

The UK Intellectual Property Office Annual Report and Accounts 2007-2008



The UK Intellectual Property Office Annual Report and Accounts 2007-2008

The Patent Office

Presented to Parliament pursuant to section 121 of the Patents Act 1977, section 42 of the Registered Designs Act 1949 and section 71 of the Trade Marks Act 1994, and as required by article 6 of the Patent Office Trading Fund Order 1991 pursuant to section 4(6B) of the Government Trading Funds Act 1973 as amended by the Government Trading Act 1990.

The Patent Office was an Executive Agency of the Department of Trade and Industry then following machinery of government changes announced on 28 June 2007 the Office became an Executive Agency of the Department for Innovation, Universities and Skills.

2007/2008 Annual Report & Accounts

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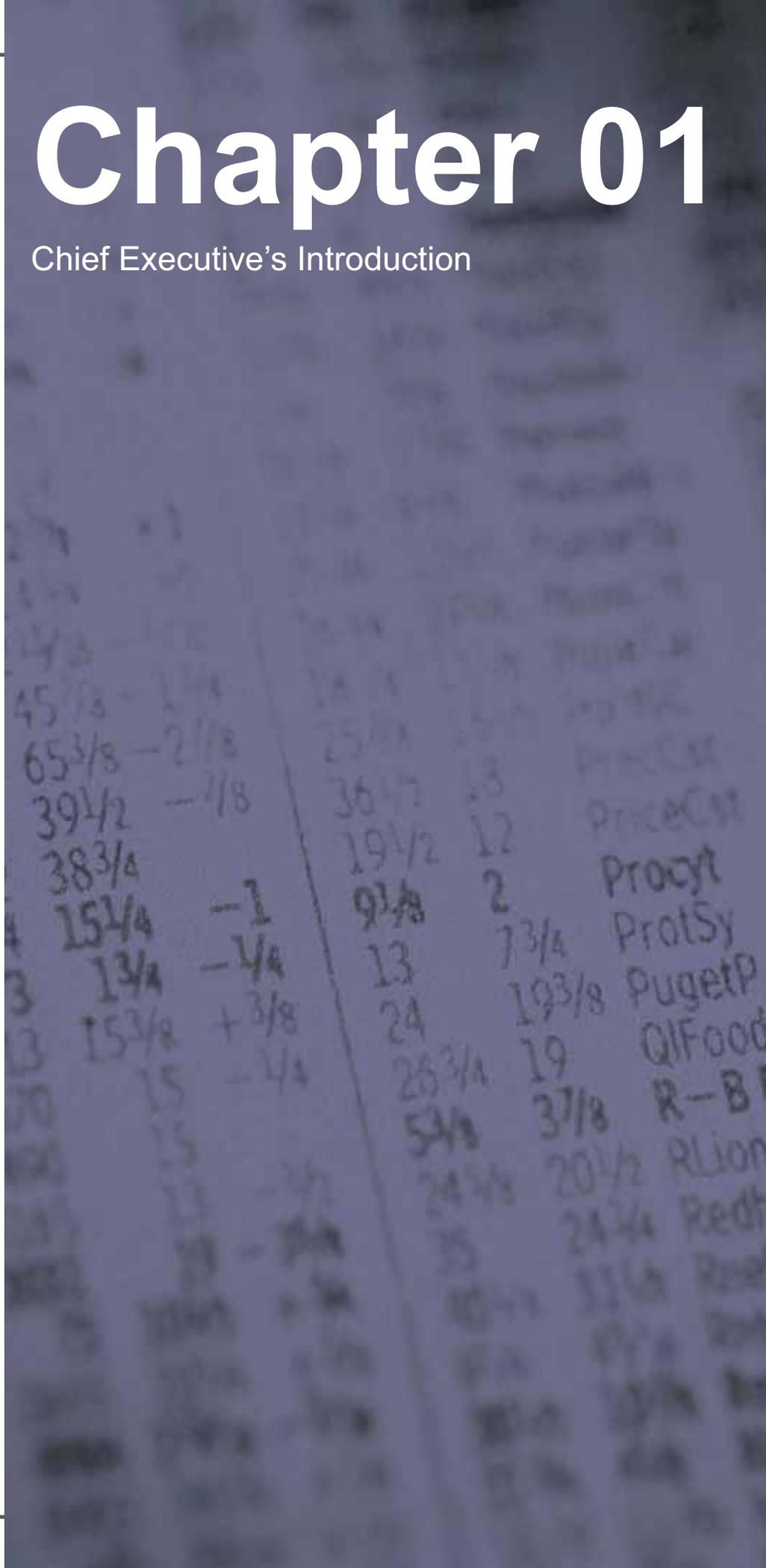
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Chapter 01

Chief Executive's Introduction



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I am very pleased to introduce the Annual Report & Accounts of the Office following my appointment as Chief Executive and Accounting Officer on 30 April 2007.

2007-08 signified the start of significant change and development for the Office, highlighted by the operating name changing to "United Kingdom Intellectual Property Office" (UK-IPO) to better reflect the full and expanding range of activities we undertake. Machinery of Government changes meant the UK-IPO became part of the new Department for Innovation, Universities and Skills (DIUS) putting IP and innovation at the heart of the Department.

We have made substantial changes to core activities in the year to continually develop and improve the service we offer. Section 5 of the Trade Mark Act has been changed so that we no longer refuse registration of a new trade mark application because of an earlier conflicting mark, unless the owner of the earlier mark successfully opposes the new application. This has significantly altered trade mark examination and the contact we have with applicants. We are piloting patent highways with Japan and the USA to accelerate examination of applications already filed in other jurisdictions. We continue to introduce new electronic services for our customers as well as working with enforcement bodies to produce work like the IP Crime Report.

Along with the changes, has come continued success. We have maintained our reputation for granting high quality IP rights and as a customer focussed agency. This is fundamental to the success of the Office.

This all happened as a result of the commitment and dedication of staff to whom I would like to extend my sincere gratitude and thanks for all their hard work as well as the help and support they have given me.

The year ahead promises to be exciting and demanding. Intellectual Property is high on today's economic agenda and the government has recognised this by appointing a minister for Intellectual Property in DIUS. In addition, a new Strategic Advisory Board for Intellectual Property (SABIP) has now been established to help advise Ministers, and I look forward to their views. The Office plays a vital role in the UK's economic prosperity, its scientific excellence and its innovation system. The role we play and the services we offer help ensure UK business is well placed to succeed in today's global economy.

A handwritten signature in black ink, appearing to read 'I. Fletcher', written over a horizontal line.

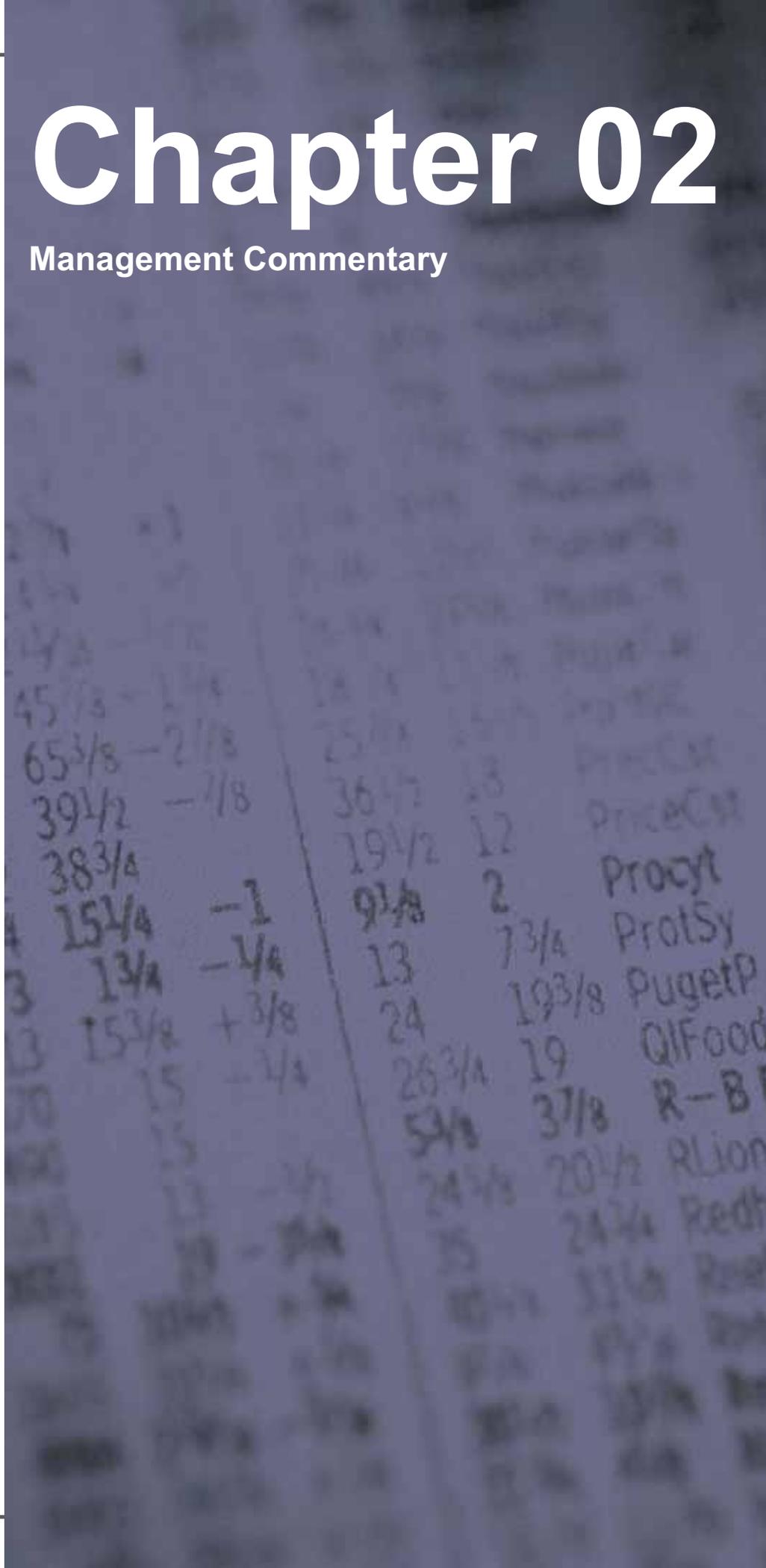
Ian Fletcher
Chief Executive and Accounting Officer

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Chapter 02

Management Commentary



Introduction

The Patent Office¹ was established in the mid-nineteenth century with responsibility for the granting of patents of invention. During the 1870s it acquired the responsibility for registering trade marks and industrial designs, when the Trade Mark Registry and Designs Registry were transferred to it. At that time it was part of the Board of Trade.

The Patent Office became an Executive Agency of the then Department of Trade and Industry in 1990 and acquired trading fund status on 1 October 1991. The Patent Office took on the operating name of the UK Intellectual Property Office on 2nd April 2007. Following machinery of government changes on 28th June 2007 the Office became an Executive Agency of the Department for Innovation, Universities and Skills (DIUS).

Statutory Background

Major UK legislation under which the Office operates includes:

The Patents Act 1977 as amended by the Copyright, Designs and Patents Act 1988, the Patents Act 2004 and the Regulatory Reform (Patents) Order 2004; the Trade Marks Act 1994; and the Registered Designs Act 1949 as amended by the Copyright, Designs and Patents Act 1988.

The accounts have been prepared in accordance with a generic direction issued by Treasury on 11th December 2007 under section 4(6)(a) of the Government Trading Funds Act 1973. The direction requires compliance with the relevant edition of the Government Financial Reporting Manual (FRM).

Principal Activities

The Office facilitates the growth creativity and innovation of industry and commerce through the development and establishment of intellectual property rights relating to copyright, patents, trade marks and registered designs. These rights play a key role in fostering innovation and competitiveness and are governed by a complex framework of national and international law. Seeking further international harmonisation of rules and procedures is a principal objective of the Office, as is the modernisation and simplification of intellectual property law.

For the period under review, the Office's core objectives contribute to the achievement of the DIUS objectives in the following areas:

- Accelerating the commercial exploitation of creativity and knowledge, through innovation and research, to create wealth, grow the economy, build successful businesses and improve quality of life.
- Pursue global excellence in research and knowledge, promote the benefits of science and society, and deliver science, technology, engineering and mathematics skills in line with employer demand.
- Encourage the better use of science in Government, foster public service innovation, and support other Government objectives which depend on DIUS expertise and remit.

¹ The UK Intellectual Property Office is an operating name of the Patent Office.

Development and Performance

A significant volume of work completed during the financial year was a result of the publication of the Gowers Review of Intellectual Property on 6th December 2006.

(www.hm-Treasury.gov.uk/media/583/91/pbr06_gowers_report_755.pdf)

In the Pre Budget Report 2005, the Government initiated an independent review into the way intellectual property (IP) rights are awarded, how well business is able to use IP, and the operation of copyright in the digital age. The published report confirmed the crucial importance of IP to the success of the UK in the global knowledge economy. The report contained recommendations intended to benefit both consumers and business, by making aspects of the UK's IP system clearer and fairer for consumers and other users of IP and improving the enforcement regime, with more focus on IP crime and looking at the way disputes are handled. The report recognised the important role played by the Office.

The Report made proposals on a wide range of policy issues surrounding copyright, patents, enforcement and the fight against IP crime. Most of the proposals fall to the Office to deliver in consultation with Whitehall colleagues and other stakeholders.

A number of recommendations of the Gowers Report have been implemented including:

- *From 2nd April 2007, the Patent Office changed its operating name to the UK Intellectual Property Office (UK-IPO).*
- *From 6th April 2007 new powers under the Copyright, Designs and Patents Act came into force to help Trading Standards Officers tackle the UK's fight against counterfeiting and piracy crime. The UK-IPO in partnership with members of the Alliance Against IP Theft, The Trading Standards Institute and Industry Trust, produced a practical guide outlining the new legislation.*
- *A Fast track consultation was launched in September, which focussed on the speed with which patents and trade marks are processed and granted. As a result of this consultation a Trade mark fast track service was introduced on 6th April 2008.*
- *The UK-IPO has pursued patent work-sharing arrangements with the USA and Japan to reduce cross-national duplication of effort. Twelve month trials began of the Patent Prosecution Highway with both countries during the year. The two separate agreements allow patent applicants to request accelerated examination of a corresponding patent application filed in the other country.*
- *The Strategic Advisory Board for Intellectual Property Policy (SABIP) was established as an advisory non-departmental public body with the UK-IPO as its sponsor agency.*

Building on the Gowers Review, Lord Sainsbury published his review of the UK Science and Innovation System called 'The Race to the Top'. The review examined the role of science and innovation in ensuring the UK remains competitive in our increasingly globalised economy.

A new Customer Relationship Management Unit (CRM) was set up in April 2007 to bring together all aspects of customer related work. The CRM Unit will concentrate on developing a customer insight programme to enhance our understanding of those who want to use our services. This will help the UK-IPO to make more informed decisions in terms of IP frameworks and customer service delivery.

Both Patents and Trade Marks Directorates have introduced rule changes during the year. The Patents Rules 2007 are a completely modernised set of rules which govern the procedures concerning patents and supplementary protection certificates (SPCs). In particular, they:

- Reform provisions on patent litigation at the UK-IPO, introducing flexible and user-friendly procedures, and clearer case management powers
- Better reflect current working practices such as electronic filing of patent applications
- Include simplified and updated administration requirements
- Abolish a number of forms and associated fees
- Introduce newly-clarified provisions on SPCs, bringing consistent provisions on patents and SPCs together for the first time
- Implement detailed provisions concerning recent EC Regulations on the extension of SPCs for paediatric medicines and on patent compulsory licences for certain pharmaceutical products.

From October 2007, the UK-IPO changed Trade Mark examination procedures to comply with the changes to Section 5 of the Trade Mark Act. The UK-IPO no longer refuses to register a new trade mark application because of an earlier conflicting trade mark, unless the owner of the earlier mark successfully opposes the new application. This brings our procedures in line with those of the Office for Harmonisation in the Internal Market (OHIM) and allows successful filings in the UK which previously could only have been filed successfully via OHIM, whilst retaining the ability to oppose any conflicting Trade Marks.

The UK-IPO unveiled its first ever comprehensive survey of Intellectual Property awareness during the year. It highlighted that larger companies have more IP awareness and have greater resources to both find out about IP and do something about it. Present research shows that small companies are generally unaware of IP and efforts to promote IP awareness should be concentrated primarily on them, as is currently the case in the UK. Our IP Awareness Seminars, aimed at raising awareness of intellectual property amongst Small and Medium Enterprises (SMEs), offering advice and guidance to SMEs on utilising their intellectual assets and the dangers of not being aware of those of other people, continue to be held once a month. Our Business Advice Open Days continue to be available for new and small businesses to obtain advice on all aspects of IP.

We have developed our online services by extending the number of forms (both patent and trade mark) and processes included in our web form portfolio and have seen an increase in the uptake of use of the forms. We have also moved the designs journal 'Designs in View' to the web site so it is available free of charge. A further consultation regarding increased business hours is to take place during the coming year.

The UK-IPO worked with Oscar® winners Aardman Animation to develop a programme designed to excite and inspire children to innovate. The Cracking Ideas® initiative fronted by Wallace and Gromit® uses lesson plans, a nationwide competition, teaching resources and a dedicated website to bring innovation into lessons for Key Stage 2 as part of the National Curriculum. The 'Hobby to Enterprise' competition was the latest in a series of annual competitions to complement the educational resource THINK Kit, aimed at 14-16 year old school children.

The Office exceeded its financial and nearly all of its non financial targets in 2007/08 (see Key Performance Indicators). Turnover for the year ended 31 March 2008 was £63.3 million up from £59.1 million the previous year. This reflects both ongoing demand, falls in trade mark work in progress and increasing renewal income from patents, trade marks and designs.

The operating surplus on ordinary activities was £12.4 million. After charging interest of £0.2 million and declaring a dividend of £3.0 million on public dividend capital, a net surplus for the year of £9.2 million remained. The latter has been transferred to reserves.

The Office represents the UK Government as a member of the governing councils of both the European Patent Office (EPO), and OHIM which offer European Patents and EU Trade Marks respectively. In addition we represent the UK Government as a member of WIPO which administers both the Patent Co-operation Treaty and arrangements under the Madrid Protocol, alongside a number of international IP treaties. These bodies also offer IP right holders an alternative to the Office as a way of obtaining IP rights in the UK. This competition ensures we maintain focus on service delivery.

Objectives

Our medium term objectives are to:

- *Continue to offer high quality, cost effective and timely access to Intellectual Property Rights in the UK and internationally.*
- *Understand the extent to which UK firms and institutions are making the best decisions on creating, exploiting and managing IP.*
- *Develop and implement a comprehensive outreach strategy to improve the performance of UK business in turning IP into value.*
- *Agree a strategy for international level action so that copyright is fit for purpose in the 21st century*
- *Drive up consumer compliance with IP law, with the aim of moving towards setting the agenda across the spread of enforcement agencies on action against IP crime.*
- *Ensure the Community Trade Mark system is seen to be working in dynamic balance with national trade mark arrangements and financial surpluses are used to support innovation in the European Union (EU).*
- *Contribute to improved efficiency and financial governance of international organisations, and ensure their governing bodies provide effective supervision and oversight.*

Our broad strategy to achieve our aims is for the Office to play a central role in the support that Government provides business. We want to do this by giving appropriate advice to our immediate customers and the wider business community. This will be complemented by excellent policy advice and support to Ministers, and strong advocacy of the UK interests in IP thinking, policy development and rule making in Europe and around the world.

The Office has recently established an economics capability to develop and improve the economic evidence base of its work. Without a strong up-to-date evidence base we are unlikely to get our policy judgements right, give full support to the Government's wider innovation agenda, or be able to provide appropriate support and engagement for our direct customers on innovation related issues. It is clear that this will be a significant area of new activity.

The area of copyright continues to be challenging: our priority is taking forward the recommendations made by the Gowers Review, but we are aware that the tremendous challenges posed by changes in technology means that there are other concerns from a variety of stakeholders which also need to be considered.

On the related issue of enforcement of IP, which applies to other areas of IP too, there is a growing strategic challenge. Partnership with enforcement bodies is a new area of activity for the UK-IPO, involving our acquisition of new skills, building on existing and developing new relationships, and raising awareness and understanding of IP by others, thereby supporting effective enforcement through police, Trading Standards' Officers, and other agencies.

Building on the work of the Gowers Review, it is clear that the UK-IPO needs to connect more effectively with the Government's wider innovation policy and business support activities. A key challenge again this year is raising the awareness and understanding of British business and society about how to make the best use of the IP system. We will also need to link IP to education in schools and make a connection with the Skills Agenda.

On 13th March 2008 the Government published its White Paper called 'Innovation Nation' which sets out what Government will do to ensure innovation can flourish across every area of the economy. This stressed the role of the UK-IPO in helping to bring about best use of IP in the economy and undertook that amongst other things the Office would train all UKTI export advisers and Business Link advisers in IP management, provide online resources for IP licensing between businesses and develop those for university-business collaborations ('the Lambert resources'), and promote exploitation of IP in universities.

The London Agreement, which removes the requirement to file patent language translations associated with European Patents, will come into force on 1st May 2008. It is expected to significantly reduce the cost of patenting through the EPO by almost halving the current translation costs associated with European Patents. UK businesses will save an estimated £10million every year by not having to file unnecessary patent translations, which currently account for 25% of the cost of an average European patent application.

To improve our public services we will re-launch our web-site. The aim is to create a web-site that will enable our diverse customer groups to find the information they want quickly and easily. It is envisaged that the new look website will be more interactive, easier to navigate and flexible to cope with any changes. It is due to be released in 2008.

The Department for Culture, Media and Sport published a new strategic document "Creative Britain: New Talents for the New Economy" in February 2008. The strategy makes key commitments for Government and industry across every stage of the creative process. The challenge for the UK-IPO is to foster and improve the operation of IP systems through liaison with enforcement bodies and raising IP awareness.

We have implemented a business monitoring process based on a balanced scorecard to measure progress in a more systematic manner. This allows us to monitor our performance in all areas of the Office and is intended to underpin effective delivery. We have further developed our measures for 2008/09.

Policy

Keeping the UK policy framework relevant is a constant challenge within a framework of International, EU and domestic law.

To meet the pressures we face in the Copyright area, a new Copyright and Enforcement Directorate was created in May 2007. This reflects the importance of creative industries in the UK economy and the role effective enforcement plays in their success. On enforcement, the Office is continuing to liaise with the Police and partnership agencies in the UK and abroad to provide a more effective policing framework supported by public administration.

We will consult on possible legislative changes to implement the Gowers recommendations relating to private copying, educational use, and other copyright matters within the Copyright Designs and Patents Act. This is likely to be a major task.

In 2008/09, we intend to reorganise the main policy Directorate to strengthen the links between policy making and the business areas.

Resources and Liquidity

Our reputation for quick and high quality granting of IP rights is fundamental to the Office's business.

For this we rely heavily on the skills and professionalism of our staff. IP Offices around the world are facing severe problems arising from backlogs of work. In the last few years we have generally reduced the amount of work we have in hand. Although levels of unprocessed work have risen in 2007/08 the continuing challenge is to align resources with demand while taking a prudent view of future conditions. Recruiting sufficient, suitable skilled staff remains a management priority.

As a Trading Fund the Office is self financing and must meet any investments from its own resources. The costs of the Gowens report recommendations are likely to add significantly to our cost base. We are piloting a number of new IT projects which if successful could lead to significant investment in IT systems.

While these plans are still to be evaluated the Office has strong cash and liquid assets to cover prudent investment plans. The Office generated £9.9 million (£10.1 million 2006/07) cashflow from its operating activities, enough to cover capital expenditure and normal dividends, which will continue to be based on 4% of net assets, and interest on loans to DIUS. Any surplus funds are invested with the Debt Management Office and have been earning over 4% for some time though there is a limited future interest rate risk.

In addition we have fixed assets of over £28.4 million mostly connected with our ownership of Concept House which was valued at £23.5 million at 31st March 2008.

Risks and uncertainties

We have adopted an approach to risk management that seeks to ensure new policies and activities are made with due consideration of associated risks, the Board's tolerance for risk in those areas, and potential mitigating actions. Our management of risk therefore relates to all aspects of our operations. We have categorised all of our activities for risk management purposes and defined our risk tolerance for each. We record, and actively manage, risks using our strategic, directorate and programme risk registers.

As the Office is entirely dependent on customer demand we cannot be complacent about our income and must continually look to add value for our customers. Since becoming a Trading Fund we have consistently reduced fees in real terms and on several occasions in nominal terms as well.

There was a possibility that, when OHIM joined the Madrid Protocol, substantial amounts of trade mark business would be diverted there with a corresponding loss of income to the Office. However, there has been no substantial evidence for this. This will be kept under review and a key part of our fee review and trade mark programme is to ensure we remain competitive particularly as OHIM reduced its own fees in October 2005 and is likely to plan further reductions.

The Office is heavily dependent on income from European (EP (UK)) Patent Renewals whereby national offices keep approximately 50% of the national renewal fee relating to EP (UK) patents and the rest is remitted to the EPO. If this were reduced to say 40% it would cost the Office over £5.1 million. There is no suggestion that this arrangement is likely to be reviewed in the short term. However, the EPO has recently disclosed a further increase in the deficit in its reserves, to which we continue to pay close attention.

Information Security

Information security was heavily reviewed after the high profile data losses in other parts of government. As well as taking part in the government and departmental reviews, the Office also asked the Internal Audit Team to review our procedures. This review was carried out by PricewaterhouseCoopers. A number of recommendations were made and are being implemented but no significant weaknesses were discovered.

The Cabinet Office has also instructed all Departments to publish tables, detailing all personal data related incidents since April 2004 with the following note.

Incidents the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

**TABLE 1:
SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE
INFORMATION COMMISSIONER'S OFFICE IN 2007/08**

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
	None	N/A	N/A	N/A
Further action on information risk				
The Office continues to review and update its information security procedures.				

**TABLE 2:
SUMMARY OF OTHER PROTECTED PERSONAL DATA RELATED INCIDENTS IN 2007-08**

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.		
Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside Government premises	Nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	Nil
V	Other	Nil

**TABLE 3:
YEAR-ON-YEAR TOTAL NUMBERS OF PROTECTED PERSONAL DATA RELATED INCIDENTS PRIOR TO
2007-08**

Total number of protected personal data related incidents formally reported to the Information Commissioner's Office by category number						
	I	II	III	IV	V	Total
2006-07	0	0	0	0	0	0
2005-06	0	0	0	0	0	0
2004-05	0	0	0	0	0	0

Total Number of other protected personal data related incidents, by category number						
	I	II	III	IV	V	Total
2006-07	0	0	0	0	0	0
2005-06	0	1	0	0	0	1
2004-05	0	0	0	0	0	0

Key Performance Indicators

The Key Performance Indicators (KPIs) are now set within a balanced scorecard framework and allocated to 4 perspectives. These KPI's are agreed with Ministers and published in our annual strategy document.

The KPIs for 2007/08 and our performance against them is set out below, and summarised with previous years' performance in Chapter 5:

Customers and Stakeholders Perspective

There are ten measures specifically relating to the customers and stakeholders perspective. Four of the targets specifically relate to the delivery of services. The first two (in the patent area) set an expectation that 90% of searches and grants should be completed within specified periods. Searches are one chosen focus as they are a key requirement for users. The target was set at 4 months from request; this was a major challenge we were setting ourselves but a key stimulus to delivering a better service to our customers. The outturn for the full year was 90%. For grants, the target period is calculated from the date of the request for examination, and was set this year at 2½ years. Pressure of demand resulted in an outturn of 89% which is marginally below our target of 90% and our performance last year.

Trade Marks Directorate aim "To register 90% of processed Trade Mark class applications, to which no substantive objections have been raised or oppositions filed, within 8 months of application". Both the OPTICS and TMAD IT systems provide a breakdown each month showing how many applications have been registered and within how many days. The systems do not show how many days each individual case took to register but confirm the number of cases which are registered within a variety of time periods. The Agency Target is 240 days and our systems tell us precisely the percentage of applications each month which are registered within 8 months (240 days). For this financial year, 95% of Trade Mark applications that were not the subject of substantive objection or opposition were registered within 8 months of filing.

Our Designs' Target aims "To register 95% of all correctly filed design applications, to which no substantive objections have been raised, within 3 months of the date of application". This ensures all designs applications that fall into that category are processed quickly through the system and are not subject to any undue delay. We calculate this by considering all designs filed in the period 3 months earlier than when the target date is due to be recorded. The status of each design application is taken from our ACORD IT system and calculated, so that the target achievement figure is only given on those that have been recorded as correctly filed and with no substantive objection raised. This is done month by month, and the annual achievement figure is calculated by taking the performance over the whole year, which was 100% for this financial year.

Trade Marks directorate also aim to resolve 55% of Trade mark disputes in one year. This is calculated by entering all the *inter partes* cases on a log. On the anniversary each case is checked to see if it has been disposed of for any reason. If so, this is recorded as part of the outturn %. The outturn figure target for 2007/08 is 57%.

The requirement to produce 6 target profiles was exceeded by 5 with a final outturn of 11 profiles. The reports were developed in collaboration between participating agencies and supported by the police, trading standards and industry-supported anti-piracy units engaged in combating IP crime.

To add a focus on measurement of policy work a target was introduced to meet 80% of agreed milestones in development of policy initiatives. A list of policy initiatives with key deadlines was agreed with the relevant directorates and achievement of those milestones was monitored monthly. Because of changing priorities and other demands, not all the identified milestones have been taken forward and the outturn for the year is 70%.

To support our outreach and awareness work a KPI was introduced to increase the number of businesses taking action to improve the management of their IP by 20% above baseline in targeted groups. The baseline figures were based on the results of the IP Awareness Survey 2006 which identified that SMEs (the targeted group) level was 8%. The results for 2007/08 are based on feedback from monthly IP Awareness seminars which is gathered two to three months after each event. The results for the year are an increase of 60%.

Innovation Directorate was set a target for the year 2007/08 to generate a 10% increase in demand for non- statutory innovation support services. The result for the year was a 14.1% increase (measured in income).

To ensure our customers are content with our service a measure was set to receive an overall 'good' or 'satisfactory' rating in at least 80% of responses in customer and Ministerial surveys. An annual customer survey was carried out during the 2007/08 period to which we had 468 respondents. 97.9% of the respondents were satisfied with our service. We did not hold a Ministerial survey during the reporting period.

Internal Processes Perspective

Looking at the internal processes perspective it was identified that to provide good service we need reliable access to IT systems. It was agreed that IT would be targeted to achieve 99% or more of the agreed monthly service levels for key IT systems. Each key IT system was reviewed and an appropriate service level (in terms of hours available) agreed. The outturn for 2007/08 was 99%

A measure was also introduced to ensure 80% or more of internal customers are "satisfied" or "very satisfied" with the provision of internal IT customer services. All calls to IT are logged and following resolution of the problem a feedback sheet is sent to the customer requesting a satisfaction rating. These responses are recorded and the result for 2007/08 was 100%.

We aim to "make the correct decision on registrability for at least 98.5% of Trade Mark applications". To determine performance against this target, all marks published in the Trade Marks Journal are reviewed at a senior level to decide whether the marks have been correctly accepted. Any marks felt to be 'wrongly accepted (WA)' are offset against the total number of published marks. We also sample approximately 50% of all refused applications to assess whether they have been correctly refused. Any cases which are considered to be 'wrongly refused (WR)', are offset against the sample number of refused cases. Adding together the published and refused cases and offsetting the WA and WR cases mentioned above provides an extremely accurate record of the level of decision making, with 99% of all registrability decisions considered to be correct for this financial year. Where wrong decisions are identified, corrective action is taken.

The third patent-specific target requires that 95% of quality-assured cases will be assessed as having delivered good customer service. This target recognises that our services should be delivered not only quickly, but also to a high quality. We are pleased to have achieved a 97% return, which is equivalent to other patent offices which publish data on quality.

To maintain our quality assurance the Office has a target to achieve positive outcomes on 100% of ISO and Charter Mark healthchecks. In the year all the checks were successful and are fully documented.

As a good employer and to ensure we provide good service to our customers, the Office feels it is important to ensure that our staff are healthy and regularly attend work. In order to monitor this, a target was set to reduce the sick absence per person to 9 days by March 2008. This KPI was achieved and the outturn for the year was 8.08 days.

The Office is committed to ensuring that all staff performance is appraised regularly and to monitor that it is completed in a timely fashion implemented a target to complete, sign off and return 95% of Performance Management Forms (PMF) to HR by 31 May 2007. Only employees who fall into the formal PMF process are included so employees on probation or who are under formal disciplinary procedures are not included. All employees currently on long term sick absence or who dispute their performance mark are eliminated from the figures. 95% of forms were completed on time.

A measure was introduced to apply for initial assessment of our Environmental Management System by the ISO Accreditation body by the end of March 2008. The ISO14001 initial assessment was completed during February 2008. It is envisaged the full accreditation will be achieved in the summer of 2008.

Change and Development Perspective

To assist in the management of change and development of the organisation a measure was introduced to achieve 80% or more of agreed milestones for key projects within the reporting year. This was monitored by the project office and we achieved an outturn of 84%.

Achieve a minimum of 75% "No actions required" recommendations in follow up Internal Audit reports where initial recommendations were "Necessary actions required" or "Urgent actions required". This was confirmed by internal audit, who issued the reports, at 77%.

To monitor the effectiveness of training a measure was implemented that 80% of completed TREFS (Electronic Training Feedback Forms) should contain positive feedback from line manager on the improved competences of staff. This is calculated by reviewing the completed feedback forms which are issued by training following all training courses. The outturn for 2007/08 was 100%.

The Office is committed to all areas of equality and to measure our effectiveness in this implemented a target to ensure that applications from black and minority ethnic people run at 5% of applications for A-B1 level posts by end of March 2008. We ran two recruitment campaigns and the outturn was 6.8%.

Finance Perspective

As part of the former DTI Departmental Efficiency Technical Note it had been agreed that we will reduce total current expenditure on the operations of the Trading Fund compared with the baseline of the Corporate Plan for 2004/05. An adjustment has been agreed to account for the increased superannuation costs (£1.52 million) but aside from this cumulative savings required over the three years starting from 05/06 were £1.3 million, £2.3 million and £2.7 million uninflated. The actual outcome was £5.4 million cumulative for 07/08 (£5.4 million in 06/07).

The Treasury Minute at Appendix A to the accounts requires the Patent Office to achieve for the period from 1 April 2004 to 31 March 2009 a return, averaged over the period as a whole, of 4% in the form of a surplus on ordinary activities before interest payable and dividends payable expressed as a percentage of average capital employed. The average capital is the average of the opening and closing balance sheet position adjusted for the payment of the special dividend in year.

The return achieved for the year ended 31 March 2008 was 15.6% (year ended 31 March 2007 14.5%).

The return achieved for the period 1 April 2004 to 31 March 2007 was 13.2%, with the capital averaged using the mean of each year's capital and the average surplus.

Future Key Performance Indicators

2007/08 was first year we used the balanced scorecard methodology and the experience we have gained during the year has resulted in us reviewing the targets for 2008/09.

For 2008/09 the intended KPI's are:

- To receive an overall “good” or “satisfactory” rating in at least 80% of responses in customer surveys.
- To issue 90% of patent search reports within 4 months of request.
- To issue the first substantive response to an allowable request for accelerated patent examination within 2 months of receipt in 90% of cases.
- To register 90% of processed trade mark applications, to which no substantive objections have been raised or oppositions filed, within 7 months of application.
- To register 95% of all correctly filed design applications within 2 months.
- Meet 80% of agreed milestones in development of policy initiatives.
- By 31 March 2009, 66% of business advisors (UKTI export and Business Link advisors and their devolved counterparts) will have received training from the UK-IPO in advising businesses on intellectual property (IP) management. (Contributing to the Science and Innovation Strategy goal for all business advisors [UKTI export and Business Link advisors and their devolved counterparts] to have received this training by summer 2009).
- By 31 March 2009, to have a defined role for UK-IPO in relation to IP crime, working in partnership with other agencies, and to have developed the resources, expertise and authorisations to fulfil that role credibly and effectively
- Refine copyright policy and improve its relevance in the digital age and to make visibly perceived progress in the eyes of stakeholders through the chain from producers to end users.
- Achieve the target of 4% on Return on Capital Employed.
- The Office will deliver direct benefits to customers and stakeholders of £2.5m through a combination of the implementation of new or expanded services, and reductions in Office statutory fees.
- Make the correct decision on registerability in at least 98.5% of trade mark applications.
- Give good customer service in processing patent applications in 95% of quality assured cases.
- Promote a healthy workforce where 96.75% of people are fit and able to come to work.
- Complete, sign off and return 95% of Performance Management Forms to HR by 31 May 2008.
- To achieve 99% of the agreed monthly service levels for key IT systems.
- Reduce consumption of water, energy, travel and waste by 2%.
- Develop a highly trained workforce where 90% of people who have identified a legitimate training need will have received their training.
- To achieve 80% or more of agreed milestones for key business-change projects within the reporting year

-
- Promote a diverse workforce by targeting recruitment campaigns at under represented groups within the community.
 - By March 2009, UK-IPO Together will be embedded in the office culture and 80% of staff know and understand the management values.

Environmental Policies

The Office is committed to sustainable development following an Environmental Management Strategy. We have extensive recycling programmes and information on resources consumed and recycled is monitored quarterly by the UK-IPO Board and by the Steering Board. We are committed to achieving ISO 14001 Environmental Management System accreditation and have completed an initial assessment in February 2008. We expect to be fully accredited by the autumn of 2008.

In light of our commitment to reducing our impact on the environment, we plan to re-launch the car sharing scheme and are looking at ways of encouraging staff to car share.

Corporate and Social Responsibility

We encourage staff to participate in a wide range of community events and fundraising activities such as Prince's Trust, being a Justice of the Peace or forging links with schools. We take part in local community initiatives, working with voluntary organisations such as Business in the Community. We also work with the South East Wales Employers Network (SEWEN) and South East Wales Racial Equality Council (SEWREC), improving awareness of equality in the community. Our Schools Intellectual Property Support (SIPS) team visits local schools promoting Intellectual Property (IP) and encouraging pupils to be creative. We are involved with local Careers offices, and offer work experience to local school children. We give staff who are school governors paid leave, and encourage staff to assist with reading classes in local schools.

Creditor Payment Policy

The Office adheres to the government standard by aiming to settle bills within 30 days of receipt of goods or services or a valid invoice, whichever is the later. The 30 day standard is incorporated in contracts with suppliers. We recognise the importance to SMEs in particular, and paid 98.2% of valid invoices within 30 days in 2007/08 (98.3% in 2006/07).

Policy in relation to disabled employees

The Office operates a policy of full and fair consideration to applications received from people with a disability, having due regard to their individual aptitudes, skills and capabilities. The Office uses the Employment Services "Positive about Disability" symbol in all job advertisements and guarantees interviews to all those applicants who meet the minimum criteria for a job vacancy.

Wherever feasible, employees who become disabled are retained in suitable jobs successfully, and where it is appropriate, the equipment to enable them fulfil their duties is provided. Training, career development and promotion opportunities are available to all staff, irrespective of disability.

Employee Involvement

The Office has an extensive and well established structure for communicating with staff at all levels. Among the methods of communication in regular use are a weekly electronic Office newsletter (The Link) which addresses all aspects of Office activities, the Office Intranet, oral briefings from senior management, a staff magazine and a weekly letter from the Permanent Secretary of DIUS. The annual strategy document is available electronically to all staff, as is the Annual Review and the Annual Report and Accounts. A staff suggestion scheme is in operation, and there is a facility to allow staff to raise concerns or issues directly with the Board. Formal contact between senior Office management and the local trade union occurs through the Whitley Committee, supplemented by informal contact on an ongoing basis as issues arise.

During the reporting period the Office has introduced two salary sacrifice schemes, to purchase bicycles and to purchase childcare vouchers. This allows employees to take advantage of tax and National Insurance savings.

Steering Board

The role of our Steering Board is to advise Ministers, through our Director General, on our Corporate Plan and performance (including targets). It also provides guidance from a commercial standpoint on our operation and development across a range of issues.

In addition to the Chief Executive, the Steering Board members at 31st March 2008 were:

Sir Keith O’Nions	DIUS member
Zina Etheridge	DIUS member
Kathryn Bishop	External member
Mary Champion	External member
Geoffrey Drage	External member
David Richards	External member
David Roberts	External member

Richard Abnett retired from the Steering Board on 14th April 2007 and was replaced by David Roberts on 16th April 2007. Peter Mason stepped down from the Steering Board following the machinery of government changes on 28th June 2007 and was replaced by Zina Etheridge. Sir Keith O’Nions retired from the Steering Board on 31st March 2008. Alun Evans was appointed DIUS member from 1st April 2008. Professor Adrian Smith will replace Alun Evans in September 2008.

Audit Committee

The Audit Committee members at 31st March 2008 were:

Mary Champion	External member
Geoffrey Drage	External member
David Richards	External member

UK-IPO Board

At 31st March 2008 the Directors of the Office were:

Ian Fletcher	Chief Executive
Sean Dennehey	Assistant Comptroller and Patents Director
Mark Pacey	Chief Information Officer
Liz Coleman	Intellectual Property Policy Director
Andrew Layton	Trade Marks and Designs Director
Kevin Woodrow	Finance Director
Louise Smyth	Corporate Services Director
Robin Webb	Innovation Director
Edmund Quilty	Copyright and IP Enforcement Director

Ron Marchant retired as Chief Executive on 31st March 2007. Kevin Woodrow was appointed as interim Chief Executive on 1st April 2007 until Ian Fletcher took up his appointment as Chief Executive on 30th April 2007. On 17th May 2007 Duncan Wearmouth was appointed interim Director of the new Copyright and Enforcement Directorate, until 14th January 2008 when Edmund Quilty took up his appointment. Mike Wright retired from the UKIPO Board on 26th October 2007. Robin Webb moved from Trade Marks Director to Innovation Director on 26th November 2007 and Andrew Layton was appointed as Trade Mark and Design Director on 2nd January 2008.

Statement of Compliance

These are all the matters which I, as Accounting Officer, consider relevant and this Management Commentary has been compiled in accordance with Reporting Standard 1.

I have taken all necessary steps to make myself aware of information relevant to the audit of the accounts that accompany this Management Commentary, and to ensure that my auditors are informed. So far as I am aware there is no relevant information of which my auditors are unaware.

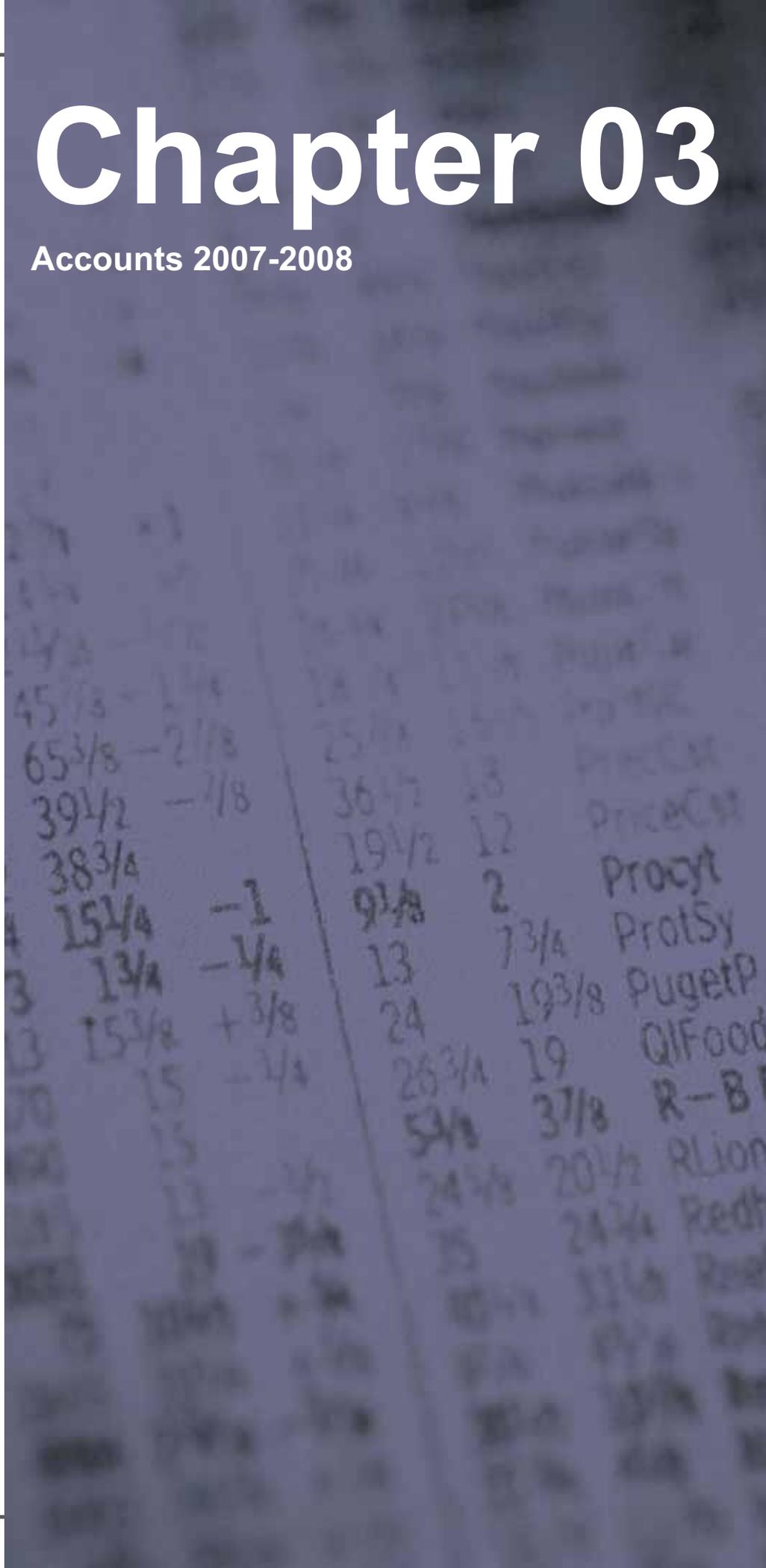


IAN FLETCHER
Chief Executive and Accounting Officer
26 June 2008

45 7/8 - 2 1/4
65 3/8 - 2 1/8
39 1/2 - 7/8
38 3/4
4 15 1/4 - 1
3 13 1/4 - 1/4
13 15 3/8 + 3/8
20 15 - 1/4

Chapter 03

Accounts 2007-2008



Statement of Patent Office's and Chief Executive's Responsibilities

Under section 4(6)(a) of the Government Trading Funds Act 1973 the Treasury has directed the Patent Office Agency to prepare a statement of accounts for each financial year in the form and on the basis of the generic accounts direction issued by the Treasury on 11 December 2007. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

The Treasury has appointed the Chief Executive of the Patent Office as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding the Agency's assets, are in Managing Public Money published by HM Treasury.

Statement on Internal Control in The Patent Office

1. Scope of responsibility

As Chief Executive and Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Patent Office's policies, aims and objectives, as agreed with Ministers of the Department for Innovation Universities and Skills (DIUS), whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. The Patent Office's policies, aims and objectives are agreed with Ministers annually as part of our Corporate Planning process and reflect on-going close liaison and risk mitigation action with departmental officials.

2. 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 Patent Office policies, aims and objectives; to evaluate the likelihood of those risks materialising and the impact should they materialise; and to manage them efficiently, effectively and economically. This system includes management of all risks including operational (delivery and policy) financial and reputational risk. The system of internal control has been in place in the Patent Office for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

The main elements of the risk management processes in place in the Patent Office are:

- An internal Board that meets monthly on a formal basis to consider the plans, progress and strategic direction of the Office (the Board comprises the Chief Executive and Directors)
- A Steering Board that meets quarterly to discuss strategic issues (the Steering Board comprises senior management representatives of DIUS, the Chief Executive and five external independent members, with Patent Office Directors as attendees)
- An Audit Committee that meets at least four times each year to assist the Chief Executive on audit and Corporate Governance issues (throughout the year the Committee comprised three external independent members, who are also members of the Steering Board, the Chief Executive and Finance Director as obligatory attendees with Patent Office Directors and senior representatives from Internal and External Audit as attendees)

Training has been provided to key managers and staff in risk identification, evaluation and management, based on best practice guidance from the Departments and Treasury. Individual directorates have extended this training as part of their risk management processes.

- Any event that occurs highlighting a significant risk or control weakness is followed through to ensure that appropriate action is taken to manage the risk and reduce future risks and improve controls.

4. The risk and control framework

In the Patent Office the main processes which we have in place for identifying, evaluating, and managing risk are:

- development and operation of the Office's risk management strategy and procedures are reviewed regularly by the Audit Committee
- a strategic risk register compiled from discussions with individual Directors and consideration of Directorate risk registers is debated and agreed by the Patent Office Board
- a long term risk register
- high profile events and associated risks are discussed by the Steering Board at each meeting
- the risk registers of individual directorates of the Office
- raising awareness of risk management and risk appetite during this financial year
- risk registers for all programmes within the Office
- a cross-Directorate risk group that coordinates production of the strategic and Directorate risk registers and is a forum for feedback and corporate learning
- a risk register format that requires the identification of both internal and external risks, the business objective that is threatened by the risk, assignment of a risk owner and actions to be taken to manage the risk
- risk evaluation performed by source, type (reputation, financial, operational), likelihood, impact, effectiveness of controls, and comparison with risk appetite
- guidance on the compilation of Directorate risk registers both bottom-up by team members and top-down from Directors
- review of an assurance matrix to provide confirmation that the Accounting Officer's roles and responsibilities have been discharged adequately with all necessary controls and systems in place to support delivery of the Office's aim and objectives.
- monitoring of operational and financial performance on a monthly basis with remedial action taken as appropriate
- regular reports by Internal Audit on the adequacy and effectiveness of the Office's systems of internal control based on a risk-based audit programme. One audit, a review of our Business Continuity Plan, made two urgent recommendations that have since been addressed.
- an annual statement of opinion from Internal Audit on the Office's systems of control and risk management framework – a satisfactory opinion for this year.
- the Internal and External Audit arrangements and follow up of recommendations overseen by the Audit Committee
- confirmation provided at Directorate level of the internal control arrangements and identification of areas for improvement
- procedures for planning, approving and monitoring major projects, including a requirement to use risk registers

Our procedures for Directorate and other risk registers, together with our implementation of formal project management procedures for major projects, are embedding risk management in our policy making, planning and delivery activities.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Patent Office who have responsibility for the development and maintenance of the internal control framework, by our ISO 9001:2000 certification of some of our internal processes, 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 plans to address weaknesses and ensure continuous improvement of the system is in place.

During the year periodic reviews of the strategic, directorate and long term risk registers have been conducted by the Board, Steering Board and Audit Committee, as well as management boards and staff teams. Internal Audit spent 126 audit days conducting audits, including reviews of internal controls, during the year. In addition Directors took part in a peer review exercise led by Internal Audit to provide additional assurance to me on their exercise of operational and financial controls in the year. During the year we contributed to Government and Departmental reviews of information security and commissioned our own review of our information security carried out by internal audit. While this had several recommendations no significant unmanaged risks were identified. The conclusion of these reviews is that there is no indication of any major control weakness that would lead me to qualify this statement on internal control and that risk management awareness is good. I conclude that we continue to progress embedding effective risk management across the organisation and throughout all of its operations.

A handwritten signature in black ink, appearing to read 'I. Fletcher', with a horizontal line underneath.

Ian Fletcher
Chief Executive and Accounting Officer
26 June 2008

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

I certify that I have audited the financial statements of the Patent Office for the year ended 31 March 2008 under the Government Trading Funds Act 1973. These comprise the Operating Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Patent Office, The Chief Executive and Auditor

The Patent Office and its Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Patent Office's and Chief Executive'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 the Government Trading Funds Act 1973 and HM Treasury directions made thereunder. I report to you whether, in my opinion, the information, which comprises the management commentary, included in the Annual Report, 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 Patent Office 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 Patent Office'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 form an opinion on the effectiveness of the Patent Office's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the remaining sections of the Annual Report and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit 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 Patent Office and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Patent Office's circumstances, consistently applied and adequately disclosed.

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Trading Fund Act 1973 and directions made thereunder by HM Treasury, of the state of the Patent Office's affairs as at 31 March 2008, and of its surplus for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Fund Act 1973 and HM Treasury directions made thereunder; and
- information, which comprises the management commentary, included within the Annual Report, is consistent with the financial statements.

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.

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS
Date 4 July 2008

Operating Account

For the year ended 31 March

		2008	2007
	Notes	£000	£000
Turnover	2	63,335	59,097
Staff costs	5	(36,753)	(34,157)
Depreciation	9	(2,330)	(2,125)
Other operating charges		(15,770)	(14,978)
Operating surplus before interest and dividend		8,482	7,837
Interest receivable	6	3,968	3,013
Operating surplus on ordinary activities	3	12,450	10,850
Interest payable	7	(203)	(245)
Surplus for the year	2	12,247	10,605
Dividend	8	(3,032)	(2,813)
Retained surplus for the year		9,215	7,792
Retained surplus brought forward		58,533	50,968
Other reserve movements	15	368	(227)
Retained surplus carried forward		68,116	58,533

All of the operations are classed as continuing.

Statement of Total Recognised Gains and Losses

For the year ended 31 March

		2008	2007
	Notes		
Surplus for the year	2	12,247	10,605
Deficit on revaluation of fixed assets	15	(2,369)	(4,163)
Total recognised gains and losses relating to the year		9,878	6,442

Balance Sheet

As at 31 March		2008	2007
	Notes	£000	£000
Fixed assets			
Tangible fixed assets	9	28,488	31,686
Current assets			
Debtors	10	2,441	2,633
Short term investments	11	75,500	65,000
Cash at bank and in hand	11	1,588	2,880
		79,529	70,513
Creditors: amounts due within one year	12	(23,921)	(24,453)
Net current assets		55,608	46,060
Total assets less current liabilities		84,096	77,746
Provision for liabilities and charges	13	(673)	(1,002)
Net Assets		83,423	76,744
Financed by:			
Capital and reserves			
Public dividend capital		6,325	6,325
Loans from Secretary of State, Department for Innovation, Universities and Skills	14	1,663	1,830
Revaluation reserve	15	7,319	10,056
General reserve	15	68,116	58,533
Total financing		83,423	76,744



Ian Fletcher
Chief Executive and Accounting Officer
26 June 2008

Cash Flow Statement

For the year ended 31 March

		2008	2007
	Notes	£000	£000
Net cash inflow from operating activities	17	9,958	10,123
Returns on investments and servicing of finance	18	947	164
Capital expenditure	19	(1,530)	(4,025)
Cash outflow before management of liquid resources and financing		9,375	6,262
Management of liquid resources	20	(10,500)	(5,000)
Financing	21	(167)	(166)
(Decrease)/Increase in cash in the period		(1,292)	1,096
Reconciliation of net cash flow to movement in net funds			
(Decrease) / Increase in cash		(1,292)	1,096
Cash outflow from movement in liquid resources		10,500	5,000
Cash outflow from decrease in debt		167	166
Movement in net funds	22	9,375	6,262
Net funds at 1 April		66,050	59,788
Net funds at 31 March		75,425	66,050

Notes to the Accounts

1 Accounting policies

1(a) Accounting convention

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

1(b) Patents and designs

In pursuit of the Government's policy of encouraging innovation, the Patent Office charges patent and design application fees at a lower level than required to meet the full costs of processing the applications, searches and examinations necessary to determine whether grant/registration is possible. The differences are recovered from renewal fees on granted patents and registered designs. The costs of processing the applications, searches and examinations are charged to the operating account as incurred.

1(c) Software development

Software development expenditure (covering the costs of third party work and the direct costs of in house IT staff effort) is capitalised when it is both material and incurred on projects which will deliver economic benefits over a number of years.

1(d) Fixed asset valuation

Land and buildings are valued on the basis of existing use.

Other fixed assets acquired before the start of the year have been valued at net current replacement costs using appropriate indexation or, if lower, the recoverable amount. Assets acquired during the year have been capitalised at cost of acquisition and installation.

1(e) Depreciation

Depreciation is provided on tangible fixed assets, except freehold land, at rates calculated to write off the cost or valuation of each asset on a straight line basis over its expected useful life as follows:

Freehold buildings	60 years
Computers and office equipment	5 years
Plant and machinery	5 years
Software development	5-10 years

A full year's depreciation is charged in the year of acquisition or, for software developments, in the year the asset is brought into use.

1(f) Turnover

Turnover, which is exclusive of VAT, comprises fees earned from the grant of patents, trade marks and designs; sales of Patent Office publications; and fees earned from other commercial services.

1(g) Deferred income (prepayment)

In many instances the Patent Office collects fees and charges for services before those services are performed. Therefore, at any point in time a prepayment situation exists in respect of unperformed services. Income relating to those services is recorded as prepaid income (see note 12) and is only recognised in the operating account when the services are performed.

1(h) Value Added Tax (VAT)

The Patent Office is not registered separately for VAT, but falls within the Department for Innovation Universities and Skills (DIUS) registration. This was not available until January 2008 until which time the Office continued to use the former Department of Trade and Industry (now Department for Business Enterprise and Regulatory Reform) registration. Irrecoverable VAT on revenue expenditure is charged to the operating account, and on capital expenditure to the balance sheet.

1 (i) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. All exchange differences (see note 3) are taken to the operating account.

1 (j) Operating Lease Rentals

Operating lease rentals are charged to the Operating Account on a straight line basis over the period of the lease.

1 (k) Pension costs

Employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded. The Patent Office recognises the expected cost of providing pensions on a systematic basis over the period in which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. Further information is given in note 5.

2 Turnover and results

The following information on the main activities of the Patent Office is produced for fees and charges purposes and does not constitute full segmental reporting under Statement of Standard Accounting Practice 25 since net assets are not disclosed (the integrated nature of Patent Office operations makes it impractical to apportion by segment certain assets of substance, principally cash):

	Turnover		Cost of service		Surplus / (Deficit)	
	2008	2007	2008	2007	2008	2007
	£000	£000	£000	£000	£000	£000
Patents	39,128	38,036	34,935	33,732	4,193	4,354
Trade marks	20,982	18,107	17,283	15,003	3,699	3,104
Designs	1,728	1,547	981	925	747	622
Publications	239	255	137	121	102	134
Commercial services	1,258	1,102	1,517	1,479	(259)	(377)
Unallocated (interest receivable net of interest payable)	-	-	(3,765)	(2,768)	3,765	2,768
	63,335	59,097	51,088	48,492	12,247	10,605

Common costs (excluding interest) are apportioned largely on either staff employed or space occupied ratios to arrive at the surplus.

The financial objective for Patent Office services is given in the Treasury Minute of 26 February 2004 (Appendix A to these accounts), and the performance against this is referred to in note 4.

3 Surplus on ordinary activities

This is stated after charging, or making provision for:

	2008	2007
	£000	£000
- hire of office machinery	419	434
- property lease payments	631	631
- exchange rate (gains) / losses	(243)	57
- audit fee	34	32

4 Performance against financial objective

The Treasury Minute at Appendix A requires the Patent Office to achieve for the period from 1 April 2004 to 31 March 2009 a return, averaged over the period as a whole, of 4% in the form of a surplus on ordinary activities before interest payable and dividends payable expressed as a percentage of average capital employed.

The return achieved for the year ended 31 March 2008 was 15.6% (year ended 31 March 2007 14.5%).

The return achieved for the period 1 April 2004 to 31 March 2008 was 13.2% with the capital averaged using the mean of each year.

5 Staff costs and employee information

5(a) Staff costs

	2008	2007
	£000	£000
Salaries and wages	27,170	25,284
Social security costs	2,041	1,989
Pension costs	5,236	4,843
Agency/Contract staff	3,084	2,627
Capitalised staff costs included above	(778)	(586)
	36,753	34,157

- 5(b)** The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Patent Office is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007-08 employer contributions of £5,227,365 were payable to the PCSPS (2006-07 £4,838,316) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2008-09, the salary bands will be revised but the rates will remain the same. (The rates will be changing with effect from April 2009). The contribution rates are set to meet the cost of the benefits accruing during 2007-08 to be paid when the member retires, and not the benefits paid during the period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Aggregate employer contributions of £7,277 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £522,000, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership providers at the balance sheet date were £767.

- 5(c)** The average number of persons employed (including agency and contract staff and excluding staff on secondment to other organisations) during the period is analysed below:

	Directors	Staff	Seconded in staff	Agency /Contract	Seconded out staff	2008	2007
Patents	1	369	0	4	3	377	386
Trade marks	1	178	1	2	4	186	183
Designs	0	5	0	0	0	5	6
Other	7	378	5	31	1	422	378
						990	953

This includes 3.5 FTE staff and 6.3 contract staff (2006/07 2.2 staff and 2.8 contract staff) who are working on capital projects.

Of the people employed by the Office in 2007/08, 947 were civil servants.

6 Interest receivable

	2008	2007
	£000	£000
Short term deposits - operating activities	3,968	3,013

The interest derives from deposits with the Office of the Paymaster General and from short term investments with the Debt Management Office.

7 Interest payable

	2008	2007
	£000	£000
Interest on loans (see note 14)	172	188
Unwinding of discount on early retirement provision (see note 13)	31	57
	203	245

8 Dividends

A dividend of £3,031,872 will be paid in July 2008 to the Consolidated Fund. This is calculated on 4% of the net assets employed less interest payable.

9 Tangible fixed assets

	Land and buildings	Buildings under Construction	Plant and machinery	Computer and office equipment	Software in use	Software under development	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2007	26,500	0	160	4,408	7,799	464	39,331
Additions	-	-	49	530	-	933	1,512
Assets brought into use	-	-	-	-	1,317	(1,317)	0
Revaluation	(3,000)	-	1	(53)	262	-	(2,790)
Disposals	-	-	(55)	(906)	-	(80)	(1,041)
At 31 March 2008	23,500	0	155	3,979	9,378	0	37,012
Depreciation							
At 1 April 2007	0	0	125	3,669	3,851	0	7,645
Provided during the year	350	-	21	324	1,494	-	2,189
Surplus on revaluation	(350)	-	-	-	-	-	(350)
Disposals	-	-	(55)	(905)	-	-	(960)
At 31 March 2008	0	0	91	3,088	5,345	0	8,524
Net book value at 31 March 2008	23,500	0	64	891	4,033	0	28,488
Net Book Value at 1 April 2007	26,500	0	35	739	3,948	464	31,686

The land and buildings referred to above are freehold and were revalued at £23.5 million by the District Valuer, Newport, South Wales on 31 March 2008 on the basis of existing use. The open market valuation, provided by the District Valuer, of £17.25 million is £6.25 million lower than the existing use valuation. The former reflects the expected difficulty in finding a replacement single occupier, and the consequent impact on the valuation of multi occupancy with potentially slow take up. Both valuations were prepared in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards, sixth edition.

All other assets are revalued annually by reference to the most appropriate price indices.

Depreciation in the operating account (£2,330,000) is made up of the in-year provision (£2,189,000) and the diminution in value of computer and office equipment arising from indexation (£70,000) and charges for software developments which are no longer certain to recover their costs (£80,000) offset by the reversal of revaluation adjustments (£9,000).

10 Debtors

	2008	2007
	£000	£000
Trade debtors	623	851
Other debtors	258	402
Prepayments and accrued income	1,560	1,380
	2,441	2,633

Sums included above which fall due after more than one year are:

Other debtors	34	18
Prepayments and accrued income	8	22
	42	40

11 Short term investments and cash at bank

	2008	2007
	£000	£000
Short term investments	75,500	65,000
Cash at bank - at Office of HM Paymaster General	674	2,243
Cash at bank - in Commercial Banks	913	636
Cash in hand	1	1
	1,588	2,880

12 Creditors - amounts falling due within one year

	2008	2007
	£000	£000
User deposit accounts	3,519	4,180
Trade creditors	8,419	8,009
Deferred income - prepayment	5,014	5,678
Early retirement provision (see note 13)	328	454
Taxation and social security	716	674
Superannuation	517	477
Other creditors	38	11
Dividend payable	3,032	2,813
Accruals	2,338	2,157
	23,921	24,453

13 Provision for liabilities and charges

Treasury guidance requires that the full cost of early retirement and severance schemes should be recognised in the accounts when early departure decisions are made. The operating account is charged with the full liability of new decisions taken and a balance sheet provision made, against which is offset the amount paid to retirees in respect of pension and related payments as they fall due between 2008 and 2016. The provision has been assessed at current prices at the balance sheet date, and, in accordance with Financial Reporting Standard 12, has been discounted at a real rate of 2.2%, with the unwinding of the discount treated as an interest charge on the operating account (see note 7). The discount factor is unchanged from 2006/07.

	£000
At 1 April 2007	1,456
Provision made in year	72
Unwinding of discount on provision	31
Payments offset against the provision	(558)
At 31 March 2008	1,001
Less amount payable within one year (included in Creditors - see note 12)	(328)
Amount payable after one year	673

14 Loans

- 14(a) The Secretary of State for the then Department of Trade and Industry made available loans at the fixed rates and terms shown below:

Amount	Date Issued	Period	Interest	Weighted Average interest	Book Value 2008	Fair Value 2008
£000					£000	£000
2,161	01.10.91	26 years	9.625%	} 9.813%	831	989
2,164	31.03.92	26 years	10.000%		832	981
					1,663	1,970

In accordance with Treasury guidance, the fair value has been calculated by discounting future cash flows at the 31 March 2008 interest rate of 4.72%: this is the rate applicable to loans of 26 years.

Under machinery of government changes these loans are now deemed to have been made by DIUS.

- 14(b) All loans are unsecured and the sums outstanding at 31 March 2008 are repayable as follows:

	2008	2007
	£000	£000
Within one year	166	166
Between one and two years	166	166
Between two and five years	499	499
More than five years	832	999
	1,663	1,830

Equal instalments of principal are repayable on the 6 month anniversary of issue (see 14(a) above).

15 Other reserves

	General Reserve	Revaluation Reserve
	£000	£000
At 1 April 2007	58,533	10,056
Revaluation surplus/(deficit) during the year on:		
land and buildings		(2,639)
other tangible fixed assets		270
Transfer of realised/(excess) depreciation between reserves	368	(368)
Transfer from operating account	9,215	
At 31 March 2008	68,116	7,319

16 Reconciliation of Movements in Government Funds

		2008	2007
	Notes	£000	£000
Surplus for the year		12,247	10,605
Dividend	8	(3,032)	(2,813)
Retained surplus for the year		9,215	7,792
(Deficit) / Surplus on revaluation of fixed assets	15	(2,369)	(4,163)
Loan repayments		(167)	(166)
Net increase / (decrease) in Government funds		6,679	3,463
Opening Government funds		76,744	73,281
Closing Government funds		83,423	76,744

17 Reconciliation of operating surplus to net cash inflow from operating activities

	2008	2007
	£000	£000
Operating surplus before interest and dividend	8,482	7,837
Depreciation charges	2,330	2,125
Gain on disposal of fixed assets	-	(2)
Decrease / (Increase) in debtors (excluding interest receivable) - see note 10	224	(627)
(Decrease) / Increase in creditors (excluding interest payable, dividend and capital expenditure) - see note 12	(1,078)	790
Net cash inflow from operating activities	9,958	10,123

18 Returns on investments and servicing of finance

	2008	2007
	£000	£000
Interest received - operating activities	3,935	3,009
Interest paid	(175)	(192)
Dividend paid on public dividend capital	(2,813)	(2,653)
Net cash inflow / (outflow) from returns on investments and servicing of finance	947	164

19 Capital Expenditure

	2008	2007
	£000	£000
Payments to acquire tangible fixed assets	(1,530)	(4,027)
Receipts from sale of tangible fixed assets	-	2
Net cash outflow from capital expenditure	(1,530)	(4,025)

20 Management of liquid resources

	2008	2007
	£000	£000
Increase in short term investments	(10,500)	(5,000)

21 Financing

	2008	2007
	£000	£000
Net cash outflow from repayment of loans	(167)	(166)

22 Analysis of changes in net funds

	01-Apr-07	Cash Flow	31-Mar-08
	£000	£000	£000
Cash at bank and in hand	2,880	(1,292)	1,588
Short term investments	65,000	10,500	75,500
Loan repayments due within 1 year	(166)	-	(166)
Loan repayments due after 1 year	(1,664)	167	(1,497)
Total	66,050	9,375	75,425

23 Capital commitments

	2008	2007
	£000	£000
Contracted	0	0

24 Operating lease commitments

Operating lease rentals due within the next year:

	2008	2008	2007	2007
	£000	£000	£000	£000
	Buildings	Other	Buildings	Other
Leases expiring:				
within 1 year	-	32	-	-
between 1 and 5 years	363	301	363	337
after 5 years	265	-	269	-
	628	333	632	337

25 Contingent liabilities

The Directors are not aware of any contingent liabilities at 31 March 2008.

26 Related party transactions

The Patent Office was an executive agency of the Department of Trade and Industry after machinery of Government changes it became an executive agency of the Department for Innovation, Universities and Skills. The Department is regarded as a related party. During the year, the Patent Office had various material transactions with the Department. In addition, the Patent Office had a small number of material transactions with other Government Departments and other central government bodies. Most of these transactions were with the Office for National Statistics, the Department for Business, Enterprise and Regulatory Reform and the Cabinet Office

None of the Steering Board members, Patent Office Directors or other related parties has undertaken any material transactions with the Patent Office during the year.

27 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 the Office faces in undertaking its activities. The key risk for the Office arising from financial instruments is interest rates. Financial instruments play a more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Patent Office has very limited powers to borrow or to invest surplus funds, and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Office in undertaking its activities.

Liquidity risk

The Office is not exposed to liquidity risk given the present net liquid asset position.

Interest rate risk

All of the Office's financial liabilities carry nil or fixed rates of interest.

Interest bearing financial assets (see note 11) comprise cash balances which are held at floating rates of interest as defined by FRS 13. Given that cash is available on demand or is placed on short term deposit at fixed rates, and given that interest is budgeted conservatively, interest rate risk is limited but remains a factor because of the level of cash balances held.

Foreign currency risk

All fees are denominated in sterling with the exception of certain international trade mark business. The Madrid Protocol element (3.2% of turnover), denominated in Swiss Francs and payable by the World Intellectual Property Organisation, is managed by offsetting this against the sums due to the Organisation in respect of Patent Co-operation Treaty fees. The European Community Trade Mark Office search work (1.2% of turnover), denominated in Euros, is closely monitored and the Office is exposed to minimal exchange risk. Other foreign currency transactions are de minimis.

28 Intra-government balances

	2008	2008	2007	2007
	£000	£000	£000	£000
	Debtors	Creditors	Debtors	Creditors
Balances with:				
Central government bodies	271	5,228	450	4,243
Local authorities	-	29	-	52
NHS Trusts	-	-	44	-
Public corporations and other trading funds	-	-	-	-
Total at 31 March	271	5,257	494	4,295

All balances fall due within one year.

29 Post Balance Sheet Events

The financial statements were authorised for issue on 14 July 2008

The Patent Office Trading Fund

Treasury Minute Dated 26 February 2004

1. Section 4(1) of the Government Trading Funds Act 1973 provides that a trading fund established under that Act shall be under the control and management of the responsible Minister and in discharge of his function in relation to the fund it shall be his duty:
 - (a) to manage the funded operations so that the revenue of the fund:
 - (i) consists principally of receipts in respect of goods or services provided in the course of the funded operations, and
 - (ii) is not less than sufficient, taking one year with another, to meet outgoings which are properly chargeable to revenue account; and
 - (b) to achieve such further financial objectives as the Treasury may from time to time, by Minute laid before the House of Commons, indicate as having been determined by the responsible Minister (with Treasury concurrence) to be desirable of achievement.
2. A trading fund known as The Patent Office was established on 1 October 1991 in pursuance of The Patent Office Trading Fund Order 1991 (S.I 1991 No. 1796).
3. The Secretary of State for Trade and Industry, being the responsible Minister, has determined (with Treasury concurrence) that a further financial objective desirable of achievement by The Patent Office Trading Fund for the 5-year period from 1 April 2004 to 31 March 2009 shall be to achieve a return, averaged over the period as a whole, of 4.0 per cent in the form of a surplus on ordinary activities before interest payable and dividends payable expressed as a percentage of average capital employed. Capital employed shall equate to the capital and reserves, ie the Public Dividend Capital, long-term element of Exchequer loans and reserves.
4. This Minute supersedes that dated 11 May 2001.
5. Let a copy of this Minute be laid before the House of Commons pursuant to section 4(1)(b) of the Government Trading Funds Act 1973.

Handwritten notes on a vertical strip of paper, including mathematical expressions and numbers:

- $45\frac{3}{8} - 2\frac{1}{8}$
- $65\frac{3}{8} - 2\frac{1}{8}$
- $39\frac{1}{2} - \frac{1}{8}$
- $38\frac{3}{4}$
- $15\frac{1}{4} - 1$
- $13\frac{1}{4} - \frac{1}{4}$
- $15\frac{3}{8} + \frac{3}{8}$
- $15 - \frac{1}{4}$

Chapter 04

Remuneration

45 7/8	- 2 1/4	18 1/2	15 1/2	Proccat
65 3/8	- 2 1/8	25 1/2	13	Proccat
39 1/2	- 7/8	36 1/2	12	Proccat
38 3/4		19 1/2	2	Procyt
15 1/4	- 1	9 1/8	7 3/4	ProtSy
13 1/4	- 1/4	13	19 3/8	PugetP
15 3/8	+ 3/8	24	19	QIFood
15	- 1/4	26 3/4	37/8	R-B F
		5 1/8	20 1/2	RLion
		24 1/8	24 1/4	Redh
		25	31 1/2	Riel

Remuneration Report for Senior Staff at the Patent Office

Remuneration Policy

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

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

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet 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.

The Directors comprise mainly members of the senior civil service (SCS) or those whose pay and conditions, although delegated to the Office are determined by analogy with the SCS in the Department for Innovation Universities and Skills (DIUS).

Performance is assessed by line management into three tranches: top, middle and bottom. The percentage of staff who can be accepted in each category is established centrally by DIUS. Performance pay of up to 5% of the paybill is available to reward top and middle tranche performers. For SCS members the line management assessment is combined with those for all other DIUS SCS and the outcome moderated by the DIUS pay committee.

For SCS analogues the Chief Executive, and Kathryn Bishop, an independent member of the Steering Board, form a remuneration committee and moderate the final performance distribution. The committee met on 19 March 2007 prior to Ron Marchant's retirement as Chief Executive to moderate the 2007/08 award. The committee, with Ian Fletcher as Chief Executive met again on 10 June 2008 to set the 2008/09 awards.

Mike Wright and Duncan Wearmouth are not members of the senior civil service (SCS), or of an analogous grade, and their remuneration forms part of the overall award for non-SCS staff in the Office. Louise Smyth became a member of the SCS on 1 September 2006. The Office holds a delegation to negotiate these awards locally, in line with its Treasury Remit which reflects central pay policy.

Service Contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended. 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.

Salary and pension entitlements

The following tables provide details of the remuneration and pension interests of the Chief Executive and Directors of the Office and are audited.

Remuneration

	2007-08		2006-07	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Ian Fletcher ¹ Chief Executive from 30.04.07	125 – 130	Nil	N/A	N/A
Kevin Woodrow ²	85 - 90	Nil	80 – 85	Nil
Sean Dennehey ²	115 – 120	Nil	110 – 115	Nil
Robin Webb ¹	70 – 75	Nil	60 – 65	Nil
Louise Smyth ²	60 – 65	Nil	50 – 55	Nil
Mark Pacey ¹ Director from 06.06.05	60 – 65	Nil	60 – 65	Nil
Liz Coleman ² Director from 16.01.06	65 – 70	Nil	60 – 65	Nil
Mike Wright ³ Director from 21.09.06 until 26.10.07	35 – 40 (60 – 65 full year equivalent)	Nil	25 – 30 (50 – 55 full year equivalent)	Nil
Duncan Wearmouth ³ Director from 17.05.07 Until 14.01.08	40 – 45 (60 – 65 full year equivalent)	Nil	N/A	Nil
Andrew Layton ¹ Director from 02.01.08	15 – 20 (60 - 65 full year equivalent)	Nil	N/A	Nil
Edmund Quilty ¹ Director from 14.01.08	10 – 15 (60 – 65 full year equivalent)	Nil	N/A	Nil

¹ is a member of the Senior Civil Service.

² is a member of the Senior Civil Service by analogy.

³ is not a member of the Senior Civil Service.

Kevin Woodrow was interim Chief Executive from 1 April until Ian Fletcher took up his appointment from 30 April 2007. Ron Marchant was awarded a bonus of £6,500 in relation to service in the previous year.

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation. Ian Fletcher's salary includes £32,418 in reimbursement for gross taxable expenses relating to his detached duty in South Wales.

Benefits in kind

There were no benefits in kind in 2007/08.

Pension Benefits

	Accrued pension at age 60 as at 31/3/08 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/08 or leaving office	CETV at 31/03/07 or taking office	Real increase in CETV
	£000	£000	£000	£000	£000
Ian Fletcher Chief Executive	25 - 30 plus 85 - 90 lump sum	0 - 2.5 plus 2.5 - 5 lump sum	527	419	22
Kevin Woodrow	15 - 20 plus 45 - 50 lump sum	0 - 2.5 plus 2.5 - 5 lump sum	257	206	15
Sean Dennehey	35 - 40 plus 115 - 120 lump sum	0 - 2.5 plus 2.5 - 5 lump sum	745	621	28
Robin Webb	10 - 15 plus 40 - 45 lump sum	0 - 2.5 plus 2.5 - 5 lump sum	229	181	15
Louise Smyth	10 - 15 plus 40 - 45 lump sum	0 - 2.5 plus 2.5 - 5 lump sum	226	170	25
Mark Pacey	10 - 15 plus 10 - 15 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	163	124	12
Liz Coleman	15 - 20 plus 55 - 60 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	350	292	7
Mike Wright Director until 26.10.07	25 - 30 plus 75 - 80 lump sum	0 - 2.5 plus 5 - 7.5 lump sum	612	549	40
Duncan Wearmouth Director from 17.05.07 until 14.01.08	10 - 15 plus 40 - 45 lump sum	0 - 2.5 plus 2.5 - 5 lump sum	222	170	22
Andrew Layton Director from 02.01.08	10 - 15 plus 30 - 35 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	157	149	2
Edmund Quilty Director from 14.01.08	20 - 25 plus 60 - 65 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	377	364	2

Due to certain factors being incorrect in last year's CETV calculator there may be a slight difference between the final period CETV for 2006/07 and the start period CETV for 2007/08

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefits schemes ; either a 'final salary' scheme (**classic, premium or classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or 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, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and accrued pension is uprated with RPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. 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 pension age or immediately on ceasing to be an active member of the scheme if they are already over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

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

Compensation for loss of office

Mike Wright left under Compulsory Early Retirement Terms on 26 October 2007. He received immediate payment of his pension and associated lump sum plus a compensation payment of £5,000 - £10,000. He also received an ex-gratia payment of £0 - £5,000.

Steering Board Members

Sir Keith O’Nions (Director General) appoints independent Board members for a fixed term, which may be renewed. In addition both he and Peter Mason (representing the Finance and Resource Management division of the then Department of Trade and Industry) held appointments without a fixed term. Richard Abnett retired from the Steering Board on 14th April 2007 and was replaced by David Roberts on 16th April 2007. Peter Mason stepped down from the Steering Board following the machinery of government changes on 28th June 2007 and was replaced by Zina Etheridge representing DIUS. Sir Keith O’Nions retired from the Steering Board on 31st March 2008. Alun Evans was appointed DIUS member from 1st April 2008. Professor Adrian Smith will replace Alun Evans in September 2008.

The Independent Board members and their remuneration are:

	2007- 08 Remuneration £000	2006- 07 Remuneration £000
Richard Abnett Reappointed 9 March 2006 to 14 April 2007	0 – 5	5 – 10
Kathryn Bishop Reappointed 9 March 2006 to 14 July 2009	5 – 10	5 – 10
Mary Champion Appointed 1 September 2007 to 31 August 2010	5 – 10	5 – 10
Geoffrey Drage Reappointed 15 July 2008 to 14 July 2009	5 – 10	5 – 10
David Roberts Appointed 16 April 2007 to 15 April 2010	5 – 10	Not applicable
David Richards Reappointed 9 March 2006 to 5 February 2010	Not applicable	Not applicable

Keith O’Nions, Peter Mason, Zina Etheridge and David Richards are civil servants and are not remunerated by the Office.

Geoffrey Drage was separately appointed to the Audit Committee of the World Intellectual Property Organisation (WIPO) in January 2006 and receives fees from the Patent Office for his work in this context. If this was included his overall remuneration would have been in the range £25 - £30 thousand.



Ian Fletcher
Chief Executive and Accounting Officer
26 June 2008

45 7/8 - 2 1/8
65 3/8 - 2 1/8
39 1/2 - 1/8
38 3/4
4 15 1/4 - 1
3 13 1/4 - 1/4
13 15 3/8 + 3/8
20 15 - 1/4

2007/2008 Balanced Scorecard

Measure	Target	Outcome
Issue 90% of patent search reports within 4 months of request	90	90
Grant 90% of patents within 2½ years of request	90	89
To register 90% of processed Trade Mark applications, to which no substantive objections have been raised or oppositions filed, within 8 months of application	90	95
To examine 95% of all Design applications within 3 months	95	100
To achieve 99% or more of the agreed monthly service levels for key IT systems	99	99
To achieve 80% or more of agreed milestones for key projects within the reporting year	80	84
To resolve 55% of Trade Mark disputes in one year	55	57
Develop 6 Target profiles, using Telpat intelligence	6	11
Make the correct decision on registerability in at least 98.5% of Trade Mark applications	98.5	99
Give good customer service in patent search and examination in 95% of quality assured cases	95	97
Meet 80% of agreed milestones in development of policy initiatives	80	70
The number of businesses taking action to improve the management of their IP will increase by 20% above baseline in targeted groups	20	60
Generate a 10% increase in demand for non-statutory innovation support services	10	14.1
To receive an overall "good" or "satisfactory" rating in at least 80% of responses in customer and Ministerial surveys	80	97.9
Achieve the target of 4% on Return on Capital Employed	4	15.60
Reduce total current expenditure on the operations of the trading fund compared with the baseline of the Corporate Plan 2004/05, in line with the DTI's published Efficiency Technical Note. Cumulative savings target for 2005/06, 2006/07 and 2007/08 is £2.7M	2.7	5.4
Achieve positive outcomes on 100% of ISO and Charter Mark healthchecks	100	100
Reduce number of days sick absence per person to 9 days by March 2008 8.5 days by March 2009 8 days by March 2010	9	8.08
Complete, sign off and return 100% of Performance Measurement Forms to Personnel by 31 May 2008 95% by 31 May 2007 100% by 31 May 2008	95	95
80% or more of internal customers are "satisfied" or "very satisfied" with the provision of internal IT customer services	80	100
Apply for initial assessment of our Environmental Management System by the ISO Accreditation body by the end of March 2008.	100	100
Achieve a minimum of 75% "No actions required" recommendations in follow up Internal Audit reports where initial recommendations were "Necessary Actions Required" or "Urgent Actions Required"	75	77
80% of completed TREFs to contain positive feedback from Line Manager on the improved competences of staff.	80	100
Ensure that applications from black and minority ethnic people are running at 5% of applications for A-B1 level posts by end March 2008.	5	6.8

Agency Targets 2006 – 2007

		Target (%)	Outturn (%)
1.	Issue 90% of patent search reports within 4 months of request.	90%	86%
2.	Grant 90% of patents within 2½ years of request.	90%	93%
3.	Give good customer service in patent search and examination in 95% of quality assured cases.	95%	95%
4.	Register 90% of processed trade mark class applications, to which no substantive objections are raised or oppositions filed, within 8 months of application.	90%	96%
5.	Make the correct decision on registrability for at least 98.5% of trade mark applications*.	98.5%	99.4%
6.	To examine 95% of all Design Applications within 3 months**.	95%	99%
7.	To dispose of all trade marks <i>inter partes</i> cases within 3 years achieving at last 30% within one year and at least 70% in two years.	30%	58%
		70%	n/a
8.	Reduce total current expenditure on the operations of the trading fund compared with the baseline of the Corporate Plan 2004/05, in line with the DTI's published Efficiency Technical Note. Cumulative savings target for 2005/06 and 2006/07 is £2.3m.	100%	n/a
		£2.30M	£5.38m
9.	Adoption of our educational resource, THINK kit version II. In UK secondary schools - with not less than 80% penetration.	80%	82%

In addition to these key targets

Meet our Customer Service Standards as reported in the Annual Report and on our website www.ipo.gov.uk	92.96%
Pay 100% of bills within 30 days of receipt of goods or services or a valid invoice, whichever is the later	98.33%
Reply within 10 working days to all letters from members of Parliament delegated for Chief Executive's reply	100%

*This target, which relates to the final examination side decision on the application, refers to bad refusals on relative or absolute grounds, and bad acceptances on absolute grounds only.

**This target came into effect on 1 October 2006, to co-incide with the implementation of the Designs Modernisation legislation.

Agency Target - 2005-06

	Target	Outturn
Issue 90% of patent search reports within 5 months of request.	90%	93%
Grant 90% of patents within 2 ½ years of request.	90%	93%
Give good customer service in patent search and examination in 95% of quality assured cases.	95%	96.4%
Register 90% of processed trade mark class applications, to which no substantive objections are raised or oppositions filed, within 8 months of application.	90%	97.3%
Register 95% of correctly filed design applications, to which no substantive objections have been raised, within 3 months of the date of application.	95%	98.35%
Achieve an average of 23 weeks to issue a decision in trade marks <i>inter partes</i> cases once the case is ready	23 weeks	20.3 weeks
Make the correct decision on registrability for at least 98.5% of trade mark applications*.	98.5%	99.4%
Increase output in relation to current expenditure by an average of at least 2.5% per annum over a rolling 3 year period.	2.5%	-5.8%
Encourage 80% of UK secondary schools to adopt our educational resource, THINK kit version II	80%	82.5%
Meet our Customer Service Standards as reported in the Annual Report and on our website www.ipo.gov.uk	100%	97.3%
Pay 100% of bills within 30 days of receipt of goods or services or a valid invoice, whichever is the later	100%	98.73%
Reply within 10 working days to all letters from members of Parliament delegated for Chief Executive's reply	100%	100%

*This target, which relates to the final examination side decision on the application, refers to bad refusals on relative or absolute grounds, and bad acceptances on absolute grounds only.

Agency Target - 2004-05

	Target	Outturn
To be issuing 90% of search reports within 5 months of request by the end of the year.	90%	95.2%
To grant 90% of patents within 3 years of request.	90%	96%
Register 90% of processed trade mark applications, to which no substantive objections are raised or oppositions filed, within 8 months of application.	90%	97.5%
To register 90% of correctly filed design applications, to which no substantive objections have been raised, within 3 months of the date of application.	90%	99.3%
To reduce to an average of 26 weeks the time taken to issue a decision in trade marks <i>inter partes</i> cases once the case is ready.	100%	24 weeks
To increase output in relation to current expenditure by an average of at least 2% per annum over a rolling 3 year period.	2%	1.5%
Ensure that the proportion of bad acceptances published in the Trade Marks Journal is less than 1%.	100%	100%
Establish a baseline and metrics for IP awareness and a target for 2005/06.	100%	*
To meet our Customer Service Standards as reported in the Annual Report and on our website www.ipo.gov.uk	100%	97.5%
The Office will pay 100% of bills within 30 days of receipt of goods or services or a valid invoice, whichever is the later	100%	99.4%
The Chief Executive will reply within 10 working days to all letters from members of Parliament delegated for his reply	100%	100%

* work continues – target relates to 2005-06 financial year

Agency Target - 2003-04

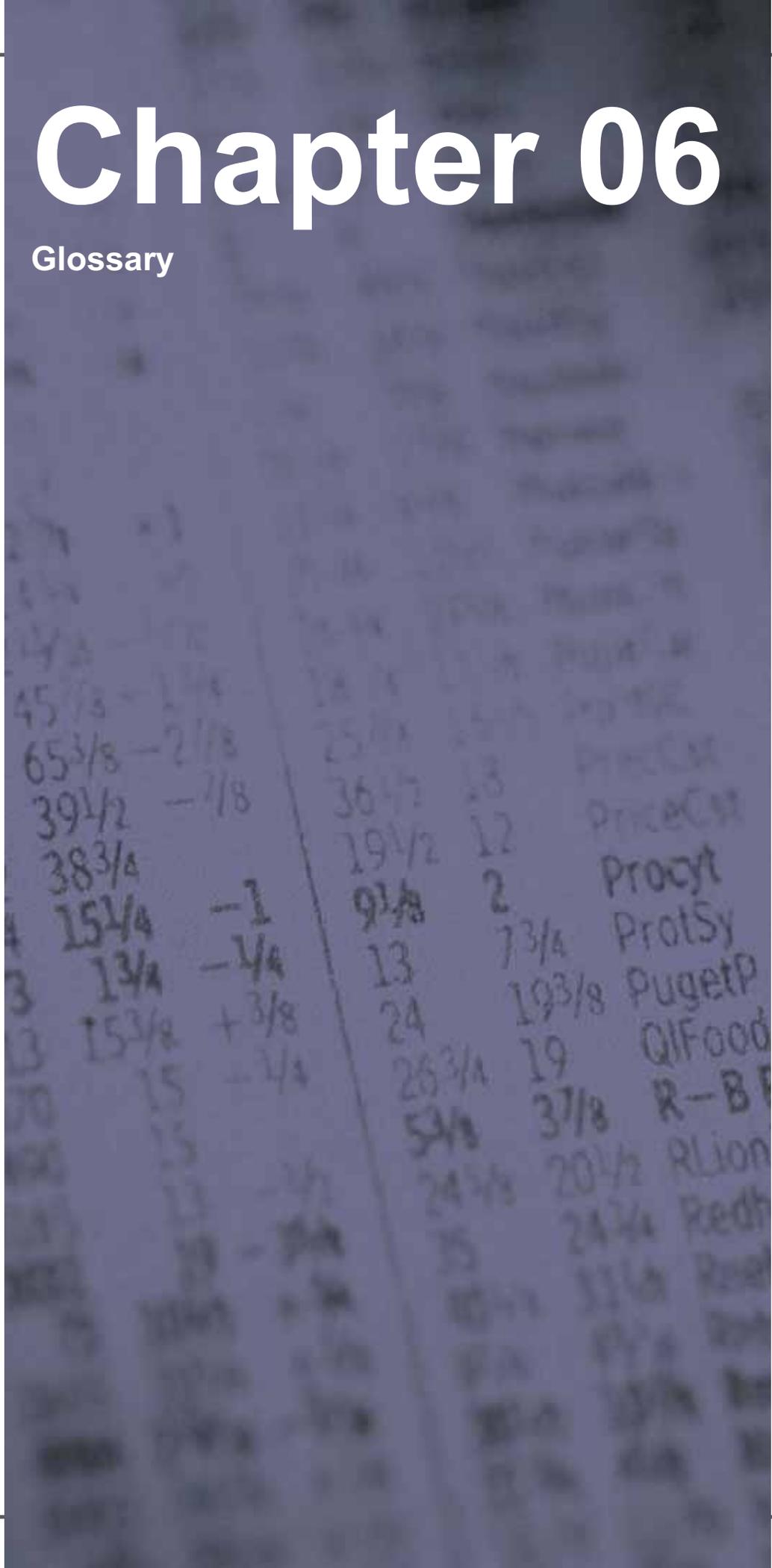
	Target	Outturn
To increase performance year on year so that 90% of search reports are issued within six months of request by 2005/06. The milestones towards achievement of this target are: by 2003/04 – 75% by 2004/05 – 80% by 2005/06 – 90%	75%	86.79%
To grant 90% of patents within 3 years of request	90%	91%
To register 90% of correctly filed design applications, to which no substantive objections have been raised, within 3 months of the date of application	90%	97.5%
To reduce to an average of 26 weeks the time taken to issue a decision in trade marks <i>inter partes</i> cases once the case is ready	100%	26 weeks
To publish details of progress towards key milestones in the UK and International policy development in the Annual Report and on our website	100%	100%
To increase output in relation to current expenditure by an average of at least 2% per annum over a rolling 3 year period.	2%	2.6%
To meet our Customer Service Standards as reported in the Annual Report and on our website www.ipo.gov.uk	100%	97.72%
The Office will pay 100% of bills within 30 days of receipt of goods or services or a valid invoice, whichever is the later	100%	98.6%
The Chief Executive will reply within 10 working days to all letters from members of Parliament delegated for his reply	100%	100%

Handwritten notes on a vertical strip of paper, including mathematical expressions and numbers:

- $45 \frac{3}{8} - 2 \frac{1}{8}$
- $65 \frac{3}{8} - 2 \frac{1}{8}$
- $39 \frac{1}{2} - \frac{1}{8}$
- $38 \frac{3}{4}$
- $15 \frac{1}{4} - 1$
- $13 \frac{1}{4} - \frac{1}{4}$
- $15 \frac{3}{8} + \frac{3}{8}$
- $15 - \frac{1}{4}$

Chapter 06

Glossary



Handwritten notes on a vertical strip of paper, including mathematical expressions and numbers:

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- $13\frac{1}{4} - \frac{1}{4}$
- $15\frac{3}{8} + \frac{3}{8}$
- $15 - \frac{1}{4}$

Glossary

BERR	Department for Business, Enterprise and Regulatory Reform
CETV	Cash Equivalent Transfer Value
DTI	Department of Trade and Industry
EU	European Union
EPO	European Patent Office
FReM	Financial Reporting Manual
IP	Intellectual Property
ISO	International Standards Organisation
KPIs	Key Performance Indicators
OHIM	Office for Harmonisation in the Internal Market
PECS	Patents Electronic Case Files Programme
PSA	Public Service Agreement
SCS	Senior Civil Service
SMEs	Small and Medium Enterprises
UK-IPO	UK Intellectual Property Office
WA	Wrongly Accepted
WR	Wrongly Refused
WIPO	World Intellectual Property Organisation

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