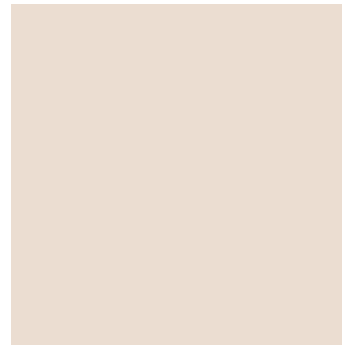
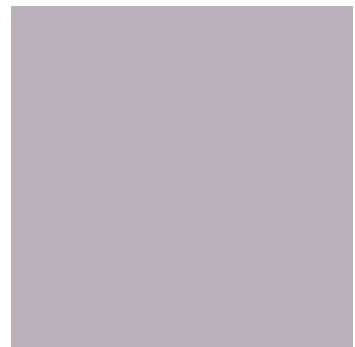
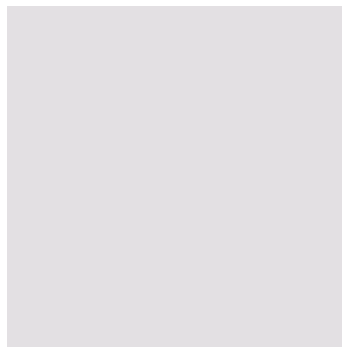
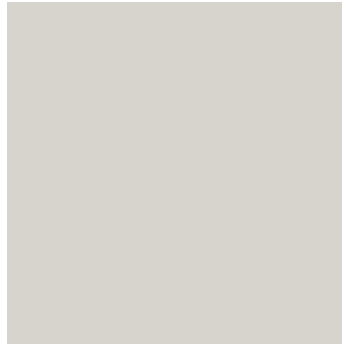




For Innovation



Annual Report and Accounts 2005-2006



A DTI SERVICE



PATENT OFFICE

A DTI SERVICE

Patent Office

Annual Report and Accounts

2005-2006

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

The Patent Office is an Executive Agency of the Department of Trade and Industry.

2005/2006 Annual Report & Accounts

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I am once again very pleased to introduce the Annual Report & Accounts of the Patent Office, my third since becoming Chief Executive of the Patent Office. The year 2005-06 was a challenging time for us all. We commenced a change programme we have called "A Patent Office for the 21st Century (**PO21C**)", which will set the foundations for a Patent Office fully enabled to deliver the support for innovation required by government to extract economic value from creativity in business. Our Corporate Plan 2006¹ contains full details and confirms our commitment to implement changes from 1 April 2007.

Economic success increasingly depends on innovation by industry and commerce to increase competitiveness. An effective Intellectual Property (IP) system is a key component for this success. This puts the Patent Office in the spotlight and the work we have begun within **PO21C** will help us deliver this key component.

The past year has seen much activity in terms of reviewing the role IP plays in supporting business success with two reviews being announced. Andrew Gowers is heading an independent review of the IP framework on behalf of HM Treasury and the outcomes will be announced in the Autumn 2006. The European Commission (EC) has also conducted a consultation on the future of Patents in Europe. Both these reviews will have an impact on us.

Along with the challenges, has come success. We achieved Charter Mark status for the 5th time running; our patent granting operation was re-awarded the International Standards Organisation (ISO) accreditation for quality and had that accreditation extended to patents commercial services; THINK Kit - which is now in its third year and is continuing to receive a great deal of acclaim amongst the education community and the work of our Enforcement Team in its successful collaboration with enforcement agencies has been recognised by the achievement of several accolades and awards.

This all happened as a result of the commitment and dedication of our staff to whom I would like to extend my sincere gratitude and thanks. I would also like to recognise the major contribution made by the management team in helping us develop a strategic focus to our activities. The year ahead will be an exciting challenge as we drive forward the work of **PO21C** and take steps to prepare for its implementation on 1 April 2007 but I am confident we have the staff with the knowledge, commitment and enthusiasm to see this through to a positive conclusion. The needs of business and the UK demand no less.

A handwritten signature in black ink, appearing to read 'Ron Marchant'. The signature is stylized, with a large, looped 'R' and a long, horizontal stroke extending to the right.

Ron Marchant

¹ <http://www.patent.gov.uk/about/reports/plan2006.pdf>

Chapter 2

Management Commentary



Introduction

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

Responsible to the Secretary of State for Trade and Industry, the Patent Office became a Government Agency in 1990 and acquired trading fund status on 1 October 1991.

Statutory Background

Major UK legislation under which the Office operates includes:

- the Patents Act 1977 as amended by the Copyright, Designs and Patents Act 1988, the Patents Act 2004 and the Regulatory Reform (Patents) Order 2004; the Trade Marks Act 1938 as amended by the Trade Marks (Amendment) Act 1984 and Trade Marks Act 1994; and the Registered Designs Act 1949 as amended by the Copyright, Designs and Patents Act 1988.

The accounts have been prepared in accordance with a generic direction issued by Treasury on 3 January 2006 under section 4(6)(a) of the Government Trading Funds Act 1973. The direction requires compliance with the relevant edition of the Government Financial Reporting Manual (FReM).

Principal Activities

The Patent Office facilitates the growth of industry and commerce through the establishment of intellectual property rights relating to patents, trade marks, registered designs and copyright. These rights play a key role in fostering innovation and competitiveness and are governed by a complex framework of national and

international law. Seeking international harmonisation of rules and procedures is a principal concern of the Patent Office as is the modernisation and simplification of intellectual property law.

Department of Trade and Industry (DTI) operational objectives include Public Service Agreement (PSA) targets agreed with Her Majesty's Treasury. We contribute directly to two PSA targets relating to increasing the overall innovation performance of the UK economy, and to the promotion of fair competitive markets.

Development and Performance

Key events during this financial year have included retaining our Charter Mark standard for excellent customer service. We became one of only 17 public sector bodies to be awarded the Cabinet Office's Charter Mark five times in succession. Our commitment to the delivery and quality of products and services was underlined in March by re-certification of the Patent granting process to the ISO 9001:2000 standard. We have had a successful year in terms of our awareness raising activities. Our "What is the Key?" campaign, aimed at raising awareness of intellectual property amongst Small and Medium Enterprises (SMEs), offered advice and guidance to SMEs on utilising their intellectual assets and the dangers of not being aware of those of other people. Our Business Advice Open Days were available for new and small businesses to obtain advice on all aspects of intellectual property (IP). Our combination of operational and policy expertise has enabled us to achieve a high level of influence in national and international fora. The Europe dimension was significant this year with the UK holding the Presidency of the European Council for the second half of 2005, which included negotiating through the General Assemblies of the World Intellectual Property Organisation (WIPO) a number of important global issues. We played a key role in negotiations with the European Parliament on the regulation of access to medicines.

Our portfolio of new services has included the launch of a new Opinions Service under which anyone can ask the Patent Office to comment on whether granted patents are valid or infringed. This service aims at providing an accessible and sound basis for decision-making when disputes arise. In line with our ten year goal to be recognised as “a great place to work” we developed a structured Human Resources (HR) strategy and in line with this we have delivered a new performance appraisal system, revised our sickness absence policy, issued new poor performance guidance and conducted a staff attitude survey.

The Patent Office exceeded its financial and nearly all of its non financial targets in 2005/06 (see Key Performance Indicators). Turnover for the year ended 31 March 2006 was £57.0 million up from £54.3 million the previous year. This reflects both on-going demand, particularly for trade mark applications, and increasing renewal income. On trade marks this reflects the full year effect of the end of the “trade mark trench” resulting from a change on 1 October 2004, when the 1994 Trade Mark act changed the renewal period from seven to ten years. Patents renewals have gone up but all of this is on European Patents (EP) (UK) renewals with UK renewals declining slightly.

Costs have risen in part because of a large provision for voluntary early retirement/ voluntary early severance which has led to a charge of over £2 million. In addition superannuation contributions increased by over £1.2 million despite lower staff numbers as a result of government-wide increases in civil service employer superannuation contribution rates. While the retirement costs are unlikely to be repeated in future years, the pension contributions reflect on-going increases in contribution rates. These will be raised further in 2006/07 and are likely to cost an additional £0.5 million. Further details can be seen in Note 5 of the accounts.

The operating surplus on ordinary activities was £8 million. After charging interest of £0.2 million and declaring a dividend of £2.7 million on public dividend capital, a net surplus for the year of £5.1 million remained. The latter has been transferred to reserves. A special dividend of £40 million was also paid in year from reserves to the DTI to support innovation. This was the final tranche of a £100 million special dividend over three years.

The Patent Office is a member of the governing councils of both the European Patent Office (EPO), and the Office for Harmonisation in the Internal Market (OHIM) which offers European Patents and Trade Marks respectively. In addition we are members of WIPO, which administers both the Patent Co-operation Treaty and arrangements under the Madrid Protocol, alongside a number of international IP treaties. The UK has representatives at all three organisations, which are controlled by their member states. They also offer IP right holders an alternative to the UK Patent Office as a way of obtaining IP rights in the UK, and the competition ensures we maintain focused on service delivery.

Objectives and Strategy

Our objectives are to:

- grant patents and register trade marks and designs with a good presumption of validity, based on high standards of service which are set in consultation with users and combine quality with good value for money;
- promote and support moves to simplify the law on intellectual property and to harmonise international rules and procedures;

- increase awareness, recognition and use of intellectual property as a tool for enhancing innovation amongst British industry and commerce, and small and medium enterprises (SMEs) in particular;
- increase awareness of the potential rewards for the exploitation of research in the academic community.

Better use of IP is central to improved productivity, greater innovation and greater competitiveness in a modern global knowledge-based economy. The Patent Office has an important role to play to enable this to happen.

We have already passed a number of milestones:

The DTI Innovation Report released in 2003 gave us the job of helping business to understand how to create and use intellectual property effectively. The same report also charged the Patent Office with improving the regime for enforcing IP rights and counteracting counterfeiting and piracy. In parallel with the Innovation Report, the Lambert Review highlighted the need to provide an effective framework to facilitate technology transfer from publicly funded research, including university research to the market place.

In the Pre Budget Report, Government initiated an independent review (The Gowers Review) into the way IP rights are awarded, how well business is able to use IP, and the operation of copyright in the digital age.

The absence of a sound evidence base for assessing the contribution of IP to innovation has been identified, and the Patent Office has been tasked to develop metrics to measure innovation and policy impact.

The need to improve the delivery of IP rights so as to reduce cost and delay has been set as a priority.

All of these developments indicated to us that we need to redefine the business model of the Patent Office.

In early 2005 we began to define this new business model so as to create “A Patent Office for the 21st Century” focused on meeting future business needs in a transparent accountable fashion. Five business streams were identified:

- Ensuring business and innovators understand how best to use the IP system and make informed decisions when innovating.
- Providing professional advisory services based on our skills and the tools available to us.
- Delivering high quality IP rights in a cost-effective and timely manner, and providing simple maintenance regimes, covering all the IP registered rights, patents, trade marks and designs.
- Ensuring that right holders and third parties are able to use rights in an even handed manner. This means providing effective regimes for enforcing rights and resolving disputes, including the work of the copyright tribunal.
- Creating an international, especially European, and national framework for IP rights that is simple to use, clear in scope, accessible by all and to enable successful innovation whilst being consistent with free and competitive domestic and international markets.

This new model will provide a sustainable and transparent business model and the changed financial structure will give clear accountability and visibility for all the activities we are required to undertake.

Whilst all of the above focuses on the Patent Office, we are clear that success will depend on building successful partnerships with others offering business support, including

other DTI areas, the regions, the devolved administrations, other Government Departments and, last but not least, the various IP professions in the UK and elsewhere.

To implement this new business model we initiated a Change Programme “A Patent Office for the 21st Century (PO21C)” which included a number of project teams tasked with -

Identifying new customer services:

- The Patent Office customer base is changing in a number of ways – there is an expectation that the Office will play a greater role in the support of innovation, there is a higher proportion of unrepresented applicants than previously, other IP offices provide customer choice and customer expectations are continually rising. This ranges from the level of service they expect, the range of services and the methods by which they engage with us. Our methods of communicating with customers are also changing as we automate our services. Therefore, we need robust methods for understanding our customers, engaging with them and capturing, sharing and using customer intelligence which will be the priority of this project team.

Identifying improved innovation support:

- Innovation drives economic progress and for one of the world’s most open trading nations it is essential that we continue to innovate. We have formed a project team to look at the way we will deliver an integrated innovation support strategy that will build on existing services and develop new services to assist and support UK innovation. It will be aligned to the DTI’s strategy and key stakeholders will be consulted.

Working on details of the financial and efficiency regimes:

- This project team will consider how we will deliver financial policies and infrastructure that best supports the business of the Patent Office for the 21st Century. It forms a collection of projects which relate to the financial policies of the Office, including our financial model, our efficiency measure, our fee structure and the amalgamation of some Register Maintenance facilities which will provide unitary access for our customers.

Providing IT and communication infrastructure:

- We have a project team working on identifying how IT can support the new business model and make proposals for implementation. Two major programmes are already under way that will update our IT support for the traditional patent and trade mark business areas. This project team will also develop and deliver a complete Information Systems Strategy to enable the Patent Office to transform the way it does business and to support its e-business strategy.

Identifying the overall organisational structure that best supports the new framework:

- We need a structure which best supports the business of the Patent Office for the 21st Century and we have a project team looking at how we can best do this. A collection of major and minor programmes and projects is already in hand, most notably the Patents Electronic Case Files (PECS) Programme, the Trade Marks Programme (TMP) and the Register Maintenance Project. These and other smaller changes have structural implications which this work will take account of. This project team will enable a Patent Office that is structured and physically arranged so that it allows us to:

- More efficiently meet our customers' needs through a simpler interface clustered around functions and exploiting synergies;
- Deliver more effectively the tasks and activities of the new business model;
- Be ready to adapt to future demands;
- Make best use of our physical or virtual infrastructure which helps streamline processes and reduce costs while satisfying the reasonable expectations of staff.

Identify skills needed by our staff to make the whole thing work:

- It is vital that we have the people, skills and processes in place to enable the objectives of the Programme to be achieved. There are many influences on the development of HR policies and practices which include legislation, civil service wide changes and best practice in both the public and private sector. These must be factored into developments, changes and activities arising out of the programme. This project is highly dependent on the other project teams' work, in particular the project team looking at our "structure", and the exact nature of our outcomes will be driven by the requirements of the other projects being run. This project team will enable us to have the right number of staff, with the right skills and the right motivation in the right place

To help us achieve the outcomes of the new business model we have set ourselves a set of specific one year actions to improve the service we offer to our stakeholders, including:

- Implement a web-based filing mechanism and on-line file inspection for patents

In line with our e-business strategy, we aim to offer users a wide range of options for filing their IP. We will further develop our suite of e-business options by implementing a web-based filing mechanism and on-line file inspection for patents as the next tranche of our PECS Programme

- Implement extended business hours

We will implement changes to the Office's hours and days of business. The Government has a general policy on extending hours of business for Government services and we will seek to adopt a corporate and customer focused approach to hours of business and the filing and dating of documents.

- Implement on-line credit/debit card payment

We will expand the range of services included in our credit/debit card settlement facility. Currently a credit/debit card payment facility is offered for statutory fees for forms filed by post or fax. During 2006/07 we will implement on-line payments, via credit/debit card for statutory fees.

- Produce an Innovation Support Strategy

This will outline the ways in which the Office will support the innovation process in the UK economy, contributing to the overall vision for the change programme "A Patent Office for the 21st Century" and the DTI's vision of "creating the conditions for business success; and helping the UK to respond to the challenges of globalisation". The strategy will achieve this by prioritising on those innovation support activities which offer greatest benefit and which will be leveraged further by working together with key delivery partners. This strategy will provide a framework for implementing further work in supporting innovation.

- A refreshed awareness campaign

The Office will build on its successful awareness raising activities by developing and implementing a new awareness campaign which will focus on:

- *raising awareness and understanding of IP among SMEs, university and research establishments;*
- *embedding IP in the primary and secondary education system*

- A redesigned website

The Office will launch a redesigned website which will contain all the information customers need and expect in an easily accessible format. The new site will have a user friendly search capability and hyperlinks to other relevant websites.

- Cut red tape in patent litigation to speed up justice

We will introduce new Patents rules which will streamline patent litigation before the Office's tribunal. We shall also work to encourage simplification under patent litigation procedures.

- Increase the use of Alternative Dispute Resolution (ADR) in IP disputes

We will work to facilitate alternative dispute resolution options for all IP rights.

- Use a recognised quality model to improve the Office

We will assess existing quality models and select the most appropriate one for the Office.

Resources and Liquidity

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

For this we rely heavily on the skills and professionalism of our staff. Patent Offices around the world are facing severe problems arising from backlogs of work. We have taken major strides in the last few years to reduce the amount of work we have in hand. Our efforts have been so successful that we are moving to "real time working" with little or no backlog. This presents a challenge for future years as we need to align resources into this new environment particularly as we expect continued efficiency gains from our investments in IT. We have already taken steps to deal with the situation, including a voluntary early retirement/voluntary early severance scheme which has been taken up by 44 staff, most of whom left in December 2005.

Financially as a Trading Fund the Patent Office is self financing and must meet any investments from its own resources. We have significant investments planned in the short term including:

- Patent Electronic Case System (PECS) – which will replace our paper patent case files with an electronic system from early 2006/07. This is based around the EPO system but requires a major investment in customising, training and re-examining business processes.
- Trade Mark Programme (TMP) - which is a series of projects aimed at updating and improving the services we offer to customers and is likely to involve extensive IT work, but will result in better focused, more efficient, IT systems.
- Proposed New Car Park – due to the Office for National Statistics' (ONS) decision to move additional staff onto our shared site in Newport, South Wales, in line with the Lyons review

recommendation and our own decision to give up space in the ONS property to consolidate on our main building, car parking is inadequate. This is discussed further in the environmental section of this report.

We have sufficient cash and liquid assets to meet these investment plans. The Patent Office generated over £10.5 million (£9 million 2004/05) cashflow from its operating activities, more than enough to cover capital expenditure and normal dividends, which will continue to be based on 4% of net assets, and interest on loans to the DTI. Any surplus funds are invested with the Debt Management Office and have been earning over 4% for some time though there is a limited interest rate risk.

In addition we have fixed assets of over £33.7 million mostly connected with our ownership of Concept House which was valued at £28 million.

Risks and uncertainties

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

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

We intend, subject to the Gowers Review, to produce a formal consultation document which will propose reductions in our fee income. An informal consultation has already taken place with proposals put out for discussion including a rebalancing of our fees which would increase pre grant fees and reduce renewal fees. This was in the context of an overall fee decrease aimed at reducing our return on capital employed down to around 4% as well as proposing new services. Depending on the outcome of the Gowers Review the changes should take place in early 2007/08.

We have also undertaken a pre-consultation exercise to talk with our customers about the pros and cons of the current system of examining trade mark applications to see whether identical/similar marks have already been applied for. We aimed to identify relevant issues to be addressed in our forthcoming formal public consultation on this issue which will take place in early 2006/07. This could impact on the way the trade mark system is perceived and impact on demand.

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

We propose that, from 1 October 2006, new 'Multiple Design' applications will be allowed with lower fees to reflect expected savings to the Office in handling costs compared to an equivalent number of single design applications. Deferral of publication is proposed to be offered to applicants who do

not wish their design to be published for up to 12 months from the date of the application for registration. We hope that providing designers with a more flexible and affordable option for the registration of designs will make it easier for them to protect their designs and that this will act as a spur to innovation.

The Patent Office is heavily dependent on income from European Patent Renewals (EP(UK)) whereby national offices keep approximately 50% of the national renewal fee relating to EP(UK) patents and the rest is remitted to the EPO. If this were reduced to say 40% it would cost the UK Patent Office over £4 million. There is no suggestion that this arrangement is likely to be reviewed and it could only be amended by agreement with the member states including the UK, however it remains a key stakeholder relationship.

Key Performance Indicators

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

The Agency Targets we set for 2005/06 and our performance against them is set out below, and summarised with previous years' performance in Chapter 5:

Patents

There are three Agency Targets specifically relating to the delivery of patent services. The first two set an expectation that 90% of searches and grants should be completed within specified periods. Searches and grants were the chosen focus as they are key milestones for users. For searches, the target is 5 months from request, one of the shortest worldwide, and we are proud to have achieved an outturn of 97.2%. For grants, the target period is calculated from the date of the request for examination, and was set this year at 2½ years, a tightening of 6 months from the previous year's target. Despite that increased challenge, an outturn

of 93% was achieved. As a consequence of this productivity, we were able to reduce our backlog of search and examination requests by 17%.

The third patent-specific Agency target requires that 95% of quality-assured cases will be assessed as having delivered good customer service. This target recognises that our services should be delivered not only quickly, but also to a high quality. We are pleased to have achieved a 96% return, which is comparable to those other patent offices which publish data on quality.

The quality of patent hearings decision has long been well-regarded by the Patents Court judges, but our speed of delivery had been deteriorating. A new internal target for 2005/6 to issue 75% of decisions within two months was instituted to drive up performance in this area. In the event, *inter partes* decisions (originally the main problem area) came in at 83%, while it was *ex parte* decisions which were more challenging at 70%. This was because of a wave of hearings in the software field where the legal position is open to different interpretation. Nonetheless, the overall performance outturn was 76%, just ahead of the stretching target.

Trade Marks

One of our Agency Targets' aims "To register 90% of processed Trade Mark class applications, to which no substantive objections have been raised or oppositions filed, within 8 months of application". Both the OPTICS and TMAD IT systems provide a breakdown each month showing how many applications have been registered and within how many days. The systems do not show how many days each individual case took to register but confirm the number of cases which are registered within a variety of time periods. The Agency Target is 240 days and our systems tell us precisely the percentage of applications each month which are registered within 8 months (240 days).

For this financial year, 96.6% of domestic applications that were not the subject of substantive objection or opposition were registered within 8 months of filing. In the same period, 98.1% of Madrid applications without objection or opposition were registered within 8 months of application, giving a combined figure of 97.35%.

We aim to “make the correct decision on registrability for at least 98.5% of Trade Mark applications”. To determine performance against this target, all marks published in the Trade Marks Journal are reviewed at a senior level to decide whether the marks have been correctly accepted. Any marks felt to be “wrongly accepted (WA)” are offset against the total number of published marks. We also sample approximately 50% of all refused applications to assess whether they have been correctly refused. Any cases which are considered to be “wrongly refused (WR)”, are offset against the sample number of refused cases. Adding together the published and refused cases and offsetting the WA and WR cases mentioned above provides an extremely accurate record of the level of decision making, with 99.4% of all registrability decisions considered to be correct for this financial year. Where wrong decisions are identified, corrective action is taken.

Our final target aims “to achieve an average of 23 weeks to issue a decision in Trade Marks *inter partes* cases, once the case is ready”. This target is measured by taking the date on which the Hearing Officer receives the relevant documents and papers and the date on which he/she publishes the formal decision. Across a calendar month the total number of decisions issued is divided into the total number of days taken to issue those decisions to calculate the average number of weeks we have taken to issue our decision. The average time taken over this financial year is 20.3 weeks.

Designs

Our Designs’ Agency Target aims “To register 95% of all correctly filed design applications, to which no substantive objections have been raised, within 3 months of the date of application”. This ensures all designs applications that fall into that category are processed quickly through the system and are not subject to any undue delay.

We calculate this by considering all designs filed in the period 3 months earlier than when the target date is due to be recorded. The status of each design application is taken from our ACORD IT system and calculated, so that the target achievement figure is only given on those that have been recorded as correctly filed and with no substantive objection raised. This is done month by month, and the annual achievement figure is calculated by taking the performance over the whole year, which was 98.35% for this financial year.

Financial and Efficiency Targets

We have an Agency Target to “Increase output in relation to current expenditure by an average of at least 2.5% per annum over a rolling 3 year period.” This is a new target starting from this year, the previous target having been 2% over a three year period. Outputs (patent examination, patent search (statutory and commercial), trade mark examination (statutory and commercial), design examination and renewals) are counted and weighted by the staff involved in each activity to produce an output index. This is divided by an expenditure index which is the total expenditure this year divided by the total expenditure last year. The expenditure has been adjusted for the one off superannuation costs and the provision for early retirement. Regrettably we were unable to achieve this target owing to changes in demand and our success at reducing our backlogs of work. As such previous years achievements including increased asset utilisation with overtime

and additional staff could not be used. The achievement was -5.8%. Without the adjustments referred to it would have been -12.9%.

As part of the DTI Departmental Efficiency Technical Note it has been agreed that we will reduce total current expenditure on the operations of the Trading Fund compared with the baseline of the Corporate Plan for 2004/05. An adjustment has been agreed to account for the increased superannuation costs (£1.29 million) but aside from this cumulative savings required over the three years starting from 05/06 were £1.3 million, £2.36 million and £2.85 million. The actual outcome was £1.95 million for 05/06.

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

The return achieved for the year ended 31 March 2006 was 11.2% (year ended 31 March 2005 11.8%).

The return achieved for the period 1 April 2004 to 31 March 2006 was 11.6%, with the capital averaged using the mean of each year's capital and the average surplus.

Other

We have an Agency Target to encourage 80% of UK secondary schools to adopt our educational resource, THINK kit version II. Following the success of Think Kit 1 which achieved 70% over its 2 year life span we were tasked in the Innovation Report to continue this activity, as a result we further developed THINK kit 2 with a more ambitious target to reach 80% of schools over a similar 2 year period. This was achieved in December 2005 with 81% of schools adopting the THINK kit. By the 31 March 2006 we had achieved a total of 82.5% of schools.

Environmental Policies

The Patent Office is committed to sustainable development following an Environmental Management Strategy. We have moved to fully green electricity at our main location and have extended our recycling programmes. Information on resources consumed and recycled is monitored quarterly by the Patent Office Board and by the Steering Board.

We have decided to build a new multi storey car park on the site of our existing car park in order to provide sufficient spaces for staff. All the available options were reviewed but the public transport links to the site and the scattered nature of our work force across South Wales left no viable alternative. That the local authority was willing to grant planning permission with virtually no modification shows the strength of the argument. We have taken care to ensure that no trees or animal habitat are affected by this decision.

Corporate and Social Responsibility

We recognise the rewards for us in terms of business benefits and personal benefits of corporate responsibility and we have continued to become involved in a variety of activities. We are involved with local schools and take part in a wide variety of local, national and international events. We support and encourage staff to take an active role in the community whether that is the Prince's Trust, being a Justice of the Peace or forging links with schools. We also provide bursaries for women studying science based degrees.

Creditor Payment Policy

The Patent Office adheres to the standard of the Department of Trade and Industry by aiming to settle bills within 30 days of receipt of goods or services or a valid invoice, whichever is the later. The 30 day standard is incorporated in contracts with suppliers. We recognise the importance to SMEs in particular, and paid 98.7% of valid invoices within 30 days in 2005/06 (99.2% in 2004/05).

Policy in relation to disabled employees

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

Wherever feasible, employees who become disabled will be retained in suitable jobs, and where it is appropriate, the equipment to enable them to cope with their duties will be provided. Training, career development and promotion opportunities are available to all staff, including those with a disability.

We benchmarked the actions we have taken to ensure disability equality in 2005 with the Employers' Forum on Disability, achieving a benchmark score (75%) above both the average for all participants (57%) and that for the public sector (59%).

Employee Involvement

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

The Office also offered staff the opportunity to take part in a Home Computing Initiative (HCI), a scheme sponsored by the DTI which tries to make home computers more affordable. Some 103 staff took advantage of the scheme which enables them to give up some salary in return for IT equipment and to keep the tax and National Insurance saving.

Steering Board

In addition to the Chief Executive, the Steering Board members at 31 March 2006 were:

David Hughes	DTI member
Peter Mason	DTI member
Richard Abnett	External member
Kathryn Bishop	External member
Mary Champion	External member
Geoffrey Drage	External member
David Richards	External member

Audit Committee

The Audit Committee members at 31 March 2006 were:

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

Patent Office Board

At 31 March 2006 the Directors of the Patent Office were:

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

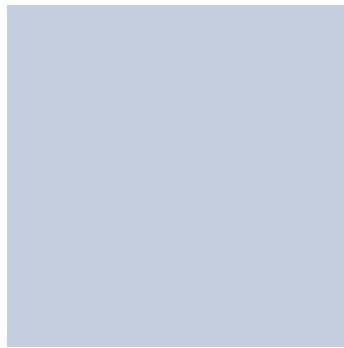
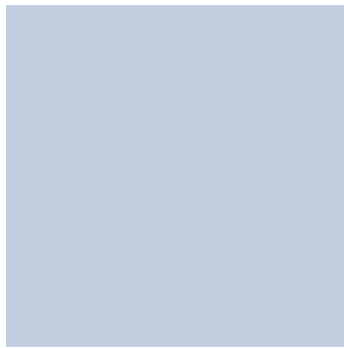
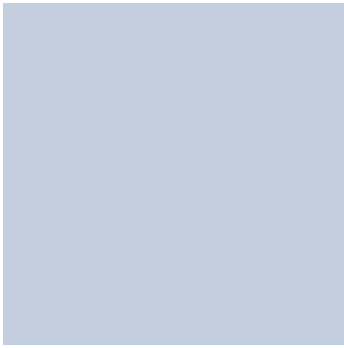
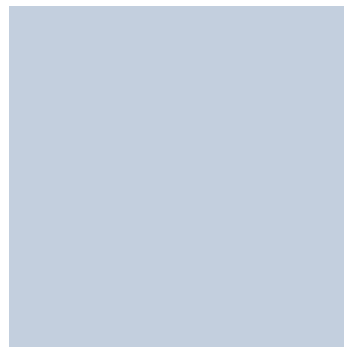
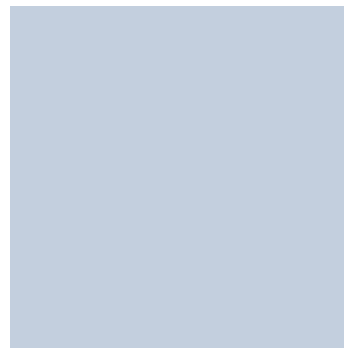
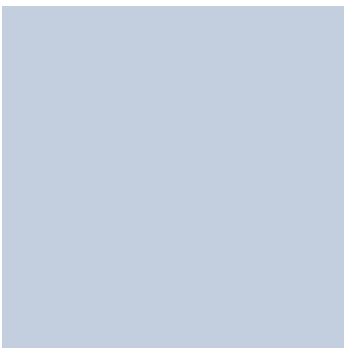
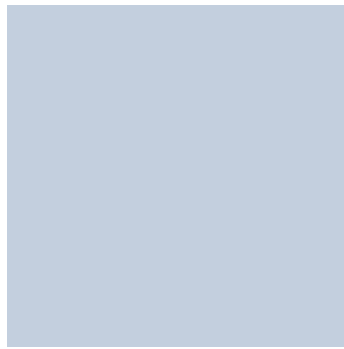
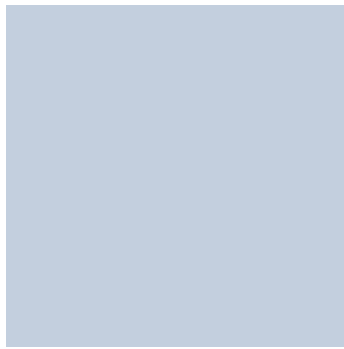
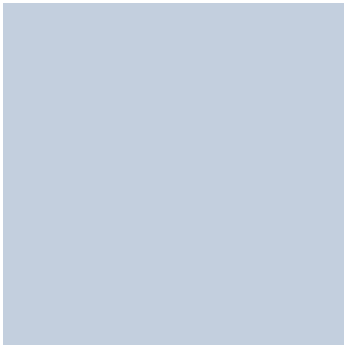
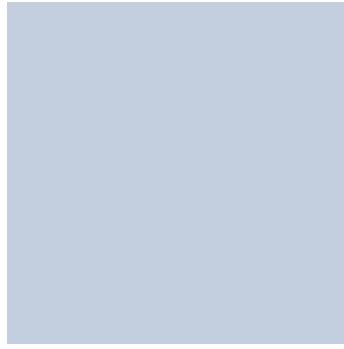
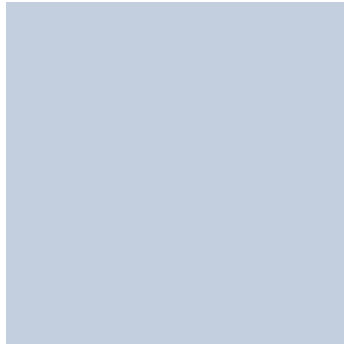
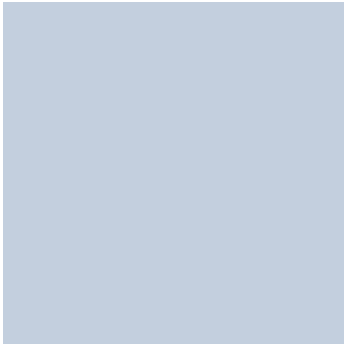
Statement of Compliance

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

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

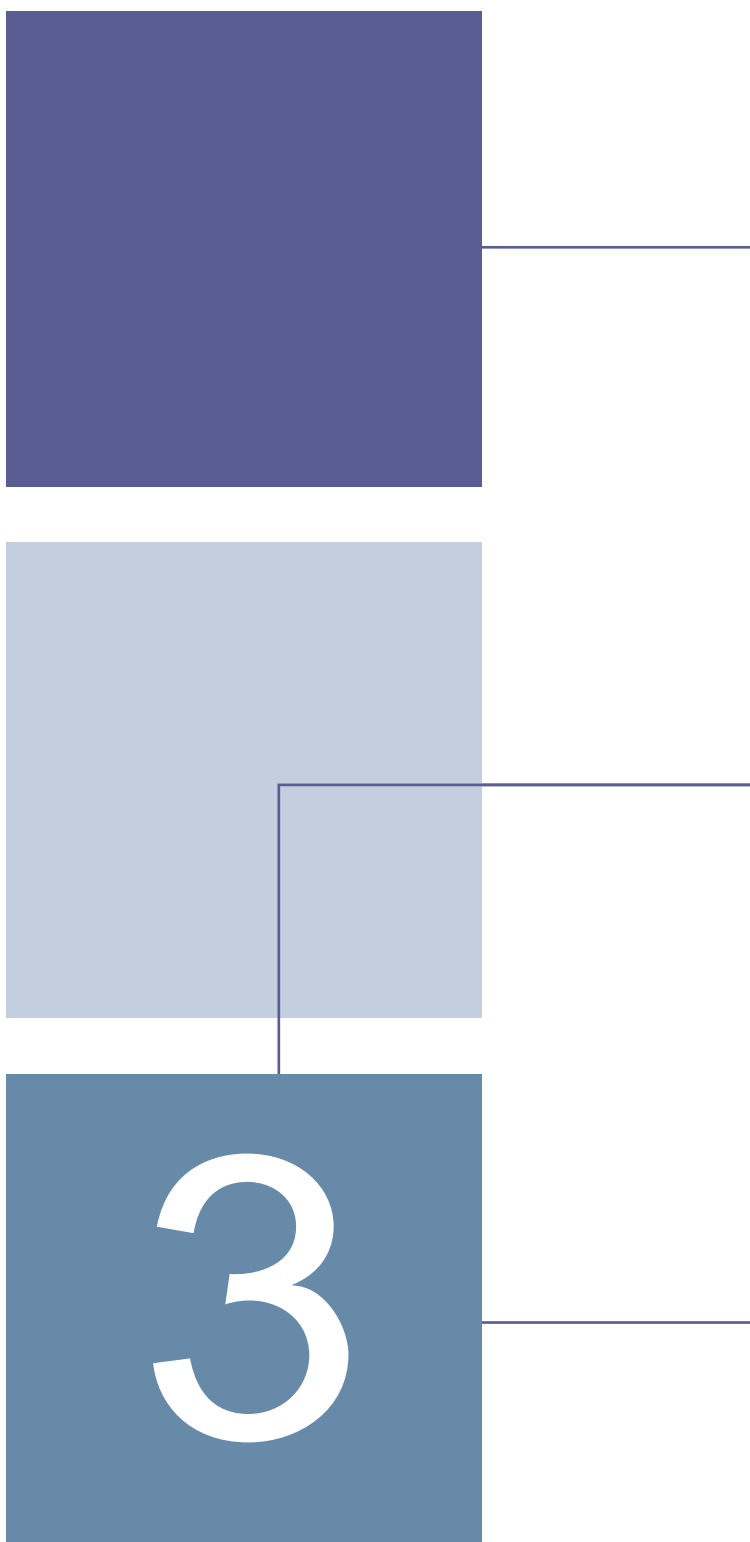


RON MARCHANT
Chief Executive and Accounting Officer
4 July 2006



Chapter 3

Accounts 2005-2006



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

Under section 4(6)(a) of the Government Trading Funds Act 1973 the Treasury has directed the Patent Office Agency to prepare a statement of accounts for each financial year in the form and on the basis of the generic accounts direction issued by the Treasury on 13 January 2006. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

The Treasury has appointed the Chief Executive of the Patent Office as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding the Agency's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting".

Statement on Internal Control in The Patent Office

1. Scope of responsibility

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

2. The purpose of the system of internal control

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

3. Capacity to handle risk

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

- An internal Board that meets monthly to consider the plans, progress and strategic direction of the Office (the Board comprises the Chief Executive and Directors)
- A Steering Board that meets quarterly to discuss strategic issues (the Steering Board comprised a member of the DTI's Management Board, the Chief Executive, a representative from DTI's Finance and Resource Management Directorate and five external independent members, with Patent Office Directors as attendees)
- An Audit Committee that meets at least four times each year to assist the Chief Executive on audit and Corporate Governance issues (throughout the year the Committee comprised three independent Steering Board members, the Chief Executive and Finance Director as obligatory attendees with Patent Office Directors and senior representatives from Internal and External Audit as attendees)
- Training has been provided to key managers and staff in risk identification, evaluation and management, based on best practice guidance from the DTI and Treasury. Individual directorates have extended this training as part of their risk management processes. Training workshops commonly review progress and lessons learnt from previous risk management actions.
- Any event that occurs highlighting a significant risk or control weakness is followed through to ensure that appropriate action is taken to manage the risk and reduce future risks and improve controls.

4. The risk and control framework

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

- a strategic risk register drawn from all Directorate risk registers and discussion, at Audit Committee, of high profile events and associated risks, that is used as a management tool by the Patent Office Board
- the risk registers of individual directorates of the Office, that are used as a management tool by senior managers
- a statement of risk appetite for categories of activity defined by the Board part way through the financial year
- programme risk registers for the three existing programmes in the Office, that are used as a management tool by Programme Boards and Programme Managers
- a cross-Directorate risk group that coordinates the strategic and Directorate risk registers, and is a forum for feedback and corporate learning
- a risk register format that requires the identification of both internal and external risks, the business objective that is threatened by the risk, assignment of a risk owner and actions to be taken to manage the risk
- risk evaluation performed by source, type (reputation, financial, operational), likelihood, impact, effectiveness of controls, and comparison with risk appetite
- guidance on the compilation of directorate risk registers both bottom-up by team members and top-down from Directors

- monitoring of operational and financial performance on a monthly basis with remedial action taken as appropriate
- regular reports by Internal Audit on the adequacy and effectiveness of the Office's systems of internal control based on a risk-based audit programme
- an annual statement of opinion from Internal Audit on the Office's systems of control and risk management framework
- the Internal and External Audit arrangements and follow up of recommendations overseen by the Audit Committee
- confirmation provided at directorate level of the internal control arrangements and identification of areas for improvement
- procedures for planning, approving and monitoring major projects, including a requirement to use risk registers

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

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Patent Office who have responsibility for the development and maintenance of the internal control framework, by our ISO 9001:2000 certification of some of our internal processes, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

During the year periodic reviews of the strategic, directorate and programme risk registers have been conducted by the Board, Steering Board and Audit Committee, as well as management boards and staff teams. Internal Audit spent 131 days conducting audits, including reviews of internal controls, during the year. In addition Directors took part in a peer review exercise led by Internal Audit to provide additional assurance to me on their exercise of operational and financial controls during the year. The conclusions of the review are that there is no indication of any major control weakness that would lead me to qualify this statement on internal control and that risk management awareness is high. I conclude that we have embedded risk management processes in the Patent Office, and continue to review and improve their implementation across the organisation and throughout its operations.



Ron Marchant
Chief Executive and Accounting Officer
4 July 2006

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 2006 under the Government Trading Funds Act 1973. These comprise the Operating Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Patent Office, the Chief Executive and auditor

The Patent Office and the Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Patent Office's and the Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Funds Act 1973 and HM Treasury directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Patent Office has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 21 to 23 reflects the Patent Office's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Patent Office's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chief Executive's Introduction, the Management Commentary, the unaudited part of the Remuneration Report, Performance against Agency Targets and Glossary. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Trading Fund Act 1973 and directions made thereunder by HM Treasury, of the state of the Patent Office's affairs as at 31 March 2006 and of its surplus for the year then ended;

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Government Trading Fund Act 1973 and HM Treasury directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

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

Date 10 July 2006

Operating Account

For the year ended 31 March

	Notes	2006 £000	2005 £000
Turnover	2	56,977	54,349
Staff Costs	5	(33,713)	(31,559)
Depreciation	9	(1,380)	(1,124)
Other operating charges		(16,623)	(13,772)
Operating surplus before interest and dividend		5,261	7,894
Interest receivable	6	2,726	4,104
Operating surplus on ordinary activities	3	7,987	11,998
Interest payable	7	(214)	(237)
Surplus for the year	2	7,773	11,761
Dividend	8	(2,653)	(3,832)
Retained surplus for the year		5,120	7,929
Retained surplus brought forward		85,602	107,458
Special dividend paid from reserves	8	(40,000)	(30,000)
Other reserve movements	15	246	215
Retained surplus carried forward		50,968	85,602

All of the operations are classed as continuing.

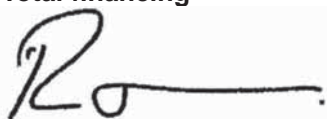
Statement of Total Recognised Gains and Losses

For the year ended 31 March

	Notes	2006 £000	2005 £000
Surplus for the year	2	7,773	11,761
Surplus on revaluation of fixed assets	15	5,441	406
Total recognised gains and losses relating to the year		13,214	12,167

Balance Sheet

As at 31 March		2006	2005
	Notes	£000	£000
Fixed assets			
Tangible fixed assets	9	33,720	28,009
Current assets			
Debtors	10	2,001	2,438
Short term investments	11	60,000	93,300
Cash at bank and in hand	11	1,784	814
		<u>63,785</u>	<u>96,552</u>
Creditors: amounts due within one year	12	<u>(22,986)</u>	<u>(21,507)</u>
Net current assets		<u>40,799</u>	<u>75,045</u>
Total assets less current liabilities		<u>74,519</u>	<u>103,054</u>
Provision for liabilities and charges	13	(1,238)	(168)
Net Assets		<u>73,281</u>	<u>102,886</u>
Financed by:			
Capital and reserves			
Public dividend capital		6,325	6,325
Loans from Secretary of State, Department of Trade and Industry	14	1,996	2,162
Revaluation reserve	15	13,992	8,797
General reserve	15	50,968	85,602
Total financing		<u>73,281</u>	<u>102,886</u>



Ron Marchant
Chief Executive and Accounting Officer
4 July 2006

Cash Flow Statement

For the year ended 31 March		2006	2005
	Notes	£000	£000
Net cash inflow from operating activities	16	10,565	9,006
Returns on investments and servicing of finance	17	(41,094)	(33,524)
Capital expenditure	18	(1,635)	(1,474)
Cash outflow before management of liquid resources and financing		(32,164)	(25,992)
Management of liquid resources	19	33,300	24,500
Financing	20	(166)	(167)
Increase / (Decrease) in cash in the period		970	(1,659)
Reconciliation of net cash flow to movement in net funds			
Increase / decrease in cash		970	(1,659)
Cash outflow from movement in liquid resources		(33,300)	(24,500)
Cash outflow from decrease in debt		166	167
Movement in net funds	21	(32,164)	(25,992)
Net funds at 1 April		91,952	117,944
Net funds at 31 March		59,788	91,952

Reconciliation of Movements in Government Funds

For the year ended 31 March	Notes	2006 £000	2005 £000
Surplus for the year		7,773	1,761
Dividend	8	(2,653)	(3,832)
Retained surplus for the year		5,120	7,929
Special dividend	8	(40,000)	(30,000)
Surplus on revaluation of fixed assets	15	5,441	406
Loan repayments		(166)	(167)
Net decrease in Government funds		(29,605)	(21,832)
Opening Government funds		102,886	124,718
Closing Government funds		73,281	102,886

Notes to the Accounts

1 Accounting policies

1(a) Accounting convention

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

1(b) Patents and designs

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

1(c) Software development

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

1(d) Fixed asset valuation

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

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

1(e) Depreciation

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

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

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

1(f) Turnover

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

1(g) Deferred income (prepayment)

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

1(h) Value Added Tax (VAT)

The Patent Office is not registered separately for VAT, but falls within the Department of Trade and Industry registration. Irrecoverable VAT on revenue expenditure is charged to the operating account, and on capital expenditure to the balance sheet.

1 (i) Foreign currency

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

1 (j) Operating Lease Rentals

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

1 (k) Pension costs

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

2 Turnover and results

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

	Turnover		Cost of Service		Surplus (Deficit)	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
Patents	36,386	35,745	34,582	31,452	1,804	4,293
Trade marks	17,926	15,627	14,867	12,789	3,059	2,838
Designs	1,465	1,525	904	890	561	635
Publications	257	305	113	189	144	116
Commercial services	943	1,147	1,250	1,135	(307)	12
Unallocated (interest receivable net of interest payable)	-	-	(2,512)	(3,867)	2,512	3,867
	56,977	54,349	49,204	42,588	7,773	11,761

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

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

3 Surplus on ordinary activities

This is stated after charging, or making provision for:

	2006 £000	2005 £000
- hire of office machinery	401	443
- exchange rate losses	66	-
- audit fee	28	28

4 Performance against financial objective

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

The return achieved for the year ended 31 March 2006 was 11.2% (year ended 31 March 2005 11.8%).

The return achieved for the period 1 April 2004 to 31 March 2006 was 11.6%, with the capital averaged using the mean of each year.

5 Staff costs and employee information

5(a) Staff costs

	2006 £000	2005 £000
Salaries and wages (including contract staff)	25,838	25,558
Social security costs	2,011	1,964
Pension costs	4,753	3,535
Agency/Contract staff	1,979	1,367
Capitalised staff costs included above	(868)	(865)
	33,713	31,559

- 5(b) The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Patent Office is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005-06 employer contributions of £4,746,257 were payable to the PCSPS (2004-05 £3,525,523) at one of four rates in the range 16.2 to 24.6% of pensionable pay, based on salary bands (the rates in 2004-05 were between 12% and 18.5%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2006/07, the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%. The contribution rates are set to meet the cost of the benefits accruing during 2005-06 to be paid when the member retires, and not the benefits paid during the period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Aggregate employer contributions of £6,894 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 £521, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership providers at the balance sheet date were £628.

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

	Directors	Staff	Seconded in staff	Agency/Contract	2006	2005
Patents	1	432	0	1	434	463
Trade marks	1	189	0	2	192	198
Designs	0	6	0	0	6	8
Other	5	297	1	28	331	336
					963	1,005

Of the people employed by the Office in 2005/06, 932 were civil servants.

6 Interest receivable

	2006	2005
	£000	£000
Short term deposits - operating activities	2,726	4,104

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

7 Interest payable

	2006	2005
	£000	£000
Interest on loans (see note 14)	204	220
Unwinding of discount on early retirement provision (see note 13)	10	17
	214	237

8 Dividends

A special dividend of £40,000,000 was paid from reserves to the Department of Trade and Industry on 29 April 2005. The funds are being used to support innovation and this completes the agreed payment of £100,000,000 over three years.

A dividend of £2,652,582 will be paid in July 2006 to the Consolidated Fund (via the Department of Trade and Industry). This is calculated on 4% of the net assets employed less interest payable.

9 Tangible fixed assets

	Land and Buildings	Buildings under Construction	Plant and machinery	Computer and office equipment	Software in use	Software under development	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2005	23,000	0	107	4,295	4,111	2,459	33,972
Additions	-	165	28	482	-	975	1,650
Assets brought into use	-	-	-	-	897	(897)	0
Revaluation	5,000	-	1	(90)	101	36	5,048
Disposals	-	-	-	(689)	-	-	(689)
At 31 March 2006	28,000	165	136	3,998	5,109	2,573	39,981
Depreciation							
At 1 April 2005	0	0	99	3,962	1,902	0	5,963
Provided during the year	303	-	10	168	809	-	1,290
Surplus on revaluation	(303)	-	-	-	-	-	(303)
Disposals	-	-	-	(689)	-	-	(689)
At 31 March 2006	0	0	109	3,441	2,711	0	6,261
Net book value at 31 March 2006	28,000	165	27	557	2,398	2,573	33,720
Net Book Value at 1 April 2005	23,000	0	8	333	2,209	2,459	28,009

The land and buildings referred to above are freehold and were revalued at £28 million by the District Valuer, Newport, South Wales on 31 March 2006 on the basis of existing use. The open market valuation, provided by the District Valuer, of £20.0 million is £8.0 million lower than the existing use valuation. The former reflects the expected difficulty in finding a replacement single occupier, and the consequent impact on the valuation of multi occupancy with potentially slow take up.

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

Depreciation in the operating account (£1,380,000) is made up of the in-year provision (£1,290,000) and the diminution in value of computer equipment arising from indexation (£90,000).

10 Debtors

	2006	2005
	£000	£000
Trade debtors	526	644
Other debtors	286	541
Prepayments and accrued income	1,189	1,253
	2,001	2,438
Sums included above which fall due after more than one year are:		
Other debtors	-	5
Prepayments and accrued income	29	17
	29	22

11 Short term investments and cash at bank

	2006	2005
	£000	£000
Short term investments	60,000	93,300
Cash at bank - at Office of HM Paymaster General/Bank of England	1,094	813
Cash at bank - in Commercial Banks	689	0
Cash in hand	1	1
	1,784	814

12 Creditors - amounts falling due within one year

	2006	2005
	£000	£000
User deposit accounts	4,080	3,211
Trade creditors	7,493	7,215
Deferred income - prepayment	5,242	4,875
Early retirement provision (see note 13)	909	121
Taxation and social security	654	661
Superannuation	425	337
Other creditors	22	57
Dividend payable	2,653	3,832
Accruals	1,508	1,198
	22,986	21,507

13 Provision for liabilities and charges

Treasury guidance requires that the full cost of early retirement and severance schemes should be recognised in the accounts when early departure decisions are made. The operating account is charged with the full liability of new decisions taken and a balance sheet provision made, against which is offset the amount paid to retirees in respect of pension and related payments as they fall due between 2005 and 2015. The provision has been assessed at current prices at the balance sheet date, and, in accordance with Financial Reporting Standard 12, has been discounted at a real rate of 2.8%, with the unwinding of the discount treated as an interest charge on the operating account (see note 7).

	£000
At 1 April 2005	289
Provision made in year	2,444
Unwinding of discount on provision	10
Payments offset against the provision	(596)
At 31 March 2006	<u>2,147</u>
Less amount payable within one year (included in Creditors - see note 12)	(909)
Amount payable after one year	<u>1,238</u>

14 Loans

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

Amount	Date Issued	Period	Interest	Weighted Average interest	Book Value 2006	Fair Value 2006
£000					£000	£000
2,161	1.10.91	26 years	9.625%}	9.813%	997	1,252
2,164	31.03.92	26 years	10.000%}		999	1,246
					1,996	2,498

In accordance with Treasury guidance, the fair value has been calculated by discounting future cash flows at the 31 March 2006 interest rate of 4.25%: this is the rate applicable to loans of more than 25 years.

14(b) All loans are unsecured and the sums outstanding at 31 March 2006 are repayable as follows:

	2006 £000	2005 £000
Within one year	166	166
Between one and two years	166	166
Between two and five years	499	499
More than five years	1,165	1,331
	1,996	2,162

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

15 Other reserves

	General Reserve £000	Revaluation Reserve £000
At 1 April 2005	85,602	8,797
Revaluation surplus during the year on:		
land and buildings	-	5,303
other tangible fixed assets	-	138
Transfer of realised element of revaluation reserve to general reserve	246	(246)
Special dividend paid from reserves	(40,000)	-
Transfer from operating account	5,120	-
At 31 March 2006	50,968	13,992

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

	2006 £000	2005 £000
Operating surplus before interest and dividend	5,260	7,894
Depreciation charges	1,380	1,124
Gain on disposal of fixed assets	(6)	(10)
Decrease / (Increase in debtors) (excluding interest receivable) - see note 10	217	(179)
Increase in creditors (excluding interest payable, dividend and capital expenditure) - see note 12	3,714	177
Net cash inflow from operating activities	10,565	9,006

17 Returns on investments and servicing of finance

	2006 £000	2005 £000
Interest received - operating activities	2,946	4,090
Interest paid	(208)	(224)
Dividend paid on public dividend capital	(3,832)	(7,390)
Special dividend paid from reserves	(40,000)	(30,000)
Net cash outflow from returns on investments and servicing of finance	<u>(41,094)</u>	<u>(33,524)</u>

18 Capital Expenditure

	2006 £000	2005 £000
Payments to acquire tangible fixed assets	(1,641)	(1,511)
Receipts from sale of tangible fixed assets	6	37
Net cash outflow from capital expenditure	<u>(1,635)</u>	<u>(1,474)</u>

19 Management of liquid resources

	2006 £000	2005 £000
Decrease in short term investments	33,300	24,500

20 Financing

	2006 £000	2005 £000
Net cash outflow from repayment of loans	(166)	(167)

21 Analysis of changes in net funds

	01-Apr-05 £000	Cash Flow £000	31-Mar-06 £000
Cash at bank and in hand	814	970	1,784
Short term investments	93,300	(33,300)	60,000
Loan repayments due within 1 year	(166)	-	(166)
Loan repayments due after 1 year	(1996)	166	(1,830)
Total	91,952	(32,164)	59,788

22 Capital commitments

	2006 £000	2005 £000
Contracted	6	89

23 Operating lease commitments

Operating lease rentals due within the next year:	2006 £000	2006 £000	2005 £000	2005 £000
	Buildings	Other	Buildings	Other
Leases expiring:				
within 1 year	-	-	113	-
between 1 and 5 years	363	293	363	279
after 5 years	622	-	192	-
	985	293	668	279

24 Contingent liabilities

The Directors are not aware of any contingent liabilities at 31 March 2006.

25 Related party transactions

The Patent Office is an executive agency of the Department of Trade and Industry. The Department of Trade and Industry is regarded as a related party. During the year, the Patent Office had various material transactions with the Department. In addition, the Patent Office had a small number of material transactions with other Government Departments and other central government bodies. Most of these transactions were with the Office for National Statistics and the Cabinet Office.

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

26 Financial instruments

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

Liquidity risk

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

Interest rate risk

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

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

Foreign currency risk

All fees are denominated in sterling with the exception of certain international trade mark business. The Madrid Protocol element (3.4% of turnover), denominated in Swiss Francs and payable by the World Intellectual Property Organisation, is managed by offsetting this against the sums due to the Organisation in respect of Patent Co-operation Treaty fees. The European Community Trade Mark Office search work (1.2% of turnover), denominated in Euros, is closely monitored and the Office is exposed to minimal exchange risk. Other foreign currency transactions are de minimis.

27 Intra-government balances

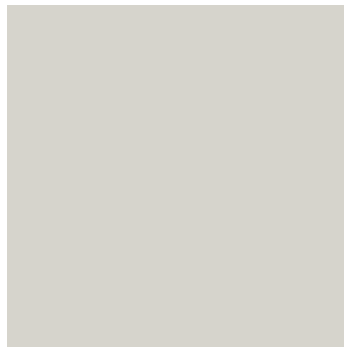
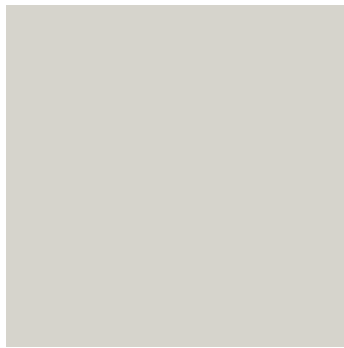
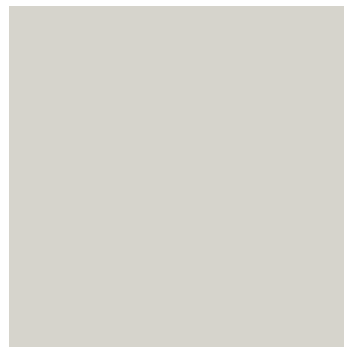
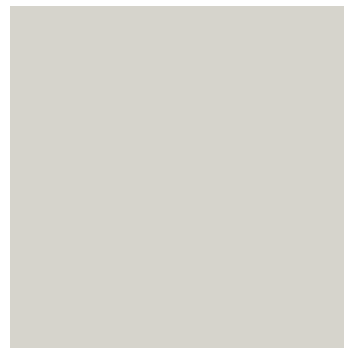
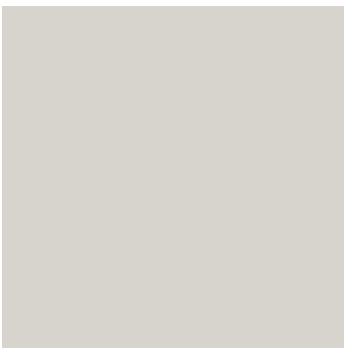
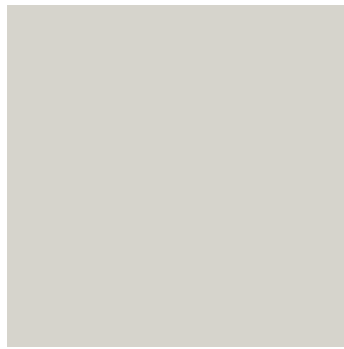
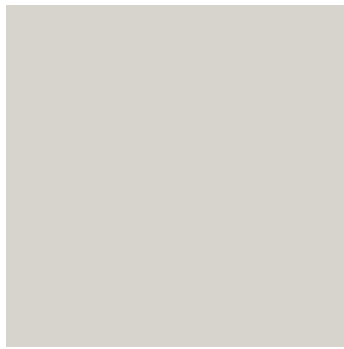
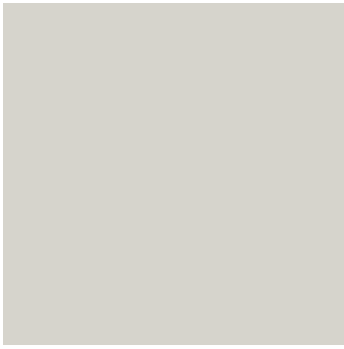
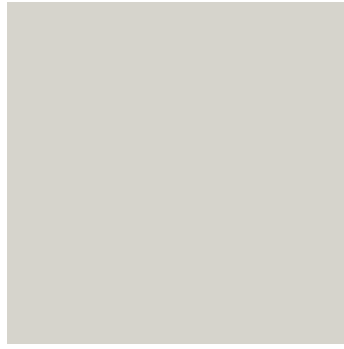
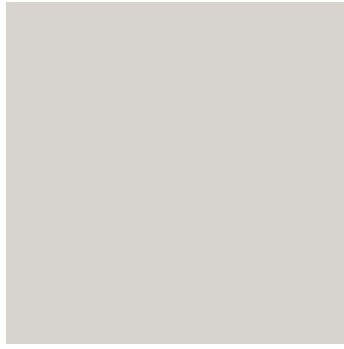
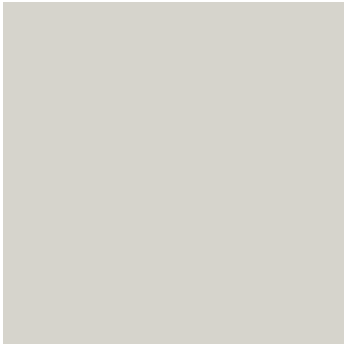
Balances with:	2006	2006	2005	2005
	£000	£000	£000	£000
	Debtors	Creditors	Debtors	Creditors
Central government bodies	354	4,046	537	5,262
Local authorities	-	58	-	-
NHS Trusts	-	-	-	-
Public corporations and other trading funds	-	42	-	40
Total at 31 March	354	4,146	537	5,302

All balances fall due within one year.

The Patent Office Trading Fund

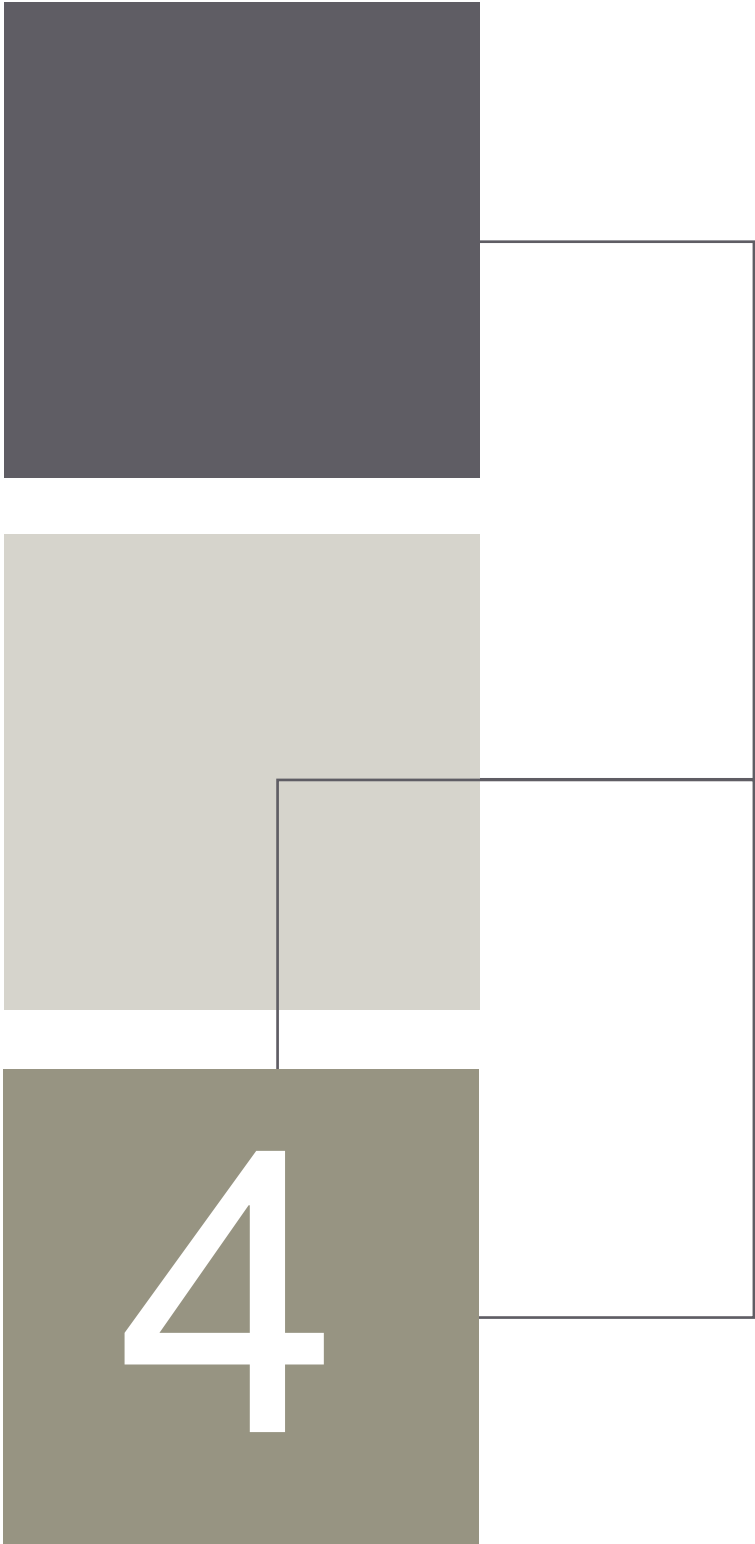
Treasury Minute Dated 26 February 2004

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



Chapter 4

Remuneration Report



Remuneration Policy

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

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

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

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

Further information about the work of the Review Body can be found at www.ome.uk.com.

The Patent Office Directors comprise mainly members of the senior civil service (SCS) or those whose pay and conditions, although delegated to the Office are determined by analogy with the SCS in the Department of Trade and Industry (DTI).

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

For SCS analogues the Chief Executive Ron Marchant, and Kathryn Bishop an independent member of the Steering Board, form a remuneration committee and moderate the final performance distribution.

Ms Smyth is not a member of the senior civil service (SCS), or of an analogous grade, and her remuneration forms part of the overall award for non-SCS staff in the Patent Office. The Patent Office holds a delegation to negotiate these awards locally, in line with its Treasury Remit which reflects central pay policy.

Service Contracts

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

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retirement age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Ron Marchant was appointed on a three year contract starting 1 January 2004.

Kevin Woodrow was appointed on a five year contract starting 23 September 2002.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Chief Executive and Directors of the Patent Office.

Remuneration	2005-2006		2004-2005	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Ron Marchant ¹ Chief Executive	100 – 105	Nil	95 – 100	Nil
Peter Lawrence ¹ Director to 31.08.05	25 – 30 (70-75 full year equivalent)	Nil	70 – 75	Nil
Kevin Woodrow ²	75 – 80	Nil	70 – 75	Nil
Sean Dennehey ²	100 – 105	Nil	95 – 100	Nil
Robin Webb ¹	55 – 60	Nil	50 – 55	Nil
Louise Smyth ³ Director from 28.02.05	45 – 50	£100	0 – 5 (40 – 45 full year equivalent)	Nil
Mark Pacey ¹ Director from 06.06.05	45 – 50 (55-60 full year equivalent)	Nil	Not Applicable	Not Applicable
Liz Coleman ² Director from 16.01.06	10 – 15 (60-65 full year equivalent)	Nil	Not Applicable	Not Applicable

¹ is a member of the Senior Civil Service.

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

³ is not a member of the Senior Civil Service.

Mr Lawrence left to take up a senior position at the Office for Harmonization in the Internal Market and no compensation was payable.

Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation.

Benefits in kind

Benefits in kind refer to subsidised child care arrangements which are open to all members of staff in the Patent Office.

Pension Benefits

	Accrued pension at age 60 as at 31/03/06 and related lump sum £'000	Real increase in pension and related lump sum at age 60 £'000	CETV at 31/3/06 £'000	CETV at 31/03/05 or start date £'000	Real increase in CETV £'000
Ron Marchant Chief Executive	45 – 50 plus 145 – 150 lump sum	2.5 – 5 plus 7.5 – 10 lump sum	1,174	991	49
Peter Lawrence Director to 31.08.05	25 – 30 plus 75 – 80 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	433	401	5
Kevin Woodrow	10 – 15 plus 35 – 40 lump sum	0 – 2.5 plus 2.5 – 5 lump sum	192	128	18
Sean Dennehey	30 – 35 plus 95 – 100 lump sum	0 – 2.5 plus 2.5 – 5 lump sum	581	427	24
Robin Webb	10 – 15 plus 35 – 40 lump sum	0 – 2.5 plus 2.5 – 5 lump sum	179	116	20
Louise Smyth Director from 28.02.05	5 – 10 plus 25 – 30 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	147	100	9
Mark Pacey Director from 06.06.05	5 – 10 Plus 10 – 15 lump sum	0 – 2.5 No increase in lump sum (classic plus)	107	72	13
Liz Coleman Director from 16.01.06	15 – 20 plus 45 – 50 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	265	251	4

Civil Service Pensions

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

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

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

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

Cash Equivalent Transfer Values

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

The factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

Real increase in CETV

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

Steering Board Members

David Hughes, Director General throughout the year, appoints independent Board members for a fixed term, which may be renewed. In addition both he and Peter Mason (representing the Finance and Resource Management division of the Department of Trade and Industry) hold appointments without a fixed term. All Board members have been in post throughout the year.

The Independent Board members and their remuneration are:

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

David Hughes, Peter Mason and David Richards are civil servants and are not remunerated by the Patent Office.

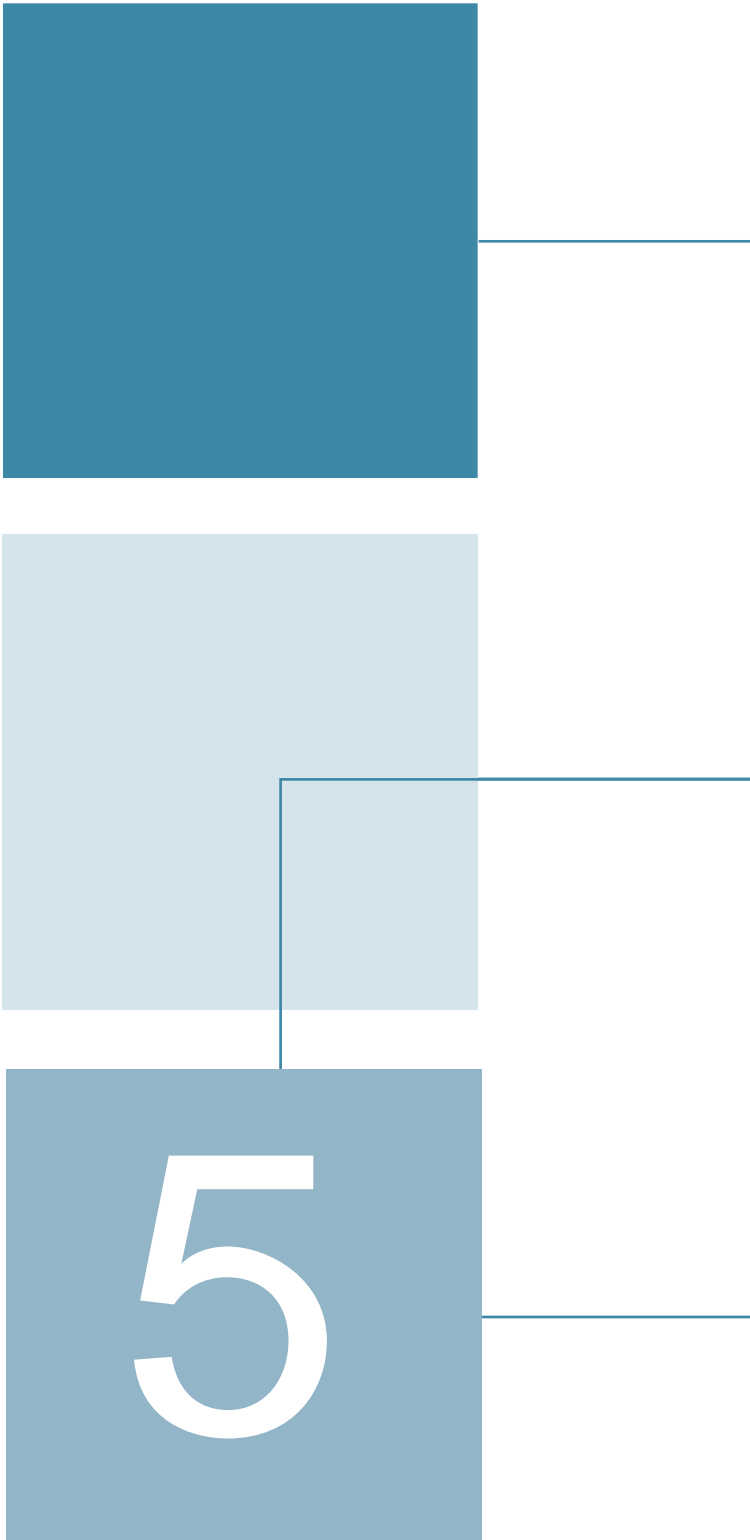
Geoffrey Drage has separately been appointed to the Audit Committee of the World Intellectual Property Organisation (WIPO) in January 2006 and receives fees from the UK Patent Office for his work in this connection. If this was included his overall remuneration would have been in the range £5 -10 thousand.



Ron Marchant
Chief Executive and Accounting Officer
4 July 2006

Chapter 5

Performance against Agency Targets



Agency Target - 2003-04

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

Agency Target - 2004-05

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

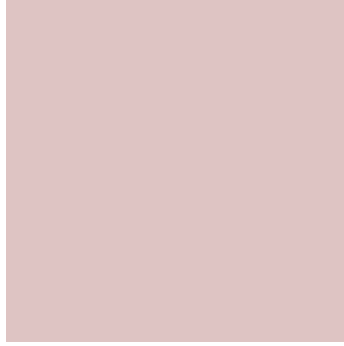
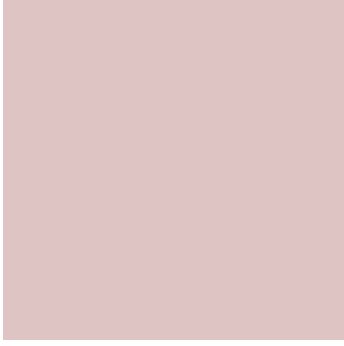
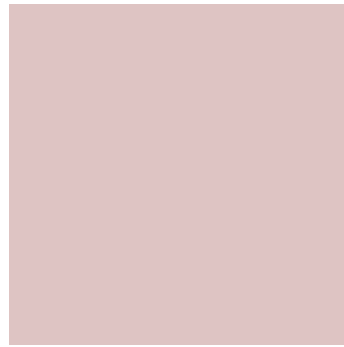
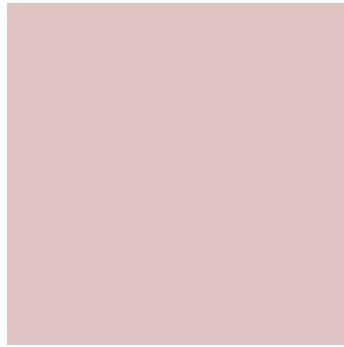
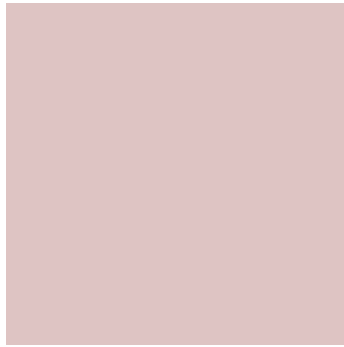
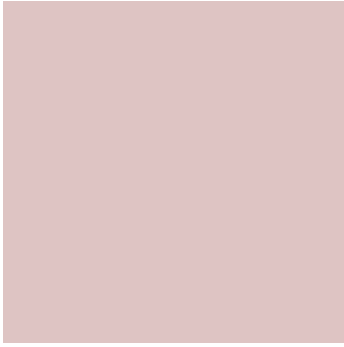
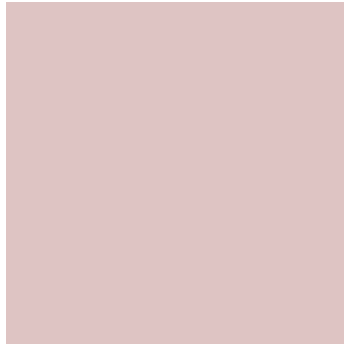
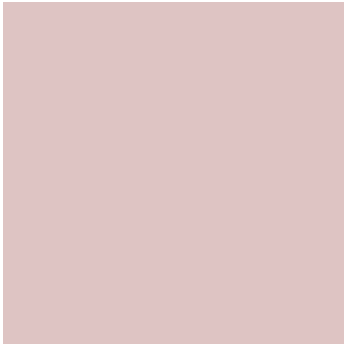
Agency Target - 2005-06

	Target	Outturn
Issue 90% of patent search reports within 5 months of request.	90%	93%
Grant 90% of patents within 2½ years of request.	90%	93%
Give good customer service in patent search and examination in 95% of quality assured cases.	95%	96.4%
Register 90% of processed trade mark class applications, to which no substantive objections are raised or oppositions filed, within 8 months of application.	90%	97.3%
Register 95% of correctly filed design applications, to which no substantive objections have been raised, within 3 months of the date of application.	95%	98.35%
Achieve an average of 23 weeks to issue a decision in trade marks <i>inter partes</i> cases once the case is ready	23 weeks	20.3 weeks
Make the correct decision on registrability for at least 98.5% of trade mark applications*.	98.5%	99.4%
Increase output in relation to current expenditure by an average of at least 2.5% per annum over a rolling 3 year period.	2.5%	-5.8%
Encourage 80% of UK secondary schools to adopt our educational resource, THINK kit version II	80%	82.5%
Meet our Customer Service Standards as reported in the Annual Report and on our website www.patent.gov.uk	100%	97.3%
Pay 100% of bills within 30 days of receipt of goods or services or a valid invoice, whichever is the later	100%	98.73%
Reply within 10 working days to all letters from members of Parliament delegated for Chief Executive's reply	100%	100%

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

Glossary

ADR	Alternative Dispute Resolution
CETV	Cash Equivalent Transfer Value
DTI	Department of Trade and Industry
EC	European Community
EPO	European Patent Office
FReM	Financial Reporting Manual
HCI	Home Computing Initiative
IP	Intellectual Property
ISO	International Standards Organisation
KPIs	Key Performance Indicators
OHIM	Office for Harmonisation in the Internal Market
PECS	Patents Electronic Case Files Programme
PO21C	Patent Office for the 21st Century Change Programme
PSA	Public Service Agreement
SMEs	Small and Medium Enterprises
TMP	Trade Marks Programme
WA	Wrongly Accepted
WR	Wrongly Refused
WIPO	World Intellectual Property Organisation



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The fibre is sourced from sustainable forests in Canada, Sweden and France and all pulps are ECF. All mill broke is recycled and constitutes a small percentage of the total fibre content. Waste water is filtered with a combination of chemical, physical and biological systems. The purified water which is then discharged into Lake Garda is far cleaner than the authorities require. The mill's filtration plants are already in line with future European legislative requirements. The product is recyclable, biodegradable and acid-free and the mill is regulated to ensure it has no effect on the tourism in the area. The Italian Green Party awarded the mill their Silver Rose award for their commitment to the environment in 1991.

Concept and Design

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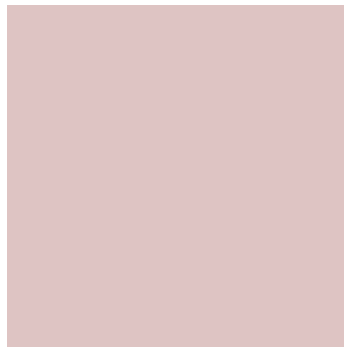
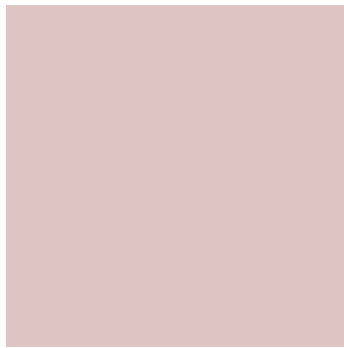
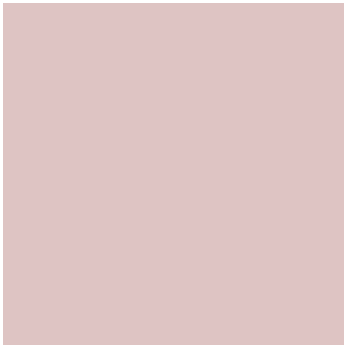
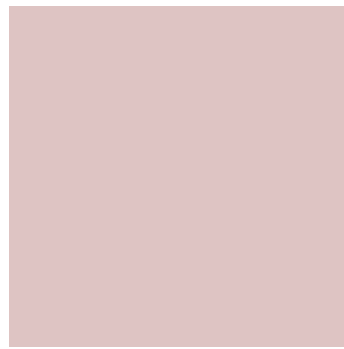
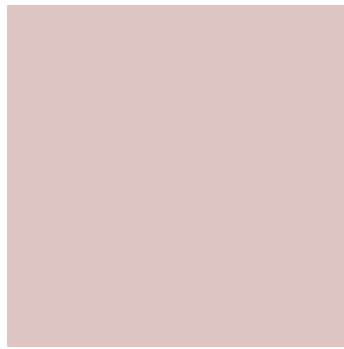
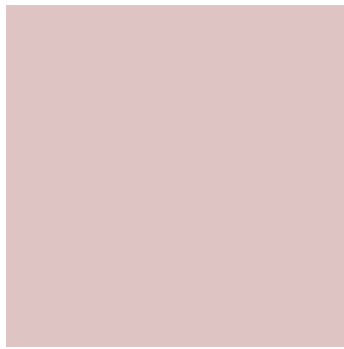
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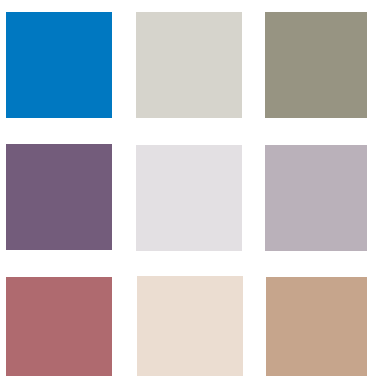
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