



Intellectual
Property
Office

The Patent Office Annual Report and Accounts 2014/15



The Patent Office

Annual Report and Accounts

2014/15

The Patent Office

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2014/15 Annual Report & Accounts

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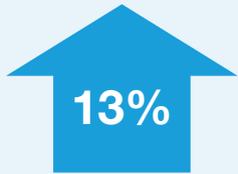
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Patents



increase in Patent search and examination over the last three years.

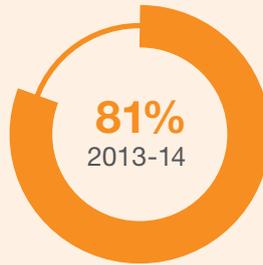


online Patent Renewals through new service.

Customers



Overall customer satisfaction.



Stakeholder satisfaction.



Specialist IP Attachés

based in the world's most challenging and fastest growing markets; China, India, Brazil and South East Asia.

They have provided practical help and support to **211** UK businesses experiencing IP issues.

Outreach

90,000



businesses reached.



300 IP audits carried out.



Social Media

IPO has

43,000

followers on Twitter.



IPO blog launched in September 2014;

66 posts and **3,100** average views per month.



Trade Marks



increase in demand since 2012.

Demand for trade marks **continued to rise in 2014-15.**

For the first time in the history of the Registry we exceeded **50,000** applications.

New in 2014



UK launched ground-breaking **Orphan Works licensing scheme** in October 2014.

UK hosted the **first** International IP enforcement summit.

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Chairman's Statement

This has been another very good year for the IPO where we have continued to make good progress on all fronts, meeting all our ministerial targets and exceeding many of our own internal key performance indicators.

This strong performance is vital at a time when the UK is investing more in intangible assets like intellectual property than in physical goods. The rapid developments in global technology over the last year have invigorated us all at the IPO to implement a number of ground-breaking reforms and develop new services, to meet the individual needs of new and existing customers, to support robust economic growth, and to safeguard the global excellence of the organisation as a whole. They have spurred our drive to make life better by supporting UK creativity and innovation and our strong financial position has allowed us to make the necessary investments to do this.

A key milestone was the implementation of the recommendations of the Hargreaves Review of Intellectual Property and Growth. This included the introduction of the IP Act 2014, which has strengthened the UK's already world-class IP system. The act has also encouraged businesses of all sizes to protect their IP rights in the UK and abroad, reinforcing the IPO's prominent role in the global market place.

In October 2014 we introduced the Orphan Works Licensing Scheme. This constituted a significant achievement in our aim to improve the efficiency of collective licensing for both users and rights holders alike.

What is more, we have also modernised exceptions to copyright to support the reasonable use of creative content, a package of reforms that will contribute £500m to the UK economy over the next ten years, demonstrating our commitment to the promotion of UK growth through IP policy on a domestic level.

As part of TRIPOD, a portfolio of work to transform the IPO digitally, we introduced our online patent renewals service in July 2014, illustrating our dedication to deliver the business and technical changes that will enable better services that reflect the needs of the 21st century customer.

We have continued our work to reach out to SMEs and introduced new tools to help ensure that their intellectual property assets were better explained and more fully appreciated in their discussions with the banking and financial communities.



This strong performance is vital at a time when the UK is investing more in intangible assets like intellectual property than in physical goods.



On an international level, we have continued the promotion of UK growth through our attaché network. Alongside this, we hosted a highly successful UK-China Symposium which confirmed the UK as China's leading international partner on IP reform.

The next year will provide new challenges for the IPO, motivating us once again to build on our achievements to increase efficiency, deliver value for money and improve, and value the skills and capability of our people. As our 2015 Corporate Plan shows we have ambitious recruitment and investment plans that will help us deliver.

I would like to thank all our employees for their contribution over the past year, and the part you have all played in maintaining the IPO's reputation as the best place in the world to secure, exploit and protect IP rights. This would not have been possible without your hard work, innovation and enthusiasm, and I am confident that this next year will see us continuing to make life better by supporting UK creativity and innovation.



A handwritten signature in black ink that reads "Bob Gilbert". The signature is stylized and written in a cursive-like font.

Bob Gilbert
Chairman



I would like to thank all our employees for their contribution over the past year, and the part you have all played in maintaining the IPO's reputation as the best place in the world to secure, exploit and protect IP rights.



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CEO's Introduction

I am very pleased to introduce the IPO Annual Report and Accounts for 2014/15.

It has been another challenging and productive year and I am delighted we were able to meet all the targets set for us by Ministers as well as our wider achievements. In recent international surveys the UK was judged to be in the top one or two places in the world to obtain, exploit and enforce IP rights, which reflects the high regard in which we're held by our customers and the strength of the UK's IP infrastructure.

Reforms to the IP regime

Over the last year we completed a significant reform of the UK's IP regime in response to the recommendations of the Hargreaves Review of IP and growth. We introduced the IP Act (2014) to improve our designs and patent services, and prepare for the European Unitary Patent. The groundbreaking Orphan Works Licensing Scheme was launched in October 2014, allowing access to the works of copyright owners who are unknown or cannot be located. It is the first in the world to use an electronic application scheme and searchable register. We also introduced measures to modernise our copyright regime. We published our first annual report of the IPO's activities in support of innovation and growth.

Delivery high quality rights for customers

We are continually adapting and changing the way we deliver for our customers and have continued to improve our online services. In July 2014 our online patent renewals service went live. Our customers were at the heart of the work from the outset. This service is one of the governments' 25 exemplar digital services, transformed for the benefit of users, making it simpler, quicker and cheaper for businesses and investors to renew their patents. (Over 16,000 renewals received this financial year). This new service is part of the portfolio of work to transform the IPO digitally (TRIPOD), which is all about transforming our customer services for the digital age. Another key success was the launch of the Designs Alpha phase, which will deliver an online application service for designs customers by the end of 2016.

We have improved our patent examination output during a period of increased demand for our services. Granting rights with a high presumption of validity is central to business confidence in the system. We have worked hard to attract and retain talented people and successfully recruited 49 new patent examiners, (and we plan to recruit 50 more in each of the next two years). This will enable us to bring examination times down substantially.

Helping business make the most of its IP

The IPO has a central role in creating an environment which helps businesses transform their IP into growth. Over the last year we have continued to help SMEs get value from their IP with the introduction of new services and improving existing services. We exceeded the target for uses of our online 'IP for Business' tool' and improved our engagement with business advisers. We published the first edition of a new IP Finance Toolkit to help SMEs make more effective use of their IP assets. The toolkit was produced in collaboration with entrepreneurs, banks and other financiers.

Supporting UK businesses has continued with the help of the IP Attachés network. Last year we deployed four specialist IP attachés in the world's most challenging and fastest growing markets: China, India, Brazil and South East Asia. They have provided one-to-one practical help and support to UK businesses experiencing IP issues and worked with host governments on improvements to their IP regimes.

As part of our international agenda we hosted a highly successful UK-China IP Symposium which confirmed the UK as China's leading international partner on IP reform. We will continue building our strong relationship on IP issues through a range of activities including hosting the 3rd UK-China IP Symposium in the UK in 2015. The IPO will continue to influence the global IP market to support businesses that want to trade around the world. We launched the global Patent Prosecution Highway (PPH) Pilot with IP offices around the world, which will help speed up the examination process to make the global patent system more business friendly.

Ensuring respect for IP

We hosted in June 2014 the world's first international IP Enforcement Summit which brought together business, enforcement and government representatives from over 50 countries. The summit highlighted the challenges we are all facing in tackling IP infringement. It was the IPO's most successful social media campaign to date with a Twitter reach of close to 12 million. The IPO has a very creditable 43,000 following and our Director of Communications Rosa Wilkinson was named by Manage IP as the most influential IP Social Media person of the year.

Building a world class organisation

The IPO is a dynamic organisation and our achievement over the last year reflects the commitment, energy and professionalism of our people. We have thrived in an environment of increased demand for our services while also exceeding our target for customer satisfaction rating.

We continued our focus on learning and development ensuring we have the right skills and capability to meet the demands on us. Enhancing the capability of our leaders and managers has been a priority. Last year we committed to a major development initiative, The Key Management Development Programme which has successfully improved the confidence and ability of our managers. This will remain an area of focus.

We achieved Silver status following the reassessment of our Investor in People Award which recognised our promotion of empowerment and ownership, and is a tribute to everyone in the organisation.

The 2014 People Survey results showed strong progress in our engagement index. We are now only 2% below the benchmark for Civil Service High Performers. The engagement index measures how people feel about the IPO as an employer and the majority of people regard the IPO as a great place to work.

The work over the last year on our Corporate Strategy will continue with the publication of a new Corporate Strategy later in 2015. We have worked hard to enhance people's knowledge and understanding of the IPO's organisational objective and have clarified the overarching purpose of our organisation – "Making life better by supporting UK creativity and innovation" and its mission – "Dedicated to giving everyone the

confidence to make best use of IP". This recognises the professionalism of everyone in the organisation and the significance of our contribution to the whole of society from economic growth to general well-being.

In the last year we delivered a number of projects which helped achieve our 3.5% efficiency target. This included completion of the final phase of our building rationalisation programme plus further efficiencies through the continued development of our Lean capability.

I would like to thank everyone in the organisation for their contribution to the many successes achieved in the last year and to our many stakeholders for their continued support. We are becoming a more adaptive organisation, committed to continuous improvement to provide the best possible services to our customers. There are further challenges ahead and I am confident we can meet them.



A handwritten signature in blue ink that reads "John Alty".

John Alty

Chief Executive and Accounting Officer



I would like to thank everyone in the organisation for their contribution to the many successes achieved in the last year and to our many stakeholders for their continued support.



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Strategic Report

Review of IPO Business 2014/15

These accounts reflect the performance of the organisation against goals and priorities set out in our 2014/15 [Corporate Plan](#) published in April 2014. This plan set out our ideas for how we would secure the goals set out in our Corporate Strategy in 2011; a plan for growth was the bold but accurate claim for the Corporate Plan.

Ministerial Targets are set annually; they detail our key deliverables, and are aligned with wider government objectives. We prioritise our work around these targets.

2014/15 performance against these targets is set out in the table below:

Target	Performance
Delivery of the infrastructure and supporting regulations required for the UK's Orphan Works and Extended Collective Licensing Schemes by the end of the year	MET
Offer faster handling of patent applications, by providing an examination report with a search report when both are requested at the application date, and meeting at least 90% of requests for an accelerated two-month turnaround for search, publication and examination in case of need	MET (96%)
80% of acceptable applications for National Trade Marks will be published for opposition within 90 days of filing	MET (89%)
Ensure customer satisfaction is at least 80%	MET (85.4%)
With our partners, OHIM and the European Commission, deliver an International Enforcement Summit that provides an effective forum for the discussion and debate of IP enforcement globally, and attracts an international audience, by summer 2014	MET
Reach an audience of 10,000 businesses through our online tool 'IP for Business' by end of March 2015	MET (21,958)
Reach an audience of 5 million people with messages to build respect for IP by end of March 2015	MET (7.6m)
Ensure 95% of our managers will have completed a management development activity by end March 2015	MET (100%)
Achieve return on capital employed of 4%	MET (5.6%)
Deliver an efficiency gain of 3.5%	MET (5.35%)

Corporate Priorities

Promoting UK growth through IP policy

Domestic

We recognise that if we are to help to facilitate greater economic growth for the UK, we need to help British businesses with access to and operations in key markets here and abroad in terms of their IP.

We implemented a number of changes to the copyright framework, to support new uses of copyright materials and promote innovation, creativity and economic growth. These included:

- The Orphan Works Licensing Scheme, allowing access to the works of copyright owners who are unknown or cannot be located. This groundbreaking scheme is the first in the world to use an electronic application system and searchable register.
- Provision for the Government to authorise extended collective licensing schemes from qualifying collecting societies. This should help improve the efficiency of collective licensing for both users and rights holders.
- Modernised exceptions to copyright to support the reasonable use of creative content, without undermining copyright's important role in supporting the creative industries. The package of reforms will contribute £500m to the UK economy over the next ten years.
- Support for the creative industries in their work to create a Digital Copyright Hub, including providing financial support of £150,000 of kick-start funding. Fully realised, this project will mean small companies wanting to license the works of others should find it easier to find the right people to approach, and in time to obtain simple licences through an automated transaction. This will mean a reduction in admin costs and legal fees.
- Introduction of minimum standards for UK collecting societies (organisations which collectively manage copyright on behalf of rights holders to the tune of £1bn per annum) and worked with them on codes of conduct. This has already substantially reduced the number of complaints the Government receives about collecting societies.

Elsewhere, changes to the Patents Act which clarify that activities relating to medicinal product assessments are within the scope of the experimental use exception came into force on 1 October 2014. The changes allow companies to use a patented product when testing a drug, in order to provide information to the regulatory authorities or for health technology assessment purposes. The changes meet a government commitment to ensure that the IP system supports the life sciences sector.

In October 2014 a number of changes came into force to make design law simpler and clearer. They include: a new criminal offence for copying a registered design, changes to ownership of commissioned designs, scope of an unregistered design right. The IPO consulted on a new appeal route to the Appointed Person on registered designs in the autumn of 2014 and the legislation came into effect on the 6th April 2015.

Building understanding of the economic importance of IP through our economics research programme including investigations into 3D printing, online platforms, markets in IP and their enabling information ecosystems, and measuring infringement of IP rights.

International

We have helped to support UK businesses to gain greater access to international markets by building our Government to Government relationships within key markets and have used UK expertise to showcase the mutual benefits which are derived from a well functioning and robust IP system. During this year we have undertaken a series of high profile bilateral meetings with our counterparts in China, Brazil, USA and SE Asia. These have engaged our stakeholders at a Ministerial, Heads of IP Office, and Government Ministry and of course business level; helping to cement our relationship in some of the world's most important markets.

We have showcased, and shared, the UK's IP expertise through a wide variety of international events, projects, training programmes and technical exchanges. These have focused on raising IP awareness in overseas markets and building capacity within key overseas offices. Just a few examples are outlined below:

- A highly successful UK-China IP Symposium in Beijing, led by the Minister for IP, confirmed the UK as China's preferred international partner on IP reform. The Symposium also delivered significant commercial outcomes for British business, such as an online enforcement agreement between Alibaba and the China Britain Business Council. Similarly, exchanges of judicial expertise saw significant progress; in sharing best practice as new IP courts in China are established.
- Our longstanding relationship with the Singapore IPO was continued, in particular through an exchange of economists between our two offices. This has raised the profile of the UK IPO across the region, and helped us to share IP expertise in evidence-based policy making with a valued partner.
- Indonesia is one of the world's fastest growing economies, but their IP systems and capacity to deal with IP enforcement issues remains very limited. With local partners and the FCO, we therefore co-funded work last year to define the difficulties and barriers faced by the Indonesian IP enforcement agencies. We then followed up with a workshop in early in 2015, led by IPO Enforcement and Trading Standards staff, to share our in-office expertise and knowledge of IP issues.
- In Brazil we worked with local IP and enforcement authorities to organise two IP workshops. These have helped to build upon the legacy of the London Olympics, and to deliver on the Prime Minister's handover commitments. The workshops were extremely well received, using experts from the London Olympics Committee to provide advice and support on brand protection issues and fake ticket sales.
- In India, we supported police and customs officers tackling IP crime, by developing a practical Enforcement Toolkit, and building its use into the curriculum at the National Police Academy. We also funded work to examine the extent and impact of illegal copying in the publishing sector in India (it runs at over 20% of all written works in India); and have built the resulting evidence into our dialogue with the new Modi government.

During negotiations on European Trade Mark Reform, we were able to secure a number of key amendments in support of UK strategic goals, such as retaining trade mark searches at the Office for Harmonisation in the Internal Market (OHIM) and preserving relative grounds examination and notification, both benefitting SMEs; tempering the provisions on goods in transit in support of free trade; and the removal of a provision which would have required the unnecessary examination of domestic trade mark applications in all languages of the EU, a proposal which would increase costs to offices and users. We have also continued to negotiate the directive on trade secrets in line with UK objectives. We are working to ensure that both of these bring benefits to UK businesses and users through a simplified and more coherent European framework.

In addition we took an active role in the remaining convergence projects and ensuring that the IPO received funding for its activities to promote the Community trade mark, as well as helping to secure funding for additional awareness raising projects. We have increased UK presence on the OHIM's Boards of Appeal, by working with our partners on the OHIM's Administrative Board to ensure support for an excellent UK candidate as a Chair and placing an IPO secondee in the Boards.

The pace of work for the establishment of the Unified Patent Court (UPC) picked up through 2014/15. Domestically, the IP Bill received Royal Assent in May 2014 and provides the power to make necessary changes to UK law for the establishment of the UPC. At the Preparatory Committee progress was made on the Rules of Procedure which were the subject of a user hearing in autumn 2014. The tender process for the procurement of an IT system was kicked off in late 2014 following extensive user testing of a prototype in order to establish requirements.

We have supported discussions at the European Patent Office (EPO) select Committee on arrangements for the Unitary Patent. The Committee has agreed in principle detailed administrative rules. The rules now address a number of concerns raised by UK users. We have also fed into the analysis of different renewal fee scenarios and we are continuing to work with UK interests to see how their desire for low renewal fee levels can be accommodated in solution which ensures the EPO fully covers its costs and which also reflects the greater market coverage of a European Patent with Unitary Effect.



We have increased UK presence on the OHIM's Boards of Appeal, by working with our partners on the OHIM's Administrative Board to ensure support for an excellent UK candidate as a Chair and placing an IPO secondee in the Boards.



Delivering high quality rights granting services

Intellectual property rights support economic growth by encouraging investment in new technologies, in the development of brands, and in creativity. We know that the use of patents, trade marks and designs is associated with better creation, transfer and use of knowledge, and higher firm productivity. Our delivery of high quality rights granting services is therefore key to promoting UK growth.

During 2014/15, increases in UK demand for our services continued and this trend has been mirrored around the world. Our customers place a high priority on receiving an early idea of how innovative their inventions are. We know that this will inform their future business plans and, for some, will help them to secure the funds for further development and manufacture. Equally, we know that early grant of a patent is important to some customers, especially those wishing to enforce their IP rights.

Meeting customer needs is important to us, which is why we were pleased to have met our Ministerial target to deliver our accelerated services efficiently and reliably. We maintained our efforts to deliver a timely service at all stages of the granting process to meet the competing needs of customers. We increased our patent examining output by completing over 10% more searches and examinations than in the previous year.

Current demand for patent searches and examinations considerably outstrips specialist capacity. To address this, we took steps to build our examiner capacity to improve delivery in the medium term. We recruited 49 new specialists in 2014 and plan to recruit 50 more in each of the next two years. This equates to an increase in examining capacity of 60% once all are fully trained. In the short term, we are managing demand to take account of the impact on innovation and economic growth when allocating high-value examiner resources. We have evolved our approach to unrepresented applicants to provide more direct and realistic advice on whether they should be seeking patent protection. We also completed a successful collaborative working pilot to test the feasibility of transferring some essential non-technical work from patent examiners to administrative staff.

Quality has remained at the heart of what we do: an inadequate search or an invalid patent is bad for applicants and the economy, no matter how quickly it might be provided. We are therefore proud to have successfully achieved ISO 9001 re-certification of our patent granting process, an award we have held continuously since 2003.

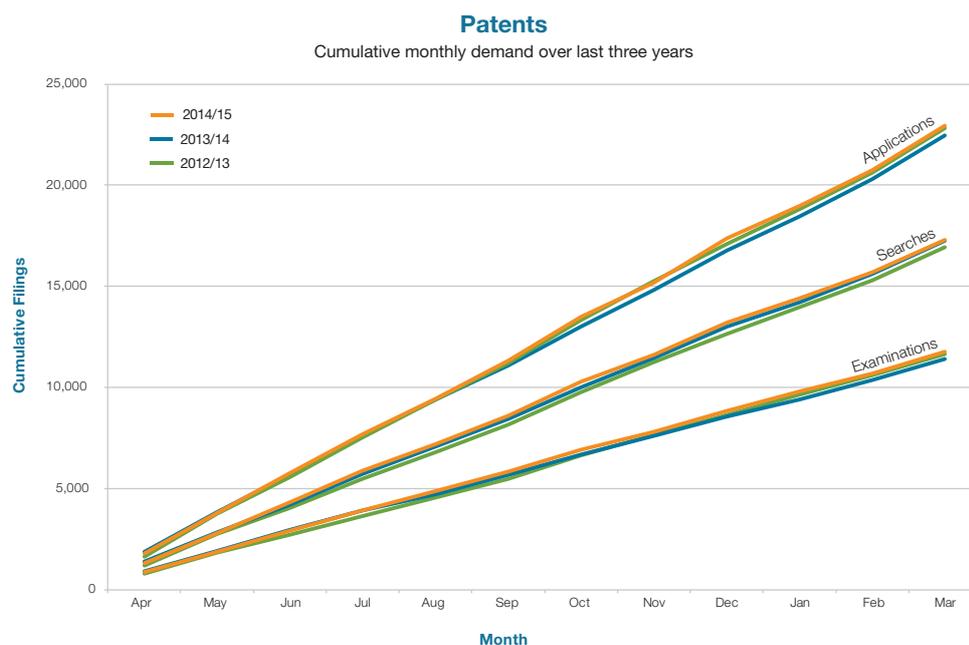
Demand for trade marks continued to rise in 2014/15. For the first time in the history of the Registry we exceeded 50,000 applications, receiving 52,230, an increase of 6.7%. Against this background, we were pleased to have met our Ministerial target. However, since 2012 we have seen a 35% increase in demand [graph page 12 shows] which continues to stretch our capacity to meet customer needs. Therefore we recruited 13 new trade mark examiners in early 2015 and if the upward trend continues, plan to recruit a further 10 in 2017.

Of course, an increase in trade mark applications has a consequential and proportional impact on trade mark oppositions. These increased from around 1900 in 2013/14 to 2149 in 2014/15. Most of these cases are about existing trade mark owners objecting to new trade marks which they consider are too close to their marks. 133 oppositions went through the fast track process introduced in October 2013 to help SMEs protect their intellectual property. The number of trade mark cancellation applications also increased

from 350 in 2013/14 to 512 in 2014/15. In line with these increases, the number of defended proceedings also rose from 950 to 1057. Despite the increase in the volume of work, the length of trade mark proceedings continued to reduce. Nearly all the fast track oppositions were resolved within 6 months. Many trade mark cases settle through negotiations, or when one side or the other withdraws. Of all the trade mark cases that required a final decision from the IPO during the year (356), 89% of decisions were issued within 15 months of a defence being filed, and 73% were decided within 12 months. The reduction in the length of such proceedings is likely to reduce the cost to businesses of protecting their trade mark rights and thereby make enforcement of such rights more achievable.

Finally, our goal to improve our online services continued with the development of the Orphan Works Licensing Scheme and the launch of the designs project alpha phase – a project that will deliver an online application service for our designs customers by the end of March 2016.

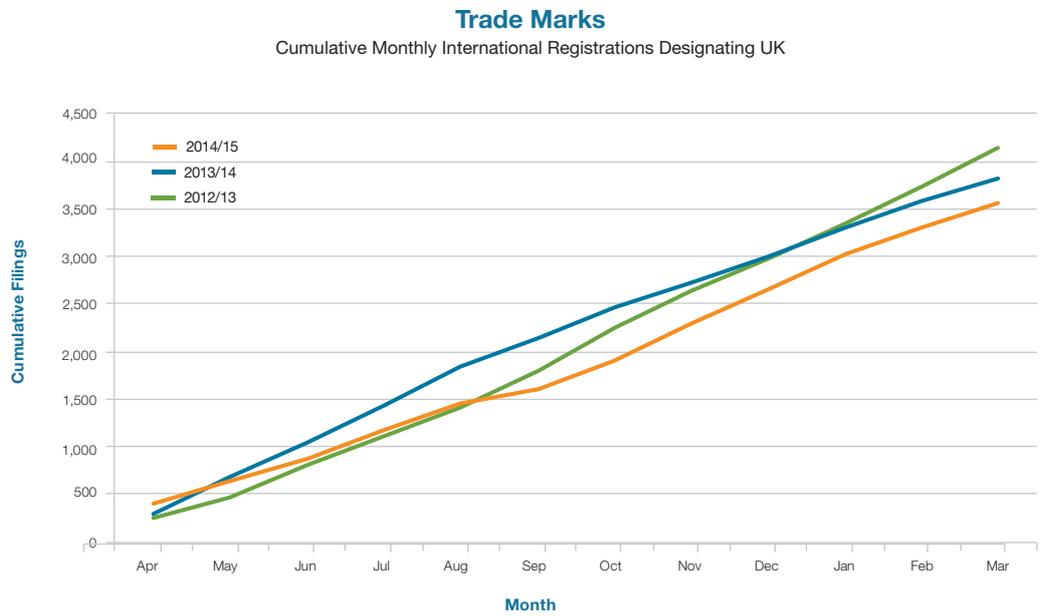
The following four demand figures show the historical, cumulative monthly filings of patent, trade mark and designs requests for the past three years.



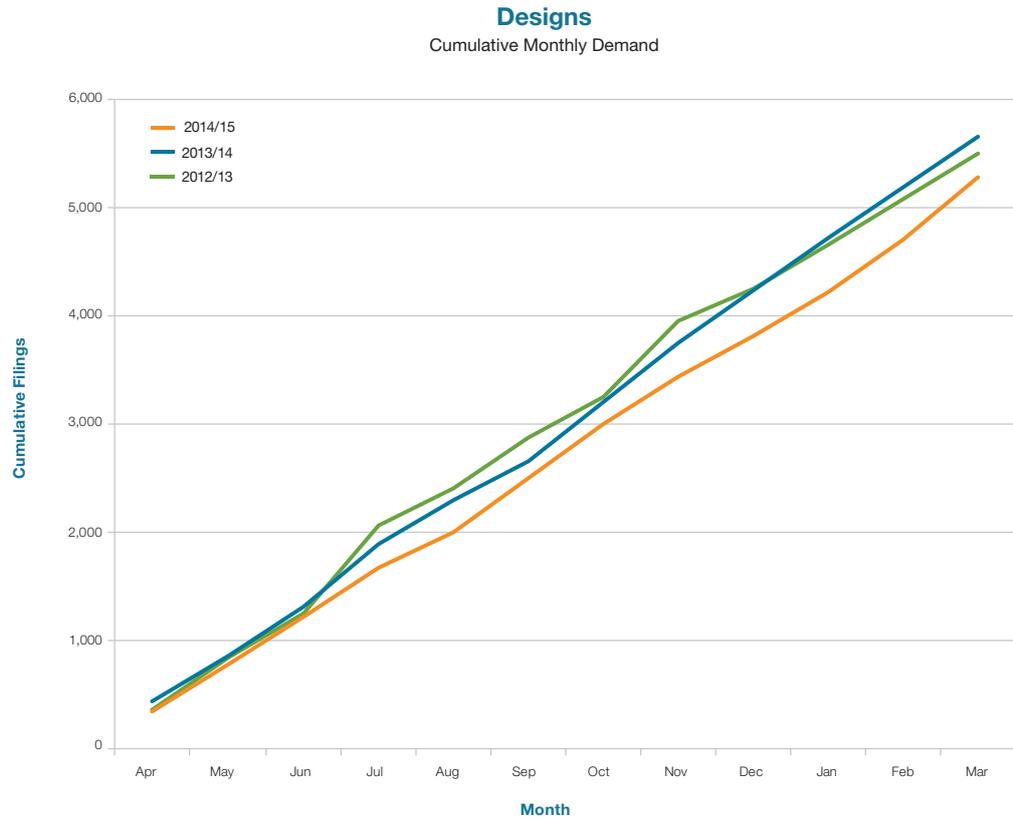
Patent applications and exam requests increased by 2.1% and 3.2% respectively over 2013/14's figures, ending the year at 22,929 and 11,779 requests each. Searches continued at the same level as last year, with 17,283 requests for 2014/15.



National trade marks exceeded the 50,000 applications milestone in 2014/15, ending the year 6.7% higher than 2013/14 with 52,230 applications.



International trade mark applications designating the UK showed a fall of 6.9% compared with last year, ending 2014/15 at 3,561.



Demand for designs was down by 6.8% for 2014/15, ending the year at 5,279 applications.

Enabling business to understand, use and protect their IP rights and educating consumers to respect others' IP rights

Ensuring UK companies can benefit from global trade requires them to be confident that they are able to enter and invest in markets and protect their IP assets when they do so.

We have devised new IP guides, factsheets, videos, case studies and web pages to help businesses understand, protect and use their IP assets more effectively in overseas markets.

Over the last year, an average of 6,500 businesses have visited the IPO's international business pages each month, receiving help and support on how best to avoid, or deal with, IP issues in overseas markets. We have also participated in national and regional business focused events arranged via UKTI, FCO, trade association and others where 1-2-1 advice and support is available.

Our 4 specialist IP attachés (based in Brazil, China, India and SE Asia) have lead 138 separate in-country business events, providing information and advice in training sessions, presentation, webinars and supporting trade events. A total of 4,051 businesses have been helped through these business outreach and education events in the 4 markets covered by our attachés.

Our attachés are also providing ongoing support to 551 businesses dealing with individual IP issues worth around £400m to the UK economy; this includes 204 new cases this year alone.

In order to help more businesses to manage their IP effectively we saw over 20,000 uses of our online 'IP for Business' tool, exceeding the target agreed with Ministers; and improved our engagement with business advisers, with over 4,000 modules of our flagship training tool IP Equip completed. The tool achieved a satisfaction rating of 85%. We also held a conference for business advisors who had participated in our master class training, to refresh the IP knowledge, network with other advisors and hear from our overseas attaches.

In hosting the world's first International IP Enforcement Summit we brought together business, enforcement and government representatives from over 50 countries and cemented a desire for international collaboration in tackling global IP infringement. We received excellent media coverage of the event and the IPO's most successful social media campaign – #IPSummit14 – also raised public awareness of the issues.

To ensure that Trading Standards Officers (TSOs) were in a position to carry out their role in enforcing the new criminal sanction for the intentional copying of registered designs, the IPO undertook a series of one day training courses, including in Wales, Scotland and Northern Ireland. In total, 383 TSOs attended.

We launched IP Tutor, an online learning resource to build university student and lecturers' understanding of IP. The resource covers all basic forms of IP with four different pathways for students in different disciplines. IP Tutor has received very positive feedback from users and has been endorsed by the Chartered Society of Designers.

We worked with other government departments to support Creative Content UK – an industry-led initiative to educate consumers on the value of IP and direct them to legal sources of content.

All of this activity helped us to exceeding our target to reach an audience of 5 million people with messages to build respect for IP.

Improving the skills and capability of our people

We recognised that the priorities and targets for 2014/15 were stretching. Every one of our people has a part to play in achieving these and maintaining our positive reputation for service delivery excellence and policy leadership.

In achieving 'Silver Status' following reassessment for our Investors in People award the assessor told us we had improved considerably since the last review in 2011. The assessor commented "Having carried out the review process rigorously and in accordance with the quality assurance guidelines monitored by Investors in People Wales, I conclude that the Intellectual Property Office continues to meet the Investors in People Standard and has achieved Investors in People Silver status against the wider framework. Achieving Silver additional accreditation shows you are forward thinking in cascading best practice throughout your organisation and that you demonstrate a progressive approach to business improvement through people".

In response to feedback from our People Survey and the consultation with staff on the IPO's values, which said we needed to improve the skills and capabilities of our managers, we developed 'The Key' – a new programme for our people managers.

The Key provides a range of opportunities for our managers such as:

- a core programme of learning
- seminars
- speakers
- suggested reading
- “lunch and learn” sessions

This year we set a Ministerial Target of “95% of IPO managers will complete a management development activity by the end of March 2015”. This was exceeded with 100% of our managers meeting the target. Separately 85% of our managers also met the IPO management development objective of attending three courses and two Lunch and Learn sessions from the programme options, or other management learning activities.

Evaluation of The Key will be undertaken by a group of our future leaders. The results will inform the management programme that will be offered going forward.

We also continued our work to embed our Values across the organisation by sharing examples of how people have made a difference through our Excellence Awards and our Rewarding our Values scheme.

We developed a new Equality, Diversity and Inclusion Strategy. This was based upon four themes where we can target resources. To support us we will be conducting a deep dive into our organisational behaviour and get specific feedback from staff on how tolerant and open IPO is. The review should reveal any underlying issues we need to address. This has been highlighted as a corporate priority in our 2015 Corporate Plan.

Finally, we introduced a new apprenticeship scheme offering a high-quality training and work experience package for 8 new starters in 2014.

Increasing efficiency and delivering value for money

In 2014/15 we maintained our focus on identifying ways to increase efficiency, which is vital to securing our corporate goal.

We are required to achieve, on average and in real terms, a 4% Return on Capital Employed (ROCE) over a fixed 5-year period. 2014/15 was the first year of a new 5 year period and we achieved a 5.6% return. This represents a significant improvement on 2013/14 with increased demand, costs were held constant.

In addition we committed to delivering efficiencies of 3.5%, and in a year when additional staff were taken on, we achieved 5.35%. We did this by consolidating our property as we reduced our space requirements and made significant savings on goods and services. Our procurement team are responsible for managing our purchasing requirements. The team works with stakeholders across the organisation and offers professional advice and guidance on evaluating the most appropriate procurement strategy when sourcing goods & services, in line with Cabinet Office guidelines. In 2014/15 they secured savings of £1.095m, well in excess of our £800k target.

In response to the Cabinet Office shared service agenda, we secured agreement to adopt an alternative interim approach which allows us to share a solution with Companies House. Under this arrangement our retained finance staff will access the Companies House finance system. Both organisations will make savings by sharing all associated IT costs such as licences, maintenance and support. This approach significantly reduces the need for specialist technical support and provides more appropriate licensing arrangements. We continued to receive our HR payroll services through UK Shared Business Services.

We introduced an IPO pay pilot following discussion with Treasury. The purpose of the pilot is to test a new form of financial control which could act as a replacement for headline pay restraint while offering Civil Service employers greater flexibility in their workforce decisions. The pilot is helping us to address priority areas for the IPO where our ability to recruit and retain specialist staff is at risk. The benefits for the IPO of being in the pilot include improvement in delivery and implementing earlier the digital services for which customers are looking. It is also ensuring we are focussing strongly on our expenditure on pay and our workforce planning.

Environmental Matters

Our commitment to improving environmental performance remains despite 2014/15 being a challenging year. The “Working Beyond Walls” project continued to increase the waste produced and larger staff numbers added pressure to utility services. Our gas consumption fell as we began to see the positive impact of the bio-mass system as did our water consumption following the introduction of rain water harvesting system.

Another positive was our successful renewal of certification to ISO 14001 which was commended by the external assessor, who confirmed we had a well managed environmental system.

The Greening Government targets expired at the end of March 2015 and we wait to see what the new government will propose with regard to environmental matters. This gives us breathing space to review the success of previous initiatives and plan for the future.

Carbon Emissions from offices

		2010/11	2011/12	2012/13	2013/14	2014/15*
Tonnes co²	Gas	554	408	513	370	286
	Electricity	1,373	1,360	1,446	1,334	1,542
Related energy consumption (kwh)	Gas	3,018,125	3,374,212	2,335,043	2,014,356	1,548,489
	Electricity	2,828,137	3,008,383	3,186,776	2,995,965	2,868,412
Financial implications (£)	Gas	81,786	93,458	90,143	104,890	50,310
	Electricity	251,150	326,958	351,047	365,455	374,095
	CRC Energy Efficiency Scheme	2,240	1,290	26,376	30,890	27,438

* CO2 equivalents have been calculated using the 2014/15 Defra/DECC GHG Conversion factors.

We connected the Concept House heating system to the bio-mass boiler run by the Office of National Statistics. A reduction in carbon emissions was seen but not as much as hoped as our gas boilers still provide some of the heat required. We are working with ONS to resolve this and plan to be fully heated by bio-mass in 2015/16.

We have undertaken an independent study into alternative energy projects, which when completed, will inform what measures to take forward in the future.

The problem we were experiencing with the gas meter in 2012/13 and 2013/14 has now been rectified. This resulted in £47,043 being re-charged to our account.

Carbon Emissions from travel

	2010/11	2011/12	2012/13	2013/14	2014/15	
Non-financial indicators (Kg co²)	IPO owned vehicles	2,767	3,286	3,578	3,886	3,738
	Air travel	6,047	7,355	9,693	10,896	20,817
	Rail travel	35,863	38,360	58,157	62,330	54,406
	Road travel	35,741	39,208	53,426	79,609	97,329
	Taxis	1,581	2,838	3,049	3,287	3,614
Financial Implications (£)	Expenditure on accredited offsets (GCOFII)	6,822	n/a	n/a	n/a	n/a
	Travel expenditure (UK)	418,276	491,908	615,511	711,968	728,163
	Travel expenditure (overseas)	301,136	394,803	412,852	450,913	461,118

It was a mixed year in terms of business travel. We saw a decrease in travel by rail and the IPO van. However, corporate priorities and business necessity had an impact on road and air travel, although the absolute numbers are small. Domestic flights in particular rose sharply due in part to attendance at a series of UK wide seminars. An exercise to reduce the number of domestic flights was introduced towards the end of 2014/15, where flights were subject to Director approval and staff were asked to provide justification for travelling by plane.

During 2014/15 we concentrated our efforts on encouraging staff to travel to work by more sustainable means. Our cyclists requested additional facilities, so an additional 30 lockers and cycle spares and accessories were provided.

For the second year in a row, we took part in the Newport Cycle Challenge, which, over a three week period, aimed to get Newport businesses cycling. This was a great success with a high degree of staff engagement. We finished overall winners of the challenge.

In March 2015 we asked all staff to complete a travel survey. These results are being analysed and any recommendations will be considered for the next financial year.

Use of Finite Resources (water and paper)

		2010/11	2011/12	2012/13	2013/14	2014/15
Non- financial indicators	Water consumptions (m ³)	5,996	6,535	7,549	6,040	4,115
Financial implications (£)	Water consumptions costs	15,125	19,936	19,318	21,752	23,109

		2010/11	2011/12	2012/13	2013/14	2014/15
Non- financial indicators	Paper consumptions (A4 reams equivalent)	15,160	12,620	11,920	9,300	9,820
Financial implications (£)	Paper costs				25,156	26,790

In recent years we made excellent progress in reducing water consumption and in 2014/15 used water at the rate of less than 4.5m³ per full-time employee (FTE). This is in line with good practice benchmarks.

In 2014 we commissioned a water efficiency study which culminated in a number of repairs to the system and residual leaks being fixed.

All external taps were connected to the rain water harvesting system and we have seen the full benefits of the system. As well as providing water for all external ground maintenance, in 2015/16 we will also use the water to provide a bike wash facility to further encourage staff to cycle to work.

Paper consumption in 2014/15 showed a slight increase on last year's figures, although Office wide projects to digitalise services should show a reduction in future. The completion of the 'Working Beyond Walls' project is nearing the end and the exercise to roll out multifunctional devices, which replaced personal printers and photocopiers, office-wide has now been completed.

Waste

		2010/11	2011/12	2012/13	2013/14	2014/15
Non- financial indicators (tonnes)	Total waste	161	119	127	159	204
	Re-used/ recycled	109	83	79	96	129
	ICT recycled & reused				1	1
	Waste composted				4	4
	Landfill	53	36	48	62	75
	% recycled	67%	70%	62%	61%	63%
Financial implications (£)	Total waste	31,861	12,574	20,272	28,375	17,561
	Re-used/ recycled	18,990	4,728	6,824	12,991	9,349
	Landfill	12,871	7,846	13,448	15,384	8,212

We continue to work with our contractors and local organisations to ensure as much waste as possible is re-used or recycled and our recycling rate is slightly higher than last year's figure as a result.

A review of office recycling facilities was undertaken during 2014/15 leading to the implementation of a number of recommendations, including the provision of new recycling bins in public areas. We also implemented new signage and information posters throughout the office.

Working with our Procurement team we investigated efficiencies that could be made to the stationery ordering process. This resulted in a process where office services re-distribute unwanted stationery items. Our stationery provider also agreed that we can return all stationery boxes to them for recycling.

Looking Forward to 2015/16

In setting out our ideas for 2015/16 our focus is on continuous improvement for the UK's already high-regarded IP regime. For the IPO it is important we remain in the vanguard when it comes to delivering on stretching targets and priorities across our six strategic goals.

Our Corporate plan is testament to the ambitious attitude within the IPO. In particular, this year we will embark on a major three-year project to deliver a digital transformation of our services in line with the needs of our customers. "Transforming the IPO Digitally (TRIPOD)" will not only improve our customer services, but also provide our people with the modern technology they need to work effectively.

Education, both in terms of raising business awareness and better consumer understanding, is at the heart of our plans to build greater respect for IP rights. We need to help our aspiring innovators to take well-informed decisions about protecting their IP and make sure that they are in a position to maximise the value of their work in a society which respects its worth. Demanding targets around our business outreach activities and the launch of our new online educational hub reflect the importance we attach to this work.

Despite significant increases in demand for our rights granting services in 2014/15, the IPO maintained patent and trade mark processing and service quality performance and improved patent examiner output. Patent pendency is still a challenge and demand is only projected to increase, so over the next planning period we will target a reduction in patent pendency through the recruitment programme we mentioned early in this report.

Our plans also cover the important European issues of delivery of the Unitary Patent and Unified Patent Court (UPC); and our role in supporting the creation of a digital single market in the EU. Both of these will be priorities for us.

We have done a considerable work on enforcement in recent year, with the establishment of the City of London Police IP Crime Unit; considerable research on what works; and reforms to the IP Enterprise Court. We plan to refresh our enforcement strategy to ensure we are playing the right role with partners to maximise our effect.

Our domestic work is not only important for our home market. The quality of our rights granting services, the pace of delivery and our innovative policy thinking all contribute to a robust and business-friendly IP regime which make the UK a globally trusted partner. The increasing internationalisation of innovation requires the support of a robust international framework, and the UK will continue to play a leading role through both bilateral and multilateral work to address major global policy changes. Our attaché teams play an increasingly crucial role in this area, supporting UK business in key emerging markets.

All of these projects and challenges will require new skills and continued change in the way we work if we are to deliver them successfully. We have a strong culture of personal development and will take the steps over the next year to make our business more agile and able to adapt to what is demanding of us. We will also face a period of significant new financial commitments, not least from the UPC, as well as increased staff numbers to meet demand.

2015/16 Ministerial Targets

In 2015/16 we have agreed with our Minister the following set of performance targets.

Promoting UK Growth through IP Policy

- 1 We will complete all necessary steps for the domestic implementation of the UPC agreement, ready for ratification at the appropriate time.

Delivering high quality rights granting services

- 2 We will deliver an operational online application service for our Designs customers as part of the TRIPOD portfolio by the end of March 2016.
- 3 We will ensure that overall average customer satisfaction is at least 80%.
- 4 We will offer faster handling of patent applications, by providing an examination report with a search report when both are requested at the application date, and meeting at least 90% of requests for an accelerated two-month turnaround for search, publication and examination.
- 5 We will publish 85% of acceptable applications for national trade marks for opposition within 90 days of filing.

Ensuring IP rights are respected and appropriately enforced

- 6 We will launch a new online hub, bringing together educational material for all forms of IP, and achieve a 7.5% increase in traffic to this website over that achieved on the previous website.

Educating and enabling business to understand, manage and protect their IP

- 7 We will reach an audience of at least 100,000 businesses in the UK with IP messages by the end of March 2016.
- 8 We will support the export activity of UK companies by providing education, advice and specific case support to 4,500 businesses by March 2016.

Improving the skills and capability of our people

- 9 We will define the future operating model for the IPO, identifying the structure, behaviours and roles we will need to deliver for our customers in a digital environment.

Increasing efficiency and delivering value for money

- 10 We will achieve a 4% Return on Capital Employed (ROCE).
- 11 We will deliver an efficiency gain of 3.5%.



John Alty

Chief Executive and Accounting Officer
17th June 2015

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Directors' Report

Customers

Our Information Centre handled 85,104 calls and 13,964 email enquiries from customers in, answering a commendable 86% of calls within 20 seconds.

We oversaw a successful trial and launch, in July, of an online Patent Renewals service. In just 9 months this new service has replaced almost half of our paper-filed renewals, attracting renewals from customers in over 50 countries.

We involved customers heavily in devising our new website which went live in October on the GOV.UK government site at www.gov.uk/ipo. We have also pushed forward with the development of a secure Patent Document Service. Customers have tested prototypes and 19 have so far joined a trial which started in February.

To steer our Designs Modernisation programme we completed the IPO's first ever customer journey mapping exercise for Design applications. We have since started work to devise an online Design application service.

We consistently achieve the Government standard to settle 80% of bills within 5 working days, and this year we achieved a figure of 92%.

Overall customer satisfaction with the IPO rose to 85% last year compared with 81% in 2013/14.

People

Demand for our services continued to grow during the period of this report. We continued our strategy to recruit additional resources to meet the demand for our services.

Headcount: In 2014/15 we continued to focus our recruitment on key areas where we needed specific skills such as IT and Patent Examination. Overall our headcount increased by 9% by the end of the 2014/15 financial year. Turnover for the year was 4.39%.

Pension liability: Full details of our pension arrangements for our people are covered in our Remuneration Report.

Attendance Management: In 2013/14 we introduced a new Attendance Management Policy, which has resulted in a more consistent approach to managing absence. Since its introduction we have seen a dramatic change in behaviour, which is demonstrated by a reduction in the number of occurrences when people went home, or had a half day sick down from 502 to 103; and for leave taken for medical appointments and disability leave down from 2,586 to 497. We continue to monitor these changes to ensure the policy provides the necessary support for our people.

We calculate our sick absence by the average number of working days lost per person and set ourselves an internal target of 7 working days per person. This year we averaged 7.2 working days lost per person.

Corporate and Social Responsibility

We place an important emphasis on our responsibilities in this area. In 2014/15 we continued to support fundraising events, we have worked with local education bodies and supported volunteering activities. In particular we:

- Continued to work closely with Business in the Community (BITC), taking part in their “Give and Gain” day. This involves a group of volunteers managing a project in the local area. We had 35 volunteers this year.
- At Christmas we fundraised to help Llamau (a charity that supports homeless young people and vulnerable women in Wales). We raised money that enabled us to buy Christmas gifts for young people facing Christmas without their families.
- We took 14 work experience placements during the year; showing them what we do at the IPO and helping them gain an insight into the world of work.
- 34 people attended over 32 key skill events at local secondary schools providing the benefits of their experience to a captive audience.
- 29 of our people visit local schools on a monthly basis to support teachers and pupils by taking part in a reading and number programme.

Information Security

Our Information Security Policy sets out our approach to the management of information within the organisation. Our Executive Board approved and are committed to the policy and embedding it across the Office. Her Majesty’s Government (HMG) Security Policy Framework dictates how we manage information to minimise the impact of incidents and ensures focus on business continuity. The IT Service area is certified to ISO 27001:2005 and is committed to transitioning in 2015 to the new ISO 27001:2013 standard. Personal data is processed, stored and used in accordance with the Data Protection Act.

We ensure the Accounting Officer, through Senior Information Risk Owner and the Information Asset Owners in each Directorate is accountable for the adequate protection of information which is considered a key asset within government. Information security training and awareness is compulsory for all staff. The IPO manages security incidents and uses these as focus for continuous improvement. We are happy to report there have been no significant information security breaches during this reporting period.

Corporate Governance

The corporate governance structure of the Intellectual Property Office (IPO) is described in our framework document.

The Intellectual Property Office Steering Board

The Steering Board uses its collective external experience to advise and challenge our Executive Board on issues relating to corporate governance; strategic and operational leadership and management, including strategic and annual planning and target setting; risk management; financial management; and, financial and performance monitoring and reporting. It serves to keep Secretary of State and Ministers informed of issues, through BIS representation on the Board.

Steering Board meetings are chaired by a Non Executive Director and are held six times per year. The following members have served within the year:

Intellectual Property Office Steering Board Membership

Bob Gilbert	Non-Executive Director (Chair) Non-Executive Chairman of Paintbox Group Chairman High Value Manufacturing Catapult
Gary Austin	Non-Executive Director Chief executive of a2om International
Ralph Ecclestone	Non-Executive Director Director of The Commercialisation Company Ltd
Iain Maclean	Non-Executive Director Co-founder and partner of The Maclean Partnership
Tim Suter	Non-Executive Director Managing Director of Perspective Associates
Nora Nanayakkara	Non-Executive Director Director of Business Development Demys
Gareth Davies	Director General, Knowledge and Innovation, BIS (The Director General sends a designated deputy, Director of Innovation, Amanda Brooks)
John Alty	Chief Executive Officer and Accounting Officer

Intellectual Property Office Executive Board

The Executive Board collectively represents the organisation and is responsible for the strategic and operational leadership and management of the Office, ensuring that resource is aligned with Ministerial and Departmental priorities and that each Directorate contributes to corporate success. In practice, it is responsible for developing the Office's Corporate Strategy and annual Corporate Plans. The Executive Board also monitors performance against these plans and aligns financial resource and capability accordingly.

The Executive Board is chaired by the Chief Executive Officer and attended by our Directors. Meetings are held monthly. Current membership is set out below:

The Intellectual Property Office Executive Board Membership

John Alty	Chief Executive and Accounting Officer (Chair)
Sean Dennehey	Deputy Chief Executive Officer
Tim Knighton	Chief Operating Officer (left the Board June 2014)
Louise Smyth	Chief Operating Officer from February 2015 (Director of People, Places and Services until June 2014 and Interim Chief Operating Officer from July 2014 – January 2015)
Neil Feinson	International Policy Director
Rosa Wilkinson	Director of Innovation and Strategic Communications
Ros Lynch	Director of Copyright and Enforcement
David King	Interim Director of Finance from July 2014
Simon Taylor	Interim Chief Technology Officer (July 2014 – February 2015)
Paul Feldman	Interim Chief Technology Officer (joined the Board January 2015)

During the year our Chief Operating Officer, Tim Knighton took up a full time post in BIS. He was replaced by Louise Smyth as Chief Operating Officer and David King became Interim Director of Finance. Simon Taylor became Chief Technology Officer on an Interim basis until his departure in February 2015. He was replaced by Paul Feldman (also on an interim basis).

The Audit and Risk Committee

The Audit and Risk Committee is a sub-committee of the Steering Board, advising on risk, control, governance and associated issues, focusing on process, and providing guidance. It comprises a Non-Executive Chair and two Non-Executive members of the Steering Board. The Chief Executive Officer and Chief Operating Officer are obligatory attendees. There are additional attendees, by invitation only, from BIS Internal Audit, and the National Audit Office. The Committee meets four times a year.

Audit and Risk Committee Membership

The following have served within the year:

Gary Austin	Non-Executive Director (Chair)
Bob Gilbert	Non-Executive Director
Ralph Ecclestone	Non-Executive Director
Nora Nanayakkara	Non-Executive Director

Obligatory Attendees:

John Alty	Chief Executive Officer and Accounting Officer
Tim Knighton	Chief Operating Officer
Louise Smyth	Chief Operating Officer
David King	Interim Director of Finance

Those who normally attend by invitation:

Sean Dennehey	Deputy Chief Executive Officer
Phil Drye	Head of Internal Audit
Richard Copeman	National Audit Office
Josh Weinberg	National Audit Office
Karen Powell	Head of Governance and Risk Management



John Alty
Chief Executive and Accounting Officer
17th June 2015

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Accounts 2014/15

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 for each financial year a statement of accounts in the form and on the basis set out in the accounts direction issued by the Treasury on 18 December 2014. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Patent Office and of its income and expenditure, changes in capital and reserves 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. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the public body for which the Accounting Officer is responsible, are set out in *Managing Public Money* published by HM Treasury.

Statement of Compliance

I have taken all necessary steps to make myself aware of information relevant to the audit of the accounts that accompany this Annual Report, 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.



John Alty
Chief Executive and Accounting Officer
17th June 2015

Governance Statement 2014/15

Scope of Responsibility

In accordance with section 4(6) of the Government Trading Funds Act 1973, HM Treasury has appointed me the Accounting Officer for the Intellectual Property Office (IPO¹).

As Accounting Officer, I am responsible for maintaining sound governance, risk management and systems of internal control that support the achievement of the aims and objectives of the IPO, whilst safeguarding the funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in 'Managing Public Money'.

Purpose of this Statement

This statement explains how the IPO has complied with the principles of good governance and reviews the effectiveness of the system of internal controls.

The Governance Framework of the IPO

The IPO corporate governance structure comprises of the executive IPO Board, the Steering Board and the Audit and Risk Committee, each with complementary functions (these are set out below). The governance framework is explained in our Framework Document which sets out the policy, planning, accountability and delegations within which the IPO operates. The Framework Document has been updated this year and was jointly reviewed by IPO and BIS in March 2015.

The IPO Executive Board, which I chair, meets informally on a weekly basis and formally every month. It is comprised of: the Chief Executive Officer; Deputy Chief Executive and Director of Patents Designs and Trade Marks; Chief Operating Officer; Chief Technology Officer; International Policy Director; Copyright and Enforcement Director; Finance Director; and, Innovation Director. It has collective responsibility for the leadership and strategic management of the IPO, in line with Ministerial priorities. This year we have clarified the overarching purpose of our organisation and are focussing on a new five-year strategy which will be published in the autumn of 2015.

I am also a member of the **IPO Steering Board** which has an independent Non Executive Chair and not less than 4 Non Executive Directors as members, together with Amanda Brooks, the Director of Innovation, BIS. IPO Directors attend, but are not official Steering Board members. The role of our Steering Board is to advise Ministers, on our strategies and performance (including targets) as set out in our Corporate Plan. It also provides guidance, drawing on the experience of the NED's, on our operation and development across a range of issues. During the last 12 months, the Steering Board has provided advice and guidance on a wide range of topics, such as our Corporate Plan, Corporate Strategy Review and Enforcement Roadmap. The Steering Board meets six times a year.

The Audit and Risk Committee is a sub-committee of the Steering Board, advising on risk, control, governance and associated issues, focusing on process, and also providing guidance. The Committee comprises a Non-Executive Chair and two Non-Executive members of the Steering Board. The Chief Operating Officer and I are obligatory attendees. There are additional attendees by invitation from the IPO, Internal Audit, and the National Audit Office. In addition to providing me with assurance over the preparation and signing of the IPO accounts for 2013/14, the committee considered the findings of six audit reports. These reports covered a range of governance and risk management areas, including a

¹ An operating name of the Patent Office

review of our key financial controls, our HR shared services and our governance arrangements for managing the City of London Police Intellectual Property Crime Unit activity. I am pleased to report that Audit and Risk Committee did not identify any major control failures on the part of IPO. The Audit and Risk Committee meets four times a year.

The Operating Committee is a sub-committee of the IPO Executive Board. It is chaired by the Chief Operating Officer and has representatives from Finance, Patents, Trade Marks and Designs, Policy, IT and Human Resources. It fulfils the Executive Team's responsibility to lead the development, delivery and implementation of cross-organisational initiatives including: operational processes and policies; and, corporate initiatives. The Operating Committee meets monthly.

The Policy Committee is a sub-committee of the IPO Executive Board. It is chaired by a Policy Director and includes representatives from relevant directorates across the office. The purpose of the Policy Committee is to ensure a strategic and co-ordinated approach to public policy making across the Office. It takes decisions on issues of public policy not meriting full IPO Board discussion. Formal meetings are held monthly or bi-monthly at the Chair's discretion in light of potential agenda items.

The Transformational Change Committee, which was set up in November 2013, is also a sub-committee of the IPO Executive Board. It is chaired by the Chief Operating Officer and members include the Deputy Chief Executive, and one Non Executive Director. It has responsibility for: prioritising the use of IT resources in support of IPO corporate goals and priorities; reviewing all business cases for change; ensuring that dependencies and interrelationship of projects are effectively managed; governance of the IPO transformation agenda comprising, E services, Patents Roadmap, Designs modernisation and modernised technology infrastructure to support these; and, oversight of the change framework for the IPO. The Transformational Change Committee meets monthly.

The table below shows attendance at main Board and Committee meetings held during 2014/15:

Members	IPO Executive Board (13 in year)	Steering Board (6 in year)	Audit Committee (4 in year)
John Alty (Accounting Officer/Chief Executive Officer)	11	5	4
Gary Austin (Non Executive Director & Chair of Audit and Risk Committee)	*	6	3
Bob Gilbert (Non Executive Director & Chair of Steering Board)	*	6	2*
Ralph Ecclestone (Non Executive Director)	*	6	4
Iain Maclean (Non Executive Director)	*	6	*
Tim Suter (Non Executive Director)	*	6	*
Nora Nanayakkara (Non Executive Director)	*	6	4
Sean Dennehey (Deputy Chief Executive Officer)	11	6*	4*
Tim Knighton ¹ (Chief Operating Officer)	3	2*	1
Louise Smyth ² (Chief Operating Officer)	11	5*	4
David King ³ (Interim Director of Finance)	8	4	4
Neil Feinson (Director of International Policy)	10	6*	1*
Rosa Wilkinson (Director of Innovation & Strategic Communications)	11	5*	*
Ros Lynch (Director of Copyright and Enforcement)	9	4*	1*
Simon Taylor ⁴ (Interim Chief Technology Officer)	3	2	1*
Paul Feldman ⁵ (Chief Technology Officer)	3	2	*

* Not a formal member or obligatory attendee of Board/Committee

1 Left June 2014

2 Director of People, Places and Services until June 2014 then took on role as Interim Chief Operating Officer (COO). Permanent COO from February 2015

3 Interim Director of Finance from July 2014 to 31st March 2015

4 Left February 2015

5 Started February 2015

The effectiveness of the IPO's Boards and members is measured on a number of levels:

- IPO Board meetings are reviewed on completion and changes implemented as appropriate. The Secretariat and I regularly review the Board's work programme ensuring that it addresses the requirements of the IPO and BIS. The board is carrying out work on its effectiveness with an external coach;
- Non-Executive Board members are reviewed individually on an annual basis and appointed for up to three years at a time;
- an external review of the effectiveness of the Steering Board was completed in September 2014. The majority of recommendations have been implemented with some work ongoing (e.g. raising the profile of the Non-Executive Directors within the organisation);
- the Audit and Risk Committee undertakes an annual self-assessment which makes recommendations for change; and,
- mid-year and end-year Directorate performance reviews are held with each Director and their senior team to assess performance against targets and the Corporate Plan.

The Risk and Internal Control Framework

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk; it can therefore only provide reasonable and not absolute assurance, of effectiveness. The system of internal control is based on a continuous process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them effectively and economically. The system has been in place throughout 2014/15 and up to 31 March 2015. It is kept under review. This year we agreed an updated risk appetite statement for the organisation.

The Board Risk Register records all significant risks to the achievement of the IPO's policies, aims and objectives. It is reviewed by the IPO Board, the Steering Board and Audit and Risk Committee on a regular basis. The Steering Board and Audit and Risk Committee provide strategic direction for risk management. The Steering Board is responsible for looking at the substance of the risks we are managing, and whether we are managing the right ones. Audit and Risk Committee looks at the effectiveness of the process that we have for identifying and mitigating risks in the organisation, supported by Internal Audit reviews and assurance reporting

Each Directorate maintains its own prioritised risk register which is used to inform the Board Risk Register and Operating Committee Risk Register. A named individual is responsible for ensuring that Directorate Risk Registers are current and promoting a sound risk management culture within their area.

All projects within IPO, maintain a risk register, as does the Transformational Change Committee. The Programme and Project Office ensures that any relevant transformational project risks are escalated to the Transformational Change Committee when necessary.

The Corporate Risk Team, sitting within Finance Directorate, co-ordinates the Board Risk Register and Operating Committee Risk Register and is a central point for advice and guidance on effective risk management for the whole organisation.

Maintaining and improving effective governance within the IPO remains a key priority. A comprehensive Internal Audit programme is agreed each year with the resulting reports and recommendations acted upon accordingly. This year Internal Audit gave us an overall audit opinion of 'moderate' based a new scoring methodology, with the supporting text confirming that the systems of control, governance and risk management that operated during the year were generally effective. Going forward in 2015/16 Internal Audit will be reviewing the risk and control environment of some challenging areas of work such as digital transformation and the Unified Patent Court. Steering Board and Audit and Risk Committee provide challenge and scrutiny of the IPO's system of internal control and processes we use to manage risk.

Financial accounting remains sound; a history of unqualified audit opinion of our accounts attests to this. External assurance on financial processes has been provided by Internal Audit reviews of our banking arrangements and budget forecasting and monitoring. During the year we planned for moving off our Oracle finance system onto a shared solution with Companies House. This proceeded well and went live on 1st May 2015.

We have completed a Fraud and Error Capacity Assessment and Action Plan and attend quarterly BIS Family Counter Fraud Network meetings where best practice is shared. This year our whistle-blowing policy and procedures were updated and publicised throughout the organisation.

The IPO **Business Continuity Plan** (BCP) is reviewed every 6 months and is tested annually. The effectiveness of the plan was put to further test in September 2014 when we had to ensure that the IPO could continue to operate without disruption during the duration of the NATO summit at the nearby Celtic Manor Hotel. The BCP plan and additional contingency measures successfully ensured there was no adverse affect on the business. A scenario test will be carried out towards the middle of 2015/16 and is likely to be a joint exercise with the Information Security team.

The **IPO Secure team** maintains responsibility for Security on behalf of the IPO. The team continue to make good progress this year, improving our management of security incidents and business systems and processes.

IT Services area has been successful in maintaining their certification against the ISO 27001 standard and the ISO assessor continues to give particular praise to the good practices applied to the standard. The team have already begun transitioning to the new ISO 27001: 2013 Standard ahead of schedule and will see their first audit against this standard in June 2015.

Information Asset Experts manage and monitor information security across their Directorates. I receive a separate Information Security Assurance Report from the IPO Secure team. **There have been no significant lapses of protective security (e.g. data losses) this year.**

There was a breach of policy when an IT contractor connected an unauthorised machine to the IPO network to download copyrighted materials while working in the IT frame room. Following an alert from an external source the individual was immediately escorted off-site and preventative actions have been taken to prevent unauthorised machines being connected to the network. There was no compromise to IPO data.

Guidance from HM Treasury, Cabinet Office and BIS is regularly reviewed and used to drive change so that governance practice is consistent with central Government and departmental policy. A comprehensive review of governance, risk and internal control has provided myself, the Executive Board and the Audit and Risk Committee with assurance that the IPO has complied with the corporate governance in central government departments: code of good practice' throughout the year.

Significant Risks and Control Issues

The IPO is a relatively complex organisation covering policy work, rights granting, business support and enforcement. We work in an international framework, particularly within Europe and our customers expect us to provide services which are joined up with other offices. We continually assess and refine management data to ensure that the Board are provided with the most appropriate information to allow them to identify and respond to emerging risks. The Board are involved in shaping the information they receive to ensure its quality and that it meets their needs in overseeing the business.

We have been making a number of reforms to the IP framework and this inevitability carries some risk. Over the year we have seen a number of actual and potential legal challenges to current legislation.

IPO migrated its HR and payroll systems to a shared service provider, UK Shared Business Services (UKSBS) from February 2014. The service provided has not been satisfactory and is perceived as poor by IPO staff. An internal audit review which focussed on the IPO controls in place for the management of this provision found that we have suitable governance arrangements in place and are doing all we can to improve effectiveness, but have limited influence on standard UK SBS practices in the wider BIS negotiated framework. To improve standards we have seconded four members of IPO staff to UKSBS to assist in the processing of IPO cases. We are monitoring service levels closely and any material issues are highlighted to myself and the Chief Operating Officer. We are sent quarterly assurance updates from UKSBS which provide assurance on the process, system, data and infrastructure controls at UKSBS. The latest report covering the last quarter of 2014/15 rated the level of control as moderate. There is also high level visibility of service level issues in place at IPOB, Steering Board and Audit and Risk Committee.

One of the key successes this year has been maintaining our patent and trade mark processing and service quality performance despite an extremely high level of demand. To enable us to do this we recruited 49 new Patent Examiners this year and plan to recruit a further 50 more in each of the next two years. Ensuring efficient provision of our services also means putting expertise where it can add most value. We have developed our approach to unrepresented applicants to provide more direct and realistic advice on whether they should be seeking patent protection thus saving them and us time and money. We also recruited 10 new Trade Mark Examiners and will recruit more if demand continues to rise. However, delivering speedy high quality services will continue to be a major challenge.

Maintaining effective working relationships with our key stakeholders, whether in relation to the quality and performance of our rights granting functions or policy development, is important in protecting and improving our reputation. Our biennial stakeholder survey is an important barometer of our most influential stakeholders. Results from the 2014 survey showed continued improvement in overall satisfaction with our engagement (90% from 83% in 2012) with 66% feeling we had improved since 2012. The survey reported that we had addressed concerns around the visibility of our senior leaders and improving our accessibility, especially in relation to copyright policy, where significant frustrations had been felt.

For the future one of our main challenges will be delivering our commitment to transform our organisation to digital by default. We have embarked on a three year portfolio of work, "Transforming the IPO Digitally (TRIPOD)", which will drive digital transformation of our services in line with the requirements of the Government Digital Service (GDS). We will be using an 'Agile' approach to delivery, adopting an incremental, phased approach to each project.

Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the IPO's governance, risk management and system of internal control.

My review is informed by the work of the Directors who have responsibility for the development and maintenance of the governance structures and internal control framework across the organisation; Internal Audit reports; comments made by the external auditors in their management letter and other reports. I also receive independent assurance from the Audit and Risk Committee.

I have considered the evidence provided to support this Governance Statement and sought relevant Audit and Risk Committee assurance. We do have ongoing concerns about the effectiveness of the controls within our HR and payroll provider, UKSBS, and we are doing everything within our control to mitigate the risks associated with this, including seconding staff and commissioning internal audit work and as a result have suitable governance arrangements in place. I conclude that the IPO has maintained a sound system of governance, risk management and internal control during the financial year 2014/15.



John Alty

Chief Executive Officer and Accounting Officer

17th June 2015

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 2015 under the Government Trading Funds Act 1973. The financial statements comprise: Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Capital and Reserves; 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, Accounting Officer and Auditor

As explained more fully in the Statement of Patent Office's and Chief Executive's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Trading Funds Act 1973. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Patent Office's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Patent Office; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Patent Office's affairs as at 31 March 2015 and of its surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Trading Funds Act 1973; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date 18th June 2015

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

Statement of Comprehensive Income

For the year ended 31 March

		2015	2014
	Notes	£000	£000
Turnover	4	80,338	76,317
Staff costs	5	(47,881)	(45,565)
Depreciation and amortisation		(2,026)	(1,851)
Other operating charges		(25,787)	(28,534)
Operating surplus before financing and dividend		4,644	367
Financial Income	8	308	333
Operating surplus on ordinary activities		4,952	700
Financial Expenditure	9	(72)	(101)
Net operating surplus		4,880	599
Dividend	10	(3,457)	(3,442)
Retained (deficit) / surplus for the year		1,423	(2,843)
All of the operations are classed as continuing.			
Other comprehensive income			
Net gain on revaluation of plant, property and equipment	11	1,257	261
Net gain on revaluation of intangible assets	12	92	83
Total comprehensive (expenditure) / income		2,772	(2,499)

Statement of Financial Position

As at 31 March

		2015	2014
	Notes	£000	£000
Non-current assets			
Property, plant and equipment	11	21,621	21,412
Intangible assets	12	5,043	4,882
		26,664	26,294
Current assets			
Trade and other receivables	13	3,894	3,264
Cash and cash equivalents	14	94,357	92,088
		98,251	95,352
Total assets		124,915	121,646
Current liabilities due in less than 1 year			
Trade and other payables	15	(17,584)	(17,797)
Other liabilities	15	(17,984)	(16,877)
Total current liabilities		(35,568)	(34,674)
Non-current assets plus net current assets		89,347	86,972
Non-current liabilities greater than 1 year			
Provision for liabilities and charges	16	(258)	(489)
Financial liabilities	17	(333)	(499)
Total non-current liabilities		(591)	(988)
Net Assets		88,756	85,984
Financed by:			
Capital and reserves			
Public dividend capital		6,325	6,325
Revaluation reserve		3,516	2,219
General reserve		78,915	77,440
Total financing		88,756	85,984

John Alty

John Alty

Chief Executive Officer and Accounting Officer

17th June 2015

Statement of Changes in Capital and Reserves

Statement of Changes in Capital and Reserves

	PDC	Revaluation Reserve	General Reserve	Total Capital & Reserves
	£000	£000	£000	£000
Balance at 31 March 2013	6,325	2,073	80,085	88,483
Changes in capital and reserves for 2013/14				
Net gain on revaluation of property, plant and equipment	-	261		261
Net gain on revaluation of intangible assets	-	83		83
Transfer of (excess) / realised depreciation between reserves	-	(198)	198	0
Retained surplus	-		(2,843)	(2,843)
At 31 March 2014	6,325	2,219	77,440	85,984
Changes in capital and reserves for 2014/15				
Net gain on revaluation of property, plant and equipment	-	1,257		1,257
Net gain on revaluation of intangible assets	-	92		92
Transfer of (excess) / realised depreciation between reserves	-	(52)	52	0
Retained surplus	-		1,423	1,423
At 31 March 2015	6,325	3,516	78,915	88,756

Statement of Cash Flows

For the year ended 31 March

	2015	2014
	£000	£000
Net cash inflow from operating activities		
Net operating surplus	4,880	599
Adjustment for non-cash items	2,136	2,755
Decrease in trade and other receivables	(630)	825
Increase in trade payables	894	1,680
Movements in payables relating to items not passing through the operating statement (capital and dividend accruals and short term provision movement)	519	1,123
Use of provisions	(507)	(840)
Net cash inflow from operating activities	7,292	6,142
Cash flows from investing activities		
Purchase of property plant and equipment	(777)	(1,712)
Purchase of intangible assets	(638)	(1,440)
Dividends paid	(3,442)	(3,401)
Net cash (outflow) / inflow from investing activities	(4,857)	(6,553)
Cash flows from financing activities		
Repayment of loans	(166)	(166)
Net (Decrease) / Increase in cash and cash equivalents in year	2,269	(577)
Cash and cash equivalents at the beginning of the year	92,088	92,665
Cash and cash equivalents at the end of the year	94,357	92,088

Notes to the Accounts

1 Accounting policies

1(a) Statement of accounting policies

These financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged the most appropriate to the particular circumstances of the Patent Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Patent Office are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1(b) Accounting convention and estimates

The accounts have been prepared in accordance with the historical cost convention modified to include revaluation of property, plant and equipment and intangible assets, in a form determined by the Treasury in accordance with section 4(6)(a) of the Government Trading Funds Act 1973.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgements that affect the reported assets, liabilities, revenue and expenditure. Actual results can differ from those estimates. The accounting policy descriptions set out those areas where judgement needs exercising. The most significant in management's view are asset valuation, provision for early retirement benefits and income recognition (deferred income).

1(c) Property, plant and equipment valuation

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

The Patent Office has adopted depreciated historical cost as a proxy for fair value of plant and equipment. Any difference between these figures is not considered material for the accounts.

1(d) Depreciation

Depreciation is provided on property, plant and equipment, 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 inc car park	54 years
Information technology	5 years
Plant and machinery	5 years

Depreciation is charged from the date of acquisition.

1(e) Intangible assets

Intangible assets consists of specialist software developed for the Patent Office.

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(f) Amortisation

Amortisation is provided on intangible assets, 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:

Major software developments	10 years
Other software	5 years

Amortisation is charged from the date the asset is brought into use.

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 deferred income (see note 15) and is only recognised in the Statement of Comprehensive Income when the services are performed.

1(h) 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(i) Value Added Tax (VAT)

The Patent Office is not registered separately for VAT, but falls within the Department for Business Innovation and Skills (BIS) registration.

Irrecoverable VAT on revenue expenditure is charged to the Statement of Comprehensive Income and on capital expenditure to the Statement of Financial Position.

1(j) Foreign exchange

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 6) are taken to the Statement of Comprehensive Income.

1(k) Operating lease rentals

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

1(l) Financial instruments

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. Any possible embedded derivatives are investigated and disclosed if necessary.

1(m) Provisions

All provisions where the time value of money is significant are discounted at the Treasury approved rate (see note 16).

1(n) Dividends

Under Section 4(1) of the Government Trading Funds Act the Patent Office may be set further financial objectives which impact on plans and charges. The current financial objective and performance is shown in note 7. This objective is in part to reflect the cost of capital utilised by the Patent Office and fees and charges are set to recover costs and meet this further financial objective.

1(o) Pension costs

Past and future employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non contributory except in respect of dependants' benefits. 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. In respect of defined contribution schemes, the Patent Office recognises the contributions payable for the year.

Further information is given in note 5(b).

1(p) **Contingent liabilities**

In addition to contingent liabilities disclosed in accordance with IAS 37 (see note 20) the Patent Office is obliged to disclose for parliamentary reporting and accountability purposes certain statutory and non statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote but which must be reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at amounts reported to Parliament.

1(q) **Standards issued but not yet effective**

Standards issued but not yet effective:-

IAS 36 – Impairment of assets on recoverable amounts (amendment).

This modifies the disclosure requirements and reflects changes to IFRS 13. It is likely to be adopted alongside IFRS 13 but is not expected to have any impact on the Office.

IFRS 9 – Financial Instruments.

Under IFRS 9 financial assets should be classified on the basis of the entity's business model for their management, and their contractual cash flows characteristics. They should be measured initially at fair value and subsequently at either fair value or amortised cost. This is not expected to take effect in the public sector until 2015/16 and the Office does not believe this will have any significant impact.

IFRS 13 Fair Value Measurement.

IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The effective date is 1 Jan 2013, but IFRS 13 applies prospectively to entities covered by the Treasury Financial Reporting Manual from 1 April 2015. Early adoption is not permitted and it is not expected to have any significant impact

IFRS14 Regulatory Deferral Accounts.

IFRS 14 permits an entity which is a first time adopter of IFRS to opt to continue to use its previous GAAP accounting policies for its rate regulated activities. The impact of this choice is shown via a regulatory deferral account. This was issued in January 2014 and will not come into force until 1 January 2016. However, the Office is not a first time adopter and is not eligible to use IFRS 14.

IFRS15 Revenue from Contracts with Customers.

IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. This was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2017.

In addition to the above revisions and amendments, the Annual Improvement Projects have updated a number of standards for incidental terminology or editorial changes as well as some minor technical changes with minimal accounting effect.

There are no interpretations which are predicted to have an effect on the Office. IFRIC 21 – Levies (effective in the EU for accounting periods commencing on or after 17 June 2014) reflects the Office current practice when subject to levies.

There are also likely to be changes to the 2015-16 FReM which are not expected to impact on the Office.

2 Segmental reporting

Decisions are taken based on the overall position described in the Statement of Comprehensive Income and the Statement of Financial Position and as such the management consider there is only one segment. The Office is managed as an integrated whole and decisions made on that basis.

3 Fees and charges information

The following information on the main activities of the Office is produced for fees and charges purposes.

2014/15	Patents	Trade marks	Designs	Publications	Commercial	Total
	£000	£000	£000	£000	£000	£000
Income	58,854	19,928	1,195	115	246	80,338
Expenditure	(53,929)	(19,641)	(1,612)	(149)	(363)	(75,694)
Subtotal	4,925	287	(417)	(34)	(117)	4,644
Financial Income						308
Financial Expenditure						(72)
Dividend						(3,457)
Retained surplus / (deficit)						1,423
2013/14	Patents	Trade marks	Designs	Publications	Commercial	Total
	£000	£000	£000	£000	£000	£000
Income	57,812	16,930	1,159	116	300	76,317
Expenditure	(54,744)	(18,995)	(1,550)	(173)	(488)	(75,950)
Subtotal	3,068	(2,065)	(391)	(57)	(188)	367
Financial Income						333
Financial Expenditure						(101)
Dividend						(3,442)
Retained surplus / (deficit)						(2,843)

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

Management review the income streams above and total expenditure across the Office as a whole.

The financial objective for Office services is given in the Treasury Minute of 19 May 2014 (Appendix A to these accounts), and the performance against this is referred to in note 7.

4 Income

Analysis of operating income by classification and activity

For the year ended 31 March	2015	2014
	£000	£000
Patents		
Application, search and examination fees	3,546	3,514
Renewals for UK Patents	12,605	12,723
Renewals for European patents designating the UK	42,079	40,970
Other	624	605
	58,854	57,812
Trade marks		
Application fees	12,742	12,078
Renewal fees	6,076	3,928
Other	1,110	924
	19,928	16,930
Designs		
Application fees	258	276
Renewal Fees	911	850
Other	26	33
	1,195	1,159
Publications	115	116
Commercial services	246	300
Total Turnover	80,338	76,317

All income is from the payment of statutory or non-statutory fees for services and all is attributable to turnover arising in the UK.

5 Staff costs and employee information

5(a) Staff costs

	2015	2014
	£000	£000
Salaries and wages	35,338	33,286
Social security costs	3,052	2,779
Pension costs	6,656	6,321
Agency/Contract staff	3,473	3,330
Capitalised staff costs included above	(638)	(151)
	47,881	45,565

5(b) The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Office is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2014/15 employer contributions of £6,587,208 were payable to the PCSPS (2013/14 £6,243,446) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The difference between this contribution and pension cost in 5(a) is the movement in holiday pay adjustments. The PCSPS scheme's Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014/15 to be paid when the member retires and not the benefits paid during this period to existing pensioners. The rates are unchanged for 2014/15.

New Career Average pension arrangements will be introduced from 1st April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at: www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/

Employees can opt to open a partnership pension account; a stakeholder pension with an employer contribution. Employers' contributions of £34,991 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 £2,037, 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 pension providers at the balance sheet date were £7,784. Contributions prepaid at that date were zero.

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

	Directors	Staff	Seconded in staff	Agency / Contract	Seconded out staff	2015	2014
Patents	1	397	0	1	2	401	361
Trade marks	0	150	0	3	8	161	156
Other	7	423	10	27	16	483	474
						1,045	991

In 2014/15 there were 19 full time equivalent staff or contract staff working on capital projects (6: 2013/14).

Of the people employed by the Office in 2014/15, 1,014 were civil servants (943: 2013/14).

- 5(d) The in year provision for early retirement and severance schemes (see note 16) was £91,000 (£103,000: 2013/14) and is shown under other operating charges.

- 5(e) Reporting of Civil Service and other compensation schemes - exit packages

Exit Package cost	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
<£10,000	-	-	-	1	-	1
£10,000 - £25,000	-	-	1	1	1	1
£25,000 - £50,000	-	-	2	1	2	1
£50,000 - £100,000	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
£200,000 - £250,000	-	-	-	-	-	-
Total number of exit packages by type	0	0	3	3	3	3
Total cost £'000	0	0	83	54	83	54

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full when agreed. Where the Office has agreed early retirements, the additional costs are met by the Office and not by the Civil Service Pension Scheme. Ill health costs are met by the pension scheme and are not included in the table.

6 Other non staff costs

This includes	2015	2014
	£000	£000
IT, Telecoms and bureau charges	7,806	7,614
Accommodation (ex leases)	3,331	4,569
Building refurbishment	2,574	3,890
Innovation support	2,141	2,383
Training, recruitment and other staffing costs	1,463	1,305
Enforcement support	1,426	966
Travel	1,149	1,110
Other admin costs	1,124	1,101
Research co-operation and seminars	1,123	696
Legal and hearings	882	1,033
Subscriptions to international bodies	780	784
Office supplies and equipment inc postage	694	730
Property lease payments	547	616
Hire of office machinery	343	477
Outreach and marketing	223	306
Departmental overheads	39	32
Audit fee	36	36
Exchange rate losses / (gains)	11	14
Proceeds from sale of fixed assets	0	(5)
Total	25,692	27,657
Non cash items	£000	£000
Amortisation	569	520
Depreciation	1,457	1,331
Loss on disposal of assets	4	774
Provision for early departure in year	91	103
Total non cash	2,121	2,728
Total cash and non cash	27,813	30,385

7 Performance against financial objective

The Treasury Minute at Appendix A requires the Office to achieve for the period from 1 April 2014 to 31 March 2019 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 2015 was 5.6% (0.8%: at 31 March 2014).

8 Financial Income

	2015	2014
	£000	£000
Short term deposits - operating activities	308	333

The interest derives from deposits with the Government Banking Service and from short term investments with the National Loans Fund.

9 Financial expenditure

	2015	2014
	£000	£000
Interest on loans (see note 17)	57	74
Unwinding of discount on early retirement provision (see note 16)	15	27
	72	101

10 Dividends

A dividend of £3,456,872 will be paid in July 2015 to the Consolidated Fund. The 2013/14 dividend paid in July 2014 was £3,441,756.

11 Property, plant and equipment

2014/15	Land	Buildings	Plant and machinery	Information Technology	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 31 March 2014	3,500	14,350	1,693	6,827	26,370
Additions	-	-	70	343	413
Revaluation	-	991	-	-	991
Disposals	-	-	-	(965)	(965)
At 31 March 2015	3,500	15,341	1,763	6,205	26,809
Depreciation					
At 31 March 2014	-	-	1,083	3,875	4,958
Provided during the year	-	266	193	998	1,457
Surplus on revaluation	-	(266)	-	-	(266)
Disposals	-	-	-	(961)	(961)
At 31 March 2015	-	-	1,276	3,912	5,188
Net book value at 31 March 2015	3,500	15,341	487	2,293	21,621
Net book value at 31 March 2014	3,500	14,350	610	2,952	21,412
2013/14					
	Land	Buildings	Plant and machinery	Information Technology	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 31 March 2013	3,500	14,350	1,591	5,622	25,063
Additions	-	-	211	1,558	1,769
Revaluation	-	-	-	-	-
Disposals	-	-	(109)	(353)	(462)
At 31 March 2014	3,500	14,350	1,693	6,827	26,370
Depreciation					
At 31 March 2013	-	-	1,012	3,324	4,336
Provided during the year	-	261	180	890	1,331
Surplus on revaluation	-	(261)	-	-	(261)
Disposals	-	-	(109)	(339)	(448)
At 31 March 2014	-	-	1,083	3,875	4,958
Net book value at 31 March 2014	3,500	14,350	610	2,952	21,412
Net book value at 31 March 2013	3,500	14,350	579	2,298	20,727

The land and buildings referred to above are freehold and were revalued at £18.841 million by the District Valuer, Newport, South Wales on 31 March 2015 on the basis of existing use.

The valuations were prepared in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards, eighth edition.

Depreciation in note 6 is made up of in year (£1,457,000) provision. There were no revaluation adjustments.

12 Intangible Assets

2014/15	Software in use	Software under construction	Software total
	£000	£000	£000
Cost or valuation			
At 1 April 2014	8,057	-	8,057
Additions	256	382	638
Reclassifications	-	-	-
Revaluation	92	-	92
Disposals	-	-	-
At 31 March 2015	8,405	382	8,787
Amortisation			
At 1 April 2014	3,175	-	3,175
Provided during the year	569	-	569
Surplus on revaluation	-	-	-
Disposals	-	-	-
At 31 March 2015	3,744	-	3,744
Net Book value at 31 March 2015	4,661	382	5,043
2013/14			
	Software in use	Software under construction	Software total
	£000	£000	£000
Cost or valuation			
At 1 April 2013	9,962	4,636	14,598
Additions	-	683	683
Reclassifications	5,319	(5,319)	-
Revaluation	83	-	83
Disposals	(7,307)	-	(7,307)
At 31 March 2014	8,057	-	8,057
Amortisation			
At 1 April 2013	9,202	-	9,202
Provided during the year	520	-	520
Surplus on revaluation	-	-	-
Disposals	(6,547)	-	(6,547)
At 31 March 2014	3,175	-	3,175
Net Book value at 31 March 2014	4,882	-	4,882

Additions represent developments in producing orphan works software as well as the start of a major change program under TRIPOD.

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

The historic cost net book value at 31 March 2015 is £4,772,505 (£4,807,065 at 31 March 2014).

13 Trade receivables

	2015	2014
	£000	£000
Trade receivables	763	382
Other receivables	288	406
Prepayments and accrued income	2,843	2,476
	3,894	3,264

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

Other receivables	-	-
Prepayments and accrued income	249	194
	249	194

14 Cash and cash equivalents

	2015	2014
	£000	£000
Short term investments with National Loans Fund	85,000	59,000
Cash at bank - with Government Banking Service	9,131	32,687
Cash at bank - in Commercial Banks	226	401
Cash in hand	-	-
	94,357	92,088

15 Current liabilities

	2015	2014
	£000	£000
User deposit accounts	5,087	4,935
Trade payables	12,497	12,862
	17,584	17,797
Deferred income - prepayment	4,554	4,368
Early retirement provision (see note 16)	488	409
Other provisions (see note 16)	0	249
Taxation and social security	878	815
Superannuation	758	680
Other liabilities	41	54
Dividend payable	3,457	3,442
Untaken annual leave owed	2,021	1,817
Accruals	5,621	4,877
Loans (see note 17)	166	166
	17,984	16,877

16 Provision for liabilities and charges

Early Retirement and Severance

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 Statement of Comprehensive Income is charged with the full liability of new decisions taken and a provision made in the Statement of Financial Position, against which is offset the amount paid to retirees in respect of pension and related payments as they fall due between 2014 and 2019.

The provision has been assessed at current prices at the Statement of Financial Position date, and, in accordance with International Accounting Standard 37, has been discounted at a real rate of 1.3% (1.8% at 31 March 2014), with the unwinding of the discount treated as an interest charge on the Statement of Comprehensive Income (see note 9).

It should be noted that £131,229 of payments due in 2014/15 were not billed until April 2015.

	2015	2014
	£000	£000
At 1 April	898	1,249
Provision made in year	91	103
Unwinding of discount on provision	15	27
Payments offset against the provision	(258)	(481)
At 31 March	746	898
Less amount payable within one year (included in current liabilities - see note 15)	(488)	(409)
Amount payable after one year	258	489

Other Provisions

The office has made provision for dilapidations across the estate where appropriate.

	Legal	Building	Total
	£000	£000	£000
At 1 April 2014	151	98	249
Provision made in year	0	0	0
Unwinding of discount on provision	0	0	0
Payments offset against the provision	(151)	(98)	(249)
At 31 March 2015	0	0	0
Less amount payable within one year (included in current liabilities - see note 15)	0	0	0
Amount payable after one year	0	0	0

17 Loans

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

Amount	Date Issued	Period	Interest	Weighted Average interest	Book Value 2015	Fair Value 2015	Book Value 2014	Fair Value 2014
£000					£000	£000	£000	£000
2,161	01.10.91	26 years	9.625%	} 9.813%	249	285	332	384
2,164	31.03.92	26 years	10.000%		250	284	333	381
					499	569	665	765
Amounts due within one year (see note 15)					166		166	
Amounts falling due over one year					333		499	

In accordance with Treasury guidance, the fair value has been calculated by discounting future cash flows at the 31 March 2015 interest rate of 1.98%. This is the rate applicable to loans of 26 years.

Equal instalments of principal are repayable on the 6 month anniversary of issue.

The interest payable on each loan was:

	2015	2014
Loan 1	26	34
Loan 2	31	40
	57	74

Under machinery of government changes these loans are now deemed to have been made by the Department for Business Innovation and Skills (BIS).

18 Capital commitments

	2015	2014
	£000	£000
Contracted	52	22

19 Commitments under leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2015		2014	
	Buildings	Other	Buildings	Other
	£000	£000	£000	£000
Leases falling due:				
within 1 year	576	142	506	65
between 1 and 5 years	1,760	292	1,741	2
after 5 years	0	0	218	0
	2,336	434	2,465	67

There are no commitments under non cancellable contracts apart from leases.

20 Contingent liabilities

In June 2009 the Government stated that the Patent Office would make a payment of £25m to the Department for Business, Innovation and Skills to help finance a new innovation fund led by the Department. This payment has not been made and the timing remains uncertain and is dependent on the requirements of the innovation fund.

The Directors are not aware of any other contingent liabilities at 31 March 2015.

21 Related party transactions

The Office is an executive agency of the Department for Business, Innovation and Skills. The Department is regarded as a related party. During the year, the Office had various material transactions with the Department. These were the dividend, loans payments and some payments for central services provided by the Department. In addition, the Office had a small number of material transactions with other Government Departments and other central government bodies. Most of these transactions were with the Statistics Authority, HM Treasury, the Cabinet Office and UK SBS for services such as accommodation and legal services.

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

22 Financial instruments

We are required to disclose 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 this mainly applies. The 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.

Market risk

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

Interest bearing financial assets comprise cash balances which are held at floating rates of interest. 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. Longer term cash deposits do not exceed six months. Sufficient cash and cash equivalents are maintained to meet any demands in that time frame.

Credit risk

There is no material credit risk to the Office.

23 Intra-government balances

	2015	2015	2014	2014
	£000	£000	£000	£000
	Receivables	Payables	Receivables	Payables
Balances with:				
Central government bodies	786	7,467	540	6,273
Local authorities	0	0	28	28
Public corporations and other trading funds	0	7	19	4
Total at 31 March	786	7,474	587	6,305

All balances fall due within one year.

24 Subsequent Events

The accounting officer authorised these financial statements for issue on 18th June 2015.

The IPO has agreed to make a further special dividend during the year 2015/16 to cover further government and BIS innovation initiatives totalling £5.1m.

Appendix A

Treasury Minute for the Patent Office Trading Fund

The Patent Office Trading Fund:

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.1 1991 No. 1796).
3. The First Secretary of State, Secretary of State for Business, Innovation and Skills, 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 2014 to 31 March 2019 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 on long term Treasury loans 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 23 June 2009.
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.

HM TREASURY

19th May 2014

6

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.gov.uk/government/organisations/review-body-on-senior-salaries

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

Performance is assessed by line management into tranches. Individuals are allocated according to the guidelines that are in place for the relevant performance year. For the 2014/15 year individuals should be allocated in the following way: 25% of individuals to be in performance group 1, 65% in group 2 and 10% in group 3.

The percentage of staff that can be accepted in each category is established centrally by Cabinet Office. Performance pay of up to 3.3% of the pay bill is available to reward the top 25% performers. For SCS members the line management assessment is combined with those for all other BIS SCS and the outcome moderated by the BIS pay committee.

For SCS analogues the Chief Executive and Chief Operating Officer formed a remuneration committee and moderate the final performance distribution. The committee met on 5 June 2014 to moderate the 2014/15 award.

Service Contracts

The Constitutional Reform and Governance Act 2010, requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

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

Further information about the work of the Civil Service Commissioners can be found at <http://civilservicecommission.independent.gov.uk/>

Remuneration (including 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. For comparison the full year equivalent (FYE) is provided for those holding office for part of the year.

Remuneration

	Salary		Bonus		Pension Benefits		Total Remuneration	
	14/15	13/14	14/15	13/14	14/15	13/14	14/15	13/14
	£000	£000	£000	£000	£000	£000	£000	£000
John Alty ¹ Chief Executive	145-150	145-150	0-5	0-5	23	(6)	170-175	140-145
Sean Dennehey ²	110-115	110-115	10-15	10-15	11	(5)	130-135	115-120
Tim Knighton ¹ Director until 06.06.14	20-25 (FYE 115-120)	95-100	0-5	0-5	19	36	40-45	130-135
Louise Smyth ¹	85-90	60-65	0-5	0-5	137	16	225-230	80-85
Neil Feinson ¹	70-75	70-75	0-5	0-5	11	0	80-85	70-75
Rosa Wilkinson ¹	75-80	75-80	10-15	10-15	17	21	100-105	100-105
Ros Lynch ¹ Director from 27.02.14	65-70	5-10 (60-65 FYE)	0-5	0-5	16	1	80-85	5-10
David King ³ Director from 09.06.14	50-55 (FYE 65-70)	N/A	0-5	N/A	45	N/A	95-100	N/A
Simon Taylor ³ Director from 21.07.14 to 06.02.15	40-45 (FYE 70-75)	N/A	0-5	N/A	15	N/A	55-60	N/A

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

¹ is a member of the Senior Civil Service.

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

³ is on temporary promotion to the Senior Civil Service.

Paul Feldman was employed as a Director from 19 January 2015 via a contract with an approved agency at a daily rate. The IPO is committed to paying approximately £66,000 for this period to March including VAT and expenses.

Neil Hartley was appointed as Director of Finance in a joint agreement with Companies House from 1 April 2015.

John Alty's salary includes £26,000 for gross taxable expenses in 2014/15 (£23,000 in 2013/14).

Salary

'Salary' includes gross salary; 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.

Benefits in kind

There were no benefits in kind in 2014/15 or 2013/14.

Bonuses

Performance bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the previous year to which they become payable to the individual. The bonuses reported in 2014/15 relate to performance in 2013/14 and the comparative bonuses reported for 2013/14 relate to the performance in 2012/13. Directors and all other staff, apart from the Chief Executive, are eligible for an equal share of the overall office bonus.

Pension Benefits

	Accrued pension at age 60 as at 31/3/15 and related lump sum	Real increase / (decrease) in pension and related lump sum at age 60	CETV at 31/3/15 or leaving office	CETV at 31/3/14 or taking office	Real increase/ (decrease) in CETV
	£000	£000	£000	£000	£000
John Alty Chief Executive	55-60 plus 175-180 lump sum	0-2.5 plus 0-5 lump sum	1,290	1,205	22
Sean Dennehey	50-55 plus 150-155 lump sum	0-2.5 plus 0-2.5 lump sum	1,068	1,008	9
Tim Knighton Director until 06.06.14	15-20	0-2.5	319	288	18
Louise Smyth	25-30 plus 75-80 lump sum	5-7.5 plus 15-20 lump sum	417	343	53
Neil Feinson	25-30 plus 75-80 lump sum	0-2.5 plus 2.5-5 lump sum	486	450	8
Rosa Wilkinson	5-10	0-2.5	117	95	11
Ros Lynch Director from 27.02.14	10-15 plus 40-45 lump sum	0-2.5 plus 0-2.5 lump sum	278	251	13
David King ¹ Director from 09.06.14	20-25 Plus 70-75 lump sum	0-2.5 plus 5-7.5 lump sum	436	394	33
Simon Taylor ¹ Director from 21.07.14 to 06.02.15	10-15	0-2.5	123	107	7

The pension benefits no longer show preserved rights for previous pensionable service for those who rejoin the scheme at a later date.

¹ is on temporary promotion to the Senior Civil Service.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for **classic** and 3.5% and 8.85% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

New Career Average pension arrangements will be introduced from 1st April 2015 and the majority of **classic**, **premium**, **classic plus** and **nuvos** members will join the new scheme. Further details of this new scheme are available at www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Median earnings

The Hutton review recommended the reporting of the median earnings of the organisation's workforce and the ratio between this and the earnings of the highest paid Director. This includes both agency staff and contractors.

The highest paid director of the Patent Office received annualised remuneration of £145,000 - £150,000 in 2014/15 (£145,000 - £150,000 in 2013/14) which includes salary, bonus and benefits in kind but not employer pension contributions or the cash equivalent transfer value of pensions. The median earnings at the Office were £29,190 (£30,072 in 2012/13) and the ratio was 5.1 (4.9 in 2013/14). This movement year on year reflects staff changes with significant recruitment of new staff below the median.

Steering Board Members

Gareth Davies, who replaced Professor Sir John O'Reilly, is Director General with responsibility for the Office. The Director General is a member of the Steering Board and appoints independent Board members for a fixed term, which may be renewed. John Dodd and Amanda Brooks are the BIS representatives.

The Independent Board members and their remuneration are:

	2014/15 Remuneration	2013/14 Remuneration
	£000	£000
Bob Gilbert Reappointed from 6 February 2014 to 5 February 2017	10–15	5–10
Gary Austin Reappointed 15 July 2012 to 14 July 2015	5–10	5–10
Ralph Ecclestone Appointed from 17 July 2012 to 16 July 2015	5–10	5–10
Iain Maclean Appointed from 17 July 2012 to 16 July 2015	5–10	5–10
Tim Suter Appointed from 17 September 2013 to 17 September 2016	5–10	0–5 (5–10 full year equivalent)
Nora Nanayakkara Appointed from 6 November 2013 to 5 November 2016	5–10	0–5 (5–10 full year equivalent)

Gareth Davies, Professor Sir John O'Reilly, John Dodd, Amanda Brooks and John Alty, are civil servants and are not remunerated by the Office for serving on the steering board.



John Alty

Chief Executive and Accounting Officer
17th June 2015

The Patent Office
Annual Report and Accounts
2014/2015

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