross           | Income   | Net            |
| Sub-objective 1: To enhance the competitiveness of companies in the UK through overseas trade and investments | 110,978         | -        | 110,978        | 119,845         | -        | 119,845        |
| Sub-objective 2: To attract a continuing high level of quality foreign direct investment                      | 28,216          | -        | 28,216         | 22,733          | -        | 22,733         |
| <b>Net operating costs FCO</b>  | <b>139,194</b>  | <b>-</b> | <b>139,194</b> | <b>142,578</b>  | <b>-</b> | <b>142,578</b> |

Within the DTI and FCO 'Statement of Operating Costs by Departmental Objective' UKTI is included under Objective 1 and Strategic Priority 5 respectively.





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