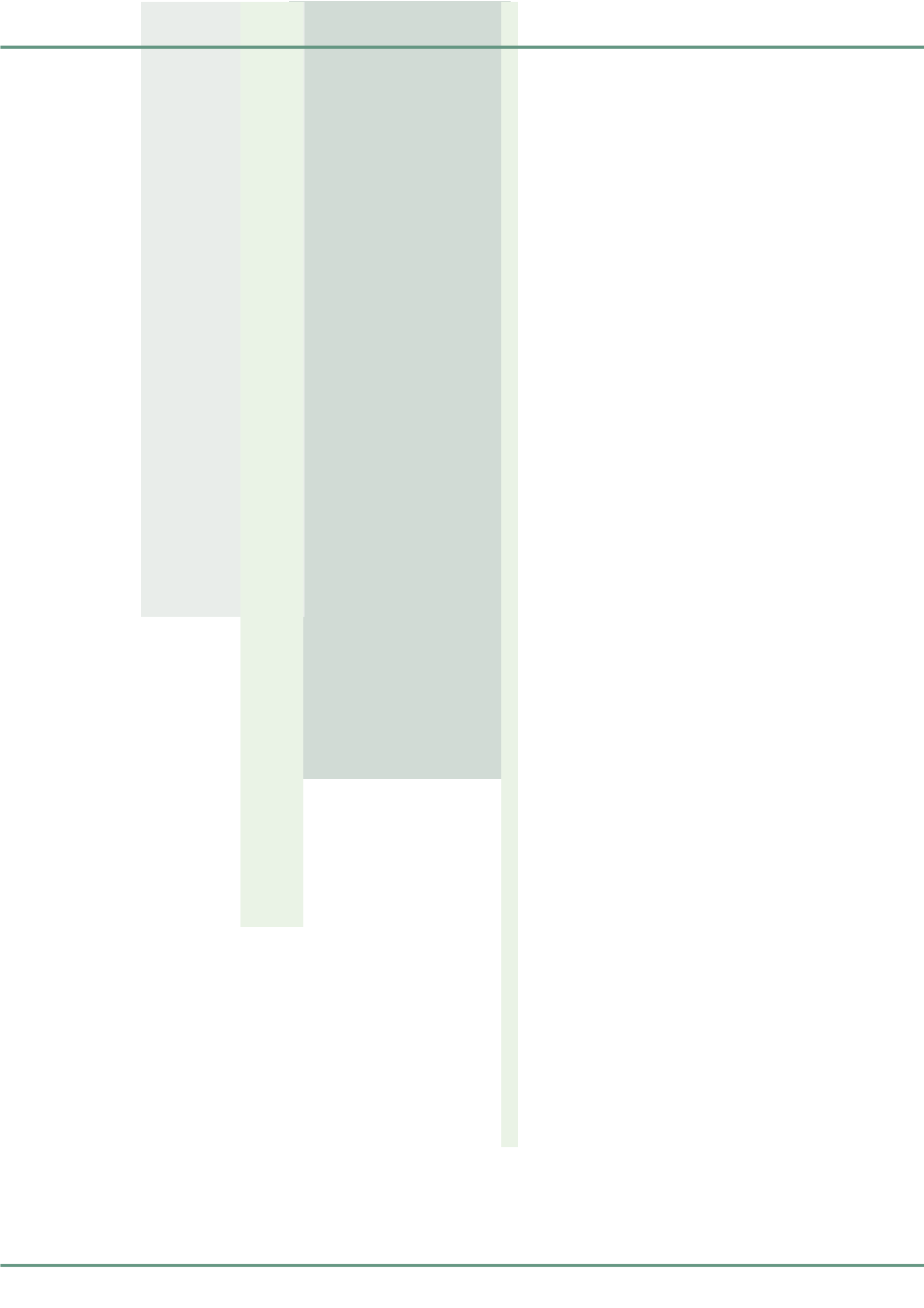


The UK Intellectual Property Office Annual Report and Accounts 2006-2007





The UK Intellectual Property Office Annual Report and Accounts 2006-2007

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 throughout 2006/07. Following machinery of government changes announced on 28 June 2007 the Office became an Executive Agency of the Department for Innovation, Universities and Skills.

2006/2007 Annual Report & Accounts

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Chapter 01

Chief Executive's Introduction



I am very pleased to introduce the Annual Report & Accounts of the Office, for the first time, following my appointment as Chief Executive and Accounting Officer on 30 April 2007. 2006-07 was a challenging period for the Office with completion of its change management programme in March 2007 and significant scrutiny of the UK's Intellectual Property (IP) policies and framework through the Gowers Review.

In December 2006 the Government published Andrew Gowers' review of the UK's IP framework. The report recognises the important role played by IP in the UK economy, and made a number of recommendations, many of which fall to the Office to implement. These included changing the Office's name to better reflect its full range of activities. As such The Patent Office became the UK Intellectual Property Office (UK-IPO) on 2 April 2007. This will be an operating name until the necessary legislative changes can be made.

Along with the challenges, has come success. We have continued to maintain our reputation for granting high quality IP rights and as a customer focussed agency. We are widening our scope of activities too. Our Innovation Support Strategy was launched, setting out 32 activities for supporting innovation, including several recommendations from the Gowers Report. The activities include raising awareness of IP, piloting new services, such as IP health checks and patent mapping. In September 2006 our mediation service was awarded first prize in the public sector category at the Centre for Effective Dispute Resolution (CEDR) Excellence in Alternative Dispute Resolution Awards. Our web site was also completely overhauled and relaunched.

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. I would also like to recognise the contribution made by Ron Marchant CB, former Chief Executive, and the management team.

The year ahead promises to be exciting and demanding. Innovation, including IP, remains central to the Government agenda for science, skills and competitiveness. The role the Office plays, and the services we offer, have never been more important.

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

Ian Fletcher
Chief Executive and Accounting Officer

A decorative graphic on the left side of the page. It consists of several vertical bars of varying heights and colors. From left to right: a light grey bar, a light green bar, a dark grey bar, and a thin light green bar. A large white number '2' is centered within the dark grey bar.

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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.

Responsible to the Secretary of State for Trade and Industry, the Patent Office became a Government Agency in 1990 and acquired trading fund status on 1 October 1991. The Office was an Executive Agency of the Department of Trade and Industry throughout 2006/07. Following machinery of government changes announced on 28 June 2007 the Office became an Executive Agency of the Department for Innovation, Universities and Skills.

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 1938 as amended by the Trade Marks (Amendment) Act 1984 and 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 18 December 2006 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 (FRoM).

Principal Activities

The Office facilitates the growth, creativity and innovation of industry and commerce through the establishment of intellectual property rights relating to patents, trade marks, registered designs and copyright. 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 Department of Trade and Industry (DTI) operational objectives include Public Service Agreement (PSA) targets agreed with Her Majesty's Treasury. We contribute directly to two PSA targets relating to increasing the overall innovation performance of the UK economy, and to the promotion of fair competitive markets.

Development and Performance

A significant event during this financial year was the publication of the Gowers Review of Intellectual Property.

(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 report was published on 6 December 2006 and confirmed the crucial importance of IP to the success of the UK in the global knowledge economy. The report contains 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 recognises the role played by the Office.

The Report makes proposals on a wide range of policy issues surrounding copyright, patents, enforcement and the fight against IP crime. The Government will take forward the recommendations addressed to it. Most fall to the Office to deliver in consultation with Whitehall colleagues and other stakeholders; some will fall to others to deliver. These are complex issues and as the Report makes clear, require judgments to be made on the appropriate balance between rewards for innovators and creators and the interests of society and the consumer.

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

- The Patent Office became the UK Intellectual Property Office (UK-IPO) on 2nd April 2007. This will be an operating name until the necessary legislative changes can be made.
- IP crime has been recognised as an area for Police action as a component of organised crime in the updated National Community Safety Plan.

- £5m has been allocated by Treasury via the DTI to fund enforcement of copyright offences by Trading Standards Officers, with commencement of the necessary powers which took effect on 6th April 2007.

Against this policy context, the Office's services have continued to develop. Our portfolio of new services included the launch of our Mediation Service on 3rd April 2006, whose purpose is to improve rights-holders' options for enforcing their IP effectively and economically. The service has received the support of senior law practitioners and was awarded first prize in the public sector category of the CEDR (Centre for Effective Dispute Resolution) Awards in 2006.

Our re-designed website was launched on 28th September 2006. Our objective in designing the site was to offer a better service to our customers and better satisfy their needs. We are continuing to review our web and e-business offering. We will improve our website further and are committed to a number of significant additions to it during 2007. This includes the implementation of a new search engine solution and the expansion of e-services for Patents and Trade Marks. We have expanded the range of payment services we offer to include credit/debit card settlement facility for on-line transactions.

We have had another successful year in terms of our awareness raising activities. Our IP Awareness Seminars were launched in October 2006 and are 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. They are 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.

On 26th June 2006 we launched our Patents Electronic Case System (PECS) which is based around the European Patent Office's PHOENIX system. PECS replaces paper case files with electronic ones, and provides a basis for more efficient service delivery.

Due to legal difficulties we are currently unable to implement an online file inspection system for patents. The process of cutting red tape in the patent litigation system was paused pending the findings of the Gowers Report but the consultation is now underway. Options are still being considered for extending our business hours.

The ISO 9001:2000 certification for our pre-grant patenting process in 2003 was renewed in 2006. The award was also extended to cover our commercial patent search service operation.

On 1st October 2006, a new 'Multiple Design' applications process was introduced with lower fees to reflect expected savings to the Office in handling costs compared to an equivalent number of single design applications. Deferral of publication is now offered to applicants who do not wish their design to be published for up to 12 months from the date of the application for registration. We hope that providing designers with a more flexible and affordable option for the registration of designs will make it easier for them to protect their designs and that this will act as a spur to innovation.

The Office exceeded its financial and nearly all of its non financial targets in 2006/07 (see Key Performance Indicators). Turnover for the year ended 31 March 2007 was £59.1 million up from £57.0 million the previous year. This reflects both ongoing demand, particularly for trade mark applications, and increasing renewal income from patents.

Costs have fallen mainly because a large provision for voluntary early retirement/voluntary early severance in 2005/06 was not repeated. However superannuation contributions increased despite lower staff numbers as a result of government-wide increases in civil service employer superannuation contribution rates. These pension contributions reflect on-going increases in contribution rates. Further details can be seen in Note 5 of the accounts.

The operating surplus on ordinary activities was £10.9 million. After charging interest of £0.3 million and declaring a dividend of £2.8 million on public dividend capital, a net surplus for the year of £7.8 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 the Office for Harmonisation in the Internal Market (OHIM) which offer European Patents and 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, and the competition ensures we maintain focused on service delivery.

Objectives

Our 3 year objectives are to:

- Deliver the IP rights that customers want, in shorter timescales, through a wider range of channels
- Improve our organisational structure and IT framework to better serve the needs of customers and staff
- Raise awareness of IP in British business and to improve the effective use of IP rights and IP information
- Make enforcement of IP rights easier

Our broad strategy to achieve our aims is to organise the Office to support business in the acquisition, use and enforcement of rights within a policy framework relevant to the global economy.

As part of this, we have established a new Customer & Innovation Support Services Directorate. This has brought together all of our customer and innovation support activities. It includes a new Customer Relationship Management Unit which will gather intelligence on our customers to better understand their needs and provide advice on how to improve the way we engage with customers. This is a work in progress.

On 1st February 2007 we launched an Innovation Support Strategy which set out 32 activities for supporting innovation including several recommendations from the Gowers Report. The activities cover IP awareness raising and new services which we are piloting, namely: IP health checks and patent mapping.

We have developed a business monitoring process based on a balanced scorecard to measure progress in a more systematic manner. This will allow us to monitor our performance in all areas of the Office and is intended to underpin effective delivery. We also produced a new business model and continued to develop our Information Systems Strategy.

A key challenge in the year ahead is raising the awareness and understanding of British business and society about how to make the best use of the IP system.

We are now working to establish formal collaboration with Business Link, Regional Development Agencies and the appropriate bodies in the Devolved Administrations to help raise IP awareness including

the impact of IP crime. We plan to create an integrated package of support and advisory services for SMEs to enable them to incorporate their IP into their business planning.

We also plan to expand our educational programme with schools and colleges, including a programme for primary schools built around the Wallace and Gromit® characters and a website www.crackingideas.com which was launched on 26th March 2007. The THINK Kit version II was also launched in a digital format in February 2007.

We are working with UKTI to establish channels of advice to help companies in the use of their IP in overseas markets.

We plan to create and promote a guide for business to business IP licensing and further promote the research to business licensing agreements identified by the earlier Lambert Review (launched in February 2005) and the CREST Report (published in September 2006).

Looking ahead, we will try to meet the growing demand for sophisticated and complex technical advice and explore how we can build on our existing non-statutory search services by using our technical expertise in combination with sophisticated software tools to analyse IP data to provide information that can assist business to make informed decisions and overcome technical problems.

In the coming year we will align the UK regime for resolving relative grounds objections to trade mark applications with the European one, by moving to notification of any earlier rights-holders rather than refusing the application.

Policy

Keeping the UK policy framework relevant is a constant challenge. Policy on IP is a matter of International, EU and domestic law.

To meet the pressures we face in the Copyright area we established a new Copyright and Enforcement Directorate 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 work 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.

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 reduced the amount of work we have in hand. Although levels of unprocessed work have crept up in 2006/07, the continuing challenge is to align resources with demand while taking a prudent view of future conditions. Recruiting sufficient, suitable staff remains a preoccupation.

As a Trading Fund the Office is self financing and must meet any investments from its own resources. The costs of the Gowers report recommendations are likely to add significantly to our cost base. Additional significant investment in our IT systems is likely in the short term.

While these plans are still to be evaluated the Office has strong cash and liquid assets to cover any investment plans. The Office generated over £10.1 million (£10.5 million 2005/06) 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 the DTI. Any surplus funds are invested with the Debt Management Office and have been earning over 4% for some time though there is a limited interest rate risk.

In addition we have fixed assets of over £31.6 million mostly connected with our ownership of Concept House which was valued at £26.5 million.

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 and stakeholder 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 and demand for UK trade marks both domestically and via the Madrid Protocol appears robust. 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 £4.5 million. There is no suggestion that this arrangement is likely to be reviewed and it could only be amended by agreement with the Member States including the UK. However, it remains a key stakeholder relationship, and one where the EPO recently disclosed increased potential risks around its pension liabilities. We continue to pay close attention to these risks.

Key Performance Indicators

The Key Performance Indicators (KPIs) for the Office are set by Parliamentary Written Statement as Agency Targets.

The Agency Targets set for 2006/07 and our performance against them is set out below, and summarised with previous years' performance in Chapter 5:

Patents

There are three Agency Targets specifically relating to the delivery of statutory patent services. The first two set an expectation that 90% of searches and grants should be completed within specified periods. Searches and grants were the chosen focus as they are key milestones for users. For searches, we decided we should tighten the target from 5 months to 4 months from request. We knew this was a major challenge we were setting ourselves but a key stimulus to delivering a better services to our customers. In the first half of 2006/07 we steadily moved to 4-month delivery from 5 months. Although we sustained the faster delivery in the second half of the year, the outturn for the full year was 86%. For grants, the target period is calculated from the date of the request for examination, and was set this year at 2½ years. We were able to maintain our performance in this area compared to last year and achieved an outturn of 93%.

The third patent-specific Agency 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 95% return, which is comparable to those other patent offices which publish data on quality.

Trade Marks

One of our Agency Targets aims "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, 96% of Trade Mark applications that were not the subject of substantive objection or opposition were registered within 8 months of filing.

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 99.4% of all registrability decisions considered to be correct for this financial year. Where wrong decisions are identified, corrective action is taken.

We have a third Trade Marks agency target to dispose of all *inter partes* cases within 3 years, achieving at least 30% within one year and at least 70% within two years. 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 same exercise is then carried out on the second and third anniversaries. As this is a new target we only have results for year one which was a disposal of 57%. As a result of this outturn figure the target for year one for 2007/08 will be a more challenging 55%.

Designs

Our Designs’ Agency 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 99% for this financial year.

Future Key Performance Indicators

For 2007/08 a balanced scorecard approach will be used and the intended KPI’s are:

- Issue 90% of patent search reports within 4 months of request
- Grant 90% of patents within 2½ years of request
- To register 90% of processed Trade Mark applications, to which no substantive objections have been raised or oppositions filed, within 8 months of application
- To examine 95% of all Design applications within 3 months
- To resolve 55% of Trade Mark disputes in one year
- To receive an overall “good” or “satisfactory” rating in at least 80% of responses in customer and Ministerial surveys
- The number of businesses taking action to improve the management of their IP will increase by 20% above baseline in targeted groups
- Generate a 10% increase in demand for non-statutory innovation support services
- Meet 80% of agreed milestones in development of policy initiatives
- Develop 6 Target profiles, using Telpat intelligence
- Achieve the target of 4% on Return on Capital Employed
- 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
- Achieve positive outcomes on 100% of ISO and Charter Mark healthchecks
- Make the correct decision on registerability in at least 98.5% of Trade Mark applications
- Give good customer service in patent search and examination in 95% of quality assured cases

- Reduce number of day's sick absence per person to:

9 days by March 2008
8.5 days by March 2009
8 days by March 2010
- Complete, sign off and return annual Performance Measurement Forms to Personnel

95% by 31 May 2007
100% by 31 May 2008
- To achieve 99% or more of the agreed monthly service levels for key IT systems
- 80% or more of internal customers are "satisfied" or "very satisfied" with the provision of internal IT customer services
- Apply for initial assessment of our Environmental Management System by the ISO Accreditation body by the end of March 2008
- 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"
- 80% of completed training evaluation forms to contain positive feedback from Line Manager on the improved competences of staff
- To achieve 80% or more of agreed milestones for key projects within the reporting year
- Ensure that applications from black and minority ethnic people are running at 5% of applications for A-B1 level posts by end March 2008.

Financial and Efficiency Targets

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, £2.36 million and £2.85 million. The actual outcome was £5.38 million cumulative for 06/07 (£1.95 million in 05/06).

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 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 2007 was 14.5% (year ended 31 March 2006 11.2%).

The return achieved for the period 1 April 2004 to 31 March 2006 was 12.5%, with the capital averaged using the mean of each year's capital and the average surplus.

Other

We have an Agency Target to encourage 80% of UK secondary schools to adopt our educational resource, THINK Kit II. Following the success of Think Kit which achieved 70% over its 2 year life span we were tasked in the Innovation Report to continue this activity, as a result we further developed THINK Kit II with a more ambitious target to reach 80% of schools over a similar 2 year period. This was achieved in December 2005 with 81% of schools adopting the THINK Kit II. At 31st March 2007 we had maintained the 2005/06 level of adoption within 82% of schools.

Environmental Policies

The Office is committed to sustainable development following an Environmental Management Strategy. We have extended our recycling programmes to include batteries and all plastics. Information on resources consumed and recycled is monitored quarterly by the Patent Office Board and by the Steering Board. We are committed to achieving ISO 14001 Environmental Management System accreditation and have an agency target to apply for initial assessment by March 2008.

During 2006/07 we built a new multi storey car park on the site of our existing car park in order to provide sufficient spaces for staff. All the available options were reviewed but the public transport links to the site and the scattered nature of our work force across South Wales left no viable alternative. The car park has been built to BREEAM Environmental Standards and we have taken care to ensure no trees or animal habitat has been affected by this decision.

Corporate and Social Responsibility

We encourage staff to participate in a wide range of community events and fundraising activities from Prince's Trust, being a Justice of the Peace or forging links with schools. Of particular success in 2006 has been our Patent Office School Support (POSS) Scheme, which was awarded the "Science Award for Industry" by Mid Glamorgan Education Business Partnership. Our POSS team aims to stimulate and develop pupils' interest in science, engineering and IP. The Office is planning to extend the scheme to cover all areas of IP and extend the boundary to include Swansea, Bristol and Bath. This will provide both greater support for the local community and an excellent development opportunity for staff.

Creditor Payment Policy

The Office adheres to the standard of the former Department of Trade and Industry 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 98.3% of valid invoices within 30 days in 2006/07 (98.7% in 2005/06).

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 Disabled" 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 will be retained in suitable jobs successfully, and where it is appropriate, the equipment to enable them to fulfil their duties will be provided. Training, career development and promotion opportunities are available to all staff, whether or not they have a 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 Departmental newspaper. The Corporate Plan 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.

The Office is proposing to offer staff the opportunity to take part in a salary sacrifice scheme for childcare vouchers and bicycles for travel to work. The advantage of the scheme is it enables the staff member to give up some salary in return for childcare vouchers or a bike and to keep the tax and National Insurance saving.

Steering Board

In addition to the Chief Executive, the Steering Board members at 31st March 2007 were:

Sir Keith O'Nions	DTI member
Peter Mason	DTI member
Richard Abnett	External member
Kathryn Bishop	External member
Mary Champion	External member
Geoffrey Drage	External member
David Richards	External member

David Hughes (DTI member) of the Steering Board stood down on 4th April 2006 and was replaced by Sir Keith O'Nions. Richard Abnett retired from the Steering Board on 14th April 2007 and was replaced by David Roberts on 16th April 2007.

Audit Committee

The Audit Committee members at 31st March 2007 were:

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

Patent Office Board

At 31st March 2007 the Directors of the Office were:

Ron Marchant	Chief Executive
Sean Dennehey	Director of Patents Directorate
Mark Pacey	Chief Information Officer, Information and Systems Directorate
Liz Coleman	Director of Intellectual Property and Innovation Directorate
Robin Webb	Director of Trade Marks and Designs Directorate
Kevin Woodrow	Director of Finance Directorate
Louise Smyth	Director, Human Resources and Corporate Administrative Support Directorate.
Mike Wright	Director of Customer and Innovation Support Services Directorate

Mike Wright joined the Patent Office Board on 21st September 2006. Ron Marchant retired from the Patent Office 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.

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
3 July 2007



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Chapter 03

Accounts 2006-2007

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 19 December 2006. 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 set out in the Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting".

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 of Trade and Industry (DTI), whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. 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 2007 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 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 the DTI, including DTI's Finance and Resource Management Directorate, 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 DTI and Treasury. Individual directorates have extended this training as part of their risk management processes. Risk training workshops have been held with Directorates to review their current risk management processes and to consider how to raise awareness of risk within work areas. A workshop has also been held to identify and evaluate risks for the newly formed Customer and Innovation Support Services (CISS) Directorate.
- 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
- high profile events and associated risks 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 and awareness being raised through on-going workshops

- 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
- development 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. Audits which highlighted areas for improvement this year were:
 - IS Strategy
 - Review of the Enforcement Team
- an annual statement of opinion from Internal Audit on the Office's systems of control and risk management framework
- 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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

During the year periodic reviews of the strategic, directorate and programme risk registers have been conducted by the Board, Steering Board and Audit Committee, as well as management boards and staff teams. Internal Audit spent 109 man 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 during the year. We have identified a weakness in our policy risk management systems, present in 2006/07, which was highlighted by our failure to connect emerging legal advice to contingent consequences for DTI and advice put to Ministers. With this exception, where we have taken remedial action and which remains under review, the conclusion of these reviews are 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.



Ian Fletcher
Chief Executive and Accounting Officer
3 July 2007

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 2007 under the Government Trading Funds Act 1973. These comprise the Operating Account, the Balance Sheet, the Cashflow Statement, 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 the 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 the 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, certain information given in the Annual Report, which comprises the Management Commentary, 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. 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 opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements 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 the 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

Audit Opinion

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 2007, 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 given within the Annual Report, which comprises the Management Commentary, is consistent with the financial statements.

Audit Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.



John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

11th July 2007

Operating Account

For the year ended 31 March

		2007	2006
	Notes	£000	£000
Turnover	2	59,097	56,977
Staff costs	5	(34,157)	(33,713)
Depreciation	9	(2,125)	(1,380)
Other operating charges		(14,978)	(16,623)
Operating surplus before interest and dividend		7,837	5,261
Interest receivable	6	3,013	2,726
Operating surplus on ordinary activities	3	10,850	7,987
Interest payable	7	(245)	(214)
Surplus for the year	2	10,605	7,773
Dividend	8	(2,813)	(2,653)
Retained surplus for the year		7,792	5,120
Retained surplus brought forward		50,968	85,602
Special dividend paid from reserves	8	-	(40,000)
Other reserve movements	15	(227)	246
Retained surplus carried forward		58,533	50,968

All of the operations are classed as continuing.

Statement of Total Recognised Gains and Losses

For the year ended 31 March

		2007	2006
	Notes	£000	£000
Surplus for the year	2	10,605	7,773
(Deficit) / Surplus on revaluation of fixed assets	15	(4,163)	5,441
Total recognised gains and losses relating to the year		6,442	13,214

Balance Sheet

As at 31 March		2007	2006
	Notes	£000	£000
Fixed assets			
Tangible fixed assets	9	31,686	33,720
Current assets			
Debtors	10	2,633	2,001
Short term investments	11	65,000	60,000
Cash at bank and in hand	11	2,880	1,784
		70,513	63,785
Creditors: amounts due within one year	12	(24,453)	(22,986)
Net current assets		46,060	40,799
Total assets less current liabilities		77,746	74,519
Provision for liabilities and charges	13	(1,002)	(1,238)
Net Assets		76,744	73,281
Financed by:			
Capital and reserves			
Public dividend capital		6,325	6,325
Loans from Secretary of State, Department of Trade and Industry	14	1,830	1,996
Revaluation reserve	15	10,056	13,992
General reserve	15	58,533	50,968
Total financing		76,744	73,281



Ian Fletcher
Chief Executive and Accounting Officer
3 July 2007

Cash Flow Statement

For the year ended 31 March

		2007	2006
	Notes	£000	£000
Net cash inflow from operating activities	16	10,123	10,565
Returns on investments and servicing of finance	17	164	(41,094)
Capital expenditure	18	(4,025)	(1,635)
Cash outflow before management of liquid resources and financing		6,262	(32,164)
Management of liquid resources	19	(5,000)	33,300
Financing	20	(166)	(166)
Increase in cash in the period		1,096	970

Reconciliation of net cash flow to movement in net funds

Increase / decrease in cash		1,096	970
Cash outflow / (inflow) from movement in liquid resources		5,000	(33,300)
Cash outflow from decrease in debt		166	166
Movement in net funds	21	6,262	(32,164)
Net funds at 1 April		59,788	91,952
Net funds at 31 March		66,050	59,788

Reconciliation of Movements in Government Funds

For the year ended 31 March

		2007	2006
	Notes	£000	£000
Surplus for the year		10,605	7,773
Dividend	8	(2,813)	(2,653)
Retained surplus for the year		7,792	5,120
Special dividend	8	-	(40,000)
(Deficit) / Surplus on revaluation of fixed assets	15	(4,163)	5,441
Loan repayments		(166)	(166)
Net increase / (decrease) in Government funds		3,463	(29,605)
Opening Government funds		73,281	102,886
Closing Government funds		76,744	73,281

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 of Trade and Industry 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)	
	2007	2006	2007	2006	2007	2006
	£000	£000	£000	£000	£000	£000
Patents	38,086	36,386	33,732	34,582	4,354	1,804
Trade marks	18,107	17,926	15,003	14,867	3,104	3,059
Designs	1,547	1,465	925	904	622	561
Publications	255	257	121	113	134	144
Commercial services	1,102	943	1,479	1,250	(377)	(307)
Unallocated (interest receivable net of interest payable)	-	-	(2,768)	(2,512)	2,768	2,512
	59,097	56,977	48,492	49,204	10,605	7,773

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:

	2007	2006
	£000	£000
- hire of office machinery	434	401
- exchange rate losses	57	66
- audit fee	32	28

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 2007 was 14.5% (year ended 31 March 2006 11.2%).

The return achieved for the period 1 April 2004 to 31 March 2007 was 12.5% with the capital averaged using the mean of each year.

5 Staff costs and employee information

5(a) Staff costs

	2007	2006
	£000	£000
Salaries and wages	25,284	25,838
Social security costs	1,989	2,011
Pension costs	4,843	4,753
Agency/Contract staff	2,627	1,979
Capitalised staff costs included above	(586)	(868)
	34,157	33,713

- 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 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2006-07 employer contributions of £4,838,316 were payable to the PCSPS (2005-06 £4,746,257) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (the rates in 2005-06 were between 16.2% and 24.6%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2007/08, the salary bands will be revised but the rates will remain the same. The contribution rates are set to meet the cost of the benefits accruing during 2006-07 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 £380 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 £508, 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 £630.

- 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	2007	2006
Patents	1	374	0	8	3	386	434
Trade marks	1	172	0	4	6	183	192
Designs	0	6	0	0	0	6	6
Other	6	335	1	35	1	378	331
						953	963

Of the people employed by the Office in 2006/07, 905 were civil servants.

6 Interest receivable

	2007	2006
	£000	£000
Short term deposits - operating activities	3,013	2,726

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

7 Interest payable

	2007	2006
	£000	£000
Interest on loans (see note 14)	188	204
Unwinding of discount on early retirement provision (see note 13)	57	10
	245	214

8 Dividends

A dividend of £2,812,717 will be paid in July 2007 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 2006	28,000	165	136	3,998	5,109	2,573	39,981
Additions	-	3,118	19	484		633	4,254
Assets brought into use	3,283	(3,283)	-	-	2,564	(2,564)	0
Revaluation	(4,783)	-	5	(53)	126	59	(4,646)
Disposals	-	-	-	(21)		(237)	(258)
At 31 March 2007	26,500	0	160	4,408	7,799	464	39,331
Depreciation							
At 1 April 2006	0	0	109	3,441	2,711	0	6,261
Provided during the year	438	-	16	249	1,140	-	1,843
Surplus on revaluation	(438)	-	-	-	-	-	(438)
Disposals	-	-	-	(21)	-	-	(21)
At 31 March 2007	0	0	125	3,669	3,851	0	7,645
Net book value at 31 March 2007	26,500	0	35	739	3,948	464	31,686
Net Book Value at 1 April 2006	28,000	165	27	557	2,398	2,573	33,720

The land and buildings referred to above are freehold and were revalued at £26.5 million by the District Valuer, Newport, South Wales on 31 March 2007 on the basis of existing use. The open market valuation, provided by the District Valuer, of £20.0 million is £6.5 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, fifth edition.

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

Depreciation in the operating account (£2,125,000) is made up of the in-year provision (£1,843,000) and the diminution in value of computer and office equipment arising from indexation (£53,000) and charges for software developments which are no longer certain to recover their costs (£237,000) offset by the reversal of revaluation adjustments (£8,000)

10 Debtors

	2007	2006
	£000	£000
Trade debtors	851	526
Other debtors	402	286
Prepayments and accrued income	1,380	1,189
	2,633	2,001

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

Other debtors	18	-
Prepayments and accrued income	22	29
	40	29

11 Short term investments and cash at bank

	2007	2006
	£000	£000
Short term investments	65,000	60,000
Cash at bank - at Office of HM Paymaster General	2,243	1,094
Cash at bank - in Commercial Banks	636	689
Cash in hand	1	1
	<u>2,880</u>	<u>1,784</u>

12 Creditors - amounts falling due within one year

	2007	2006
	£000	£000
User deposit accounts	4,180	4,080
Trade creditors	8,009	7,493
Deferred income - prepayment	5,678	5,242
Early retirement provision (see note 13)	454	909
Taxation and social security	674	654
Superannuation	477	425
Other creditors	11	22
Dividend payable	2,813	2,653
Accruals	2,157	1,508
	<u>24,453</u>	<u>22,986</u>

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 2007 and 2015. 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 change in discount factor from 2.8% is taken through the operating account.

	£000
At 1 April 2006	2,147
Provision made in year	117
Unwinding of discount on provision	57
Payments offset against the provision	<u>(865)</u>
At 31 March 2007	1,456
Less amount payable within one year (included in Creditors - see note 12)	<u>(454)</u>
Amount payable after one year	1,002

14 Loans

14(a) The Secretary of State for the 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 2007	Fair Value 2007
£000					£000	£000
2,161	01.10.91	26 years	9.625%	} 9.813%	914	1,107
2,164	31.03.92	26 years	10.000%		916	1,100
					1,830	2,207

In accordance with Treasury guidance, the fair value has been calculated by discounting future cash flows at the 31 March 2007 interest rate of 4.65%: this is the rate applicable to loans of more than 25 years.

14(b) All loans are unsecured and the sums outstanding at 31 March 2007 are repayable as follows:

	2007	2006
	£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	999	1,165
	1,830	1,996

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 2006	50,968	13,992
Revaluation surplus/(deficit) during the year on:		
land and buildings	-	(4,345)
other tangible fixed assets	-	182
Transfer of realised/(excess) depreciation between reserves	(227)	227
Transfer from operating account	7,792	-
At 31 March 2007	58,533	10,056

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

	2007	2006
	£'000	£'000
Operating surplus before interest and dividend	7,837	5,260
Depreciation charges	2,125	1,380
Gain on disposal of fixed assets	(2)	(6)
(Increase) / decrease in debtors (excluding interest receivable) - see note 10	(627)	217
Increase in creditors (excluding interest payable, dividend and capital expenditure) - see note 12	790	3,714
Net cash inflow from operating activities	10,123	10,565

17 Returns on investments and servicing of finance

	2007	2006
	£'000	£'000
Interest received - operating activities	3,009	2,946
Interest paid	(192)	(208)
Dividend paid on public dividend capital	(2,653)	(3,832)
Special dividend paid from reserves	-	(40,000)
Net cash inflow / (outflow) from returns on investments and servicing of finance	164	(41,094)

18 Capital Expenditure

	2007	2006
	£'000	£'000
Payments to acquire tangible fixed assets	(4,027)	(1,641)
Receipts from sale of tangible fixed assets	2	6
Net cash outflow from capital expenditure	(4,025)	(1,635)

19 Management of liquid resources

	2007	2006
	£'000	£'000
(Increase) / Decrease in short term investments	(5,000)	33,300

20 Financing

	2007	2006
	£'000	£'000
Net cash outflow from repayment of loans	(166)	(166)

21 Analysis of changes in net funds

	<u>01-Apr-06</u>	<u>Cash Flow</u>	<u>31-Mar-07</u>
	£000	£000	£000
Cash at bank and in hand	1,784	1,096	2,880
Short term investments	60,000	5,000	65,000
Loan repayments due within 1 year	(166)	-	(166)
Loan repayments due after 1 year	(1,830)	166	(1,664)
Total	59,788	6,262	66,050

22 Capital commitments

	<u>2007</u>	<u>2006</u>
	£000	£000
Contracted	0	6

23 Operating lease commitments

Operating lease rentals due within the next year:

	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>
	£000	£000	£000	£000
	Buildings	Other	Buildings	Other
Leases expiring:				
within 1 year	-	-	-	-
between 1 and 5 years	363	337	363	293
after 5 years	269	-	622	-
	<u>632</u>	<u>337</u>	<u>985</u>	<u>293</u>

24 Contingent liabilities

The Directors are not aware of any contingent liabilities at 31 March 2007.

25 Related party transactions

The Patent Office was an executive agency of the Department of Trade and Industry throughout 2006/07. The Department of Trade and Industry 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 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.

26 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 (3.4% 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 (1.0% of turnover), denominated in Euros, is closely monitored and the Office is exposed to minimal exchange risk. Other foreign currency transactions are de minimis.

27 Intra-government balances

	2007	2007	2006	2006
	£000	£000	£000	£000
	Debtors	Creditors	Debtors	Creditors
Balances with:				
Central government bodies	450	4,243	354	4,046
Local authorities	-	52	-	58
NHS Trusts	44	-	-	-
Public corporations and other trading funds	-	-	-	42
Total at 31 March	494	4,295	354	4,146

All balances fall due within one year.

28 Post Balance Sheet Events

The financial statements were authorised for issue on 16 July 2007.

Following machinery of government changes announced on 28 June 2007 the Office became an Executive Agency of the Department for Innovation, Universities and Skills.

Appendix A:

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.

A decorative graphic on the left side of the page. It consists of several vertical bars of varying heights and colors. From left to right: a light grey bar, a light green bar, a dark grey bar, and a thin light green bar. The dark grey bar is the tallest and contains a large white number '4'.

4

Chapter 04

Remuneration

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 of Trade and Industry (DTI).

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 the DTI. 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 DTI SCS and the outcome moderated by the DTI pay committee.

For SCS analogues the Chief Executive Ron Marchant, 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.

Mike Wright is not a member of the senior civil service (SCS), or of an analogous grade, and his 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 until they reach the normal retirement age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Ron Marchant was appointed on a three year contract starting 1 January 2004 which was extended to 31 March 2007.

Kevin Woodrow was appointed on a five year contract starting 23 September 2002 but was made permanent on 1 January 2007.

Kevin Woodrow was interim Chief Executive from 1 April until Ian Fletcher was appointed from 30 April 2007.

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

	2006-07		2005-06	
	Salary £'000	Benefits in kind (to near- est £100)	Salary £'000	Benefits in kind (to near- est £100)
Ron Marchant ¹ Chief Executive	110 – 115	Nil	100 – 105	Nil
Kevin Woodrow ²	80 – 85	Nil	75 – 80	Nil
Sean Dennehey ²	110 – 115	Nil	100 – 105	Nil
Robin Webb ¹	60 – 65	Nil	55 – 60	Nil
Louise Smyth ²	50 – 55	Nil	45 – 50	£100
Mark Pacey ¹ Director from 06.06.05	60 – 65	Nil	45 – 50 (55 – 60 full year equivalent)	Nil
Liz Coleman ² Director from 16.01.06	60 – 65	Nil	10 – 15 (60 – 65 full year equivalent)	Nil
Mike Wright ³ Director from 21.09.06	25 – 30 (50 – 55 full year equivalent)	Nil	Not Applicable	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.

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. Ron Marchant's salary includes £4,000 for untaken leave to be paid in April 2007.

Benefits in kind

There were no benefits in kind in 2006/07, previous benefits in kind refer to subsidised child care arrangements which are open to all members of staff in the Office.

Pension Benefits

	Accrued pension at age 60 as at 31/3/07 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/07	CETV at 31/03/06	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Ron Marchant Chief Executive	45 - 50 plus 140 - 145 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	1,169	1,102	28
Kevin Woodrow	10 - 15 plus 40 - 45 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	206	192	10
Sean Dennehey	35 - 40 plus 105 - 110 lump sum	0 - 2.5 plus 2.5 - 5 lump sum	621	581	25
Robin Webb	10 - 15 plus 35 - 40 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	183	179	1
Louise Smyth	10 - 15 plus 35 - 40 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	169	148	21
Mark Pacey Director from 06.06.05	5 - 10 plus 10 - 15 Lump sum	0 - 2.5 No increase in lump sum (classic plus)	124	107	8
Liz Coleman Director from 16.01.06	15 - 20 plus 50 - 55 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	286	267	17
Mike Wright Director from 21.09.06	20 - 25 plus 65 - 70 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	523	509	11

Civil Service Pensions

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

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. 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).

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 CETV figures, and the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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.

Steering Board Members

Keith O’Nions replaced David Hughes as Director General on 4 April 2006, and 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 Department of Trade and Industry) hold appointments without a fixed term. All Board members have been in post throughout the year.

The Independent Board members and their remuneration are:

	2006- 07 Remuneration £'000	2005- 06 Remuneration £'000
Richard Abnett Reappointed 9 March 2006 to 14 April 2007	5 – 10	0 – 5
Kathryn Bishop Reappointed 9 March 2006 to 14 July 2009	5 – 10	0 – 5
Mary Champion Appointed 1 September 2004 to 31 August 2007	5 – 10	0 – 5
Geoffrey Drage Reappointed 9 March 2006 to 14 July 2008	5 – 10	0 – 5
David Richards Reappointed 9 March 2006 to 5 February 2010	Not applicable	Not applicable

Keith O’Nions, Peter Mason and David Richards are civil servants and are not remunerated by the Office. David Roberts was appointed as a Steering Board member on a three year contract starting 16 April 2007.

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 £20 - 25 thousand.



Ian Fletcher
Chief Executive and Accounting Officer
3 July 2007



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Chapter 05

Performance against Agency Targets

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
	100%	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.	£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	100%	92.96%
Pay 100% of bills within 30 days of receipt of goods or services or a valid invoice, whichever is the later	100%	98.33%
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.

**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%



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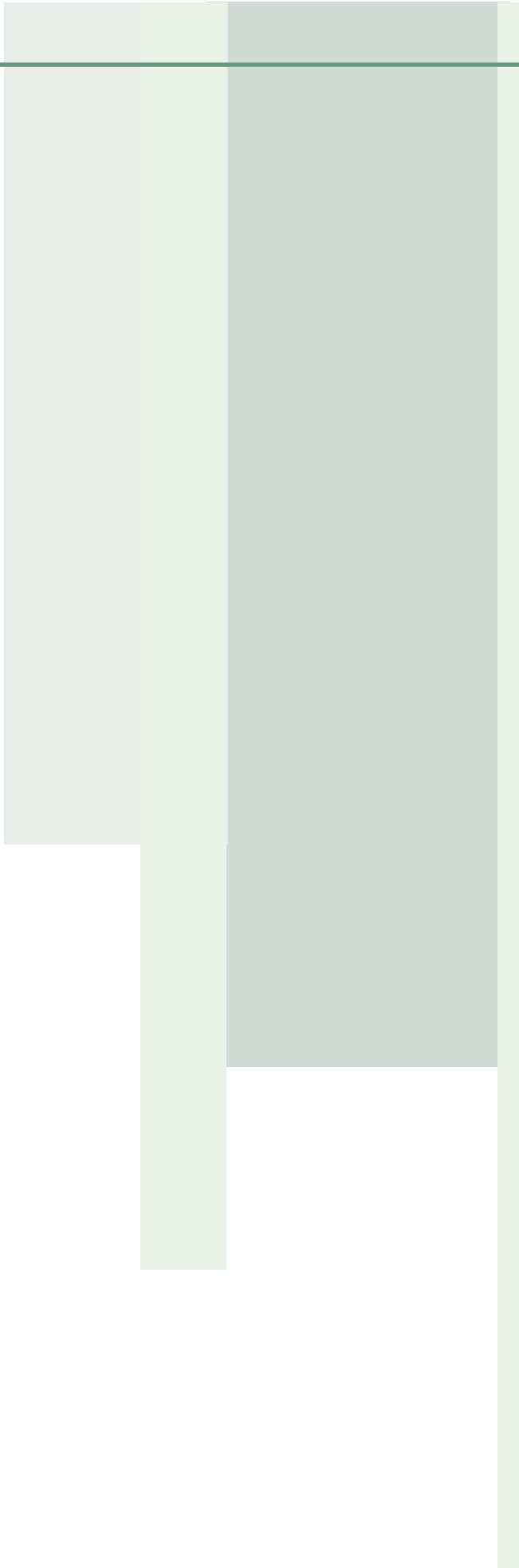
Chapter 06

Glossary



Glossary

CEDR	Centre for Effective Dispute Resolution
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
UKTI	UK Trade and Investment
WA	Wrongly Accepted
WR	Wrongly Refused
WIPO	World Intellectual Property Organisation



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Concept and Design

Design Services

Jayne Hayward

Design and Print Service Manager

Paolo Senese

Marketing Executive

Sarah Challenger

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Concept House
Cardiff Road
Newport
NP10 8QQ

Tel: 08459 500 505
Minicom: 08459 222 250
Fax: 01633 817777

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